



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

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ANNUAL REPORT FILED IN ACCORDANCE WITH THE GENERAL PROVISIONS APPLICABLE TO SECURITIES' ISSUERS AND OTHER SECURITIES MARKET'S PARTICIPANTS FOR THE YEAR ENDED DECEMBER 31, 2021.

As of April 22, 2022, our capital stock is represented by 375,707,859 ordinary, registered, Series "B", Class I no par value shares, out of which 374,390,741 shares are outstanding and fully subscribed and paid for and 1,317,118 shares are kept in treasury.

Such securities are registered in the Securities National Registry and are traded in the Mexican Stock Exchange.

Ticker symbol: **GRUMAB**

"The registration before the National Securities Registry does not imply a certification regarding the worth of the securities, the solvency of the issuer or the accuracy or veracity of the information contained in the report, nor ratifies the actions which, in its case, we carried out in contravention of the laws."

This Annual Report was translated from Spanish into English and presented only for purposes of complying with the requirements of GRUMA's U.S.\$400 million 4.875% senior notes due 2024. None of the information contained in this report is prepared and published with the intention of claiming an exemption under Rule 12g3-2 (b) of the U.S. Securities Exchange Act of 1934. GRUMA does not authorize, endorse, support or encourage the creation of any unsponsored ADR program in respect of its securities and disclaims any liability whatsoever arising out of an unsponsored ADR program.

Under no circumstances should the contents of this report be construed as a solicitation to purchase any securities of GRUMA.

**KEY INFORMATION WITH RESPECT TO THE DEBT SECURITIES
(CERTIFICADOS BURSÁTILES) ISSUED BY GRUMA, S.A.B. DE C.V.**

AS OF DECEMBER 31, 2021

Ticker Symbol	GRUMA 18	GRUMA 21
Amount	Ps.3,000,000,000	Ps.2,000,000,000
Number of series in which the issuance is divided	N.A.	N.A.
Issuance date	September 27, 2018	May 21, 2021
Maturity date	September 21, 2023	May 12, 2028
Issuance period	1,820 days as of the Issuance Date, approximately 5 years	2,548 days as of the Issuance Date, approximately 7 years
Interest rate and calculation procedure	Interest rate on the nominal value of TIEE +38bp	7% fixed interest rate on the nominal value
Periodicity in payment of interest	Every 28 days commencing on October 25, 2018	Biannually commencing on November 19, 2021
Place and payment method of principal and interests	The principal and accrued interests of the Debt Securities (<i>Certificados Bursátiles</i>), will be paid on their Maturity Date and in every Interest Payment Date, by electronic transfer of funds, through Indeval, whose registered offices are located in Paseo de la Reforma No. 255, 3 rd floor, Colonia Cuauhtémoc, 06500, Mexico, Mexico City, against the delivery of the Debt Securities (<i>Certificados Bursátiles</i>) or of the certificates issued by Indeval.	The principal and accrued interests of the Debt Securities (<i>Certificados Bursátiles</i>), will be paid on their Maturity Date and in every Interest Payment Date, by electronic transfer of funds, through Indeval, whose registered offices are located in Paseo de la Reforma No. 255, 3 rd floor, Colonia Cuauhtémoc, 06500, Mexico, Mexico City, against the delivery of the Debt Securities (<i>Certificados Bursátiles</i>) or of the certificates issued by Indeval.
Subordination	Pari Passu	Pari Passu
Amortization and early amortization	<p>The principal of the Debt Securities (<i>Certificados Bursátiles</i>) will be amortized at its par value in a single payment on the Maturity Date upon the delivery of the Debt Securities (<i>Certificados Bursátiles</i>) or of the certification issued by Indeval.</p> <p>The Issuer has the right to proceed with an early amortization of all, but not less than all, the Debt Securities (<i>Certificados Bursátiles</i>), in any Interest Payment Date after September 23, 2021.</p>	<p>The principal of the Debt Securities (<i>Certificados Bursátiles</i>) will be amortized at its par value in a single payment on the Maturity Date upon the delivery of the Debt Securities (<i>Certificados Bursátiles</i>) or of the certification issued by Indeval.</p> <p>The Issuer has the right to proceed with an early amortization of all or part of the Debt Securities (<i>Certificados Bursátiles</i>) in any date before their Maturity Date.</p>

		If the early amortization is made before February 12, 2028, it should be made at an Early Amortization Price, as defined in the supplement. If it is done after this date, it should be made at their face value.
Guarantee	The Debt Securities (<i>Certificados Bursátiles</i>) will be unsecured, therefore, will not have a guarantor (<i>aval</i>), nor any guarantee.	The Debt Securities (<i>Certificados Bursátiles</i>) will be unsecured, therefore, will not have a guarantor (<i>aval</i>), nor any guarantee.
Trustee	N.A.	N.A.
Rating	S&P Global Ratings, S.A. de C.V. “mxAA+” Fitch México, S.A. de C.V. “AAA(mex)”	S&P Global Ratings, S.A. de C.V. “mxAA+” Fitch México, S.A. de C.V. “AAA(mex)”
Common Representative	CIBanco, S.A., Institución de Banca Múltiple	CIBanco, S.A., Institución de Banca Múltiple
Depository	S.D. Ineval Institución para el Depósito de Valores, S.A. de C.V.	S.D. Ineval Institución para el Depósito de Valores, S.A. de C.V.
Tax treatment	The applicable withholding tax rate to the interest paid in accordance with the Debt Securities (<i>Certificados Bursátiles</i>) is subject to: (i) for individuals or legal entities considered as residents of Mexico for tax purposes, articles 54, 135 and other applicable provisions of the current Income Tax Law (<i>Ley del Impuesto Sobre la Renta</i>), and (ii) for individuals and legal entities considered as non-Mexican residents for tax purposes, articles 153, 166 and other applicable provisions of the current Income Tax Law (<i>Ley del Impuesto sobre la Renta</i>). Potential investors shall consult their tax advisors on the tax consequences resulting from their investment in the Debt Securities (<i>Certificados Bursátiles</i>), including the application of specific rules regarding their particular situation. The current tax regime may be modified during the Program term and during the term of any issuance under the Program.	The applicable withholding tax rate to the interest paid in accordance with the Debt Securities (<i>Certificados Bursátiles</i>) is subject to: (i) for individuals or legal entities considered as residents of Mexico for tax purposes, articles 54, 135 and other applicable provisions of the current Income Tax Law (<i>Ley del Impuesto Sobre la Renta</i>), and (ii) for individuals and legal entities considered as non-Mexican residents for tax purposes, articles 153, 166 and other applicable provisions of the current Income Tax Law (<i>Ley del Impuesto sobre la Renta</i>). Potential investors shall consult their tax advisors on the tax consequences resulting from their investment in the Debt Securities (<i>Certificados Bursátiles</i>), including the application of specific rules regarding their particular situation. The current tax regime

		may be modified during the Program term and during the term of any issuance under the Program.
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Change of Control: In the event of a Change of Control Event (as defined in the indenture of the Debt Securities (*Certificados Bursátiles*)), the Issuer will be required to make an offer, in accordance with the Debt Securities (*Certificados Bursátiles*)’s indenture, to repurchase all of the Debt Securities (*Certificados Bursátiles*) at a purchase price equal to 101% of the par value of the Debt Securities (*Certificados Bursátiles*) plus the accrued interests but not yet paid on the principal of the Debt Securities (*Certificados Bursátiles*) at the repurchase date.

Corporate Restructuring: In the event of a corporate restructuring, the Issuer will disclose to the investors the applicable disclosure document and other information required under applicable laws. In accordance with the indenture of the Debt Securities (*Certificados Bursátiles*), the Issuer may not merge, transfer or dispose all or substantially all of its goods and consolidated assets, except under certain circumstances as per the indenture of the Debt Securities (*Certificados Bursátiles*).

Essential Assets: In accordance with the terms of the Debt Securities (*Certificados Bursátiles*), the Issuer may not constitute nor permit any of its subsidiaries to create any liens on “operating assets” (as such term is defined in the indenture of the Debt Securities (*Certificados Bursátiles*)), in order to guarantee any debt, except: (i) for “Permitted Liens” (as such term is defined in the Debt Securities (*Certificados Bursátiles*) indenture), or (ii) if, simultaneously to the creation of any lien, the Issuer guarantees in the same way its obligations under the Debt Securities (*Certificados Bursátiles*).

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1. GENERAL INFORMATION

Glossary of Terms and Definitions

“ADM”	Archer-Daniels-Midland.
“ADR”	American Depositary Receipts.
“ADS”	American Depositary Shares.
“ASERCA”	Trade Services and Development of Agricultural Markets Agency, an agency of the Secretary of Agriculture and Rural Development (formerly Secretary of Agriculture, Livestock, Rural Development, Fisheries and Food Ministry).
“Azteca Milling”	Azteca Milling, L.P.
“BEPS”	Base Erosion and Profit Shifting.
“BMV”	Bolsa Mexicana de Valores, S.A.B. de C.V.
“CETES”	Treasury Certificates of the Federation (<i>Certificados de la Tesorería de la Federación</i>).
“CIASA”	Constructora Industrial Agropecuaria, S.A. de C.V.
“COFECE”	Federal Economic Competition Commission (<i>Comisión Federal de Competencia Económica</i>).
“Consortio Andino”	Consortio Andino, S.L.
“CNBV”	National Securities and Banking Commission (<i>Comisión Nacional Bancaria y de Valores</i>).
“Debt Securities (<i>Certificados Bursátiles</i>)” or “CEBURES”	Negotiable instruments of those denominated <i>Certificados Bursátiles</i> , outstanding and issued by the Company in accordance with the Mexican Securities Law, the Program.
“DEMASECA”	Derivados de Maíz Seleccionados C.A.
“DICONSA”	A company with majority state control of the Mexican government that manages social supply programs through a network of 26,000 small stores that supply basic foods products to communities in rural areas.
“Dollars” or “U.S.\$”	Dollars of the United States of America.
“EBITDA”	<i>Earnings Before Interest, Taxes, Depreciation, and Amortization</i> (EBITDA is a financial ratio not contemplated by IFRS and it is defined in each credit agreement in which it is used).
“Fitch”	Fitch Ratings.
“GIMSA”	Grupo Industrial Maseca, S.A. de C.V.

“GRUMA”	Gruma, S.A.B. de C.V. and its consolidated subsidiaries, as a whole, except where a specific reference is made to Gruma, S.A.B. de C.V. (holding company) or where the context requires otherwise.
“Gruma Asia-Oceania”	Mission Foods (Shanghai) Co. Ltd., Gruma Oceania Pty. Ltd., and Mission Foods (Malaysia) Sdn. Bhd., as a whole, except where a specific reference is made to any such entities.
“Gruma Centroamerica”	Gruma de Guatemala, S.A., Derivados de Maíz Alimenticio, S.A., Industrializadora y Comercializadora de Palmito, S.A., Derivados de Maíz de Guatemala, S.A., Tortimasa, S.A., Derivados de Maíz de El Salvador, S.A. and Derivados de Maíz de Honduras, S.A. de C.V., as a whole, except where a specific reference is made to any such entities.
“Gruma Europe”	Mission Foods Iberia, S.A.U., NDF Azteca Milling Europe SRL, Solntse Mexico, LLC, Mex-Foods Siberia, LLC, Mission Foods Stupino, Semolina Misir Irmigi Gida Sanayi Ve Ticaret A.S., Altera Azteca Milling Ukraine LLC., and Mission Foods UK, Ltd, as a whole, except where a specific reference is made to any such entities.
“Gruma USA”	Gruma Corporation and its consolidated subsidiaries, as a whole, except when specific reference is made to any of said entities.
“IAS”	International Accounting Standards.
“IASB”	International Accounting Standards Board.
“ICSID”	International Centre for Settlement of Investment Disputes.
“IFRS”	International Financial Reporting Standards.
“INDEVAL”	S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V.
“INTASA”	Investigación de Tecnología Avanzada, S.A. de C.V.
“INTESA”	Investigación Técnica Avanzada, S.A. de C.V.
“LIBOR”	London InterBank Offered Rate.
“MÉXICO”	Mexican United States.
“MONACA”	Molinos Nacionales, C.A.
“Notes due 2024”	U.S.\$400 million 4.875% senior notes due 2024, issued on December 2014.
“NYSE”	New York Stock Exchange.
“OECD”	Organisation for Economic Co-operation and Development.
“Perpetual Bonds”	U.S.\$300 million 7.75% senior unsecured perpetual bonds issued on December 2004 and redeemed in full in 2014.

“Peso”, “Pesos” o “Ps.”	Mexican national currency.
“Primary Shareholder Group”	Ms. Graciela Moreno Hernández, widow of the late Mr. Roberto González Barrera, and certain of her descendants.
“Program”	Means Debt Securities (<i>Certificados Bursátiles</i>) program under which the Company may issue Short-term and Long-term revolving Debt Securities (<i>Certificados Bursátiles</i>), authorized by the CNBV through resolution number 153/12315/2018 dated September 25, 2018.
“PWC”	PricewaterhouseCoopers, S.C.
“REFIPRES”	Preferential Tax Regimes
“RMI”	Risk Management Instrument for the protection of crop pricing.
“RNV”	National Securities Registry (<i>Registro Nacional de Valores</i>).
“ROTCH”	Rotch Energy Holdings, N.V.
“SADER”	Mexico’s Agriculture and Rural Development Ministry (<i>Secretaría de Agricultura y Desarrollo Rural</i>).
“SAGARPA”	Agriculture, Animal Husbandry, Rural Development, Fisheries and Food Ministry (<i>Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación</i>).
“SEC”	Securities and Exchange Commission.
“SEGALMEX”	Mexican Food Safety (<i>Seguridad Alimentaria Mexicana</i>).
“SEMARNAT”	Ministry of the Environment and Natural Resources (<i>Secretaría del Medio Ambiente y Recursos Naturales</i>).
“Standard & Poor’s”	S&P Global Ratings.
“SKU”	Stock Keeping Unit.
“SQF”	Safe Quality Food Certificate.
“TECNOMAÍZ”	Tecno Maíz, S.A. de C.V.
“TIIE”	Mexican Equilibrium Interbank Interest Rate, determined and published by <i>Banco de México</i> .
“Valores Azteca”	Valores Azteca, S.A. de C.V.
“Valores Mundiales”	Valores Mundiales, S.L.
“Venezuelan Companies”	Jointly MONACA and DEMASECA.

1.1. INTRODUCTION

1.1.1. *Our Company*

Gruma, S.A.B. de C.V. is a publicly held corporation (*Sociedad Anónima Bursátil de Capital Variable*) registered in Monterrey, Mexico under the *Ley General de Sociedades Mercantiles*, or Mexican Corporations Law, on December 24, 1971, with a corporate life of 99 years. Our full legal name is Gruma, S.A.B. de C.V., but we are also known by our commercial names: GRUMA and MASECA. The address of our principal executive office is Calzada del Valle, 407 Ote., Colonia del Valle, San Pedro Garza García, Nuevo León, 66220, Mexico and our telephone number is (52) 81 8399-3300. Our legal domicile is San Pedro Garza García, Nuevo León, Mexico.

The company was founded in 1949, when Mr. Roberto González Barrera started producing and selling nixtamalized corn flour in Northeastern Mexico as raw material for producing tortillas and other corn-based products. Prior to our founding, all corn tortillas were made through the corn dough method or *nixtamal* (the “Traditional Method”). Today, both the Traditional Method, as well as the nixtamalized corn flour method are used, additionally, corn flour and the dough prepared through the Traditional Method can be mixed in various proportions to produce tortillas and other corn-based products. Our main nixtamalized corn flour operations are in Mexico and the United States and, to a lesser extent, in Central America and Europe.

Later, the company was able to integrate vertically with tortilla production and related products with important operations primarily in the United States and, to a lesser extent, Europe, Asia, Oceania, Central America and Mexico. In addition, we have diversified our product mix to include other types of flatbreads (pita, naan, chapati, pizza bases and piadina) mainly in Europe, Asia and Oceania, and corn grits mainly in Europe, among other products.

1.1.2. *Presentation of Financial Information*

This annual report contains our audited consolidated financial statements as of December 31, 2021 and 2020 and for the years ended on said dates, as of December 31, 2020 and 2019 and for the years ended on said dates, as well as those as of December 31, 2019 and 2018 and for the years ended on said dates, which have been audited by PricewaterhouseCoopers, S.C., an independent public accounting firm and were approved by our shareholders at the Annual General Shareholders’ Meetings held on April 22, 2022, on April 23, 2021, and on April 24, 2020, respectively.

We publish our financial statements in pesos and prepare our consolidated financial statements included in this annual report in accordance with IFRS, as issued by the IASB.

The financial statements of our entities are measured using the currency of the main economic environment where the entity operates (functional currency). The audited consolidated financial statements are presented in Mexican pesos, which corresponds to our presentation currency. The financial statements of the entities that have a functional currency which differs from our presentation currency are translated as follows: a) assets and liabilities at the closing rate of the period, b) income and expenses at average exchange rates when it has not fluctuated significantly during the period and c) equity at the effective exchange rate in the date when the contributions were made and the earnings were generated. All resulting exchange differences are recognized in other comprehensive income as a separate component of equity denominated “Foreign currency translation adjustments”. Prior to the peso translation, the financial statements of foreign subsidiaries with functional currency from a hyperinflationary environment are adjusted for inflation in order to reflect changes in purchasing power of the local currency. Subsequently, assets, liabilities, equity, income, costs, and expenses are translated to the presentation currency at the closing rate at the date of the most recent balance sheet. To determine the existence of hyperinflation, we evaluate the qualitative characteristics of the economic environment, as well as the quantitative characteristics established by IFRS, including an accumulated inflation rate equal or higher than 100% in the past three years.

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

Certain figures included in this annual report have been rounded for ease of presentation. Percentage figures included in this annual report are not all calculated on the basis of such rounded figures; some are calculated on the basis of such amounts prior to rounding. For this reason, percentage amounts in this annual report may vary from those obtained by performing the same calculations using the figures in our audited consolidated financial statements. Certain numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them due to rounding.

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

1.1.3. Market Share

The information contained in this annual report regarding our market positions is based primarily on our own estimates and internal analysis and data obtained from AC Nielsen. Market position information for the United States is also based on data from Technomic. For Mexico, information is also based on data from Información Sistematizada de Canales y Mercados (Channels and Markets' Systematized Information) or “ISCAM”, Asociación Nacional de Tiendas de Autoservicio y Departamentales (National Supermarkets and Department Stores Association) or “ANTAD”, Asociación Nacional de Abarroteros Mayoristas (National Groceries Wholesalers Association) or “ANAM” and reports from industry chambers. For Europe, information is also based on data from Symphony IRI Group. While we consider our internal research and estimates are reliable, they have not been verified by any independent source and we cannot ensure their accuracy.

1.1.4. Exchange Rate

This annual report contains translations of various peso amounts into U.S. dollars at specified rates solely for your convenience. These translations are solely intended to facilitate the investors reading comprehension. You should not construe these translations as declarations by us that the monetary amounts used to prepare the financial statements actually represent those amounts or could be converted into Mexican pesos at the rate indicated. Unless otherwise indicated, we have translated U.S. dollar amounts from pesos as of December 31, 2021 at the exchange rate of Ps.20.5835 to U.S.\$1.00, which was the rate established by *Banco de México* on December 29, 2021.

1.1.5. Forward Looking Statements

This annual report includes forward-looking statements and information regarding our company based on the management's believes, including statements about our plans, strategies and prospects, as well as on supposed facts with information available to the company as of this date. Some of these statements contain words such as “believe,” “expect,” “intend,” “anticipate,” “estimate,” “strategy,” “plans”, “budget”, “project” and other similar words. Although we believe that our plans, intentions and expectations as reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that these plans, intentions or expectations will be achieved. Actual results could differ materially from the forward-looking statements as a result of risks, uncertainties and other factors discussed in “Section 1.3. Risk Factors,” “Section 2. The Company,” “Section 3.4.3. Financial Condition, Liquidity and Capital Resources.” These risks, uncertainties and factors include general economic and business conditions, including changes in exchange rates, and conditions that affect the price and availability of corn and other raw materials; potential changes in demand for our products; price and product competition; and other factors discussed herein.

1.2. EXECUTIVE SUMMARY

This summary does not intend to contain all information, which may be relevant to make investment decisions regarding the securities herein mentioned. Therefore, the investor public shall read all the Annual Report, including the financial information and related notes, before making an investment decision. The following summary was prepared in accordance, and subject to, the detailed information and financial statements included in this Annual Report. It is recommended to pay special attention to Section 1.3. “Risk Factors” of this Annual Report, to determine the convenience of making an investment in the securities issued by the Issuer.

1.2.1. General Description of the Company

Founded in 1949, GRUMA, S.A.B. de C.V., is one of the world's leading tortilla and nixtamalized corn flour producers. With leading brands in most of its markets, GRUMA has operations in the United States, Mexico, Central America, Europe, Asia and Oceania.

Our Series B shares are listed in the BMV under the Ticker Symbol GRUMAB since 1994. Likewise, our shares were listed in the United States through an ADR program. Nevertheless, such program has been terminated and our shares were delisted from the New York Stock Exchange or NYSE as of September 8, 2015. See “Section 1.2.3. Trading History”.

1.2.2. Selected Financial Information

The following tables present our selected consolidated financial data as of and for each of the years indicated. The data as of December 31, 2021, 2020, and 2019 and for the years ended December 31, 2021, 2020, and 2019, is derived from and should be analyzed together with our audited consolidated financial statements included herein and “Section 3.4.2 Results of Operations.”

Income Statement Data:	2021	2020	2019
	(thousands of Mexican Pesos, except per share amounts)		
Net sales	Ps.94,250,381	Ps. 91,103,131	Ps.77,387,658
Cost of sales	(60,350,117)	(56,260,258)	(48,672,006)
Gross profit.....	33,900,264	34,842,873	28,715,652
Selling and administrative expenses	(23,314,889)	(23,408,562)	(19,412,701)
Other income (expenses), net.....	697,760	(85,906)	(20,946)
Operating income	11,283,135	11,348,405	9,282,005
Comprehensive financing cost, net.....	(1,664,428)	(2,871,157)	(1,722,186)
Income before income tax	9,618,707	8,477,248	7,559,819
Income tax expense	(3,461,998)	(3,096,822)	(2,711,069)
Consolidated net income from continuing operations.....	6,156,709	5,380,426	4,848,750
Loss from discontinued operations	(637)	(11,430)	(11,473)
Consolidated net income	6,156,072	5,368,996	4,837,277
Attributable to:			
Shareholders	6,155,581	5,368,058	4,835,675
Non-controlling interest	491	938	1,602
Per share data⁽¹⁾:			
Basic and diluted earnings (losses) per share (pesos):			
From continuing operations.....	15.75	13.30	11.60
From discontinued operations.....	-	(0.03)	(0.03)
From continuing and discontinued operations	15.75	13.27	11.57
 Balance Sheet Data (at period end):	2021	2020	2019
	(thousands of Mexican pesos, except per share amounts and operating data)		
Properties, plant and equipment, net	Ps.33,915,050	Ps.31,044,031	Ps.28,665,642
Right-of-use assets.....	5,954,646	6,198,838	4,729,796
Total assets	78,775,581	73,776,086	66,882,870
Short-term debt ⁽²⁾	1,125,484	2,720,179	587,076
Short-term lease liability.....	772,660	717,338	612,596
Long-term debt ⁽²⁾	23,335,419	20,155,237	21,038,774
Long-term lease liability	5,795,113	5,962,332	4,403,642
Total liabilities.....	49,213,146	46,104,385	40,905,336
Common stock.....	4,722,600	4,924,197	5,120,602
Total equity ⁽³⁾	29,562,435	27,671,701	25,977,534
Other Financial Information:			
Capital expenditures.....	5,826,475	3,702,481	1,765,079
Depreciation and amortization	3,653,275	3,693,754	3,179,550
Net cash provided by (used in):			
Operating activities	11,393,945	12,870,991	7,648,191
Investing activities	(5,265,751)	(3,594,334)	(1,313,968)
Financing activities	(7,035,816)	(7,406,004)	(5,681,905)

(1) Based upon the weighted average of outstanding shares of our common stock (in thousands), as follows: 390,875 shares for the year ended December 31, 2021, 404,552 shares for the year ended December 31, 2020, and 417,944 shares for the year ended December 31, 2019.

(2) Short-term debt consists of bank loans and the current portion of long-term debt. Long-term debt consists of bank loans, the Debt Securities (*Certificados Bursátiles*) Gruma 18 for Ps.3 billion, the Debt Securities (*Certificados Bursátiles*) Gruma 21 for Ps.2 billion, and our Notes due 2024. See “Section 3.4.3. Financial Condition, Liquidity and Capital Resources - Indebtedness.”

(3) Total equity includes non-controlling interests as follows: Ps. (23) million as of December 31, 2021, Ps.(13) million as of December 31, 2020, and Ps.(12) million as of December 31, 2019.

Operating Data:	2021	2020	2019
	(thousands of tons)		
Sales Volume:			
Gruma USA (nixtamalized corn flour, tortillas and other) ⁽¹⁾	1,521	1,507	1,441
GIMSA (nixtamalized corn flour and other).....	2,047	2,099	2,042
Gruma Europe (corn grits, nixtamalized corn flour, tortillas and other).....	389	404	395
Gruma Centroamérica (nixtamalized corn flour and other).....	237	243	213
Number of Employees:	22,492	22,254	20,785

(1) Net of intercompany transactions.

1.2.3. Trading History

Our Series B Shares have been traded on the *Bolsa Mexicana de Valores, S.A.B. de C.V.*, or Mexican Stock Exchange, since 1994. The ADSs, each representing four Series B Shares, commenced trading on the New York Stock Exchange in November 1998 through an ADR program and were delisted on September 8, 2015 and our reporting obligations under the Securities Exchange Act of 1934, were extinguished as of December 9, 2015. Currently, there are no ADR program sponsored by GRUMA. GRUMA does not authorize, endorse, support or encourage the creation of any unsponsored ADR program in respect to its securities and disclaims any liability whatsoever, arising out of any unsponsored ADR program.

As of April 22, 2022, our capital stock is represented by 375,707,859 issued, ordinary, non-par value, Class I, Series B shares, out of which 374,390,741 shares are outstanding and fully subscribed and paid for and 1,317,118 shares are kept in treasury.

1.2.4. Price History

The following table sets forth, for the periods indicated, the annual high and low closing sale prices for our Series B Shares.

	Mexican Stock Exchange	
	Common Stock	
	High	Low
	(Ps. Per share ⁽¹⁾)	
Annual Price History		
2016.....	293.87	233.10
2017.....	286.38	227.25
2018.....	258.06	207.56
2019.....	234.69	166.07
2020.....	281.21	170.80
2021.....	262.52	205.17
Quarterly Price History		
2020		
1st Quarter.....	211.08	170.80
2nd Quarter.....	249.85	188.77
3rd Quarter.....	281.21	266.33
4th Quarter.....	252.52	214.82
2021		
1st Quarter.....	244.80	224.03
2nd Quarter.....	251.39	205.17
3rd Quarter.....	243.44	212.39
4th Quarter.....	262.52	218.43
2022		
1st Quarter.....	282.96	247.80

	Mexican Stock Exchange	
	Common Stock	
	High	Low
	(Ps. Per share ⁽¹⁾)	
Monthly Price History ⁽¹⁾		
October 2021.....	241.75	218.43
November 2021.....	259.91	242.22
December 2021.....	262.52	250.62
January 2022.....	269.80	249.59
February 2022.....	282.96	262.28
March 2022.....	270.36	247.80
April 2022 ⁽²⁾	261.71	240.69

(1) Pesos per share reflect nominal price at trade date.

(2) As of April 22, 2022.

On April 22, 2022, the last reported sale price of the B Shares on the Mexican Stock Exchange was Ps. 240.69 per B Share.

1.3. RISK FACTORS

The investor public should carefully consider the risk factors described herein prior to any investment decision. Those described herein are not the only risks and uncertainties the company faces. The risks and uncertainties that the company is not aware of, as well as those that the company currently considers of minor significance, may also affect its operations and activities.

The occurrence of any of the risks described herein may have a material adverse effect on the operations, financial condition or operating results of the company.

The risks described herein are intended to highlight those specific to the company, but in no way should be considered as the only risks the company and/or the investor public may face. Such additional risks and uncertainties, including those that generally affect the industry in which the company operates, the geographic areas where it has presence or those risks that it does not deem as important, may also affect its business and value of the investment.

1.3.1. Risks Related to Our Company

Fluctuations in the Cost and Availability of Corn and Wheat May Affect Our Financial Performance

Our financial performance may be affected by the price and availability of corn and wheat. Corn and wheat flour represented 34% and 9% respectively, of our cost of sales in 2021. Mexican and world markets have experienced periods of either over-supply or shortage of corn and wheat as a result of different factors such as weather conditions, some of which have caused adverse effects on our results of operations. Additionally, because of this volatility and price variations, we may not always be able to pass along our increased costs to our customers in the form of price increases. In addition, future Mexican or other countries' governmental actions could affect the price and availability of corn or wheat. Any material adverse development in domestic and international corn or wheat markets could have a material adverse effect on our business, financial condition, results of operations, and prospects.

To manage these price risks, we regularly monitor our risk tolerance and evaluate the possibility of using derivative instruments to hedge our exposure to the prices of our main commodities. We generally hedge to cope with fluctuations in the costs of corn and wheat, in particular at our U.S., Mexican and Central American operations, using futures, swaps and options contracts and fixed price supply contracts according to our risk management policy, but remain exposed to losses in the event of non-performance by counterparties to the financial instruments or the supply contracts. In addition, if corn or wheat prices decrease below the levels contracted in our various hedging agreements, we would lose the value of a decline in these prices.

Increases in the Cost of Energy Could Affect Our Profitability

We use a significant amount of electricity, natural gas and other energy sources to operate our nixtamalized corn flour plants and processing ovens for the manufacture of tortillas and related products at our facilities. These energy costs represented approximately

5% of our cost of sales in 2021. In addition, considerable amounts of fuels are used in connection with the distribution of our products. The cost of energy may fluctuate widely due to economic and political conditions, government policy and regulation, war, weather conditions or other unforeseen circumstances. An increase in such costs would increase our operating costs and, therefore, could affect our profitability.

We generally have hedges to deal with fluctuations in natural gas costs, particularly in our operations in the United States of America and Mexico, using futures, swaps and options contracts and fixed price supply contracts in accordance with our risk management policy. Additionally, diesel hedges are contracted to hedge distribution costs of our products in the United States of America, from time to time. As in the corn and wheat hedges, we are exposed to losses in the event of non-performance of our counterparties or in case of unexpected market movements.

The Inadvertent or Accidental Presence of Genetically Modified Corn or Other Genetically Modified Inputs in Our Products, either not suitable for nixtamalization or not approved for human consumption, or exceeding the limits permitted under applicable regulations, or of Mycotoxins, Acrylamides, Heavy Metals, Agrochemicals or Residual Materials from the Production Process of Our Inputs, May Have a Negative Impact on Our Sales and Our Results of Operations

We do not grow our own corn, therefore we purchase it from various farmers and grain sellers. We only contract the procurement of corn suitable for nixtamalization, approved for human consumption and that complies with all regulations applicable to our operations. However, although we have developed control protocols for the corn we acquire, in order to test and monitor the presence of genetically modified corn that is not suitable for nixtamalization, or not approved for human consumption or that exceeds the limits permitted under applicable regulations, we could accidentally or inadvertently incorporate it to our production process.

Additionally, we rely upon third parties to supply us the inputs used in the manufacturing of our products and we do not control the production process of such inputs (including corn, wheat flour, packing material and additives). Notwithstanding we have developed control protocols in our inputs to test and monitor the presence of mycotoxins, acrylamides, heavy metals, agrochemicals or other residual or derived materials from our inputs production process, we may accidentally or inadvertently include such substances and materials in our products exceeding the limits permitted under applicable regulations.

The accidental or inadvertent presence of genetically modified corn in our products, either not suitable for nixtamalization or not approved for human consumption, or exceeding the limits permitted under applicable regulations; or of mycotoxins, acrylamides, heavy metals, agrochemicals or residual or derived materials from our input production process which exceed the permitted limits under applicable regulations, may result in costly recalls, reputational damage, sales reductions, impairment on the performance and functionality of our products, governmental actions, and lawsuits, which could have a negative impact on our sales and results of operations.

The Presence of Genetically Modified Corn or other Genetically Modified Inputs in Our Products, or of Mycotoxins, Acrylamides, Heavy Metals, Agrochemicals, or Residual Materials from the Production Process of Our Inputs, Even Within the Maximum Permitted Limits, May Generate a Negative Perception in the Consumer and therefore a Negative Impact on Our Sales and Our Results of Operations.

In the past, various allegations have been made, mostly in the United States and the European Union and recently in Mexico, that genetically modified foods as well as certain types of mycotoxins, acrylamides, heavy metals, agrochemicals and other residual materials from the food production process are unsafe for human consumption, could be carcinogenic, pose risks to the environment and create legal, social and ethical dilemmas. Some countries, particularly in the European Union, as well as Australia and some countries in Asia, have instituted restrictions or conditions for the use and import of genetically modified grain and products manufactured with them, while other countries such as Mexico are in the process of evaluating and applying this type of restrictions or conditions. Other countries, including the United States, China and other countries from the European Union have imposed labeling requirements and traceability obligations on genetically modified agricultural and food products, which may affect the acceptance of these products.

To the extent that we may buy or may be perceived to be a seller of products manufactured with genetically modified grains, even if permitted for human consumption, or with traces of mycotoxins, acrylamides, heavy metals, agrochemicals and residual materials from our input process production, even within permitted limits, this may generate a negative perception of our products in consumers and a negative impact on our sales and results of operation.

Regulatory Developments May Adversely Affect Our Business

We are subject to regulation in each of the territories in which we operate. The principal areas in which we are subject to regulation are health, food safety, environmental, labor, taxation and antitrust. The adoption of new laws or regulations or any changes in the judicial interpretation of existing legislation in the countries in which we operate, may increase our operating costs, impose restrictions on our operations or impact our growth opportunities which, in turn, may adversely affect our financial condition, business and results of operations. Further changes in current regulations may result in an increase in compliance costs, which may have an adverse effect on our financial condition and results of operations. See “Section 2.2.5. Applicable Laws and Taxation.”

Economic and Legal Risks Associated with a Global Business May Affect Our International Operations

We conduct our business in many countries and the revenues from our international operations account for a significant portion of our revenues. There are risks inherent in conducting our business internationally, including:

- general political and economic instability in markets;
- limitations in the repatriation, nationalization or governmental seizure of our assets, including cash;
- direct or indirect expropriation of our assets;
- varying prices and availability of corn and wheat and the cost and ease of hedging such fluctuations under prevailing market conditions;
- different liability standards and legal systems;
- developments in the international credit markets, which could affect capital availability or cost, and could restrict our ability to obtain financing or refinance our existing indebtedness at favorable terms, if at all; and
- intellectual property laws of countries that do not protect our international rights to the same extent as the laws of Mexico.

We have expanded our operations to several countries, including Ukraine, Russia, Turkey, Spain and Malaysia, among others, which are not significant due to their size. Our presence in these and other markets could present us with new and unanticipated operating challenges. For example, we may encounter labor restrictions or shortages and currency conversion obstacles, or be required to comply with stringent local governmental and environmental regulations. Any of these factors could increase our operating expenses and decrease our profitability.

Our Business May Be Adversely Impacted by Risks Related to Our Derivatives Trading Activities

According to our risk management policy, we use derivative instruments to hedge against changes in exchange rates, interest rates, energy and our main raw materials. We may incur losses related to the value of the contracted derivative instruments. This as a result of changes in economic conditions, investor sentiment, monetary and fiscal policies, liquidity of global markets, international and regional political events, and acts of war or terrorism. See “Section 3.4.3. Financial Condition, Liquidity and Capital Resources.”

We Cannot Predict the Impact that Changing Climate Conditions, Including Possible Legal, Regulatory and Social Responses Thereto, May Have on Our Business

Various scientists, environmentalists, international organizations, regulators and other commentators believe that global climate change has added, and will continue to add, to the unpredictability, frequency and severity of natural disasters (including, but not limited to droughts, hurricanes, tornadoes, freezes, storms and fires) in certain parts of the world. In response to this belief, a number of legal and regulatory measures as well as social initiatives have been introduced in an effort to reduce greenhouse gas and other carbon dioxide emissions which some believe may be chief contributors to global climate change. We cannot predict the impact that changing climate conditions, if any, will have on our results of operations or our financial condition. Moreover, we cannot predict how legal, regulatory and social responses to concerns about global climate change will impact our business in the future.

Our Current or Future Indebtedness Could Adversely Affect Our Business and, Consequently, Our Ability to Pay Interest and Repay Our Indebtedness.

We had total consolidated indebtedness, excluding leases, of Ps.24,461 million (U.S.\$1,188 million) as of December 31, 2021. On a stand-alone basis, we had Ps.23,165 million (U.S.\$1,125 million) of outstanding indebtedness as of December 31, 2021. See “Section 3.4.3. Financial Condition, Liquidity and Capital Resources—Indebtedness.”

Our level of indebtedness may have important consequences, including:

- increasing our vulnerability to adverse general economic and industry conditions, including higher interest rates as well as increases in prices of raw materials, foreign currency exchange rate fluctuations and market volatility;
- limiting our ability to generate sufficient cash flow to satisfy our obligations with respect to our indebtedness, particularly in the event of a default under one of our debt instruments;
- limiting cash flow available to fund our working capital, capital expenditures or other general corporate requirements;
- limiting our ability to obtain additional financing on favorable terms to refinance debt or to fund future working capital, capital expenditures, other general corporate requirements and acquisitions; and
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry.

To the extent that we incur additional indebtedness, the risks outlined above could increase. In addition, our actual cash requirements in the future may be greater than expected. Our ability to make scheduled payments on and refinance our indebtedness when due depends on, and is subject to, several factors, including our financial and operating performance, which is subject to prevailing economic and financial conditions, business and other factors, the availability of financing by banking and capital markets, and our ability to sell assets and implement operating improvements.

We May Be Adversely Affected by Increases in Interest Rates

Interest rate risk exists primarily with respect to our floating-rate peso and dollar denominated debt, which bear interest based mainly on the TIIE or LIBOR, respectively. As a result, if the TIIE or LIBOR rates increase significantly, our ability to service our debt may be adversely affected. As of December 31, 2021, taking into account outstanding interest rate swaps approximately 80% of our outstanding indebtedness bore interest at fixed rates and approximately 20% bore interest at floating rates. We constantly monitor the prospects of interest rates in pesos and US dollars, and analyze debt contracting at fixed rates or interest rate swaps to mitigate the risk of interest rate increases.

An interest reference rate reform is currently being carried out globally, including the replacement of certain interbank reference rates such as US Dollar LIBOR with more robust alternative rates, that are closer to risk-free. The administering authority that regulates LIBOR announced that it intends to end the publication of certain LIBOR rates starting on the end of December 2021. Regulators have also requested the banks not to grant any new loans based on the LIBOR rates after 2021. The main impact for the Company will be the amendment of the contractual terms of floating debt rate referenced to LIBOR rate. The only loan withdrawn with a variable rate in dollars is the 2021 Long-Term Credit Facility, which already includes the necessary modifications for an automatic transition to the new reference rate once certain conditions are met. *Downgrades of Our Debt May Increase Our Financing Costs, Adversely Affect Us or even Affect Our Stock Price*

Our long-term corporate credit rating on a global scale and our U.S.\$400 million 4.875% unsecured senior notes due 2024 are rated “BBB+” and “BBB” by Fitch and Standard & Poor’s respectively. The Debt Securities (*Certificados Bursátiles*) issuance for Ps.3 billion and Ps. 2 billion with a maturity date on 2023 and 2028, respectively, under the Program, has a rating of AAA(mex) and mxAA+ by Fitch and Standard & Poor’s, respectively.

If our financial condition deteriorates, we may experience downgrades to our credit ratings, with attendant consequences. Our access to external sources of financing, as well as the cost of that financing, could be adversely affected by a deterioration of our long-term debt ratings. A downgrade in our credit ratings could increase the cost of and/or limit the availability of financing, which may make it more difficult for us to raise capital when necessary. If we cannot obtain adequate capital on favorable terms or at all, our business, operating results and financial condition would be adversely affected.

We Expect to Pay Interest and Principal on Our Debt with Cash Generated in Dollars, Pesos or Other Currencies, as Needed, But Cannot Assure You That We Will Generate Sufficient Cash Flow in the Relevant Currency at the Required Times from Our Operations

We had approximately 71% of our outstanding debt denominated in dollars, 23% in Mexican pesos and the rest in other currencies as of December 31, 2021. While it is unlikely, we may not generate sufficient cash in the relevant currency from our operations to service our debt in such currency. The depreciation of certain currencies or a change in our business could adversely affect our ability to service our debt.

The Issuer May be Exposed to Both, Cyber-Attacks, Other Computer Security Breaches or Information Technology, Which Could Adversely Affect its Business and Operations.

It is possible that the Issuer may be subject to cyber-attacks and other threats or computer security breaches that could compromise and materially affect the information technology systems, networks, operation and technological and computer security of the Issuer. The security risks associated with information technology have increased in recent years due to an increase in the sophistication and activities of those people who carry out cyber-attacks. A failure of or an attack on the information technology systems, networks, operation and technological and computer security of the Issuer could adversely affect its business and result in the disclosure or improper use of confidential or personal information (own or of third parties), causing significant interruptions in the services or other operational difficulties, as well as increases in costs or generate losses. Additionally, the unauthorized use and disclosure of confidential and / or sensitive information and / or data privacy derived from a cyber-attack and other threats and computer security breaches could have an adverse effect on the business, reputation and / or profitability of the Issuer.

Our Business and Operations May be Adversely Affected by Events Outside of our Control

Our ability to manufacture, distribute and sell products is critical to our success. These activities are subject to inherent risks outside of our control such as natural disasters, power outages, fires or explosions, labor strikes, terrorism, wars, epidemics, pandemics, import, export and other governmental restrictions, regional or global economic, business, environmental or political events, which could disrupt our supply chain and therefore impair our ability to manufacture, distribute or sell our products. This interruption, if not mitigated in advance or otherwise effectively managed when possible, could adversely impact our business, financial condition, and results of operation. Furthermore, an outbreak of a contagious disease, and other adverse health developments could have an adverse effect on global economic conditions and on our business.

Risks derived from the SARS-CoV-2 virus health emergency and the disease it causes (“COVID-19”).

Health emergencies due to the outbreak and spread of diseases in an international or national level, or in any country where the Company operates, such as the health emergency that arose by the SARS-CoV-2 and the disease it causes, also known as “COVID-19”, can cause several adverse effects, such as stoppages of commercial and social activities, quarantines, shutting down of factories, workplaces, convenience stores, distribution and study centers, increase in input prices, as well as volatility in capital markets and economic slowdowns or recessions, both locally and globally, which could have a negative impact on our business, financial condition, and results of operations.

Our ability to produce, distribute and sell our products is critical to our operations. Thus, the COVID-19 pandemic, as well as the measures taken by the governments to deal with this pandemic in the different jurisdictions where we operate, could have a negative impact on our business, sales, results, cash flow and financial situation, and could hinder the hiring of new employees, the distribution of our products and the procurement of raw materials. Depending on uncertain future events, such as the intensity and duration of the COVID-19 consequences and the severity of the abovementioned governmental measures, the already mentioned impact could become material.

Furthermore, it is difficult to predict for how long the COVID-19 effects’ will continue, and whether an escalation of the economic slowdown may result in our customers’ reducing their demand for our products or have operational or liquidity problems, as well as impacting our supplier’s ability to supply the necessary goods and services to continue with our business.

We have adopted several measures to safeguard the continuity of our operations, which we consider have been adequately effective so far in mitigating the effects of the COVID-19 pandemic on our financial situation, results, and operations, however, we cannot assure that such measures will continue to be effective. The administration will continue to monitor the situation closely in order to make any adjustments as they deem fit. For more information regarding the impact of the COVID-19 pandemic on our results, please see Note 30 to our audited consolidated financial statements as of December 31, 2021 and 2020, and for the years ended on these dates.

Changes in the International Financial Reporting Standards ("IFRS") Could Result in Material Impacts on the Issuer's Internal Processes, Business Operations, Financial Situation and Compliance with its Contractual Obligations.

It is possible that some IFRS may be modified or replaced in the future. The initial application of new IFRS could have as a result material impacts in the internal processes of the Issuer, as well as in its operations, financial situation and fulfillment of its contractual obligations, which are not predictable or quantifiable to date. Likewise, it is possible that the financial information that is prepared in accordance with the new IFRS may not be comparable with the financial information reported during previous years.

Our Business and Operations May Be Adversely Affected by the Armed Conflict in Ukraine

During the first quarter of 2022, Russian military forces invaded Ukraine. This has resulted in the imposition of sanctions on Russia by the United States of America, the United Kingdom, the European Union and other countries, as well as counter-sanctions imposed by Russia to such countries. It is likely that these sanctions and counter-sanctions will increase, and that other measures be established in the short term. These sanctions are expected to have a significant global impact on economic growth, financial markets, interest rates, supply chains and prices of food and other inputs, as well as effects on Russia's local economy, such as strong pressure on its currency (ruble) and an inflation increase.

This conflict forced the Company to temporarily suspend the production operations of its plant in Ukraine. The Company has focused on supporting and ensuring the safety of its employees. Additionally, the Company's contingency strategy has been initiated proactively to guarantee business continuity; this includes the fulfillment of commitments with clients located in other countries through other subsidiaries of the Company in Europe, as well as the placement of finished product inventory in the local Ukrainian market, mainly in the self-service channel.

The production plants in Russia continue to operate. The supply of most of the inputs is obtained from the local market and the inventory of spare parts for the production equipment covers approximately the following six months of operation. As a consequence of this conflict, the company recognized a non-monetary charge, during the first quarter of 2022, in the operating results of \$2 million dollars due to the goodwill impairment associated with the business segment of Altera Azteca Milling, LLC, located in Ukraine. The impact of the operations of the subsidiaries in Ukraine and Russia for the quarter ended as of March 31, 2022 was not material to consolidated revenues, operating income and consolidated financial position and is not expected to be material during the year.

In the consolidated financial statements as of December 31, 2021, the Ukrainian and Russian subsidiaries contribute assets that represent 0.7% and 1.77% of total assets, respectively, and their sales represent 0.4% and 1% of consolidated sales, respectively. Therefore, the impact on the Company's sales and earnings from this event is expected to be immaterial. However, higher prices for inputs such as wheat flour, impacts in supply chains and/or an escalation of the conflict that spreads beyond Russia and Ukraine, may lead to a higher risk of negative impact on the business or the operating results of the Company. The Company will continue to monitor the events resulting from this ongoing conflict, evaluating the options available to try to mitigate a greater risk of loss and we will continue to evaluate the possible impact on the investment in these subsidiaries.

1.3.2. Risks Related to Mexico

Our Results of Operations Could Be Affected by Economic and Social Conditions in Mexico

We are a Mexican company with 31% of our consolidated assets located in Mexico and 26% of our consolidated net sales derived from our Mexican operations as of and for the year ended December 31, 2021. As a result, Mexican economic conditions could impact the results of our operations.

In the past, Mexico has experienced instability and depreciation in its currency as well as high levels of inflation, interest rates, unemployment, economic recession and reduced consumer purchasing power. These events resulted in limited liquidity for the Mexican government and local corporations. Crime rates and civil and political unrest in Mexico and around the world could also negatively impact the Mexican economy. See "Section 1.3.2. Risk Factors—Developments in Other Countries Could Adversely Affect the Mexican Economy, the Market Value of our Securities and Our Results of Operations."

Mexico has experienced long periods with slow growth. In 2016, 2017 and 2018 the Mexican economy grew by 2.3%, 2%, 2% respectively. In 2019, the Mexican economy contracted 0.01% and 8.2% in 2020 mainly due to the impact of the COVID-19 virus. In 2021, the Mexican economy grew 4.8%.

Developments and trends in the world economy affecting Mexico may have a material adverse effect on our business, financial condition and results of operations. The Mexican economy is tightly connected to the U.S. economy through international trade

(approximately 82.1% of Mexican exports were directed to the United States in 2021), international remittances (billions of dollars from Mexican workers in the United States are the country's second-largest source of foreign exchange), foreign direct investment (approximately 47.5% of Mexican foreign direct investment came from U.S.-based investors in 2021), and financial markets (the U.S. and Mexican financial systems are highly integrated). In case of a contraction of the U.S. economy, U.S. citizens may consume fewer Mexican imports, Mexican workers in the United States may send less money to Mexico, U.S. firms with businesses in Mexico may make fewer investments, U.S.-owned banks in Mexico may make fewer loans, and the quality of U.S. financial assets held in Mexico may deteriorate. Moreover, a collapse in confidence in the U.S. economy may spread to other economies closely connected to it, including Mexico's. The result may be a potentially deep and protracted recession in Mexico. If the Mexican economy falls into a deep and protracted recession, or if inflation and interest rates increase, consumer purchasing power may decrease and, as a result, demand for our products may decrease. In addition, a recession could affect our operations to the extent we are unable to reduce our costs and expenses in response to falling demand.

Our Operations Could Be Affected by Government Policies in Mexico

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

In the past, the corn flour industry has been negatively affected by Governmental policies, and we cannot assure that this will not happen again in the future, nor can we assure that the Mexican government will not establish price controls or other measures that could negatively impact the corn flour industry and therefore our financial condition and our results of operations. On July 1, 2018, presidential and congressional elections were held, where Andrés Manuel López Obrador, a member of the National Regeneration Movement (*Movimiento de Regeneración Nacional*) Party ("MORENA"), was elected President of Mexico. After these recent elections, MORENA has a strong influence in both houses of Congress, which increases when acting along with other aligned Parties. It is possible that the new Government makes significant changes to Mexico's governmental policies, including legal reforms. We cannot predict the impact that said changes could have in our business, results of operations, financial condition and prospects.

Neither can we predict the impact that political, economic and social conditions will have on the Mexican economy. Furthermore, we cannot provide any assurances that political developments in Mexico, over which we have no control, will not have an adverse effect on our business, results of operations, financial condition and prospects. Mexico has recently experienced periods of violence and crime due to the activities of organized crime. In response, the Mexican government has implemented various security measures and has strengthened its police and military forces. Despite these efforts, organized crime (especially drug-related crime) continues to exist in Mexico. These activities, their possible escalation and the violence associated with them may have a negative impact on the Mexican economy or on our operations in the future. The social and political situation in Mexico could adversely affect the Mexican economy, which in turn could have a material adverse effect on our business, results of operations, financial condition and prospects.

Historically, the Mexican government has supported the commercialization of corn for Mexican corn growers through ASERCA. Currently, said support programs for small and medium scale producers are provided through SEGALMEX. Additionally, the Mexican government has announced the entry into force of a guarantee price program that is intended for small agricultural products producers, including corn. These and other programs could affect our business, the results of operations, financial conditions and prospects.

The regulation level in environmental, labor, antitrust, food safety and enforcement matters in Mexico has increased in recent years.

Recently in Mexico, the Federal Government published a decree by which several actions were required to be taken by the agencies and entities within the Federal Public Administration in order to gradually replace the use, acquisition, distribution, promotion and import of glyphosate and agrochemicals containing glyphosate as active ingredient, with sustainable alternatives considered as culturally adequate that allow maintaining production and result to be safe for human consumption, the biocultural diversity in the country and the environment. To that effect, a transition period to achieve the total replacement of glyphosate which ends on January 31, 2024 was established. The decree also states that biosecurity authorities, in accordance with the applicable regulations, based on glyphosate-free-corn supply sufficiency criteria, will revoke and abstain from granting authorizations for the use of genetically modified corn in the Mexicans' diet, until such corn has been totally replaced on a date that may not be later than January 31, 2024, in accordance with Mexican self-sufficiency food policies.

In our opinion and for the time being, this decree, in accordance with current applicable regulations and based on the maintenance of the national corn production and corn supply sufficiency criteria, should not imply any consequences for the Company.

However, we cannot fully assess its impact on the Company until we know the extent of the modifications to secondary laws ordered by the decree.

We consider that the trend toward greater regulation and enforcement will continue and will be accelerated. The promulgation of new and more stringent laws and regulations, higher levels of enforcement or interpretations of corresponding investigating authorities, could adversely affect our business condition and results of operations.

The Approved Amendments to Mexican Tax Laws May Adversely Affect Us

On December 11, 2013, certain reforms to Mexican tax laws were published in the Official Gazette of Mexico, which became effective as of January 1, 2014. While the corporate income tax rate, which had previously been scheduled for reduction, remained at 30%, the tax reforms resulted in several amendments to corporate tax deductions including, among other things, (i) elimination of deductions that were previously allowed for related-party payments to certain foreign entities and narrowing tax deductions on salaries paid to employees, (ii) imposition of a 10% withholding income tax on dividends paid by the corporation to Mexican individuals or foreign residents in Mexico, (iii) an increase in the value-added tax in certain areas of Mexico, (iv) requirement of the use of electronic invoices and new monthly tax reports to be provided to governmental tax authorities and (v) imposition of a 10% income tax payable by individuals on the sale of stock listed on the BMV.

Additionally, on November 18, 2015, several tax measurements were published in the Official Gazette of Mexico for business groups residing in Mexico, based on the guidelines issued by the OCDE in connection with the BEPS plan (Base Erosion and Profit Shifting) aimed at providing information on the tax situation of Mexican business groups trading in the BMV, as well as those which exceed certain income thresholds. According to such measures the information regarding inter-company transactions, business activity of the company and its subsidiaries, as well as, information of each country where it has presence, shall be furnished.

Furthermore, on December 9, 2019, various amendments to the Income Tax Law (*Ley del Impuesto sobre la Renta*), the Value Added Tax Law (*Ley del Impuesto al Valor Agregado*), the Special Tax Law on Production and Services (*Ley del Impuesto Especial sobre Producción y Servicios*), the Federal Law of Rights (*Ley Federal de Derechos*) and the Federal Tax Code (*Código Fiscal de la Federación*), were published in the Official Gazette of Mexico and entered into force on January 1, 2020. In general terms, such reforms aim to continue incorporating to the Mexican tax system, the recommendations issued by the OECD, related to the BEPS action plan, such as: (i) the broadening of the permanent establishment concept, (ii) the fight against hybrid mechanisms, (iii) the limitation for interests deductions, (iv) the strengthening of the transparency rules, also known as “CFC Rules”, (v) regulate activities related to the digital economy and (vi) require the taxpayers to reveal aggressive planning mechanisms. On the other hand, it becomes imperative to identify the business rationale of any legal act that generate direct or indirect tax benefits. We believe the impact of these reforms on the Company is not material and does not represent a major risk for our business.

On December 8, 2020, a decree reforming, adding and deleting various provisions of the Income Tax Law (*Ley del Impuesto sobre la Renta*), the Value Added Tax Law (*Ley del Impuesto al Valor Agregado*) and the Federal Tax Code (*Código Fiscal de la Federación*) was published in the Official Gazette of Mexico. In general terms, the reformed provisions aim to strengthen taxation authorities’ power of inspection, improving tax collection arising from the use of digital platforms, as well avoiding elusive practices through the use of non-profit entities. The Company considers that these reforms do not generate a significant impact on the Company’s operations.

This year 2021, a labor reform that prohibits personnel outsourcing schemes came into force and was published in the Official Gazette of Mexico on April 23, 2021. This reform provides for a series of revisions to several tax laws such as the Income Tax Law and the Value Added Tax Law, in addition to the Social Security Law (*Ley del Seguro Social*), among others, which entered into force on August 1, 2021, in order to adapt the rules for deducting expenses, VAT accreditation, withholding of indirect taxes and the determination of the Employee Profit Sharing.

Failure to comply with the new provisions of this new personnel outsourcing regime, could lead to fines and loss of certain tax rights, such as the right to deduct paid considerations or to credit the value added tax related to such considerations. Furthermore, it is also provided that the recipient of specialized services will be jointly and severally liable with the employer providing the services, in the event such employer fails to comply with its corresponding labor, tax and social security obligations.

The reform contemplated a three-month transition period for some of its key aspects, during which time, the Company worked to adapt its Human Resources structures to the new regulations. The Company conducted an analysis of the application of these new provisions and we estimate that they did not have a material impact on the financial statements.

On November 12, 2021, a new set of tax reforms were published in the Official Gazette of Mexico, which entered into force as of January 1, 2022. Although no new taxes were created, nor were rates increased from existing ones, measures were incorporated to increase the taxable base of the Income Tax of taxpayers and to limit the Value Added Tax accreditations. Regarding the Federal Tax Code (*Código Fiscal de la Federación*), the obligation for certain taxpayers to tax audited is re-established, an issue that in the past was optional, and the base of subjects obliged to submit the report on their tax situation was expanded. The company is still evaluating the impact that this reform will have on its operations, although such impact is estimated to be immaterial.

Depreciation of the Mexican Peso May Affect our Financial Performance

Because we have significant international operations generating revenue in different currencies (mainly in U.S. dollars) and debt denominated in various currencies (mainly in U.S. dollars), we remain exposed to foreign exchange risks that could affect our ability to meet our obligations and result in foreign exchange losses. We posted a net gain of Ps.154 million in 2019, a loss of Ps.1,050 million in 2020 and a loss of Ps.45 million in 2021. Major depreciation of the Mexican peso may limit our ability to transfer or to convert such currency into U.S. dollars for the purpose of making timely payments of interest and principal on our indebtedness. The Mexican government does not currently restrict, and for many years has not restricted, the right or ability of Mexican or foreign persons or entities to convert pesos into U.S. dollars or to transfer other currencies out of Mexico. The government could, however, institute restrictive exchange rate policies in the future.

Additionally, the majority of our supplies are dollar linked, which may affect our profitability if we are not able to reflect higher supply costs in our prices.

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

Mexico has experienced high levels of inflation in the past. The annual rate of inflation, as measured by changes in the National Consumer Price Index was 3.82% for 2011, 3.57% for 2012, 3.97% for 2013, 4.08% for 2014, 2.13% for 2015, 3.36% for 2016, 6.77% for 2017, 4.83% for 2018, 2.83% for 2019, 3.15% for 2020 and 7.36% for 2021. From January through March 2022, the inflation rate was 2.43%. On April 21, 2022, the 28-day CETES rate was 6.50%. High interest rates in Mexico may adversely affect the business climate in Mexico generally and our financing costs in the future and thus our financial condition and results of operations.

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

The Mexican economy may be, to varying degrees, affected by economic and market conditions in other countries. Although economic conditions in other countries may differ significantly from economic conditions in Mexico, investors' reactions to adverse developments in other countries may have an adverse effect on the market value of securities of Mexican issuers. In recent years, economic conditions in Mexico have become increasingly correlated to economic conditions in the United States. Accordingly, a slowdown of the economy in the United States, and the uncertainty of the impact it could have on the general economic conditions in Mexico and the United States could have a significant adverse effect on our businesses and results of operations. See "Section 1.3.2. Risk Factors—Our Results of Operations Could Be Affected by Economic and Social Conditions in Mexico," and "Section 1.3.3. Risk Factors—Risks Related to the United States—Unfavorable General Economic Conditions in the United States Could Negatively Impact Our Financial Performance." In addition, economic crises in the United States as well as in Asia, Russia, Brazil, Argentina and other emerging market countries have adversely affected the Mexican economy in the past.

Our financial performance may also be significantly affected by general economic, political and social conditions in the emerging markets where we operate, particularly Mexico, Central America, Eastern Europe and Asia. Many countries in Latin America, including Mexico, have suffered significant economic, political and social crises in the past, and these events may occur again in the future. Instability in Latin America has been caused by many different factors, including:

- Significant governmental influence over local economies;
- Substantial fluctuations in economic growth;
- High levels of inflation;
- Changes in currency values;
- Exchange controls or restrictions on repatriation of funds;

- High domestic interest rates;
- Wage and price controls;
- Changes in governmental, economic or tax policies;
- Imposition of trade barriers;
- Unexpected changes in regulation; and
- Overall political, social and economic instability.

Adverse economic, political and social conditions in Latin America may create uncertainty regarding our operating environment, which could have a material adverse effect on us.

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

Our Shareholders Could May be Unable to Enforce Foreign Judgements Against Us in Mexican Courts

We are a Mexican publicly held corporation (*Sociedad Anónima Bursátil de Capital Variable*). Most of our directors and executive officers are residents of Mexico, and a significant portion of the assets of our directors and executive officers, and a significant portion of our assets, are located in Mexico. Our shareholders may experience difficulty in effecting service of process on us or our directors and executive officers outside of Mexico and in enforcing civil judgments of non-Mexican courts in Mexico, against us, or our directors and executive officers. It may not be possible to enforce in Mexican courts claims based solely on foreign securities laws.

1.3.3. Risks Related to the United States

Unfavorable General Economic Conditions in the United States Could Negatively Impact Our Financial Performance

Net sales in the United States constituted 56% of our total sales in 2021. Unfavorable general economic conditions in the United States could negatively affect the affordability of and consumer demand for some of our products. Under difficult economic conditions, customers and consumers may seek to forego purchases of our products or, if available, shift to lower-priced products offered by other companies. Softer customer and consumer demand for our products in the United States or in other major markets could reduce our profitability and could negatively affect our financial performance.

Demand for our products in Mexico may also be disproportionately affected by the performance of the United States economy. See also “Section 1.3.2. Risk Factors—Risks Related to Mexico—Our Results of Operations Could Be Affected by Economic and Social Conditions in Mexico.”

It is Possible that we may not Maintain Our Profitability Due to the Retail Channel Consolidation

As the retail grocery trade continues to consolidate, resulting in retailers with increased purchase power that could demand lower prices and larger promotional programs, said retailers could also try to use their position in order to improve their profitability through various strategies that could impact our margins, such as a change in their sales mix towards own-brand products, generic brands and other economic brands. In addition, our reliance on sales to some of these retailers may increase. There is a risk that we cannot maintain our profit margins in the U.S., under these conditions. See “Section 2.2.4. Principal Customers”.

Changes in the Distribution Methods or a Possible Reclassification on the Legal Status Independent Distributors Are Acknowledged, Could Have an Adverse Effect on the Company

Mission Foods, a division of Gruma USA, distributes its products mainly through independent distributors, who supply tortillas and other related products directly to retail chains (“Independent Distributors”). Mission Foods legally recognizes its Independent Distributors as independent service providers and not as employees. However, to the extent that Mission Foods would have to reclassify or recognize certain of its Independent Distributor as employees, make significant changes to its distribution method to retail chains, or if there was a significant delay in implementing any change Mission Foods decides or needs to carry out, this could lead to controversies,

contingencies, and additional costs for said division and therefore negatively affecting its business, financial condition and results of operation.

Changes in Public Policies by the United States Government, May Adversely Affect the Operations of the Issuer and The Industry Where It Operates

On November 3, 2020, the United States held presidential elections and for seats in both houses of Congress, where Joe Biden, of the Democratic Party was elected as Constitutional President of such Country. After said elections, the Democratic Party obtained the necessary number of seats to control both houses of Congress.

It is possible that the new government will make significant changes in the governmental policies of United States, including legal reforms and reversals to public policies implemented by the previous administration on issues such as immigration, climate change, tax policy and trade agreements with Mexico, including the United States, Mexico, Canada Agreement (“USMCA”). We cannot predict the impact that such changes in governmental policies or legal reforms could have on the Mexican economy, the industry in which we operate, as well as in our business, results of operations, financial condition and prospects.

1.3.4. Risks Related to Venezuela

We have Cancelled our Investment in the Venezuelan Companies which are Currently Involved in an Expropriation Proceeding

On May 12, 2010, the Bolivarian Republic of Venezuela (the “Republic”) published the Decree number 7.394 in the Official Gazette of Venezuela (the “Expropriation Decree”), ordering the forced acquisition of all assets, property and real estate of the Company’s indirect subsidiary in Venezuela, Molinos Nacionales, C.A. (“MONACA”), through an expropriation proceeding to be initiated and processed with the participation of several agencies of the Republic.

The Republic stated that the Expropriation Decree also extends to the Company’s indirect subsidiary, Derivados de Maíz Seleccionado, DEMASECA, C.A. (“DEMASECA”). The Republic took initial steps to carry out an administrative expropriation procedure in accordance with the Expropriation Decree, but then suspended said procedure indefinitely, which is still suspended to this date, therefore the expropriation has not been carried out.

GRUMA’s interests in MONACA and DEMASECA are held through two Spanish companies, Valores Mundiales, S.L. (“Valores Mundiales”), and Consorcio Andino, S.L. (“Consorcio Andino”). In 2010, Valores Mundiales and Consorcio Andino (jointly, the “Investors” or the “Claimants”) commenced conversations with the Republic regarding the Expropriation Decree and other measures related to the same, affecting MONACA and DEMASECA. Through the Investors, GRUMA participated in these conversations, in order to resolve the controversy caused by the Expropriation Decree and other measures imposed by the Republic. These conversations ceased without resulting in an agreement with the Republic.

Venezuela and the Kingdom of Spain are parties to a Treaty on Reciprocal Promotion and Protection of Investments, dated November 2, 1995 (the “Investment Treaty”), under which the Investors may settle investment disputes by means of arbitration before the International Centre for Settlement of Investment Disputes (“ICSID”). On November 9, 2011, the Investors, MONACA and DEMASECA formally notified the Republic about the dispute and their agreement to submit said dispute to ICSID arbitration if the parties were unable to reach an amicable agreement.

On January 22, 2013, as part of a criminal proceeding unrelated to MONACA and DEMASECA against a third party where precautionary measures were issued for the insurance of the assets of said third party which, in an extra-limited way, included MONACA and DEMASECA, the Republic published the Administrative Providence number 004-13 dated January 21 of the same year (the “Providence”) appointing special administrators for MONACA and DEMASECA granting them the broadest powers to execute actions for the continuity and non-interruption of the operation of companies and the broadest powers of administration to guarantee the safekeeping, custody, use and conservation of company assets.

Consequently, in accordance with the provisions set forth in IFRS, the Company determined that as of January 22, 2013, it had lost the power to affect the variable returns of its subsidiaries in Venezuela and concluded that the appointment of special administrators with broad powers under the Providence had the effect of taking away its control over MONACA and DEMASECA and as a result, the Company proceeded to deconsolidate both subsidiaries and recognize its investment in Venezuela as a financial asset. Following the provisions set forth in IFRS, GRUMA performed impairment tests on the financial asset related to MONACA and DEMASECA and as of December 31, 2015, recognized an impairment of Ps.4,362 million corresponding to the total value of said asset.

On May 10, 2013, Valores Mundiales and Consorcio Andino submitted a Request for Arbitration to ICSID, which was registered on June 11, 2013 under case No. ARB/13/11. The purpose of the arbitration was to seek compensation for the damages caused by Venezuela's violation of the Investment Treaty. The tribunal that presided over this arbitration proceeding was constituted in January 2014.

On July 25, 2017, the tribunal decided the arbitration in favor of Valores Mundiales and Consorcio Andino, by dismissing the jurisdictional objections raised by the Republic and concluding that the Republic had violated provisions of the Investment Treaty. According to the Award issued by the arbitration tribunal, the Republic must pay U.S.\$430.4 million to Valores Mundiales and Consorcio Andino as damages resulting from its violation of certain provisions of the Investment Treaty, plus compound interest at Libor +2% since January 22, 2013 and until the Award's effective payment date. As of December 31, 2021, the award plus interest amounts to approximately U.S.\$565 million. The arbitration tribunal also ordered the Republic to pay U.S.\$5.9 million for legal expenses incurred by the Claimants during the arbitration. Both, the amount of the award plus interest and the legal expenses incurred by the Claimants, were not recorded since they are considered a contingent asset under IAS 37.

In the Award, the arbitration tribunal granted most of the Claimants' claims and concluded that the Republic had violated the Investment Treaty by (i) not granting a fair and equitable treatment to the Claimants' investments; (ii) adopting arbitrary measures that hindered the management and evolution of the Claimants' investments; and (iii) preventing the free transfer of funds related to the Claimants' investments. The arbitration tribunal dismissed the indirect expropriation claim submitted by the Claimants, since the tribunal considered, amongst other reasons, that the administrative expropriation procedure ordered by the Expropriation Decree had not been concluded and the special administrators appointed by the Republic did not exercised control over the companies in a substantial way. The Claimants retain their right to commence a new claim against the Republic if the latter continues with the enforcement of the Expropriation Decree and materializes the transfer of the right of ownership of the assets subject to the Expropriation Decree.

On November 22, 2017, the Republic filed before the ICSID a request for annulment of the Award issued by the arbitration tribunal and the stay of enforcement of the same while said action was pending resolution. On December 7, 2017, ICSID registered the Republic's annulment request and provisionally stayed the enforcement of the Award. The Committee that will decide on the Award's annulment proceedings was finally constituted on May 23, 2018 ("Annulment Committee").

On June 4, 2018, the Republic formally requested that the Annulment Committee kept suspended the enforcement of the Award during the course of the annulment proceeding. After considering the arguments presented by the parties, on September 6, 2018, the Annulment Committee ordered the lifting of the provisional suspension of the enforcement of the Award, which allowed the Investors to begin legal actions to recognize and enforce the Award in different jurisdictions.

On December 21, 2021, the Annulment Committee notified the parties of the annulment proceeding of the Award initiated by the Republic, which was favorable for the Investors, resolving (i) to reject in full the request for annulment of the Award raised by the Republic, (ii) to condemn the Republic to pay the Investors U.S.\$2,348,034 in costs, and (iii) order the Republic to pay ICSID U.S.\$ 660,032 as costs of the annulment proceedings. Against this resolution of the Annulment Committee, the Republic has no appeal, so the Award has become final.

On January 8, 2019, the Investors filed a complaint with the Federal District Court in Washington, D.C. requesting recognition of the Award. The complaint for recognition of the Award was notified to the Republic by consular means on July 26, 2019, granting a period to answer until September 24, 2019 without Venezuela responding. Consequently, on October 21, 2019, the Investors requested the Judge to issue a judgment recognizing the Award considering the Republic's default. On March 3, 2020, representatives of the Republic appeared in the proceedings, answered the lawsuit and presented their objections to the passing of a default judgment. On March 16, 2020, the Investors asked the Tribunal to issue a summary judgment against Venezuela, to which Venezuela later objected and argued in favor of a judgment against the recognition of the Award. On November 17, 2020, the Judge ordered the suspension of the award recognition proceeding until the award annulment proceeding is resolved. Considering that the Award annulment procedure has been resolved, the Judge resumed the procedure for the recognition of the Award on January 24, 2021, thus the Investors' request remains pending to be resolved, to date.

Nevertheless, even though future discussions with the Republic could take place from time to time, the Company cannot assure that such discussions will be successful or will result in the Investors receiving adequate compensation, if any, for the violation to the Investment Treaty in the terms dictated in the Award or for the eventual enforcement of the Expropriation Decree by the Republic. Additionally, the Company cannot predict the results of the proceedings for the recognition and enforcement of the Award that the Investors commenced or may commence or the ramifications that costly and prolonged legal disputes could have on its results of operations or financial position, or the likelihood of collecting the Award.

On the other hand, the special administrators appointed through the Providence gradually resigned to their charges, the last of them resigning at the end of 2018, without the Republic having appointed new special administrators, and since that moment there has been no direct or indirect participation by representatives of the Republic in the decision-making and management of the administration and operation of MONACA and DEMASECA. These administration activities are only carried out by MONACA and DEMASECA's management team, which is directed by its local Executive Committee in Venezuela. Although it could be concluded that some of the factual assumptions that were taken in account for the determination under IFRS regarding the loss of control no longer exist or have been mitigated, this does not change the previous conclusions following the IFRS guidelines. Likewise, the macroeconomic indicators used to determine the devaluation of the investment in Venezuela have continued deteriorating due to the economic and social situation in that country that has been negatively impacted by hyperinflation and significant currency devaluation.

Given that the enforcement of the Award may present material challenges, the impact of the Award in the Company cannot be reasonably assessed at this time. The Investors, jointly with its legal counsel, will adopt appropriate measures to preserve and defend their legal interests. See Note 27 to our audited consolidated financial statements as of December 31, 2021 and 2020 for the years ended in said dates.

1.3.5. Risks Related to Our Primary Shareholder Group and Capital Structure

The Protections Afforded to Minority Shareholders in Mexico Are Different from Those in Other Countries

Under Mexican law, the protections afforded to minority shareholders are different from those in other countries. In particular, the law concerning fiduciary duties of directors, executive officers and controlling shareholders has been recently developed and there is no sufficient legal precedent to predict the outcome of any such action. Additionally, shareholders' class actions are not available under Mexican law and there are different procedural requirements for bringing shareholder derivative lawsuits. As a result, in practice it may be more difficult for our minority shareholders to enforce their rights against us, our directors, our executive officers or our controlling shareholders than it would be for shareholders of another country.

Exchange Rate Fluctuations May Affect the Value of Our Shares

Fluctuations in the exchange rate between the peso and currencies of other countries will affect the value of an investment in our shares and of dividend and other distribution payments on those shares. See "Section 1.1.4. Exchange Rate."

Mexican Law Restricts the Ability of Non-Mexican Shareholders to Invoke the Protection of Their Governments with Respect to Their Rights as Shareholders

As required by Mexican law, our bylaws provide that non-Mexican shareholders shall be treated as Mexican shareholders in respect to their ownership interests in us, and shall be deemed to have agreed not to invoke the protection of their governments under any circumstance, under penalty of forfeit, in favor of the Mexican government, any participation or interest held in us.

Under this provision, a non-Mexican shareholder is deemed to have agreed not to invoke the protection of its own government by requesting the initiation of a diplomatic claim against the Mexican government with respect to its shareholder's rights. However, this provision shall not deem non-Mexican shareholders to have waived any other rights they may have with respect to their investment in us.

Our Primary Shareholder Group Exerts Substantial Control Over Us

As of April 22, 2022, the Primary Shareholder Group controlled approximately 50.47% of our capital stock (50.65% of our outstanding shares). See "Section 4.4. Bylaws and other Agreements—Changes in Capital Stock." Consequently, the Primary Shareholder Group, acting together, determines the outcome of most corporate actions requiring approval of our shareholders, including the election of the majority of our directors and the declaration of payment of dividends.

The interests of the Primary Shareholder Group may differ from those of our other shareholders. See "Section 4.3.3. Major Shareholders."

We cannot assure that members of the Primary Shareholder Group will continue to hold their shares or act together for purposes of control. Additionally, the members of the Primary Shareholder Group may pledge the totality or part of their shares in us to guarantee any obligation, including any future borrowings. In the event of any default where lenders exercise their rights against any and all of these shares, the Primary Shareholder Group could lose its controlling interest in us resulting in a change of control. This, in turn, could trigger a default in some of our credit agreements if the established conditions under the terms of the corresponding credit agreements

are met, resulting in a default of other debt documents. A Change of Control could also require us to make an offer to repurchase debt, as per the terms in our debt agreements. Said default or repurchase obligation could have a material adverse effect upon our business, financial condition, results of operations and prospects. See “Section 4.3.3. Major Shareholders” for further detail.

Our Antitakeover Protections May Deter Potential Acquirers

Certain provisions of our bylaws could make it substantially more difficult for a third party to acquire control of us. These provisions in our bylaws may discourage certain types of transactions involving the acquisition of our securities. These provisions could discourage transactions in which our shareholders might otherwise receive a premium for their shares over the then current market price. Holders of our securities who acquire shares in violation of these provisions will not be able to vote, or receive dividends, distributions or other rights in respect of, these securities and would be obligated to pay us a penalty. For a description of these provisions, see “Section 4.4. Bylaws and other Agreements—Other Provisions—Antitakeover Protections.”

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

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

- from earnings included in year-end financial statements that are approved by shareholders at a duly convened meeting;
- after any existing losses applicable to prior years have been made up or absorbed into stockholders’ equity;
- after at least 5% of net profits for the relevant fiscal year have been allocated to a legal reserve until the amount of the reserve equals 20% of a company’s paid-in capital stock; and
- after shareholders have approved the payment of the relevant dividends at a duly convened meeting.

In addition, Gruma USA is subject to covenants in some of its debt agreements which require the maintenance of specified financial ratios, upon an event of default, prohibit the payment of cash dividends. For additional information concerning these restrictions on intercompany transfers, see “Section 2.2.13. Dividends” and “Section 3.4.3. Financial Condition, Liquidity and Capital Resources.”

1.4. OTHER SECURITIES

The company and its Series B shares are listed in the BMV.

The Debt Securities (*Certificados Bursátiles*) Gruma 18 issued on September 27, 2018 for Ps.3 billion, with a maturity date on September 21, 2023, were registered before the RNV under number 0805-4.19-2018-001-01. The Debt Securities (*Certificados Bursátiles*) Gruma 21 issued on May 21, 2021 for Ps. 2 billion, with a maturity date on May 12, 2028, were registered before RNV under number 0805-4.19-2018-001-02. See “Section 3.3. Relevant Credit Facilities Report” for further details.

The Notes due 2024, issued on December 2014, were registered on the Official List of the Luxembourg Stock Exchange in order to be traded on the Euro MTF. See “Section 3.3 Relevant Credit Facilities Report” for further details.

The type of reports which are sent to the corresponding regulatory agencies and stock exchanges are: Annual Report and Audited Financial Statements, which include the periods reported for the current year versus last year and are filed on an annual basis. Additionally, Quarterly Results Reports are delivered, which include periods reported for the current quarter against the last quarter, as well as the current quarter against the same quarter of the previous year and the aggregate of the current year against the aggregate of the last year. This information is filed on a quarterly basis. As of this date and during the last three fiscal years, the company has timely and completely filed the information regarding outstanding events and public information as required by the applicable law.

As of 1998 GRUMA’s shares traded in the NYSE, in the form of ADS, through the Series B, 4 shares per ADS, Citibank N.A., being the Depositary Bank. Per decision of the Board of Directors of the Company, on June 26, 2015 GRUMA notified Citibank of its intention to terminate the Deposit Agreement regarding its ADRs, in order to delist its ADRs from the NYSE. As of September 8, 2015, GRUMA’s ADR stopped trading in NYSE, and the deposit agreement was terminated simultaneously. The latter in order to concentrate the trading of the shares in the BMV, and thereby increasing its liquidity.

On September 10, 2015 the company filed the 15F Form before the SEC, requesting the deregistration before the SEC. Consequently, and given that the SEC did not pose any objection on that regard, the cancellation became effective on December 9, 2015 and GRUMA's reporting obligations under the Securities Exchange Act of 1934 (the "Exchange Act") were extinguished as of that date.

Currently, there are no ADR program sponsored by GRUMA. GRUMA does not authorize, endorse, support or encourage the creation of any unsponsored ADR program in respect to its securities and disclaims any liability whatsoever, arising out of any unsponsored ADR program.

1.5. SIGNIFICANT CHANGES TO THE RIGHTS OF SECURITIES REGISTERED IN THE REGISTRY

There are no changes to the rights of the securities of the Issuer registered in the RNV.

1.6. DESTINATION OF THE FUNDS

All net proceeds from the issuance of the Debt Securities (*Certificados Bursátiles*) Gruma 18 were destined to the repayment of short-term debt.

All net proceeds from the issuance of the Debt Securities (*Certificados Bursátiles*) Gruma 21 were destined to the advanced payment of the 2018 Syndicated Facility in Pesos.

1.7. PUBLIC DOCUMENTS

The information contained in this report may be reviewed through the investor relations section of our website: www.gruma.com. A description of our company as well as updated financial information can be found there. Likewise, the investor may request a copy of this document directly to the company. See "Section 1.4. Other Securities."

For a more personalized attention, you can address our Investor Relations department:

Investor Relations

Telephone: (52 81) 8399-3349

E-mail: ir@gruma.com

Address: Calzada del Valle 407 Ote.
Col. Del Valle
San Pedro Garza García, N.L.
66220, Mexico

2. THE COMPANY

2.1 HISTORY AND DEVELOPMENT OF THE COMPANY

Gruma, S.A.B. de C.V. is a publicly held corporation (*Sociedad Anónima Bursátil de Capital Variable*) incorporated on December 24, 1971 in Monterrey, Mexico under the *Ley General de Sociedades Mercantiles*, or Mexican Corporations Law, with a corporate life of 99 years. Our full legal name is Gruma, S.A.B. de C.V., but we are also known by our commercial names: GRUMA, MASECA and MISSION. The address of our principal executive office is Calzada del Valle, 407 Ote., Colonia del Valle, San Pedro Garza García, Nuevo León, 66220, Mexico and our telephone number is (52) 81 8399-3300. Our legal domicile is San Pedro Garza García, Nuevo León, Mexico.

The company was founded in 1949, when Mr. Roberto González Barrera started producing and selling nixtamalized corn flour in Northeastern Mexico as raw material for producing tortillas and other corn-based products. Prior to our founding, all corn tortillas were made through the corn dough method or *nixtamal* (the "Traditional Method"). Today, both the Traditional Method, as well as the nixtamalized corn flour method are used, additionally, corn flour and the dough prepared through the Traditional Method can be mixed in various proportions to produce tortillas and other corn-based products. Our main nixtamalized corn flour operations are in Mexico and the United States and, to a lesser extent, in Central America and Europe.

Later, the company was able to integrate vertically with tortilla production and related products with important operations primarily in the United States and, to a lesser extent, Europe, Asia, Oceania, Central America and Mexico. In addition, we have

diversified our product mix to include other types of flatbreads (pita, naan, chapati, pizza bases and piadina) mainly in Europe, Asia and Oceania, and corn grits mainly in Europe, among other products in the regions where we have presence.

The following are some significant historical highlights:

- **In 1949**, Roberto González Barrera and a group of predecessor Mexican corporations founded GIMSA, which is engaged principally in the production of nixtamalized corn flour in Mexico.
- **In 1972**, we entered the Central American market with our first operation in Costa Rica. Today, we have operations in Costa Rica, Guatemala, Honduras, El Salvador and Nicaragua, as well as Ecuador, which we include as part of our Central American operations.
- **In 1977**, we entered the U.S. market. Our operations have grown to include products such as tortillas, nixtamalized corn flour, and other tortilla related products.
- **From 1989 to 1995**, we significantly increased our installed manufacturing capacity in the United States and in Mexico.
- **In 1993**, we entered the Venezuelan corn flour market through an investment in DEMASECA, a Venezuelan corporation producing corn flour.
- **In 1994**, GRUMA became a publicly listed company in both Mexico and the U.S.
- **In 1996**, we strengthened our position in the U.S. corn flour market through an association with ADM. Through this association we combined our existing U.S. nixtamalized corn flour operations and strengthened our position in the United States. This association also allowed us to enter the Mexican wheat flour market by acquiring a 60% ownership interest in ADM's Mexican wheat flour operations. ADM no longer holds an ownership interest in us and we no longer have the wheat flour operations in Mexico. See "Section 3.4 Management's Discussion and Analysis of Financial Condition and Results of Operations of the Issuer – Acquisitions and other Relevant Events within our Business Units. —Share Purchase Transaction with Archer-Daniels-Midland."
- **From 1997 to 2000**, we initiated a significant plant expansion program. During this period, we acquired or built tortilla plants, nixtamalized corn flour plants and wheat flour plants in the United States, Mexico, Central America, Venezuela and Europe.
- **In 2004**, we increased our presence in Europe by acquiring Ovis Boske, a tortilla company based in the Netherlands, and Nuova De Franceschi & Figli, a grits and nixtamalized corn flour company based in Italy. We continued to expand capacity and upgrade several of our U.S. operations, the most relevant of which was the expansion of a nixtamalized corn mill plant in Indiana.
- **In 2005**, we continued to expand capacity at existing plants, began the construction of a tortilla plant in the northeast of the U.S., acquired three tortilla plants from Cenex Harvest States or CHS (located in Minnesota, Texas and Arizona) and one more in San Francisco, California.
- **In 2006**, we acquired two small tortilla plants in Australia (Rositas Investments and Oz-Mex Foods) and opened our first tortilla plant in China, which strengthened our presence in the Asian and Oceanian markets. We concluded the acquisition of Pride Valley Foods, a company based in England that produces pita bread, naan, and chapati, thus expanding our product portfolio to other types of flatbreads.
- **In 2007**, we entered into a contract to sell up to 40% stake in MONACA to our former partner in DEMASECA. In conjunction with this transaction, we also agreed to purchase an additional 10% ownership interest in DEMASECA from our then partner. We also purchased the remaining 49% ownership interest in Nuova De Franceschi & Figli. In addition, we made major investments in capacity expansions and upgrades in Gruma USA, started the construction of a tortilla plant in Australia for Gruma Asia & Oceania, and expanded two of GIMSA's plants.
- **From 2008 to 2010**, we invested in the construction of a tortilla plant in southern California, capacity expansions, general manufacturing and technology upgrades to several of our existing facilities, the construction of a tortilla plant

in Australia, the construction of a wheat mill in Venezuela, and the acquisition of the leading producer of corn grits in Ukraine.

- **In 2011**, we acquired Semolina, the Turkish leading producer of corn grits, two tortilla plants in the U.S. located in Omaha, Nebraska and Albuquerque, New Mexico, and Solntse Mexico, the leading tortilla manufacturer in Russia.
- **In 2012**, our founder Mr. Roberto González Barrera passed away. In December 2012, we repurchased 23.16% of our issued shares from ADM as well as ADM's minority stakes in Azteca Milling, Molinera de México, S.A. de C.V., Consorcio Andino, and Valores Mundiales. There was also a major focus of the company towards value creation. See "Section 3.4. Management's Discussion and Analysis of the Results of Operation and Financial Situation of the Issuer – Acquisitions and Other Significant Events Within our Business Units—Share Purchase Transaction with Archer-Daniels-Midland."
- **In 2013**, we deconsolidated the Venezuelan Companies. See "Section 1.3.4. Risk Factors—Risks Related to Venezuela— We have Cancelled our Investment in the Venezuelan Companies which are Currently Involved in an Expropriation Proceeding".
- **In 2014**, we concluded the sale of our wheat mills. See "Section 3.4. Management's Discussion and Analysis of the Results of Operations and Financial Situation of the Issuer—Acquisitions and Other Significant Events Within Our Business Units." We also issued U.S.\$400 million senior notes due 2024. See "Section 3.4.3. Financial Condition, Liquidity and Capital Resources—Indebtedness."
- **In 2015**, GRUMA deregistered its ADRs from the NYSE and cancelled its registration before the SEC, thereby its reporting obligations under the Securities Exchange Act of 1934, were extinguished. See "Section 1.4. Other Securities." Additionally, GRUMA cancelled its total investment in the Venezuelan Companies, writing-off the indirect net investment in the Venezuelan Companies, as well as the accounts receivable that certain subsidiaries of GRUMA had with the Venezuelan Companies. See Note 27 to our audited consolidated financial statements as of December 31, 2019 and 2018 and for the years ended in said dates.
- **In 2016**, GRUMA continued executing its capital expenditure program through the construction of tortilla plants in Dallas, Malaysia, Russia and Monterrey, in addition to the expansion of the nixtamalized corn flour plant in Evansville, In., and the reopening of the nixtamalized corn flour plant in Chalco, Edo. de Mexico, among others.
- **In 2017**, GRUMA successfully concluded a public offer to purchase all the shares of GIMSA that were not owned by GRUMA, through which it obtained more than 99% holding and enabled GIMSA to obtain the authorization for the cancellation of the registration of the shares of GIMSA in the RNV and the cancellation of the listing of the shares of GIMSA on the BMV, respectively. Additionally, GRUMA continued the execution of its capex program, mainly through the opening of the tortilla plant in Russia and the construction of a tortilla plant in Dallas.
- **In 2018**, GRUMA concluded the construction of one of its largest tortilla manufacturing facilities in Dallas, as well as another tortilla manufacturing facility in central Mexico. During this year, the company was actively repurchasing its own shares. Additionally, Debt Securities (*Certificados Bursátiles*) Gruma 18 were issued in the local debt market for an amount of Ps.3 billion.
- **In 2019**, throughout the year, the Company was actively repurchasing its own shares and continued with several expansions, particularly in its tortilla plant in Dallas.
- **In 2020**, GRUMA addresses and adapts to the dynamics regarding the COVID-19 pandemic; still, GRUMA achieves the highest EBITDA margin in its history while it continues with its investment program for capacity expansions and repurchase of shares.
- **In 2021**, GRUMA increases capacity for the tortilla plant in Spain, construction for the tortilla plant in Indianapolis begins and the reopening of the tortilla plant in Omaha takes place. Additionally, the Gruma 21 CEBURES were issued in the local debt market for an amount of Ps.2 billion.

2.2. BUSINESS OVERVIEW

2.2.1. Principal Activity

We are a holding company and one of the world's main tortilla and nixtamalized corn flour producers. With leading brands in most of our markets, we have operations in the United States, Mexico, Europe, Central America, Asia, and Oceania. We are headquartered in San Pedro Garza García, Mexico, and have approximately 22,254 employees. Our shares are publicly traded in Mexico through the BMV and until September 8, 2015 they also traded in the United States of America through the NYSE. We are organized as a *sociedad anónima bursátil de capital variable* under the laws of Mexico.

We believe we are one of the main producers of nixtamalized corn flour and tortillas in the United States and nixtamalized corn flour in Mexico. We believe that we are also an important producer of nixtamalized corn flour and tortillas in Central America, of tortilla and other flatbreads, including pita, naan, chapati, pizza bases and piadina in Europe, Asia and Oceania, and of corn grits in Europe and the Middle East.

Our focus has been and continues to be the efficient and profitable expansion of our core business—nixtamalized corn flour and tortilla. We pioneered the nixtamalized corn flour method of tortilla production, which features significant opportunities for growth. Using our know-how, we will seek to encourage tortilla and other corn-based products manufacturers in the United States, Mexico, Central America, and elsewhere to use nixtamalized corn flour in the production of the same.

The following table sets forth our consolidated revenues by geographic market for the years ended December 31, 2021, 2020 and 2019.

	2021	2020	2019
	(in millions of pesos)		
United States.....	Ps. 52,864	Ps. 53,187	Ps. 42,368
Mexico.....	24,296	22,053	21,046
Europe.....	6,805	6,000	5,691
Central America.....	5,388	5,609	4,603
Asia and Oceania.....	4,897	4,254	3,680
Total.....	Ps. 94,250	Ps. 91,103	Ps. 77,388

Strategy

Our strategy is to focus on our core business—nixtamalized corn flour and tortilla—as well as to expand our product portfolio towards the flatbreads category in general and flavored corn chips, with emphasis in healthier and higher added value products. We will continue taking advantage of the increasing popularity of Mexican food and, more importantly, tortillas, in the U.S., European, Asian and Oceanian markets. We will also continue taking advantage of the adoption of tortillas by the consumers of several regions of the world for the preparation of different recipes other than Mexican food. Our strategy includes the following key elements:

Expand in the Tortilla Market in the United States: We believe that the size and growth of the tortilla market in this country still offer us significant opportunities for expansion, mainly in the retail channel, looking to continuously innovate our products with emphasis on healthier alternatives and with greater added value based on the preferences of our customers.

Expand in the Tortilla, Flatbread Markets and Flavored Corn Chips in Europe, Asia and Oceania: We believe that markets in other continents such as Europe, Asia and Oceania offer us significant opportunities. We believe our current operations will enable us to better serve our customers in those regions, with fresher products, with emphasis on healthier alternatives and with greater added value, and respond more quickly to their needs.

Gradually Enter the Flat Bread and Flavored Corn Chips Markets in the United States and Mexico.

Maintain MISSION® and GUERRERO® Tortilla Brands as the First and Second National Brands in the United States and Position our Mission Brand in Other Regions of the World: We intend to achieve this by increasing our efforts at building brand name recognition with constant product innovation, with emphasis in healthier and greater added value alternatives, and by expanding and having presence in more supermarket chains.

Encourage Transition from the Traditional Cooked-Corn Method to the Nixtamalized Corn Flour Method as Well as New Uses for Nixtamalized Corn Flour: GRUMA introduced the nixtamalized corn flour method for the production of tortilla and other corn-based products to the market. We believe that there is still much growth potential and that the transition from the Traditional Method to the nixtamalized corn flour method of making tortillas and other corn-based products, is the primary opportunity for increased nixtamalized corn flour sales, particularly in Mexico. We continue working in expanding the use of nixtamalized corn flour in the manufacture of different types of products.

Invest in our Core Business and Focus on Optimizing Operational Matters: We intend to focus our capital expenditure program on our core business to enable us to meet future demand, consolidate our leading position in the industry and continue generating returns to the shareholders above our cost of capital.

2.2.1.1. U.S. Operations

Overview

We conduct our United States operations principally through our subsidiary Gruma USA, which manufactures nixtamalized corn flour, tortillas, corn chips and other related products. Gruma USA commenced operations in the United States in 1977, initially developing a presence in certain major tortilla consumption markets by acquiring small tortilla manufacturers and converting their production processes from the Traditional Method to our nixtamalized corn flour method. Eventually, we began to build our own state-of-the-art tortilla plants in certain major tortilla consumption markets.

Gruma USA operates primarily through its Mission Foods division, which produces tortillas and related products, and through Azteca Milling, which produces nixtamalized corn flour. We believe Gruma USA is one of the main producers of tortillas and related products throughout the United States as well as one of the main producers of nixtamalized corn flour in the United States.

Main Products. Mission Foods manufactures corn and wheat tortillas and related products (which include tortilla chips) mainly under the MISSION®, GUERRERO® and CALIDAD® brand names in the United States. By continuing to build MISSION® into a strong national brand oriented to every type of consumer, GUERRERO® into a strong Hispanic consumer focused brand and CALIDAD® as our value brand in tortillas and chips, we expect to increase Mission Foods' market penetration, brand awareness and profitability. Azteca Milling manufactures nixtamalized corn flour in the United States under the MASECA® brand, and, to a lesser extent, under our value brand TORTIMASA®.

Sales and Marketing. Mission Foods' products are marketed in both retail and food service channels. In the U.S., retail customers represented approximately 79% of our sales volume in 2021, including supermarkets, mass merchandisers, membership stores and smaller independent stores. Our food service customers include major chain restaurants, food service distributors, schools, hospitals and the military.

For the U.S. tortilla market, Mission Foods' current marketing strategy is to focus on core products and drive organic, profitable, and sustainable growth, while creating a strong value proposition for our consumers through superior consumer knowledge and understanding, continuous product innovation with emphasis on healthy alternatives, excellence in customer service and effective marketing programs. Mission Foods promotes its products primarily through merchandising programs in supermarkets, and, to a lesser extent, joint promotions with other companies' products that may be complementary to ours. We believe these efforts, among other factors, have contributed to greater consumer awareness, and household penetration. Mission Foods also targets food service companies and works with its clients to address their individual needs and provide them with a full line of products. Mission Foods continuously attempts to identify new customers and markets for its tortillas and related products.

In 2021, Azteca Milling sold approximately 28% of its nixtamalized corn flour sales volume to Mission Foods' plants in the United States. Azteca Milling's third-party customers consist largely of other tortilla manufacturers, corn chip producers, retail customers and wholesalers. Azteca Milling sells nixtamalized corn flour in various quantities, ranging from half a kilo retail packages to bulk railcar loads.

We believe that the growing consumption of Mexican-style foods by non-Hispanics will continue to increase demand for tortillas and tortilla related products, particularly wheat flour tortillas. Additionally, we believe that demand for tortilla and other related products will continue to increase driven by the fact that tortillas are no longer solely used in Mexican food; for example, tortillas are also used for wraps. As it happens in tortillas and related products, the growth in the U.S. nixtamalized corn flour market is also driven by of the Hispanic population growth, the consumption of tortillas and tortilla chips by the general consumer market, and stronger and increased distribution of nixtamalized corn flour. Additionally, the growth in the U.S. nixtamalized corn flour market is also attributable to the conversion of tortilla and tortilla chip producers from the Traditional Method to the corn flour method.

Competition and Market Position. We believe Mission Foods is one of the main producers of tortillas and related products throughout the United States. We believe the tortilla market is highly fragmented, regional in nature and extremely competitive. Mission Foods' main competitors in the U.S. are hundreds of tortilla producers who manufacture locally or regionally and tend to be sole proprietorships. However, there are some competitors that have a presence in several U.S. regions, such as: Olé Mexican Foods, La Tortilla Factory, El Milagro and Reser's Fine Foods, among others. In addition, a few large companies compete with Mission Foods, for example, Tyson Foods, General Mills, Hormel Foods, Flower Foods, and Bimbo.

Among our competitors in the U.S. within the corn flour milling industry are Bunge, Cargill, LifeLine Foods, and Hari Masa. Azteca Milling competes with these corn flour manufacturers in the United States primarily on the basis of superior quality, technical support, customer service and brand recognition.

Operations and Capital Expenditures. Annual total production capacity for Gruma USA is estimated at 1.9 million metric tons as of December 31, 2021, with an average utilization of 84% in 2021. The average size of our plants as of December 31, 2021 was approximately 12,996 square meters (about 139,887 square feet).

Capital expenditures for the past three years were U.S.\$281 million and were primarily used for building purchases, construction of a new plant, capacity expansions, and general manufacturing and technology upgrades. During this period, we acquired the Olympic plant building, continued with the construction of the new plant in Indianapolis, Indiana and, with the expansion of the Dallas plant, the reopening of the Omaha plant, as well as the new production lines for the Panorama, Rancho and Lakeland plants. In addition, six flour silos were added to the Plainview plant, land expansion for the Madera plant, as well as continued improvements were made to the wastewater treatment system in the corn flour plants, amongst other projects.

Gruma USA's projected capital expenditures for 2022 are expected to be approximately U.S.\$196 million, mainly to continue with the construction of a new tortilla plant in Indianapolis, Indiana; capacity expansions; to continue increasing the capacity of the tortilla plants in Dallas, Lakeland and Panorama; for the purchase of land for the corn flour plant in Madera, California; and for capacity expansions in the Edinburg and Plainview corn flour plants, in addition to various manufacturing and technology upgrades.

Mission Foods has 20 tortilla and other related products plants throughout the United States. Mission Foods is committed to offering the best quality products to its customers through the implementation of the American Institute of Baking ("AIB") food safety standards, and Global Food Safety Initiative ("GFSI") recognized certification schemes such as Safe Quality Food ("SQF"). Additionally, our plants are regularly evaluated by other third-party organizations and customers. All of the Mission Foods manufacturing facilities have earned either a superior or excellent category rating from the AIB-GMP (Good Manufacturing Practice) audits. All of Mission Foods' United States plants have earned the SQF certification.

Azteca Milling produces nixtamalized corn flour at six plants located in Amarillo, Edinburg and Plainview, Texas; Evansville, Indiana; Henderson, Kentucky; and Madera, California. The majority of our plants are located within important corn growing areas. Due to Azteca Milling's manufacturing processes and practices, its 6 plants located in the United States have obtained the SQF (Safe Quality Food). Further, Azteca Milling implements a GMP's (Good Manufacturing Practices) inspection plan of the AIB institute.

Seasonality. We believe there is no significant seasonality in our products, however certain products tend to experience a slight volume increase during the summer months. Tortillas and tortilla chips sell year-round, with special peaks during the summer, when we increase our promotions and advertising by taking advantage of several holidays and major sporting events. Tortilla and tortilla chip sales decrease slightly towards the end of the year when many Mexicans go back to Mexico for the holidays. Sales of nixtamalized corn flour fluctuate seasonally as demand is higher in the fourth quarter during the holidays because of higher use of nixtamalized corn flour in certain Mexican foods that are very popular during this time of the year.

Raw Materials. Corn is the principal raw material used in the production of nixtamalized corn flour. Azteca Milling buys corn only from local farmers and grain sellers that agree to supply varieties of corn approved for human consumption. Azteca Milling tests and monitors its raw material purchases, in order to avoid the introduction in our productive process for corn not approved for human consumption. In addition, Azteca Milling applies certain testing protocols to incoming raw materials to identify genetically modified products not approved for human consumption.

Because corn prices tend to be volatile, Azteca Milling engages in a variety of hedging activities for the purchase of its corn supplies, including the purchase of corn futures contracts. In so doing, Azteca Milling attempts to assure corn availability approximately 12 months in advance of harvest time and gradually guard against price volatility during the year prior to the harvest, trying to obtain most of the hedging several months in advance. The Texas Panhandle currently is the single largest source of food-grade corn. Azteca Milling is also involved in short-term contracts for corn procurement with many corn suppliers. If suppliers fail to deliver, Azteca

Milling can easily access the spot markets. Azteca Milling does not anticipate any difficulties in securing adequate corn supplies in the future.

Nixtamalized corn flour for Mission Foods U.S. operations is supplied by Azteca Milling, and to a much lesser extent, by GIMSA. Wheat flour for the production of wheat tortillas is purchased from third party producers. Since wheat prices are also volatile, Mission Foods hedges in order to purchase wheat flour, including the purchase of wheat future contracts. Mission Foods believes the market for wheat flour is sufficiently large and competitive to ensure that wheat flour will be available at competitive prices to supply our needs.

Distribution. An important element of Mission Foods' sales growth has been the expansion and improvement of its products' distribution. Mission Foods' products are distributed in the United States to stores or DSD through direct distribution, and to a much smaller extent, through warehouse distribution. Store or DSD direct distribution is carried out through Independent Distributors, who deliver tortillas, corn chips and other products on a daily basis or several times per week, depending on the customer's needs and its requirements. Mission Foods legally recognizes its Independent Distributors as independent service providers and not as its employees. See "Section 1.3.3. Risks Related to the United States".

The vast majority of nixtamalized corn flour produced by Azteca Milling in the United States is sold to tortilla and tortilla chip manufacturers and is delivered directly from our plants to the customers' manufacturing facilities by third parties. To the lesser extent, an important part of our sales goes to wholesalers. Azteca Milling's retail market is primarily serviced by independent distributors, although a few large retail customers have their corn flour delivered directly to them from the plants.

2.2.1.2. Mexican Operations

Overview

Our largest business in Mexico is the manufacture of nixtamalized corn flour, which we conduct through our subsidiary GIMSA. Our other subsidiaries engage in the manufacturing of tortillas and other related products, conduct research and development regarding nixtamalized corn flour and tortilla manufacturing equipment, produce machinery for nixtamalized corn flour and tortilla production and construct our nixtamalized corn flour manufacturing facilities.

GIMSA—Nixtamalized Corn Flour Operation

Main Products. GIMSA produces nixtamalized corn flour in Mexico, which is then used as a raw material in the preparation of tortillas and other corn-based products.

GIMSA sells nixtamalized corn flour in Mexico mainly under the brand name MASECA®, which is a fine-textured product that becomes dough when water is added. This corn dough can then be pressed to an appropriate thickness, cut to shape and cooked to produce tortillas and other corn-based products.

GIMSA produces over 50 varieties of nixtamalized corn flour for the manufacture of different food products which are developed to meet the requirements of our different types of customers according to the kind of products they manufacture and markets they serve.

Sales and Marketing. GIMSA sells packaged nixtamalized corn flour in bulk mainly to tortilla and other corn-based products manufacturers, including corn chips and snacks manufacturers. 20-kilogram sacks of nixtamalized corn flour are usually sold to tortilla producers. Much bigger sacks are used in sales to big snack producers. Additionally, GIMSA sells one-kilogram packages mostly for domestic use in the retail market.

The following table sets forth GIMSA's bulk and retail sales volume of nixtamalized corn flour, and other products for the periods indicated.

	2021		2020		2019	
	Tons in thousands	%	Tons in thousands	%	Tons in thousands	%
Nixtamalized Corn Flour.....	2,044	100	2,086	99	2,025	99
Bulk.....	1,682	82	1,708	81	1,712	84
Retail.....	362	18	378	18	313	15
Other.....	3	0	13	1	17	1
Total.....	2,047	100	2,099	100	2,042	100

Retail sales of nixtamalized corn flour are channeled to two distinct markets: urban centers and rural areas. Sales to urban consumers are made mostly through supermarket chains that use their own distribution networks or through wholesalers who sell the product to smaller grocery stores throughout Mexico. Sales to rural areas are made principally through the government that operates social distribution programs through a network of small stores which supply communities in rural areas with basic food products.

Mexico's tortilla industry is highly fragmented, consisting of approximately 110,000 *tortillerías*, most of which continue to utilize the Traditional Method of tortilla production, while some use corn flour and some others mix dough prepared through the Traditional Method and corn flour in various proportions.

We estimate that the Traditional Method is used to manufacture two thirds of the tortillas produced in Mexico. We believe that approximately one quarter of the corn dough used to produce tortillas in Mexico is made with our nixtamalized corn flour.

GIMSA has embarked on several programs to promote nixtamalized corn flour sales. The promotional activities GIMSA offers include a wide range of top-quality products that meet the diverse needs of our customers, as well as, the availability of easy to use equipment designed specifically for small-volume users and individualized training.

GIMSA has always been observant of market changes in order to adapt at a faster pace or even anticipate, its customers' needs, diversifying its sales force into specialized teams to satisfy different customer profiles, while focusing on product availability and expanding market coverage. During 2021, we continued working on the strategy to offer a business comprehensive proposal, that includes the following initiatives regarding products, services and marketing.

- Better serve our current customers and strengthen commercial relations offering personalized services and sales programs, as well as special promotions specifically tailored to every type of customer;
- Widen the coverage, mainly in regions with low nixtamalized corn flour consumption, developing sales formats which enable us to reach all our customers, regardless of their size or location;
- Achieve a higher product availability and proximity to customers, through the opening of more distribution centers and direct delivery at their facilities;
- Assist our customers in the implementation of new operation methods through training and technical assistance, which help them to achieve a cost reduction and enable them to increase the profitability of their business;
- Support our clients in the development of new valued added products, according to consumers' trends;
- Develop special flours to satisfy the needs and requirements of our clients;
- Provide assistance and financing for the acquisition or renewal of equipment for the manufacturing of tortillas and other corn-related products, taking into consideration the type of machinery required by each customer;
- Develop tailor made programs and marketing promotions to engage new customers and increase the corn flour consumption in certain market segments.

Competition and Market Position. In the market of raw materials for producing tortilla and other corn-based products, GIMSA faces competition on three different ways: (i) corn used by tortilla producers to make dough through the Traditional Method in their premises; (ii) corn dough produced industrially through the Traditional Method and distributed to *tortillerías* and manufacturers of other

corn-based products; and (iii) other corn flour producers, such as: Minsa Group, Hari Masa, Cargill, Molinos Anáhuac, among others. We compete against corn flour manufacturers on the basis of quality, customer service and geographic coverage. We believe that GIMSA has competitive advantages resulting from its economies of scale, service and quality provided to our customers, production efficiencies and geographic coverage, which may provide it with opportunities to more effectively source raw materials and reduce transportation costs, among others.

Operations and Capital Expenditures. GIMSA currently owns 18 nixtamalized corn flour mills, all of which are located throughout Mexico, typically within corn growing regions and close to large tortilla consumption areas. GIMSA has one plant located in Celaya and has been inactive since February 2006.

Annual total production capacity for GIMSA is estimated at 2.3 million metric tons as of December 31, 2021, with an average utilization of 91% in 2021. The average size of our plants as of December 31, 2021 was approximately 21,647 square meters (approximately 233,006 square feet).

GIMSA's capital expenditures for the last three years were U.S.\$98 million and have been primarily used to upgrade technology, maintenance, storage capacity expansion and purchase of transportation equipment. GIMSA currently projects total capital expenditures during 2022 of approximately U.S.\$35 million, which will be used primarily for general manufacturing and technology upgrades.

Each of GIMSA's nixtamalized corn flour facilities uses proprietary technology developed by our technology and equipment operations. For more information about our in-house technology and design initiatives, see "Section 2.2.1.6. Technology and Equipment Operations" and "Section 2.2.9. Organizational Structure."

Seasonality. The demand for nixtamalized corn flour varies slightly with the seasons, with some minor increases during the December holidays.

Raw Materials. Corn is the principal raw material required for the production of nixtamalized corn flour and constituted 63% of GIMSA's cost of sales for 2021 (does not include purchase expenses). We purchase corn primarily from Mexican growers and grain elevators, and from different parts of the world, mainly United States, at international prices based on the Chicago Board of Trade futures. In 2021, GIMSA imported approximately 23% of our corn purchases through its subsidiaries Compañía Nacional Almacenadora, S.A. de C.V., and Productos y Distribuidora Azteca, S.A. de C.V. Most of GIMSA's domestic corn purchases are made through its subsidiary Compañía Nacional Almacenadora, S.A. de C.V.

We believe that the diverse geographic locations of GIMSA's production facilities in Mexico enable achievement of savings in raw material transportation and handling. In addition, by mainly sourcing corn locally for its plants, GIMSA is better able to communicate with local growers concerning the size and quality of the corn crop and is better able to maintain quality control.

Domestic corn prices in Mexico typically follow trends in the international market. During most periods, the price at which GIMSA purchases corn depends on the price of corn in the international market and the peso-dollar exchange rate. As a result, corn prices are sometimes unstable and volatile. Additionally, in the past, the Mexican government has supported the price of corn. For more information regarding the government's effect on corn prices, see "Section 1.3.2. Risk Related to Mexico—Our Business Operations Could Be Affected by Government Policies in Mexico" and "Section 2.2.5. Applicable Laws and Taxation."

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

Distribution. We have our own sales teams that are capable of servicing all sales channels, which allows us to know and serve our clients' needs. GIMSA's products are distributed mainly through independent transportation firms contracted by GIMSA and, to a much lesser extent, using our own fleet, particularly for small tortilla producing customers. Most of GIMSA's sales are made ex-works at GIMSA's plants.

2.2.1.3. European Operations

Overview

We conduct our European operations principally through our division Gruma Europe, which manufactures tortillas, corn chips, several types of flatbreads and other related products through Mission Foods Europe. It also manufactures corn grits and nixtamalized

corn flour, and other related products, through Azteca Milling Europe. In 2000, Gruma Europe opened its first European tortilla and corn chips plant in Coventry, England, marking our entry into the European market. Since then, our operations have expanded to Italy, The Netherlands, Russia, Turkey, Ukraine and Spain.

Gruma Europe

Main Products. Mission Foods Europe manufactures tortillas, flatbreads (such as naan, pita and chapatti), corn chips and other related products under the MISSIONDELI®, MISSION®, DELICADOS® and MEXIFOODS® brands and through private label. Azteca Milling Europe manufactures mainly corn grits and in a lesser extent, nixtamalized corn flour (under the MASECA® brand), as well as byproducts for the manufacture of animal feed. Additionally, Azteca Milling Europe also commercializes corn especially in Turkey.

Sales and Marketing. The products of Mission Foods Europe are mainly marketed in the retail (domestic and regional supermarket chains and small retailers) and in the food service channels (wholesalers, restaurants, cafeterias, hotels and fast food chains). Approximately 56% of Mission Foods Europe's sales volume is sold through the retail channel and 44% through the food service channel. Most of the sales volume of Azteca Milling Europe is sold in bulk to beer, snacks, corn chips and taco shell manufacturers.

Competition and Market Position. We believe Mission Foods Europe is an important manufacturer of tortillas and related products in Europe, our main competitors in the region are Grupo Paulig, General Mills and Aryzta, among others. We believe Azteca Milling Europe is an important producer of nixtamalized corn flour and corn grits in Europe, among our competitors in the region are DACSA, Codrico Rotterdam and Limagrain/Westhove, in addition to several regional mills.

Operations and Capital Expenditures. Annual total production capacity for Gruma Europe is estimated at 532 thousand metric tons as of December 31, 2021, with an average utilization of 73% in 2021. The average size of our plants as of December 31, 2021 was approximately 7,000 square meters (about 76,000 square feet).

Capital expenditures for the past three years were U.S.\$91 million and were primarily used for the construction of a tortilla plant in Russia, and automation of the packaging area in the tortilla plants in England and The Netherlands, as well as capacity expansions in Spain. Gruma Europe's projected capital expenditures for 2022 are expected to be approximately U.S.\$31 million, mainly for increasing capacity production in Spain, in addition to manufacturing and technology upgrades.

Mission Foods Europe has 6 plants, two plants in England, two plants in Russia and two plants in Spain. Azteca Milling Europe has 3 plants, which are located in Italy, Ukraine, and Turkey. On December 4, 2019, the tortilla plant in Roermond, Netherlands, suffered a fire without injuring people. The entire production area was damaged, causing the plant to stop its operations. The production of this plant is being absorbed by the rest of Gruma Europe's plants.

Seasonality. We believe there is no seasonality in our products, however there is a slight sales volume increase during summer.

Raw Materials. Corn is the main raw material used in our operations of Azteca Milling Europe, and is obtained mainly from local farmers. Azteca Milling Europe only purchases corn from farmers and grain elevators that agree to supply varieties of corn approved for human consumption. Azteca Milling Europe tests and monitors its raw material purchases for corn not approved for human consumption. In addition, Azteca Milling Europe applies certain testing protocols to incoming raw materials to identify genetically modified organisms not approved for human consumption. Azteca Milling Europe does not anticipate any difficulties in securing adequate corn supplies in the future.

Corn and wheat flour are the main raw materials for the manufacture of Mission Foods Europe's products. Wheat flour is purchased mainly from local producers and nixtamalized corn flour is supplied mainly by our corn mill in Italy.

Distribution. The vast majority of nixtamalized corn flour and corn grits produced by Azteca Milling Europe is sold to beer, snacks, corn chips and taco shells manufacturers and is delivered directly from our plants to the customer. We also supply customers in several industries like cereals and polenta, among others.

Mission Foods Europe's customers are primarily serviced by a network of distributors and independent transportation firms, additionally part of our sales are delivered directly to customers at our plants.

2.2.1.4. Central American Operations

Overview

In 1972, we entered the Costa Rican market. Our operations since then have expanded into Guatemala, Honduras, El Salvador and Nicaragua, as well as Ecuador, which we include as part of our Central American operations.

Gruma Centroamérica

Main Products. Gruma Centroamérica produces nixtamalized corn flour, and to a lesser extent, tortillas and snacks. We also cultivate hearts of palm and process rice. We believe we are an important nixtamalized corn flour producer in the region. We sell nixtamalized corn flour under the MASECA®, TORTIMASA®, MASARICA®, MINSA®, JUANA® and MIMASA® brands. In Costa Rica, we manufacture corn and wheat tortillas under the TORTIRICAS®, DEL FOGON® and MISSION® brands, as well as tortilla chips, extruded snacks, potato chips and similar products under the TOSTY®, RUMBA®, BRAVOS® and TRONADITAS® brands. Hearts of palm are produced in Costa Rica and Ecuador and are exported to numerous European countries as well as the United States, Canada, México, Argentina, and Chile, mainly.

Sales and Marketing. 83% of Gruma Centroamérica's sales volume in 2021 derived from the sale of nixtamalized corn flour Gruma Centroamérica nixtamalized. Corn flour bulk sales are oriented predominantly to wholesale customers, supermarkets, other traditional retailers, small tortilla manufacturers, industrial and agro-industrial clients through direct delivery and distributors. Wholesalers, supermarkets and other traditional retailers make up the customer base for retail nixtamalized corn flour. Bulk sales volume represented approximately 62% and retail sales represented approximately 38% of Gruma Centroamérica's nixtamalized corn flour sales volume during 2021.

Competition and Market Position. We believe that we are an important producer of nixtamalized corn flour in Central America. We believe that there is significant potential for growth in Central America as the majority of tortilla manufacturers use the Traditional Method. Corn flour was used in only approximately 19.9% of all tortilla production. We believe that we are an important producer of tortillas and snacks in Costa Rica.

Within the corn flour industry, the brands of our main competitors are: Del Comal, Doña Blanca, Selecta, Capitalina, Maturave Oro Maya, Bachosa, Instamasa and Doña Arepa, and additionally in Guatemala, corn flour entering the market from Mexico. However, our key growth opportunity is to continue creating value for clients with our MASECA brand and to convert tortilla manufacturers that still use the Traditional method to our nixtamalized corn flour method.

Operations and Capital Expenditures. We had an annual installed production capacity of 292 thousand tons as of December 31, 2021, with an average utilization of approximately 85% during 2021. We operate one nixtamalized corn flour plant in Costa Rica, one in Honduras and one in Guatemala. In Costa Rica, we also have one plant producing tortillas, one plant producing snacks, one plant processing hearts of palm and one plant processing rice. In Nicaragua we have a small tortilla plant, while in Guatemala we have a small plant that produces corn chips and in Ecuador we have a small facility which processes hearts of palm. On average, the size of our plants as of December 31, 2021 was approximately 7,747 square meters (approximately 83,394 square feet).

During 2019, 2020 and 2021, most of our capital expenditures were oriented towards technology upgrades and general maintenance. Total capital expenditures for the past three fiscal years were approximately U.S.\$11 million. Capital expenditures for 2022 are projected to be U.S.\$8 million, which will be used primarily for capacity expansion for wheat tortilla and general manufacturing and technology upgrades.

Seasonality. Typically, nixtamalized corn flour sales volume is lower during the first quarter and fourth quarter as compared to the second and third quarter, mainly due to the fluctuation of corn prices in the local market of each country, and in the other categories, the sales volume is higher in the fourth quarter, mainly in Costa Rica, due to an increased consumption of dishes based on nixtamalized corn flour, of tortillas and snacks, due to Christmas and New Year season.

Raw Materials. Corn is the most important raw material needed in our operations, representing 41% of the cost of sales during 2021, and is obtained primarily from imports from the United States as well as from local growers. Price fluctuation and volatility are subject to international and local conditions, such as crop results.

Distribution. We have our own sales teams to that are capable of servicing our main sales channels, which allows us to know and serve our clients' needs. Gruma Centromerica's products are marketed through a mix of our own fleet, independent transportation

firms and distributors, depending on the corresponding sales format. In both the supermarket and food service channels, products are delivered to customers through independent transportation firms.

2.2.1.5. Discontinued Operations

Venezuelan Companies

In 1993, we entered the Venezuelan corn flour industry through a participation in DEMASECA, a corn flour company in Venezuela. In August 1999, we acquired 95% of DAMCA International Corporation, a Delaware corporation which owned 100% of MONACA, Venezuela's second largest corn and wheat flour producer at that time, for approximately U.S.\$94 million. Additionally, ADM acquired the remaining 5% interest in MONACA.

In April of 2006, we entered into a series of transactions to: (i) purchase an additional 10% ownership interest in DEMASECA at a price of U.S.\$2.6 million; (ii) purchase a 2% stake in MONACA from ADM at a price of U.S.\$3.3 million; and (iii) sell a 3% interest in DEMASECA to ADM at a price of U.S.\$780,000.

Additionally, in April of 2006, we entered into a contract for the sale of a stake in MONACA to Rotch, an entity controlled by Mr. Ricardo Fernández Barrueco. As a result, Rotch acquired a 24.14% interest in MONACA. Subsequently, Rotch transferred the ownership of its equity interests in MONACA and DEMASECA to a trust created in Mexico to serve as a payment mechanism with respect to a loan granted by a Mexican financial institution (the "Lender") in favor of an entity controlled by Rotch. In June of 2010, the obligations under the loan became overdue and, according to the terms of the referred trust, the stake in MONACA and DEMASECA was sold to a third investor, whose interest in MONACA and DEMASECA was held through a Mexican company, currently named Valcon Holdings, S.A. de C.V., which has no relationship with Mr. Ricardo Fernández Barrueco.

On December 14, 2012, we acquired, rights of first refusal, the stake that ADM owned directly and indirectly in us and certain of our subsidiaries, including 3% of the partnership interest of Valores Mundiales and Consorcio Andino, holding companies of the Venezuelan Companies, MONACA and DEMASECA, respectively.

As a result of the foregoing transactions and the ADM Transaction, we currently own 75.86% of Valores Mundiales and Valcon Holdings, S.A. de C.V. owns the remaining 24.14%. As of December 31, 2021, Valores Mundiales was the sole registered owner of MONACA, holding 100% of its shares. In addition, we own 60% of Consorcio Andino and Valcon Holdings, S.A. de C.V. owns the remaining 40%. As of December 31, 2021, Consorcio Andino was the sole registered owner of DEMASECA, holding 100% of its shares.

On May 12, 2010, the Venezuelan government published the Expropriation Decree, which announced the forced acquisition of all assets, property and real estate of our subsidiary company in Venezuela, MONACA. Venezuela has expressed to GRUMA's representatives that the Expropriation Decree extends to our subsidiary DEMASECA. On January 22, 2013, as part of a criminal proceeding unrelated to MONACA and DEMASECA against a third party where precautionary measures were issued for the insurance of the assets of said third party which, in an extra-limited way, included MONACA and DEMASECA, the Republic published the Administrative Providence number 004-13 dated January 21 of the same year (the "Providence") appointing special administrators for MONACA and DEMASECA granting them the broadest powers to execute actions for the continuity and non-interruption of the operation of companies and the broadest powers of administration to guarantee the safekeeping, custody, use and conservation of company assets.

Consequently, in accordance with the provisions set forth in IFRS, the Company determined that as of January 22, 2013, it had lost the power to affect the variable returns of its subsidiaries in Venezuela and concluded that the appointment of special administrators with broad powers under the Providence had the effect of taking away its control over MONACA and DEMASECA and as a result, the Company proceeded to deconsolidate both subsidiaries and recognize its investment in Venezuela as a financial asset. Following the provisions set forth in IFRS, GRUMA performed impairment tests on the financial asset related to MONACA and DEMASECA and as of December 31, 2015, recognized an impairment of Ps.4,362 million corresponding to the total value of said asset.

On the other hand, the special administrators appointed through the Providence gradually resigned to their charges, the last of them resigning at the end of 2018, without the Republic having appointed new special administrators, and since that moment there has been no direct or indirect participation by representatives of the Republic in the decision-making and management of the administration and operation of MONACA and DEMASECA. These administration activities are only carried out by MONACA and DEMASECA's management team, which is directed by its local Executive Committee in Venezuela. Although it could be concluded that some of the factual assumptions that were taken in account for the determination under IFRS regarding the loss of control no longer exist or have been mitigated, this does not change the previous conclusions following the IFRS guidelines. Likewise, the macroeconomic indicators

used to determine the devaluation of the investment in Venezuela have continued deteriorating due to the economic and social situation in that country that has been negatively impacted by hyperinflation and significant currency devaluation. See “Section 2.2.11. Legal, Administrative or Arbitration Proceedings—Venezuela—Expropriation Proceedings and other actions by the Venezuelan Government.” See Note 27 to our audited consolidated financial statements as of December 31, 2021 and 2020 and for the years ended in said dates.

2.2.1.6. Technology and Equipment Operations

We have developed our own technology operations since our founding. Since March 2014 our technology and equipment operations have been conducted principally through INTESA, TECNOMAÍZ, and CIASA. Prior to this date, our technology and equipment operation had been conducted mainly through INTASA. On March 21, 2014, INTASA was merged into Gruma, S.A.B. de C.V., and ceased to exist. See “Section 2.2.9. Organizational Structure.”

The main purpose of INTESA is to provide research and development, equipment, and construction services to the food industry, specifically with respect to tortillas and other corn-based products. Through TECNOMAÍZ, we also engage in the design, manufacture and commercialization of machines for the production of nixtamalized corn and wheat flour tortillas and tortilla chips, which are sold under the TORTEC® and RODOTEC® trademarks. Through CIASA, we also design and manufacture equipment for corn masa flour such as corn milling machinery, and provide engineering, design and construction services. We manufacture or purchase machines for the production of corn tortillas to be sold to tortilla manufacturers and to be used in *tortillerías* located inside supermarkets, as well as modern and high capacity machines for the production of corn and wheat flour tortillas.

We have carried out proprietary technological research and development for corn milling and tortilla production as well as all engineering, plant design and construction mainly through INTESA. We invested Ps.168 million, Ps.143 million and Ps.155 million on research and development in the years ended December 31, 2019, 2020 and 2021 respectively.

2.2.1.7. Climate Change Effects

Various scientists, environmentalists, international organizations, regulators and other commentators believe that global climate change has added, and will continue to add, to the unpredictability, frequency and severity of natural disasters (including, but not limited to droughts, hurricanes, tornadoes, freezes, other storms and fires) in certain parts of the world. In response to this belief, a number of legal and regulatory measures as well as social initiatives have been introduced in several countries in an effort to reduce greenhouse gas and other carbon dioxide emissions which some believe may be chief contributors to global climate change. We cannot predict the impact that changing climate conditions, if any, will have on our results of operations or our financial condition. Moreover, we cannot predict how legal, regulatory and social responses to concerns about global climate change will impact our business in the future. The natural disasters caused by the climate change may increase the volatility of the price of grains, which at the same time could have an impact in our results of operations and/or financial condition. See “Section 1.3.1. Risks Related to our Company - Fluctuations in the Cost and Availability of Corn and Wheat May Affect Our Financial Performance.”

2.2.2. Distribution Channels

GRUMA operates through different distribution channels according to the needs of its clients and each segment of its business. For more information regarding the distribution channels, see “Section 2.2. Business Overview.”

2.2.3. Patents, Licenses, Trademarks and other Agreements

Patents

We continuously engage in research and development activities that focus on, among other things: increasing the efficiency of our own nixtamalized corn flour, corn/wheat tortilla and corn chips production technology; maintaining high product quality; developing new and improved products and manufacturing equipment; improving the shelf life of certain corn and wheat products; improving and expanding our information technology system; engineering, plant design and construction and compliance with environmental regulations. We have 27 patents in force and effect, and 2 patents in process in the United States as of this date. Additionally, 15 of our patents and design patents registered in the United States are currently pending the application process in other countries. Four of our patents in force in the United States are due to expire in 2022. See “Section 2.2.1.6 Technology and Equipment Operations.”

Licenses

On January 31, 2020, we entered into an agreement with GIMSA in connection with the trademark MASECA®, through which GRUMA granted GIMSA the license to exclusively use the trademark MASECA® in Mexico for a term of 3 years. As consideration, GRUMA collected from GIMSA a royalty for the following three years equivalent to Ps.465 million per year. Therefore, on February 24, 2020, GIMSA paid GRUMA Ps.1,395 million. In turn, in order to support GIMSA in its efforts to promote the MASECA® trademark in Mexico, GRUMA will contribute a percentage of the annual net sales of GIMSA during each year of the term of the referred agreement, as a contribution for advertising and publicity expenses.

On January 1, 2014, we entered into an agreement with Azteca Milling, LP in connection with the trademarks MASECA®, AGROINSA®, TORTIMASA®, among others (the “Licensed Trademarks”), as modified from time to time, through which GRUMA granted Azteca Milling, LP an exclusive continuing license to use the Licensed Trademarks worldwide, other than within Mexico, Central America and Ecuador. As consideration, GRUMA collected a royalty equivalent to a percentage of the net sales of products bearing the Licensed Trademarks during the following three years, same which ranged between 4% and 3.75%. Thereafter, both parties agreed to amend the referred royalty, and agreed that as consideration of the same license, Azteca Milling would pay GRUMA a fixed net royalty for the following seven years, equivalent to U.S.\$108 million. Therefore, on December 19, 2017, Azteca Milling paid U.S.\$108 million to GRUMA.

In turn, in order to support Azteca Milling in its efforts to promote the Licensed Trademarks, GRUMA will reimburse Azteca Milling for all marketing expenses related to such trademarks within the United States.

Other Contracts

In its ordinary course of business, GRUMA continuously enters into contracts of diverse natures, such as: raw material and input supply agreements, distribution agreements, marketing agreements, software license agreements, administrative service agreements, manufacturing agreements, equipment purchase and lease agreements, financing agreements, leases, among others. During the last three fiscal years, no material contract has been signed other than those executed in the ordinary course of business. See “Section 3.3. Relevant Credit Facilities Report”.

2.2.4. Principal Customers

During 2021, Walmart, Inc. and its several subsidiaries (Sam’s Club, Walmart Mexico and Centralamerica, Asda, etc.) was the only customer that represented more than 10% of our consolidated sales, approximately representing 12% of the consolidated sales of the Company.

2.2.5. Applicable laws and taxation

Mexican Regulation

Corn Commercialization Program

Mexico’s Agriculture and Rural Development (“SADER”) (formerly the Agriculture, Livestock, Rural Development, Fisheries and Food Ministry (*Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación*, or SAGARPA)), supports and promotes a target income for growers via the Mexican Food Safety Department (*Seguridad Alimentaria Mexicana* or SEGALMEX) through their “Guaranteed Price Program” which intends to assist disadvantaged growers with a stimulus price for corn, beans, rice and bread wheat harvests. The Guaranteed Price Program has national coverage and is focused on eligible growers registered in PROAGRO’s and Wellness Census (*Censo del Bienestar*) registry.

There are two support schemes for growers:

- Small growers managed by SEGALMEX:
 - Growers with a surface area of less than 5 hectares that are registered in PROAGRO’s and Wellness Census’ registry are eligible for this program.
 - Guarantees a minimum price and grants freight stimulus.

- This program is focused on meeting DICONSA’s needs for corn sales in its rural stores. If there is budget and surplus, they sell the product at market value.
- The income from corn sales is directly deposited to the growers.
- Medium growers managed by SEGALMEX
 - Growers with a surface area greater than 5 hectares and up to 50 hectares that are registered in PROAGRO’s and Wellness Census’ registry are eligible for this program.
 - This program is intended to ensure an income through a risk management instrument (“RMI”). Such incentive is a stimulus of Ps.100 pesos/ton for the purchase of hedges and seeks that the growers acquire a RMI and benefit from the price increase of grains in the futures market.
 - The stimulus for the purchase of hedges is directly deposited to the grower.

In recent years, GIMSA has been purchasing corn through private contracts directly with suppliers outside of ASERCA’s agricultural program (previously in force) and SEGALMEX. GIMSA will continue to use this purchasing system in the future since there is limited participation of large growers that conform the commercial agriculture in federal programs.

To the extent that this or other similar programs are introduced, modified or cancelled by the Mexican government, we may be required to incur additional costs in purchasing corn for our operations, which could result in an increase to our product prices to reflect these additional costs.

Decree to gradually replace glyphosate use and transgenic corn

On December 31, 2020, the Mexican Federal Government published a decree by which several actions were required to be taken by agencies and entities within the Federal Public Administration in order to gradually replace the use, acquisition, distribution, promotion and importation of glyphosate and agrochemicals containing glyphosate as active ingredient, with sustainable alternatives considered as culturally adequate that allow maintaining production and result to be safe for human consumption, the biocultural diversity in the country and the environment. To that effect, a transition period to achieve the total replacement of glyphosate, which ends on January 31, 2024, was established.

The decree also states that biosecurity authorities, in accordance with the applicable regulations, based on glyphosate-free corn supply sufficiency criteria, will revoke and abstain from granting authorizations for the use of genetically modified corn in the Mexicans’ diet, until such corn has been totally replaced on a date that may not be later than January 31, 2024, in accordance Mexican with self-sufficiency food policies.

In our opinion and for the time being, this decree, in accordance with current applicable regulations and based on the maintenance of the national corn production and corn supply sufficiency criteria, should not imply any consequences for the Company. However, we cannot fully assess its impact on the Company until we know the extent of the modifications to secondary laws ordered by the decree.

Environmental Regulations

Our Mexican operations are subject to Mexican federal, state and municipal laws and regulations relating to the protection of the environment. The principal federal environmental laws are the *Ley General de Equilibrio Ecológico y Protección al Ambiente*, or General Law of Ecological Equilibrium and Protection of the Environment or Mexican Environmental Law, which is enforced by the *Secretaría de Medio Ambiente y Recursos Naturales*, or Ministry of the Environment and Natural Resources or SEMARNAT, the *Ley General de Cambio Climático* or Mexican Climate Change Law and the *Ley Federal de Derechos* or the Mexican Federal Law of Governmental Fees. Under the Mexican Environmental Law, each of our facilities engaged in the production of nixtamalized corn flour and tortillas is required to obtain an operating license from state environmental authorities upon initiating operations, and then periodically submit a certificate of operation to maintain the operating license. Furthermore, the Mexican Federal Law of Governmental Fees requires that Mexican manufacturing plants pay a fee for water consumption and the discharge of residual waste water to drainage, whenever the quality of such water exceeds mandated thresholds. Also, regulations have been issued concerning hazardous substances and water, air and noise pollution. In particular, Mexican environmental laws and regulations, including the Mexican Climate Change Law, require that Mexican companies file periodic reports with respect to air and water emissions and hazardous wastes. Additionally, they also establish standards for waste water discharge. We must also comply with zoning regulations as well and rules regarding health,

working conditions and commercial matters. SEMARNAT and the Federal Bureau of Environmental Protection can bring administrative and criminal proceedings against companies that violate environmental laws, as well as close non-complying facilities.

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

Competition Regulations

The Mexican Economic Competition Law (*Ley Federal de Competencia Económica*) and the related regulations regulate free markets, antitrust matters, monopolies and monopolistic practices, and require Mexican government approval for certain mergers and acquisitions. The Mexican Economic Competition Law grants the government the authority to establish price controls for products and services of national interest through Presidential decree when there are no effective competition conditions in the corresponding market.

On May 23, 2014, a new Mexican Economic Competition Law was published in the Mexican Official Gazette (*Diario Oficial de la Federación*) and became effective on July 7, 2014. This law was issued in order to implement the amendment to article 28 of the Mexican Constitution regarding antitrust matters, whereby the Mexican government was entitled to establish a new Mexican Federal Economic Competition Commission (*Comisión Federal de Competencia Económica*, or COFECE), which will have all powers necessary to fulfill its purpose, regulate access to essential facilities, and order any divestiture of assets, rights, ownership interests or shares of economic firms, as necessary to eliminate any anti-competitive effects. Mergers and acquisitions and other transactions that may restrain trade or that may result in monopolistic or anti-competitive practices or combinations must be approved by the Federal Economic Competition Commission.

The Mexican Economic Competition Law may potentially limit our business combinations, mergers and acquisitions and may subject us to greater scrutiny in the future; however, we do not believe that this legislation will have a material adverse effect on our business operations.

Anti-Money Laundering Regulations

The Mexican Federal Law to Prevent and Identify Operations with Resources from Illegal Sources (*Ley Federal para la Prevención e Identificación de Operaciones con Recursos de Procedencia Ilícita*) was published in the Mexican Official Gazette on October 17, 2012 and became effective on July 17, 2013. The purpose of this law is to prevent and detect operations carried out with funds obtained from illicit activities and prohibiting payments using cash for certain types of activities above certain amounts. Under this law, persons carrying out activities that are deemed as “vulnerable” are required to identify their clients and counterparties in such activities, to keep a detailed file in connection therewith, and under certain circumstances to report those activities to the Mexican Authorities. Most of the activities are deemed as “vulnerable” only when they exceed certain thresholds set forth in the law or regulations, and reporting of such activities is generally subject to higher thresholds. Certain activities are considered “vulnerable” per se, regardless of the total amount of the transaction; examples of such regulated activities are: granting of loans, granting credit facilities and guarantees, leasing real estate properties and receive donations, among others.

Failure to comply with this law may result in monetary and criminal sanctions. We believe we are currently in compliance in all material respects with this law and we do not believe it will have a material adverse effect on our business operations.

Tax Regulations and Taxation

According to the tax laws in force, the company is obliged to assess and pay several taxes, mainly the Income Tax (“ISR”) and the Value Added Tax (“IVA”). Likewise, it is obliged to withhold and pay taxes (ISR and/or IVA) with respect to salaries, fees, freights, leases and certain foreign payments.

ISR. The ISR is calculated at a rate of 30% on the tax income obtained from subtracting the authorized deductions and tax previous fiscal years’ tax loss carryforwards from the taxable income.

IVA. The main activities generated by the company’s entities are subject to IVA at a 0% rate. On a monthly basis, the company has to report payable or refundable IVA; which is calculated by deducting the IVA paid for the purchase of goods and services from the IVA generated as a result the sale of goods and services, given that the paid services and certain purchases are subject to a 16% rate.

The balance is recovered monthly through a filing made before the Tax Administration Office of the Ministry of Finance and Public Credit.

Tax Reform

On December 9, 2019, the decree by which several provisions of the Income Tax Law (*Ley del Impuesto sobre la Renta*), the Value Added Tax Law (*Ley del Impuesto al Valor Agregado*), the Special Tax on Production and Services Law (*Ley del Impuesto Especial sobre Producción y Servicios*) and the Federal Tax Code (*Código Fiscal de la Federación*) were amended, added and removed and was published in the Official Gazette of Mexico and entered into force on January 1, 2020. Among other issues, the limitation to deduct interests that exceed 30% of the taxpayer's adjusted tax income, as well as the non-deduction of payments to related parties residing abroad that are considered subject to the Preferential Tax Regimes (REFIPRES) or that they represent a hybrid mechanism, to the extent that certain conditions are not met, stand out. Regarding the transparency regime, new elements are incorporated, and some issues are limited in order to define if the income is obtained by a resident in Mexico or by a resident abroad with a permanent establishment in the country, through a foreign entity which are subject to preferential tax regimes. Finally, it becomes necessary to justify the business rationale of the legal acts that generate a direct or indirect benefit for the taxpayer. We believe that the impact of these reforms in the company's entities' will be moderated and therefore will not represent a major risk for our business.

Regarding the creation of formal obligations, the obligation to disclose reportable schemes is established in the Federal Tax Code. The company will continue to comply with this obligation, as it has done so far, to the extent that it is in the legal or de facto situation contemplated in the abovementioned provision.

For 2021 fiscal year purposes, on December 8, 2020, a decree reforming, adding and deleting various provisions of the Income Tax Law (*Ley del Impuesto sobre la Renta*), the Value Added Tax Law (*Ley del Impuesto al Valor Agregado*) and the Federal Tax Code (*Código Fiscal de la Federación*) was published in the Official Gazette of Mexico. In general terms, the reformed provisions aim to strengthen taxation authorities' power of inspection, improving tax collection arising from the use of digital platforms, as well as avoiding elusive practices through the use of non-profit entities. The Company is currently evaluating the impact these reforms may have in its operations.

Also for the year 2021, a labor reform that prohibits personnel outsourcing schemes came into force and was published in the Official Gazette of Mexico on April 23, 2021. This reform provides for a series of revisions to several tax laws such as the Income Tax Law and the Value Added Tax Law, in addition to the Social Security Law (*Ley del Seguro Social*), among others, which entered into force on August 1, 2021, in order to adapt the rules for deducting expenses, VAT accreditation, withholding of indirect taxes and the determination of the Employee Profit Sharing.

Failure to comply with the new provisions of this new personnel outsourcing regime, could lead to fines and loss of certain tax rights, such as the right to deduct paid considerations or to credit the value added tax related to such considerations. Furthermore, it is also provided that the recipient of specialized services will be jointly and severally liable with the employer providing the services, in the event such employer fails to comply with its corresponding labor, tax and social security obligations.

The reform contemplated a three-month transition period for some of the key obligations contemplated therein, during which time, the company worked to adapt its Human Resources structures to the new regulations. The Company conducted an analysis of the application of these new provisions and we estimate that they did not have a material impact on the financial statements.

On November 12, 2021, a new set of tax reforms were published in the Official Gazette of Mexico, which entered into force as of January 1, 2022. Although no new taxes were created, nor were rates increased from existing ones, measures were incorporated to increase the taxable base of the Income Tax of taxpayers and to limit the Value Added Tax accreditations. Regarding the Federal Tax Code (*Código Fiscal de la Federación*), the obligation for certain taxpayers to tax audited is re-established, an issue that in the past was optional, and the base of subjects obliged to submit the report on their tax situation was expanded. The company is still evaluating the impact that this reform will have on its operations, although such impact is estimated to be immaterial.

Energy Regulations

The Electric Industry Law (*Ley de la Industria Eléctrica*) was published in the Mexican Official Gazette on August 11, 2014, and became effective on August 12, 2014. The purpose of this law was to regulate energy generation, transmission, distribution and power marketing activities.

On March 9, 2021, a decree amending and adding various provisions to the Electric Industry Law was published. In general terms, this reform grants to the basic supply branch of the Federal Electricity Commission (*Comisión Federal de Electricidad*) the

exclusive ability to choose its electric power suppliers without any obligation to prefer those selling energy at lower cost, which implies a change to the former most-economical dispatch criteria that was more favorable to clean energy projects.

In one of its transitional provisions, this reform mandates the cancelation of permits allowing the production of energy for self-supply purpose (*autoabasto*), a regime under which electric energy is received in several of our Mexican plants. Various participants in the electrical power industry and other private persons, including some projects in which the Company participates, have filed *amparo* proceedings as they consider this reform as unconstitutional and have obtained definitive suspensions that prevent the application of the reform, for the time being. We consider that, even in the event the *amparo* proceedings are not successful, a possible cancelation of electric energy consumption permits that allow the Company to consume electrical energy in a self-supply mode, will not have a material adverse effect in our business.

U.S. Federal and State Regulations

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

U.S. Tax Reform

On December 2017, a tax reform was enacted, and became effective on January 1, 2018. The main changes introduced by this reform were the following: (i) a reduction in the corporate Income Tax rate from 35% to 21%; (ii) the elimination of the Alternative Minimum Tax or AMT; (iii) as of 2018, generated tax losses may be carried over for any future year up to 80% of the taxable income; (iv) new anti-base erosion rules Base Erosion Avoidance Tax (BEAT) are introduced in order to regulate and discourage payments to related parties outside of the U.S. that erode the basis; (v) a limitation to the payment of interests of 30% of a metric similar to EBITDA, is introduced; (vi) the mandatory repatriation of retained earnings in U.S. subsidiaries over 8 years, in general terms, with a 15.5% tax rate over cash and equivalents and 8% over the rest of the assets; (vii) a 100% exemption for dividends received by U.S. companies from abroad.

European Regulation

Our European subsidiaries are subject to regulation in each country where they operate. We believe that we are currently in compliance with all applicable legal requirements in all material respects.

Spain Tax Reform

Before the end of the 2020 financial year, the 2021 Budget Law was published in the Spanish Official Gazette, containing a series of amendments to the Corporate Tax provisions. Noteworthy is the reform of the Foreign Securities Holding Entities (ETVE) regime, which, as of January 1, 2021, indirectly taxes 5% of dividends and capital gains received by taxpayers subject to such the regime. Previously, this type of income was exempt in its entirety.

In addition, the "Law 11/2021 of July 9 on Measures to Prevent and Combat Tax Fraud" was published in the Spanish Official Gazette, which has already entered into force. Basically, as its name indicates, the new Law pursues two purposes (i) the transposition of the outstanding points of the European Union Directive aimed at preventing tax avoidance practices of taxpayers; and (ii) introduce regulatory changes aimed at facilitating the action of the authority in its fight against fraud.

After analyzing the reforms in question, we have concluded that the impact on our operations will be immaterial.

Finally, for the purposes of the 2022 financial year, the Budget Law contemplates a reform that involves the introduction of a minimum tax, equivalent to 15% of the taxable base of the Corporation Tax without the right to use tax credits, except those from abroad. The company is evaluating the impact that this could have on our operations although it does not seem to affect the way it is taxed in Spain.

Central American Regulation

Gruma Centroamérica is subject to regulation in each country in which it operates. We believe that Gruma Centroamérica is currently in compliance with all applicable legal requirements in all material respects.

Asia and Oceania Regulation

GRUMA Asia – Oceania is subject to regulation in each country in which it operates a. We believe that we are currently in compliance with all applicable legal requirements in all material respects.

OECD and the BEPS 2.0 project

In October 2021, the OECD issued a statement indicating that 137 countries and jurisdictions, which make up the Inclusive Framework on BEPS, agreed on a two-pillar solution to address the fiscal challenges arising from digitization and the globalization of the economy and defining a timetable for its implementation.

Pillar One seeks to ensure a fairer distribution of tax benefits and rights among countries with respect to larger multinational companies, including digital ones, by reallocating some tax rights over Multinational Companies (MNCs), transferring them from their home countries to the market countries in which they carry out their business activities and make profits, regardless of whether or not they have a physical presence in them.

Pillar Two aims to establish a minimum corporate income tax base, which countries can use to protect their tax base. This is in order to ensure that the overall profits of multinational corporations are taxed at least 15 per cent between one or more countries.

On December 20, 2021, the OECD released the GloBE model rules (Model Rules) for the implementation of Pillar 2. The purpose of the Model Rules is for them to be incorporated into the domestic legislation of the 137 countries that have approved the project, during the course of 2022.

The Company Administration has begun preliminary analyses of these rules to define the impact on its operations, which is still uncertain.

2.2.6. Human Resources

As of December 31, 2021, we had a total of 22,492 employees, including 14,646 unionized and 7,846 non-unionized full- and part-time employees. Of this total, we employed 9,389 persons in Mexico, 8,366 in the United States, 1,904 in Central America and Ecuador, 1,135 in Asia and Oceania, and 1,698 in Europe. Total employees for 2019 and 2020 were 20,785 and 22,254 respectively. Of our total employees as of December 31, 2021, approximately 35% were white-collar and 65% were blue collar.

In Mexico, workers at each of our plants are covered by a separate contract, under which salary revisions take place once each year. Non-salary provisions of these contracts are revised bi-annually. We renewed agreements with 100 collective bargaining agreements with 6 unions (CROC, CROM, CTM, FNSI, Petroquímica y FASIM) that represent our workers during 2021.

In the United States, we have 5 collective bargaining agreements that represent a total of 905 workers at five separate facilities (Mountain Top, Pueblo, Tempe, Henderson and Madera). We renewed such agreements on March 28, 2021, March 26, 2019, March 28, 2020, March 22, 2020, and June 28, 2020, respectively.

In England, we have one collective bargaining agreement covering 10 employees in one facility, which is renewed every 24-36 months.

In Italy, we are covered by a national labor agreement for industrial food staff. This agreement is reviewed every 36 months nationally.

In Spain, we have a collective labor agreement covering all of the plants located in Fuenlabrada and Borox. These agreements are reviewed every 24-36 months.

In Australia, we have a collective bargaining agreement covering 271 employees at our facility, which is renewed every four years.

In China, we have a collective bargaining agreement covering 360 employees at our facility, which is renewed every 3 years.

We consider our current, individual and collective labor relations are sound.

2.2.7. Environmental performance

GRUMA has environmental policies in place related to the mitigation and prevention of environmental pollution in all its plants, and with programs for the protection of the environment. Through our subsidiaries, INTESA and CIASA, our environmental system has carried our investigations and developed technologies aimed at maintaining our plants within the discharge parameters allowed under the norms and laws of Mexico, U.S., Central America, Europe, Asia and Oceania. Likewise, we seek to minimize the risks associated with environmental impact through (i) the change to equipment that reduces water consumption, (ii) the implementation of procedures that identify environmental aspects in the discharge of treated water, pollution impacts on soil and groundwater, (iii) investment in research into efficient technologies, focusing on reducing wastewater discharges and direct CO2 emissions, and (iv) biodiversity conservation programs. We do not believe our activities pose a significant environmental risk. See “Section 2.2.1.7. Climate Change Effects.”

Additionally, GRUMA has the ISO 14001 environmental acknowledgment for 6 plants of GIMSA in Mexico. Additionally, GIMSA has the OSHA 18,000 security acknowledgement in 1 plant.

2.2.8 Market Information

We believe we are one of the main producers of nixtamalized corn flour and tortillas in the United States, and one of the main producers of nixtamalized corn flour in Mexico. We believe that we are an important producers of nixtamalized corn flour and tortillas in Central America, one of the largest producers of tortilla and other flatbreads, including pita, naan, chapati, pizza bases and piadina in Europe, Asia and Oceania of corn grits in Europe and the Middle East. See “Section 2.2. Business Overview”.

Our focus has been and continues to be the efficient and profitable expansion of our core business— nixtamalized corn flour and tortilla. We pioneered the nixtamalized corn flour method of tortilla production, which offers significant opportunities for growth. Using our know-how, we will seek to encourage tortilla and other corn-based products manufacturers in the United States, Mexico, Central America, and elsewhere to use nixtamalized corn flour in the production of tortillas and other corn-based products.

The following table sets forth our consolidated revenues by geographic market for the years ended December 31, 2021, 2020 and 2019.

	Year ended December 31,					
	2021		2020		2019	
	(in millions of pesos)					
United States.....	Ps.	52,864	Ps.	53,187	Ps.	42,368
Mexico.....		24,296		22,053		21,046
Europe.....		6,805		6,000		5,691
Central America.....		5,388		5,609		4,603
Asia and Oceania.....		4,897		4,254		3,680
Total.....	Ps.	94,250	Ps.	91,103	Ps.	77,388

2.2.9. Organizational Structure

We are a holding company without significant assets except for the shares of our subsidiaries. Currently we are whole or majority owners of the following subsidiaries deemed as significant for the company, same which, individually, represent more than the 10% of the total assets of GRUMA or more than the 10% of the total consolidated income.

Significant Subsidiaries:	Ownership Percentage
Gruma Corporation	100%
Azteca Milling, L.P.	100%
Molinos Azteca, S.A. de C.V.	100%

We conduct our operations through subsidiaries. The table below sets forth our most important subsidiaries as of December 31, 2021.

Name of Company	Principal Markets	Jurisdiction of Incorporation	Percentage Owned(1)	Products/ Services
Mexican Operations				
GIMSA	Mexico	Mexico	100%	Nixtamalized corn flour, Other
U.S. Operations				
Gruma Corporation	United States	Nevada	100%	Tortillas, Tortilla Related Products, Other
Azteca Milling.	United States	Texas	100%	Nixtamalized corn flour
European Operations				
Mission Foods Iberia, S.A.U., NDF Azteca Milling Europe SRL, Solntse Mexico, LLC, Mex-Foods Siberia, LLC, Mission Foods Stupino, Semolina Misir Irmigi Gida Sanayi Ve Ticaret A.S., Altera Azteca Milling Ukraine LLC., Mission Foods UK, Ltd. (“Gruma Europe”)	Europe	Spain, Italy, Russia, Turkey, Ukraine, UK	100%	Tortillas, Tortilla Related Productos, Flatbreads, Corn Grits, Nixtamalized corn Flour, Other
Central American Operations				
Gruma de Guatemala, S.A., Derivados de Maíz Alimenticio, S.A., Industrializadora y Comercializadora de Palmito, S.A., Derivados de Maíz de Guatemala, S.A., Tortimasa, S.A., Derivados de Maíz de El Salvador, S.A., and Derivados de Maíz de Honduras, S.A. de C.V. (“Gruma Centroamérica”).....	Costa Rica, Honduras, Guatemala, El Salvador, Nicaragua, Ecuador	Costa Rica, Honduras, Guatemala, El Salvador, Nicaragua, Ecuador	100%	Nixtamalized corn flour, Tortillas, Snacks, Hearts of palm and Rice
Other Subsidiaries				
Mission Foods (Shanghai) Co. Ltd., Gruma Oceania Pty. Ltd., and Mission Foods (Malaysia) Sdn. Bhd. (“Gruma Asia - Oceania”).....	Asia and Oceania	China, Malaysia and Australia	100%	Tortillas, Tortilla Related Products, Other
Mission Foods México, S. de R.L. de C.V. (“Mission Foods Mexico”)	Mexico	Mexico	100%	Tortillas and Other related products
Investigación Técnica Avanzada, S.A. de C.V. (“INTESA”).....	Mexico	Mexico	100%	Construction, Technology and Equipment operations
Deconsolidated Venezuelan Operations (2)				
Molinos Nacionales, C.A. (“MONACA”) (3)	Venezuela	Venezuela	76%	Corn flour, Wheat flour, Other products
Derivados de Maíz Seleccionado, C.A. (“DEMASECA”) (3).....	Venezuela	Venezuela	60%	Corn flour

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

(2) Together these subsidiaries are referred to as the “Venezuelan Companies.” We deconsolidated the Venezuelan Companies as of January 22, 2013 and report it as a discontinued operation. In 2015, our company our Company recognized a full impairment to its indirect net investment in MONACA and DEMASECA, as well as the accounts receivable that certain subsidiaries of Gruma had with the Venezuelan Companies. See Note 27 to our audited and consolidated financial statements as of December 31, 2021 and 2020 and for the years ended in said dates.

(3) Valcon Holdings, S.A. de C.V. (formerly named RFB Holdings de Mexico, S.A. de C.V.) holds a 24.14% indirect interest in MONACA and 40% in DEMASECA. See “Section 1.3.4. Risks Related to Venezuela— We have Cancelled our Investment in the Venezuelan Companies which are currently Involved in an Expropriation Proceeding” and “Section 3.4. Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Issuer – Acquisitions and other Relevant Events within our Business Units. —Share Purchase Transaction with Archer-Daniels-Midland”.

Our consolidated subsidiaries accounted for the following percentages and amount of our net sales in millions of pesos for the years ended December 31, 2021, 2020 and 2019.

	Year ended December 31,					
	2021		2020		2019	
	In millions of Pesos	% of Net Sales	In millions of Pesos	% of Net Sales	In millions of Pesos	% of Net Sales
Gruma USA.....	Ps.52,959	56%	Ps.53,266	58%	Ps. 42,442	55%
GIMSA.....	24,970	26	23,168	25	21,585	28
Europe.....	6,819	7	6,014	7	5,701	7
Gruma Centroamérica.....	5,388	6	5,609	6	4,603	6
Others and eliminations.....	4,114	5	3,046	4	3,057	4
Total.....	Ps.94,250	100	Ps. 91,103	100	Ps. 77,388	100

2.2.10. Description of Principal Assets

Our most important fixed assets are the plants of our main subsidiaries, a description of which can be found in “Section 2.2. Business Overview.”

All physical assets owned by the company, or under the company’s control and safekeeping, as well as the profit loss caused by the occurrence of incidents, are widely covered for most of the risks insurable in the insurance and reinsurance international markets. As of December 31, 2021, none of the assets of the company or its subsidiaries have been pledged for the purpose of obtaining loans.

2.2.11. Legal, Administrative or Arbitration Proceedings

In the ordinary course of our business, we have been involved in various disputes and litigation, none of which has nor we expect them to have a material adverse effect for the Company.

Discontinued Operations-Venezuela

Expropriation Proceedings and other actions by the Venezuelan Government

On May 12, 2010, the Bolivarian Republic of Venezuela (the “Republic”) published the Decree number 7.394 in the Official Gazette of Venezuela (the “Expropriation Decree”), ordering the forced acquisition of all assets, property and real estate of the Company’s indirect subsidiary in Venezuela, Molinos Nacionales, C.A. (“MONACA”), through an expropriation proceeding to be initiated and processed with the participation of several agencies of the Republic. The Republic stated that the Expropriation Decree also extends to the Company’s indirect subsidiary, Derivados de Maíz Seleccionado, DEMASECA, C.A. (“DEMASECA”). The Republic took initial steps to carry out an administrative expropriation procedure in accordance with the Expropriation Decree, but then suspended said procedure indefinitely, which is still suspended to this date, therefore the expropriation has not been carried out.

GRUMA’s interests in MONACA and DEMASECA are held through two Spanish companies, Valores Mundiales, S.L. (“Valores Mundiales”), and Consorcio Andino, S.L. (“Consorcio Andino”). In 2010, Valores Mundiales and Consorcio Andino (jointly the “Investors” or the “Claimants”) commenced conversations with the Republic regarding the Expropriation Decree and other measures related to the same, affecting MONACA and DEMASECA. Through the Investors, GRUMA participated in these conversations, in

order to resolve the controversy caused by the Expropriation Decree and other measures imposed by the Republic. These conversations ceased without resulting in an agreement with the Republic.

Venezuela and the Kingdom of Spain are parties to a Treaty on Reciprocal Promotion and Protection of Investments, dated November 2, 1995 (the “Investment Treaty”), under which the Investors may settle investment disputes by means of arbitration before the International Centre for Settlement of Investment Disputes (“ICSID”). On November 9, 2011, the Investors, MONACA and DEMASECA formally notified the Republic about the dispute and their agreement to submit said dispute to ICSID arbitration if the parties were unable to reach an amicable agreement.

On January 22, 2013, as part of a criminal proceeding unrelated to MONACA and DEMASECA against a third party where precautionary measures were issued for the insurance of the assets of said third party which, in an extra-limited way, included MONACA and DEMASECA, the Republic published the Administrative Providence number 004-13 dated January 21 of the same year (the “Providence”) appointing special administrators for MONACA and DEMASECA granting them the broadest powers to execute actions for the continuity and non-interruption of the operation of companies and the broadest powers of administration to guarantee the safekeeping, custody, use and conservation of company assets.

Consequently, in accordance with the provisions set forth in IFRS, the Company determined that as of January 22, 2013, it had lost the power to affect the variable returns of its subsidiaries in Venezuela and concluded that the appointment of special administrators with broad powers under the Providence had the effect of taking away its control over MONACA and DEMASECA and as a result, the Company proceeded to deconsolidate both subsidiaries and recognize its investment in Venezuela as a financial asset. Following the provisions set forth in IFRS, GRUMA performed impairment tests on the financial asset related to MONACA and DEMASECA and as of December 31, 2015, recognized an impairment of Ps.4,362 million corresponding to the total value of said asset.

On May 10, 2013, Valores Mundiales and Consorcio Andino submitted a Request for Arbitration to ICSID, which was registered on June 11, 2013 under case No. ARB/13/11. The purpose of the arbitration was to seek compensation for the damages caused by Venezuela’s violation of the Investment Treaty. The tribunal that presided over this arbitration proceeding was constituted in January 2014.

On July 25, 2017, the tribunal decided the arbitration in favor of Valores Mundiales and Consorcio Andino, by dismissing the jurisdictional objections raised by the Republic and concluding that the Republic had violated provisions of the Investment Treaty. According to the Award issued by the arbitration tribunal, the Republic must pay U.S.\$430.4 million to Valores Mundiales and Consorcio Andino as damages resulting from its violation of certain provisions of the Investment Treaty, plus compound interest at Libor +2% since January 22, 2013 and until the Award’s effective payment date. As of December 31, 2021, the award plus interest amounts to approximately U.S.\$565 million. The arbitration tribunal also ordered the Republic to pay U.S.\$5.9 million for legal expenses incurred by the Claimants during the arbitration. Both, the amount of the award plus interest and the legal expenses incurred by the Claimants, were not recorded since they are considered a contingent asset under IAS 37.

In the Award, the arbitration tribunal granted most of the Claimants’ claims and concluded that the Republic had violated the Investment Treaty by (i) not granting a fair and equitable treatment to the Claimants’ investments; (ii) adopting arbitrary measures that hindered the management and evolution of the Claimants’ investments; and (iii) preventing the free transfer of funds related to the Claimants’ investments. The arbitration tribunal dismissed the indirect expropriation claim submitted by the Claimants, since the tribunal considered, amongst other reasons, that the administrative expropriation procedure ordered by the Expropriation Decree had not been concluded and the special administrators appointed by the Republic did not exercised control over the companies in a substantial way. The Claimants retain their right to commence a new claim against the Republic if the latter continues with the enforcement of the Expropriation Decree and materializes the transfer of the right of ownership of the assets subject to the Expropriation Decree.

On November 22, 2017, the Republic filed before the ICSID a request for annulment of the Award issued by the arbitration tribunal and the stay of enforcement of the same while said action was pending resolution. On December 7, 2017, ICSID registered the Republic’s annulment request and provisionally stayed the enforcement of the Award. The Committee that will decide on the Award’s annulment proceedings was finally constituted on May 23, 2018 (“Annulment Committee”).

On June 4, 2018, the Republic formally requested that the Annulment Committee kept suspended the enforcement of the Award during the course of the annulment proceeding. After considering the arguments presented by the parties, on September 6, 2018, the Annulment Committee ordered the lifting of the provisional suspension of the enforcement of the Award, which allowed the Investors to begin legal actions to recognize and enforce the Award in different jurisdictions.

On December 21, 2021, the Annulment Committee notified the parties of the annulment proceeding of the Award initiated by the Republic, which was favorable for the Investors, resolving (i) to reject in full the request for annulment of the Award raised by the

Republic, (ii) to condemn the Republic to pay the Investors U.S.\$2,348,034 in costs, and (iii) order the Republic to pay ICSID U.S.\$ 660,032 as costs of the annulment proceedings. Against this resolution of the Annulment Committee, the Republic has no appeal, so the Award has become final.

On January 8, 2019, the Investors filed a complaint with the Federal District Court in Washington, D.C. requesting recognition of the Award. The complaint for recognition of the Award was notified to the Republic by consular means on July 26, 2019, granting a period to answer until September 24, 2019 without Venezuela responding. Consequently, on October 21, 2019, the Investors requested the Judge to issue a judgment recognizing the Award considering the Republic's default. On March 3, 2020, representatives of the Republic appeared in the proceedings, answered the lawsuit and presented their objections to the passing of a default judgment. On March 16, 2020, the Investors asked the Tribunal to issue a summary judgment against Venezuela, to which Venezuela later objected and argued in favor of a judgment against the recognition of the Award. On November 17, 2020, the Judge ordered the suspension of the award recognition proceeding until the award annulment proceeding is resolved. Considering that the Award annulment procedure has been resolved, the Judge resumed the procedure for the recognition of the Award on January 24, 2021, thus the Investors' request remains pending to be resolved, to date.

Nevertheless, even though future discussions with the Republic could take place from time to time, the Company cannot assure that such discussions will be successful or will result in the Investors receiving adequate compensation, if any, for the violation to the Investment Treaty in the terms dictated in the Award or for the eventual enforcement of the Expropriation Decree by the Republic. Additionally, the Company cannot predict the results of the proceedings for the recognition and enforcement of the Award that the Investors commenced or may commence or the ramifications that costly and prolonged legal disputes could have on its results of operations or financial position, or the likelihood of collecting the Award.

On the other hand, the special administrators appointed through the Providence gradually resigned to their charges, the last of them resigning at the end of 2018, without the Republic having appointed new special administrators, and since that moment there has been no direct or indirect participation by representatives of the Republic in the decision-making and management of the administration and operation of MONACA and DEMASECA. These administration activities are only carried out by MONACA and DEMASECA's management team, which is directed by its local Executive Committee in Venezuela. Although it could be concluded that some of the factual assumptions that were taken in account for the determination under IFRS regarding the loss of control no longer exist or have been mitigated, this does not change the previous conclusions following the IFRS guidelines. Likewise, the macroeconomic indicators used to determine the devaluation of the investment in Venezuela have continued deteriorating due to the economic and social situation in that country that has been negatively impacted by hyperinflation and significant currency devaluation.

Given that the enforcement of the Award may present material challenges, the impact of the Award in the Company cannot be reasonably assessed at this time. The Investors, jointly with its legal counsel, will adopt appropriate measures to preserve and defend their legal interests. See Note 27 to our audited consolidated financial statements as of December 31, 2019 and 2018 and for the years ended in said dates.

Intervention Proceedings by the Venezuelan Government

Due to a criminal proceeding, not related with MONACA and DEMASECA, initiated in Venezuela by the Republic against Mr. Ricardo Fernández Barrueco, on December 4, 2009, the Eleventh Investigations Court for Criminal Affairs of Caracas issued an order authorizing the precautionary seizure of Mr. Fernández Barrueco's assets, including assets in which he had any kind of interest. Based on the purported indirect minority interest that ROTCH ENERGY HOLDINGS, N.V., (company supposedly linked to Mr. Fernández Barrueco), previously had in MONACA and DEMASECA. MONACA and DEMASECA were included by the Republic amongst the assets of Mr. Fernández Barrueco to be seized and therefore were subject to the aforementioned precautionary measure. Between 2009 and 2012, the Ministry of Finance of Venezuela, pursuant to the precautionary measures ordered by the court and, for the purposes of enforcing them, appointed several special administrators regarding the assets of Mr. Fernandez Barrueco, including the indirect minority interest that Mr. Fernández Barrueco allegedly owned in MONACA and DEMASECA. On January 21, 2013, the Ministry of Justice and Internal Relations revoked the prior appointments made by the Ministry of Finance of Venezuela and made a new designation of special administrators in particular for MONACA and DEMASECA through the publication of the Providence, granting them the "broadest powers to execute actions for the continuity and non-interruption of the operation of companies and the broadest powers of administration to guarantee the safekeeping, custody, use and conservation of the companies' assets.

As a result of the foregoing, MONACA and DEMASECA, as well as Consorcio Andino and Valores Mundiales, as direct shareholders of said companies, filed a petition as aggrieved third-parties to the criminal proceeding the Republic carried against Mr. Fernández Barrueco and that was not related to MONACA and DEMASECA, in order to revert the precautionary measures and all related actions, given that MONACA and DEMASECA were not and are not property of Mr. Fernández Barrueco and therefore should not have been affected by the precautionary measures established in the criminal proceeding against said person. On November 19,

2010, the Eleventh Investigations Court for Criminal Affairs of Caracas ruled that MONACA and DEMASECA are companies wholly owned and controlled by Valores Mundiales and Consorcio Andino, respectively. However, the court kept the precautionary measures issued on December 4, 2009 in effect, without substantiating their decision. An appeal has been filed, which has not been admitted and is pending resolution as of this date despite the multiple requests for pronouncement.

On July 30, 2014, the Twenty-Eighth Court in Trial Functions ordered the dismissal of the criminal case initiated by the Republic against Mr. Fernández Barrueco and ordered the lifting of all securing measures regarding his assets. This decision became final on July 18, 2017 by decision of the Chamber 1 of the Court of Appeals and its clarification of August 4, 2017, which ratifies the lifting of the measures for securing his assets. This decree of dismissal and the lifting of the securing measures regarding the assets of Mr. Fernández Barrueco, by firm decision, led to the decaying of the securing measures that were established against MONACA and DEMASECA, including the Providence, without as of this date existing any legal basis for such measures to remain in force. Therefore, in addition and regardless of the incident that had been promoted in the aforementioned criminal proceeding as injured third parties, on August 13, 2018, MONACA and DEMASECA requested that the Twenty-Eighth Trial Judge terminate and lift all precautionary measures decreed in the aforementioned criminal proceeding that affect these companies, including the Providence in which special administrators were appointed. MONACA and DEMASECA, have orally ratified this request on several occasions before the Judge and in written on October 29, 2018, October 3, 2019, August 19, 2021, and February 15, 2022, however, the Court has not issued a ruling.

The Company and its subsidiaries intend to exhaust all legal remedies available in order to safeguard and protect their legitimate interests.

2.2.12. Shares evidencing the capital stock

The capital stock as of December 31, 2018 is represented by 432,749,079 issued ordinary, registered, Series B, Class I no par value shares, out of which 423,430,920 shares were outstanding and fully subscribed and paid for and 9,318,159 shares were kept in treasury, representing the fixed portion of the capital stock. During 2018, the company has not made any modification to its capital stock.

In the Extraordinary General Shareholders Meeting of GRUMA held on April 26, 2019, 11,791,586 ordinary, registered, Series B, Class I no par value shares, which had been repurchased by the Company, were cancelled. Consequently, the capital stock on April 26, 2019 was represented by 420,957,493 ordinary, registered, Series “B”, Class I, no par value shares, out of which 419,564,294 shares were outstanding and fully subscribed and paid for and 1,393,199 shares were kept in treasury.

The capital stock as of December 31, 2019 is represented by 420,957,493 issued ordinary, registered, Series B, Class I no par value shares, out of which 413, 143, 708 shares were outstanding and fully subscribed and paid for and 7,813,785 shares were kept in treasury.

In the Extraordinary General Shareholders Meeting of GRUMA held on April 24, 2020, 15'466,437 ordinary, registered, Series B, Class I, no par value shares, which had been repurchased by the Company, were cancelled. Consequently, the capital stock on April 24, 2020, was represented by 405,491,056 ordinary, registered, Series B, Class I no par value shares, out of which 402,039,639 shares were outstanding and fully subscribed and paid for and 3,451,417 shares were kept in treasury.

The capital stock as of December 31, 2020 is represented by 405,491,056 issued, ordinary, registered, Series B, Class I no par value shares, out of which 397,297,269 shares were outstanding and fully subscribed and paid for and 8,193,787 shares were kept in treasury.

In the Extraordinary General Shareholders Meeting of GRUMA held on April 23, 2021, 11'285,140 ordinary, registered, Series B, Class I, no par value shares, which had been repurchased by the Company, were cancelled. Consequently, the capital stock on April 23, 2021, was represented by 394,205,916 ordinary, registered, Series B, Class I no par value shares, out of which 393,707,916 shares are outstanding and fully subscribed and paid for and 498,000 shares are kept in treasury.

The capital stock as of December 31, 2021, is represented by 394,205,916 issued, ordinary, registered, Series B, Class I no par value shares, out of which 381,031,849 shares were outstanding and fully subscribed and paid for and 13,174,067 shares were kept in treasury.

In the Extraordinary General Shareholders Meeting of GRUMA held on April 22, 2022, 18'498,057 ordinary, registered, Series B, Class I, no par value shares, which had been repurchased by the Company, were cancelled. Consequently, the capital stock on April 22, 2022, was represented by 375,707,859 ordinary, registered, Series B, Class I no par value shares, out of which 374,390,741 shares were outstanding and fully subscribed and paid for and 1,317,118 shares were kept in treasury.

2.2.13. Dividends

Our ability to pay dividends may be limited by Mexican law, our *estatutos sociales*, or bylaws, and by financial covenants contained in some of our credit agreements. Because we are a holding company with no significant operations of our own, we have distributable profits to pay dividends to the extent that we receive dividends from our subsidiaries. Accordingly, there can be no assurance that we will pay dividends or of the amount of any such dividends. See “Section 3.4.3. Financial Condition, Liquidity and Capital Resources.”

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

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

- from earnings included in year-end financial statements that are approved by shareholders at a duly convened meeting;
- after any existing losses applicable to prior years have been made up or absorbed into shareholders’ equity;
- after at least 5% of net profits for the relevant fiscal year have been allocated to a legal reserve until the amount of the reserve equals 20% of a company’s paid-in capital stock; and
- after shareholders have approved the payment of the relevant dividends at a duly convened meeting.

The ability of our subsidiaries to make distributions to us is limited by the laws of each country in which they were incorporated and by their constitutive documents. For example, in the case of Gruma Corporation, our principal U.S. subsidiary, its ability to pay dividends in cash is prohibited upon the occurrence of any default or event of default under its principal credit agreements. See “Section 3.4.3. Financial Condition, Liquidity and Capital Resources”.

On April 22, 2022, GRUMA approved a cash dividend in the amount of Ps.5.40 per share, payable in 4 installments of Ps.1.35 per share, on: July 8 and October 7, 2022, and January 6 and April 10, 2023. During 2021, 2020 and 2019 GRUMA approved to pay cash dividends in the amount of Ps.5.20 per share, Ps.5.64 per share and Ps.4.65 per share, respectively.

Dividend Rights and Distribution

Within the first four months of each year, the board of directors must submit our company’s financial statements for the preceding fiscal year to the shareholders for their approval at the ordinary general shareholders’ meeting. They are required by law to allocate 5% of any new profits to a legal reserve which is not thereafter available for distribution until the amount of the legal reserve equals 20% of our capital stock (before adjusting for inflation). Amounts in excess of those allocated to the legal reserve fund may be allocated to other reserve funds as the shareholders may determine, including a reserve for the repurchase of our shares. The remaining balance of new profits, if any, is available for distribution as dividends prior to their approval at the shareholders’ meeting. Cash dividends on the shares held through Indeval will be distributed by us through Indeval. Cash dividends on the shares evidenced by physical certificates will be paid when the relevant dividend coupon registered in the name of its holder is delivered to us. No dividends may be paid, however, unless losses for prior fiscal years have been paid up or absorbed. See “Section 2.2.13. Dividends”.

2.2.14. Exchange controls and other limitations which affect holders of certificates

Not applicable.

3. FINANCIAL INFORMATION

3.1 SELECTED FINANCIAL INFORMATION

The following tables present our selected consolidated financial data as of and for each of the years indicated. The data as of December 31, 2021, 2020 and 2019. and for the years ended December 31, 2021, 2020 and 2019 are derived from and should be read

together with our audited consolidated financial statements included herein and “Section 3.4.3. Financial Condition, Liquidity and Capital Resources”.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
(thousands of Mexican Pesos, except per share amounts)			
Income Statement Data:			
Net sales.....	Ps.94,250,381	Ps. 91,103,131	Ps. 77,387,658
Cost of sales.....	(60,350,117)	(56,260,258)	(48,672,006)
Gross profit.....	33,900,264	34,842,873	28,715,652
Selling and administrative expenses.....	(23,314,889)	(23,408,562)	(19,412,701)
Other income (expenses), net.....	697,760	(85,906)	(20,946)
Operating income.....	11,283,135	11,348,405	9,282,005
Comprehensive financing cost, net.....	(1,664,428)	(2,871,157)	(1,722,186)
Income before income tax.....	9,618,707	8,477,248	7,559,819
Income tax expense.....	(3,461,998)	(3,096,822)	(2,711,069)
Consolidated net income from continuing operations	6,156,709	5,380,426	4,848,750
Loss from discontinued operations.....	(637)	(11,430)	(11,473)
Consolidated net income.....	6,156,072	5,368,996	4,837,277
Attributable to:			
Shareholders.....	6,155,581	5,368,058	4,835,675
Non-controlling interest.....	491	938	1,602
Per share data ⁽¹⁾:			
Basic and diluted earnings (losses) per share (pesos):			
From continuing operations.....	15.75	13.30	11.60
From discontinued operations.....	-	(0.03)	(0.03)
From continuing and discontinued operations.....	15.75	13.27	11.57

	<u>2021</u>	<u>2020</u>	<u>2019</u>
(thousands of Mexican Pesos, except per share amounts, ratios, dividends and operating data)			
Balance Sheet Data (at period end):			
Property, plant and equipment, net.....	Ps.33,915,050	Ps.31,044,031	Ps.28,665,642
Right-of-use assets.....	5,954,646	6,198,838	4,729,796
Total assets.....	78,775,581	73,776,086	66,882,870
Short-term debt ⁽²⁾	1,125,484	2,720,179	587,076
Short-term lease liability.....	772,660	717,338	612,596
Long-term debt ⁽²⁾	23,335,419	20,155,237	21,038,774
Long-term lease liability.....	5,795,113	5,962,332	4,403,642
Total liabilities.....	49,213,146	46,104,385	40,905,336
Common stock.....	4,722,600	4,924,197	5,120,602
Total equity ⁽³⁾	29,562,435	27,671,701	25,977,534
Other Financial Information:			
Capital expenditures.....	5,826,475	3,702,481	1,765,079
Depreciation and amortization.....	3,653,275	3,693,754	3,179,550
Net cash provided by (used in):			
Operating activities.....	11,393,945	12,870,991	7,648,191
Investing activities.....	(5,265,751)	(3,594,334)	(1,313,968)
Financing activities.....	(7,035,816)	(7,406,004)	(5,681,905)
Accounts receivable turnover ratio.....	40.1	39.2	49.4
Accounts payable turnover ratio.....	84.2	73.6	75.8
Inventory turnover ratio.....	88.9	76.4	83.1
Declared dividends per share (pesos).....	5.20	5.64	4.65

(1) Based upon the weighted average of outstanding shares of our common stock (in thousands), as follows: 390,875 shares for the year ended December 31, 2021, 404,552 shares for the year ended December 31, 2020, and 417,944 shares for the year ended December 31, 2019.

- (2) Short-term debt consists of bank loans and the current portion of long-term debt. Long-term debt consists of bank loans, the Debt Securities (*Certificados Bursátiles*) Gruma 18 issued for Ps.3 billion, the Debt Securities (*Certificados Bursátiles*) Gruma 21 issued for Ps. 2 billion, and our Notes due 2024. See “Section 3.4.3. Financial Condition, Liquidity and Capital Resources - Indebtedness.”
- (3) Total equity includes non-controlling interests as follows: Ps. (23) million as of December 31, 2021, Ps.(13) million as of December 31, 2020, and Ps.(12) million as of December 31, 2019.

Operating Data:	2021	2020	2019
	(thousands of tons)		
<i>Sales Volume:</i>			
Gruma USA (nixtamalized corn flour, tortillas and other) ⁽¹⁾	1,521	1,507	1,441
GIMSA (nixtamalized corn flour and other).....	2,047	2,099	2,042
Gruma Europe (nixtamalized corn flour, tortillas and other).....	389	404	395
Gruma Centroamérica (nixtamalized corn flour and other).....	237	243	213
 <i>Number of Employees:</i>	 22,492	 22,254	 20,785

(1) Net of intercompany transactions.

3.2. FINANCIAL INFORMATION BY LINE OF BUSINESS, GEOGRAPHIC MARKET AND EXPORT SALES

The following table sets forth our consolidated revenues by geographic market for the years ended December 31, 2021, 2020 and 2019.

	2021	2020	2019
	(in millions of pesos)		
United States	Ps. 52,864	Ps. 53,187	Ps. 42,368
Mexico.....	24,296	22,053	21,046
Europe.....	6,805	6,000	5,691
Central America.....	5,388	5,609	4,603
Asia and Oceania.....	4,897	4,254	3,680
Total	Ps. 94,250	Ps. 91,103	Ps. 77,388

For more information with respect to the financial information by geographic market see “Section 2.2 Business Overview”. Likewise, see Note 5 to the audited financial statements as of December 31, 2021 and 2020, and for the years ended on said dates.

3.3. RELEVANT CREDIT FACILITIES REPORT

Below is a description of our main credit facilities. The Company is up to date in the payment of principal and interests under these Agreements.

2021 Revolving Credit Facility

On June 3, 2021, we obtained a 5-year revolving credit facility with Bank of America, N.A., Coöperatieve Rabobank U.A., New York Branch, (“Rabobank”), Credit Agricole Corporate and Investment Bank, JPMorgan Chase Bank, N.A. and The Bank of Nova Scotia (the “2021 Revolving Credit Facility”), with Rabobank acting as the administrative agent. The interest rate on the credit line is LIBOR plus a spread of 115 basis points.

The 2021 Revolving Credit Facility contains covenants that require to maintain a ratio of consolidated EBITDA (as this term is defined in the 2021 Revolving Credit Facility) to interest charges of not less than 2.5x and a Maximum Net Leverage Ratio of no more than 3.50x. The 2021 Revolving Credit Facility limits our ability, and our subsidiaries’ ability in certain cases, among other things to, create liens; make certain investments or other restricted payments; merge or consolidate with other companies or sell substantially all of our assets; and enter into hedging transactions for speculative reasons. Additionally, it limits our subsidiaries’ ability to incur additional indebtedness under certain circumstances.

As of December 31, 2021, the 2021 Revolving Credit Facility was in force with no outstanding balance.

Debt Securities (Certificados Bursátiles) Gruma 21

As part of the short and long-term Debt Securities (Certificados Bursátiles) Program for an amount of up to Ps.8 billion authorized on September 25, 2018, on May 21, 2021 we issued long-term Debt Securities (Certificados Bursátiles) in the local debt market, for a total amount of Ps.2 billion, for a 7-year term. The Debt Securities (Certificados Bursátiles) accrue interests at a fixed rate of 7.00%. The issuance agents were Casa de Bolsa Banorte S.A. de C.V., Casa de Bolsa BBVA Bancomer, S.A. de C.V., and Scotia Inverlat Casa de Bolsa S.A. of C.V. The proceeds were used to pay in full the *2018 Syndicated Facility in Pesos*.

The issuance contains covenants that, in certain cases, limit our ability and our subsidiaries', among other things, to: create liens; make certain investments or other restricted payments; merge or consolidate with other companies or sell a substantial part of our assets and celebrate derivative transactions for speculative purposes. See "3.4.3. Financial Condition, Liquidity and Capital Resources" for further details on the Program.

2021 Long-Term Credit Facility

On March 31, 2021, we obtained a credit facility for U.S.\$200 million granted jointly and equally by The Bank of Nova Scotia and Bank of America Mexico, S.A., Institución de Banca Múltiple (the "2021 Long-Term Credit Facility"), with a 5 year maturity, payable in a single exhibition upon maturity and quarterly interest payments at a rate of LIBOR plus a spread of 100 basis points. The proceeds were used to prepay the 2017 Syndicated Facility and other short-term liabilities.

The 2021 Long-Term Credit Facility contains covenants that require us to maintain a ratio of consolidated EBITDA (as this term is defined in the 2021 Long-Term Credit Facility) to interest charges not less than 2.5x and a Maximum Net Leverage Ratio of not more than 3.50x. The 2021 Long-Term Credit Facility limits our ability and our subsidiaries in certain cases, among other things, to: create liens; make certain investments or other restricted payments; merge or consolidate with other companies or sell a substantial part of our assets; and enter into hedging transactions for speculative purposes. Additionally, it limits our subsidiaries' ability to incur additional indebtedness under certain circumstances.

Long-Term Loan 2019

On December 19, 2019, we obtained a U.S.\$250 million loan from The Bank of Nova Scotia (the "2019 Long-Term Loan") with a 6 year maturity including a one-year extension option as of the loan's second anniversary. The loan has a fixed annual interest rate of 2.789% and the proceeds were used to pay short-term debt in pesos.

The 2019 Long-Term Loan contains covenants that require us to maintain a ratio of consolidated EBITDA (as this term is defined in the 2019 Long-Term Loan credit agreement) to interest charges of not less than 2.5x and a Maximum Net Leverage Ratio of no more than 3.50x. The 2019 Long-Term Loan limits our ability and our subsidiaries' in certain cases, among other things, to: create liens; make certain investments or other restricted payments; merge or consolidate with other companies or sell a substantial part of our assets; and enter into hedging transactions for speculative purposes. Additionally, it limits our subsidiaries' ability to incur additional indebtedness under certain circumstances.

Mission Foods Iberia Loan

On October 16, 2019, our European subsidiary, Mission Foods Iberia, S.A.U., obtained a loan from BBVA, S.A., with GRUMA as the guarantor, for a total of EUR\$45 million Euros with five principal payments of EUR\$9 million Euros from the third to the seventh anniversary of the loan. The loan accrues interests at a fixed annual rate of 0.95% and the proceeds have been used to finance investments in Europe.

The Mission Foods Iberia Loan limits our ability and our subsidiaries' in certain cases, among other things, to: create liens; make certain investments or other restricted payments; merge or consolidate with other companies or sell a substantial part of our assets; and enter into hedging transactions for speculative purposes.

Gruma Corporation Revolving Credit Facility

In October 2006, Gruma Corporation entered into a U.S.\$100 million 5-year revolving credit facility with a syndicate of financial institutions (the "Gruma Corporation RCF"). This facility was refinanced in June 2011 for U.S.\$200 million for an additional 5-year term and in November 2012, it was increased to U.S.\$250 million. On November 24, 2014, Gruma Corporation extended the

revolving credit facility for U.S.\$250 million and its maturity to November 2019. In May 2019, the Gruma Corporation RCF was extended once again for U.S.\$250 million and with maturity on May 2024 and a spread between 100 and 162.5 basis points, depending on the leverage of the company. The banks participating in the credit facility are Bank of America, N.A., acting as sole lead arrangement, Wells Fargo Bank, N.A., Coöperative Rabobank, U.A. New York Branch, Mizuho Bank Ltd., and BNP Paribas.

The Gruma Corporation RCF contains covenants that require to maintain a ratio of consolidated EBITDA (as this term is defined in the Gruma Corporation RCF) to interest charges of not less than 2.5x and a Maximum Net Leverage Ratio of no more than 3.50x. Additionally, the credit facility contains financial covenants that limit Gruma Corporation to merge or consolidate with other companies and limit the ability of Gruma Corporation and its subsidiaries', to: create liens; make certain investments or restricted payments; enter into any agreement that restricts dividend payment; and become involved in certain transactions with affiliates, among others.

In case of an event of default under the credit facility, Gruma Corporation will be prohibited to pay GRUMA any cash dividend. The aforementioned covenants and other covenants could limit Gruma Corporation's ability to support our cash flow and our required capital resources.

As of December 31, 2021 the Gruma Corporation RCF was still in force and with no outstanding balance.

Debt Securities (Certificados Bursátiles) Gruma 18

As part of the short and long-term Debt Securities (Certificados Bursátiles) Program for an amount of up to Ps.8 billion authorized on September 25, 2018, on September 27, 2018 we issued long-term Debt Securities (Certificados Bursátiles) in the local debt market, for a total amount of Ps.3 billion, for a 5-year term. The Debt Securities (Certificados Bursátiles) accrue interests at a 28-day TIIE rate plus 38 basis points. The issuance agents were Casa de Bolsa Santander, S.A. de C.V., Citibanamex Casa de Bolsa S.A. de C.V., and Scotia Inverlat Casa de Bolsa S.A. of C.V. The proceeds were used to pay short-term bank loans in Mexican pesos. The issuance may be paid in advance, in full, as from September 23, 2021. See "3.4.3. Financial Condition, Liquidity and Capital Resources" for further details on the Program.

The issuance contains covenants that, in certain cases, limit our ability and our subsidiaries', among other things, to: create liens; make certain investments or other restricted payments; merge or consolidate with other companies or sell a substantial part of our assets. During February 2019 we entered into an interest rate hedging transaction for the Debt Securities (*Certificados Bursátiles*) resulting in a fixed interest rate of 8.52% for the entire term of the Debt Securities (*Certificados Bursátiles*).

2018 Syndicated Facility in Pesos

On September 27, 2018, we obtained a 3- year syndicated facility for Ps.2 billion with Bank of America Mexico, SA, Institución de Banca Múltiple, BBVA Bancomer, SA, Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, and HSBC México, SA, Institución de Banca Múltiple, Grupo Financiero HSBC, Scotiabank Inverlat, SA, Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, ("Scotiabank"), with Scotiabank acting as administrative bank. As per the syndicated facility, we have the obligation to pay monthly interest at a rate of 28-day TIIE plus a margin of 55 basis points. The principal under this facility is payable upon maturity. Proceeds from this facility were used to pay short term bank loans in Mexican pesos.

The 2018 Syndicated Facility in Pesos contains covenants that require us to maintain a ratio of consolidated EBITDA (as this term is defined in the 2008 Syndicated Facility in Pesos) to interest charges of not less than 2.5x, and a Maximum Net Leverage Ratio of not more than 3.50x. The 2018 Syndicated Facility in Pesos limited our ability and our subsidiaries in certain cases, among other things, to: create liens; make certain investments or other restricted payments; merge or consolidate with other companies or sell a substantial part of our assets; and enter into hedging transactions for speculative purposes. Additionally, it limited our subsidiaries' ability to incur additional indebtedness under certain circumstances.

On May 21, 2021 the 2018 Syndicated Facility in Pesos was paid in full, mainly with the proceeds from the Gruma 21 CEBURES.

2017 Syndicated Facility

On April 21, 2017, we obtained a 5-year syndicated credit facility for up to U.S.\$400 million with Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex, Bank of America, N.A., The Bank of Tokyo-Mitsubishi Ufj, Ltd., Coöperatieve Rabobank U.A., (before Coöperatieve Centrale Raiffeisen Boerenleenbank B.A.) New York Branch, ("Rabobank"), JPMorgan Chase Bank, N.A. and The Bank of Nova Scotia, (the "2017 Syndicated Facility") with Rabobank acting as administrative agent. The credit facility is composed of a 5-year credit facility for U.S.\$150 million and a 5-year committed revolving credit facility for U.S.\$250 million,

from which an initial amount of U.S.\$66 million was disbursed. The interest rate for both lines of credit is LIBOR plus a spread of 100 basis points. The 2017 Syndicated Facility contains covenants that require us to maintain a ratio of consolidated EBITDA (as this term is defined in the 2017 Syndicated Facility) to interest charges of not less than 2.5x, and to maintain a Maximum Ratio of Total Funded Debt to EBITDA (as this term is defined in the 2017 Syndicated Facility) of not more than 3.50x. The 2017 Syndicated Facility limited our ability, and our subsidiaries' ability in certain cases, among other things to, create liens; make certain investments or other restricted payments; merge or consolidate with other companies or sell substantially all of our assets; and enter into hedging transactions for speculative reasons. Additionally, it limited our subsidiaries' ability to incur additional indebtedness under certain circumstances.

On March 31, 2021, the term loan balance was prepaid with the proceeds from the 2021 Long-Term Credit Facility. As of March 31, the committed revolving credit facility is available and with no outstanding balance. Additionally, on June 3, 2021 the Company made an early termination of the committed revolving credit line, terminating the respective contract.

2017 Revolving Credit Facility

On September 27, 2017, we obtained a 3-year secured revolving credit facility for up to U.S.\$120 million with The Bank of Nova Scotia and Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex, in equal portions (the "2017 Revolving Credit Facility"), with The Bank of Nova Scotia acting as administrative agent. The interest rate for the line of credit is LIBOR plus a spread of 75 basis points. The 2017 Revolving Credit Facility contain covenants that required us to maintain a ratio of consolidated EBITDA (as defined in the 2017 Revolving Credit Facility) to interest charges of not less than 2.5x, and to maintain a Maximum Ratio of Total Funded Debt (as defined in the 2017 Revolving Credit Facility) to EBITDA of not more than 3.50x. The 2017 Revolving Credit Facility limited our ability, and our subsidiaries' ability in certain cases, among other things to, create liens; make certain investments or other restricted payments; merge or consolidate with other companies or sell substantially all of our assets; and enter into hedging transactions for speculative reasons. Additionally, it limited our subsidiaries' ability to incur additional indebtedness under certain circumstances. In September 2019, an amendment agreement was executed to extend the maturity date of the credit facility to September 2022. On June 3, 2021, the Company made an early termination of the 2017 Revolving credit Facility, ending the respective contract.

Notes Due 2024

On December 5, 2014, we issued U.S.\$400 million aggregate principal amount of 4.875% senior notes due 2024 (the "Notes due 2024"), which at the time were rated BB+ by Standard & Poor's Rating Service and BBB- by Fitch Ratings, Ltd. The Notes due 2024 mature on December 1, 2024 and have a make-whole redemption option exercisable by us at any time and a redemption option without a make-whole premium exercisable by us at any time beginning on the date that is three months prior to the scheduled maturity of the notes. We used the net proceeds of the issuance of the Notes due 2024 primarily to redeem and extinguish the Perpetual Bonds and repay other long-term indebtedness. The indenture governing the Notes due 2024 contains covenants including limitations on liens, limitations on sale-leaseback transactions, and limitations on consolidations, mergers and transfers of a substantial part of assets. As of December 31, 2021, we have not hedged any interest payments on the Notes due 2024. As of December 31, 2019, U.S.\$400 million of the Notes due 2024 were outstanding.

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

You should read the following discussion in conjunction with our audited consolidated financial statements and the notes thereto contained elsewhere herein. Our audited consolidated financial statements have been prepared in accordance with IFRS as issued by IASB.

For more information about our financial statements in general, see "Section 1.1.2. Presentation of Financial Information" and "Section 3.4.3. Financial Condition, Liquidity and Capital Resources."

Acquisitions and Other Significant Events Within Our Business Units

Public Offer for the Acquisition of the Shares evidencing GIMSA's Capital Stock

On June 26, 2017, we launched a public offer to acquire up to 133,176,125 representing up to 14.5% of the registered, paid and outstanding capital stock of GIMSA, at a price of Ps.25 per share, same which concluded on July 28, 2017. The main purpose of this offer was to acquire the minority interest of GIMSA that GRUMA did not own at the time, and then proceed with all the necessary steps for the cancellation of the registration of the shares of GIMSA in the RNV and the cancellation of the listing of the shares of GIMSA on the BMV, in terms of the applicable regulations.

As a result of the referred public offer, we acquired 131,225,968 shares equivalent to 14.29% of the capital stock of GIMSA. Subsequently, we acquired 914,921 shares of GIMSA through the BMV.

Additionally, on November 13, 2017, GIMSA launched a public offer for the forced acquisition of up to 1,035,236 shares evidencing its capital stock, which represented all the shares of GIMSA which were not owned by GRUMA, at a price of Ps.25 per share. Said offer concluded on December 11, 2017 and the number of shares which participated in the same was 288,588 equivalent to 0.03% of the shares evidencing the capital stock of GIMSA. As a result of this offer, only 0.08% of the capital of GIMSA was left in the hands of the investor public, therefore on December 20, 2017, the CNBV authorized the cancellation of the registration of the shares of GIMSA in the RNV and on the same date, the cancellation of the listing of the shares of GIMSA on the BMV was requested.

As of December 20, 2017 and pursuant to the provisions of the applicable law, GIMSA created the Management and Payment Irrevocable Trust No. 750338, with Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte, in order to acquire the shares of GIMSA from those shareholders who did not participate in the forced acquisition public offer launched by GIMSA during November 2017, at the same purchase price that GIMSA offered in said acquisition public offer. This trust was in force during a term of 6 months counted as of said date and was terminated on June 20, 2018. As of March 31, 2022, GRUMA owned 100% of the capital stock of GIMSA.

Change in Presentation Currency of Consolidated Financial Statements in 2022

The Company reviewed the presentation currency for the consolidated financial statements in accordance with the regulatory provisions contained in IAS 21, “The Effects of Changes in Foreign Exchange Rates”. With the approval of its Board of Directors on February 23, 2022, and prior favorable opinion of the Audit Committee on February 21, 2022, the Company decided to change its presentation currency from the Mexican peso to the US dollar for its consolidated financial statements as of January 1, 2022. This decision considered that: a) the accounting rules allow choosing the presentation currency, based on the measure used by management to control and monitor the financial position and performance of the Company, b) the Company operates internationally, with the US dollar being the main currency in the markets in which it participates; in 2021 the Company generated around 56% of its revenues in US dollars, and c) greater ease of analysis is expected for the different users of the consolidated financial information, including comparability with the financial reports of other global entities.

The Company will apply the change in presentation currency retrospectively as a change in accounting policy and will restate the consolidated financial statements as if the presentation currency had always been the US dollar, in accordance with IAS 21 and IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”.

3.4.1. Accounting Presentation Overview

Our audited consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

New Financial Standards Issued but Not Yet Effective

Certain standards have been issued by the IASB, which are not effective for reporting periods as of December 31, 2021, and our company has not early adopted them. These standards are not expected to have a material impact on the financial situation or the results of our Company.

Changes in Accounting Policies

The Company has retrospectively initiated the application of the guidelines from IFRS 16, “Leases”, starting January 1, 2019. Comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, as allowed by the transitory provisions of the new standard, therefore reclassifications and adjustments derived from the new lease guidelines are recognized in the balance sheet at adoption date.

As part of the implementation of IFRS 16, liabilities were recognized for leases that, until December 31, 2018, had been classified as “operating leases” under IAS 17, Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental rate on the date of the initial application. The weighted average incremental interest rate of the lessee applied to lease liabilities as of January 1, 2019 was 5.19%.

The change in accounting policy affected the following items in the balance sheet on January 1, 2019: (a) increase in the right-of-use asset of Ps.5,384 million and (b) increase in the lease liability of Ps.5,569 million. The right-of-use asset was recognized for the same amount as the lease liability, however, on December 31, 2018, the Company recognized an accrued rents liability amounting to

Ps.185 million referring to contracts with variable payments that were recorded using the straight-line method in accordance with IAS-17. “Leases”. With the adoption of IFRS 16, this liability was recognized as a decrease in the right of use asset.

Effects of Inflation

To determine the existence of hyperinflation, we evaluate the qualitative characteristics of the economic environment of each country, as well as the quantitative characteristics established by IFRS, including an accumulated inflation rate equal or higher than 100% in the past three years. Pursuant to this analysis, Mexico is not considered to be hyperinflationary, with annual inflation rates of 2.83% in 2019, 3.15% in 2020 and 7.36% in 2021.

Effects of Depreciation or Appreciation of the Mexican Peso

Because a significant portion of our net sales are generated in U.S. dollars, changes in the peso/dollar exchange rate can have a significant effect upon our results of operations as reported in pesos. When the peso depreciates against the U.S. dollar, Gruma USA’s net sales in U.S. dollars represent a larger portion of our net sales in peso terms than when the peso appreciates against the U.S. dollar. When the peso appreciates against the dollar, Gruma USA’s net sales in U.S. dollars represent a smaller portion of our net sales in peso terms than when the peso depreciates against the dollar. For a description of the peso/dollar exchange rate see “Section 1.1.4. Exchange Rate.”

In addition to the above, our net income may be affected by changes in our foreign exchange gain or loss, which may be impacted by significant variations in the peso/dollar exchange rate. During 2019, 2020 and 2021, we recorded a net gain of Ps.154 million, a net loss of Ps.1,050 million and a net loss of Ps.45 million, respectively.

Investment in Venezuela

In accordance with the provisions set forth in IFRS, the Company determined that as of January 22, 2013, it had lost the power to affect the variable returns of its subsidiaries in Venezuela and concluded that the appointment of special administrators with broad powers under the Providence had the effect of taking away its control over MONACA and DEMASECA and as a result, the Company proceeded to deconsolidate both subsidiaries and recognize its investment in Venezuela as a financial asset. Following the provisions set forth in IFRS, GRUMA performed impairment tests on the financial asset related to MONACA and DEMASECA and as of December 31, 2015, recognized an impairment of Ps.4,362 million corresponding to the total value of said asset.

On the other hand, the special administrators appointed through the Providence gradually resigned to their charges, the last of them resigning at the end of 2018, without the Republic having appointed new special administrators, and since that moment there has been no direct or indirect participation by representatives of the Republic in the decision-making and management of the administration and operation of MONACA and DEMASECA. These administration activities are only carried out by MONACA and DEMASECA’s management team, which is directed by its local Executive Committee in Venezuela. Although it could be concluded that some of the factual assumptions that were taken in account for the determination under IFRS regarding the loss of control no longer exist or have been mitigated, this does not change the previous conclusions following the IFRS guidelines. Likewise, the macroeconomic indicators used to determine the devaluation of the investment in Venezuela have continued deteriorating due to the economic and social situation in that country that has been negatively impacted by hyperinflation and significant currency devaluation. See “Section 2.2.11. Legal, Administrative or Arbitration Proceedings—Venezuela—Expropriation Proceedings and other actions by the Venezuelan Government.” See Note 27 to our audited consolidated financial statements as of December 31, 2019 and 2018 and for the years ended in said dates.

As of December 31, 2021, the circumstances for which the investment in these subsidiaries was impaired have not changed.

For more information, please see Note 27 of our audited consolidated financial statements as of December 31, 2021 and 2020 and for the years ended in such dates.

COVID-19 Impacts

On March 11, 2020, the World Health Organization declared the new coronavirus disease (COVID-19) as a global pandemic. Governments have implemented various social and public health measures to reduce the transmission of the virus. These include measures of physical and social distancing, as well as movement restrictions. Our company has evaluated the impact that the COVID-19 pandemic has had on our estimates, assumptions and forecasts, and has included the additional disclosures deemed necessary in the consolidated financial statements. Given the changing nature and uncertainty of COVID-19, we will continue to assess the impact that could result on our financial situation and results of our operations.

a) Impairment of non-current assets

We carried out impairment tests using projected cash flows, which consider the predictable impacts of the measures related to COVID-19 and the economic perspective. As a result of these projections, in 2020 we recognized an impairment charge related to goodwill (please see Note 12, Intangible Assets, to our audited consolidated financial statements as of December 31, 2021 and 2020, and for the years ended on these dates). As a result of the projections made in 2021, our Company did not identify any impairment charges to record.

b) Evaluation of the expected credit loss

The balance receivable from customers have been carefully reviewed and changes in credit quality, including those related to COVID-19, have been integrated into the assessment of credit risk and expected credit losses. Prospective information on the expected economic effects of the pandemic has been considered. As of December 31, 2021 and 2020, we have not identified any significant risk among our customers and, therefore, did not recognize additional significant impairment due to expected credit losses on our accounts receivable.

c) Impact on the Operating Income

We incurred incremental costs directly related to COVID-19 during 2021 and 2020 to keep employees safe and ensure business continuity. The main incremental costs related to COVID-19 that affected the operating results are estimate as follow:

	As of December 31,	
	2021	2020
	(thousands of pesos)	
Bonuses for the front-line employees, costs related to safety (face masks, gloves, sanitizers, thermometers) and medical expenses.....	Ps. 330,835	Ps. 581,398
Donations.....	-	55,313
Other costs.....	103,892	135,991
Total.....	<u>Ps. 434,727</u>	<u>Ps. 772,702</u>

To mitigate these adverse factors, the Company has increased its efforts in cost efficiency and discipline.

Factors Affecting Financial Condition and Results of Operations

Our financial condition and results of operations may be influenced by some of the following factors:

- level of demand for tortillas and nixtamalized corn flour;
- increase or decrease in the Hispanic population in the United States;
- increases in Mexican food consumption by the non-Hispanic population in the United States; and use of tortillas in non-Mexican cuisine in the United States, Europe, Asia and Oceania;
- costs and availability of corn and wheat flour;
- costs of energy and other related products;
- acquisitions, plant expansions and divestitures;
- effects of government initiatives and policies;
- effects from variations of interest rates and exchange rates;
- volatility in corn and wheat prices and energetics costs;
- competition from tortilla manufacturers, especially in the United States;

- competition in the corn flour business; and
- general economic conditions in the countries where we operate and worldwide.

3.4.2. Results of Operations

The following table sets forth our consolidated income statement data on an IFRS basis for the years ended December 31, 2021, 2020 and 2019, expressed as a percentage of net sales. All financial information has been prepared in accordance with IFRS. For a description of the method, see “Section 3.4.1. Accounting Presentation Overview” and “Section 3.5. Critical Accounting Estimates, Provisions or Reserves.”

	Year Ended December 31,		
	2021	2020	2019
Income Statement Data			
Net Sales.....	100%	100%	100%
Cost of Sales.....	64.0	61.8	62.9
Gross profit.....	36.0	38.2	37.1
Selling and administrative expenses.....	24.7	25.6	25.1
Other income (expenses), net.....	0.7	(0.1)	-
Operating income.....	12.0	12.5	12
Net comprehensive financing cost.....	(1.8)	(3.2)	(2.2)
Current and deferred income taxes.....	3.7	3.4	3.5
Loss from discontinued operations.....	-	-	-
Non-controlling interest.....	-	-	-
Net income attributable to shareholders.....	6.5	5.9	6.2

The following table sets forth our net sales and operating income as represented by our principal subsidiaries for 2021, 2020 and 2019. Net sales and operating income of our subsidiaries Mission Foods Mexico, INTESA, TECNOMAIZ and CIASA are part of “others and eliminations.” Financial information with respect to GIMSA includes sales of Ps.1,900 million, Ps.2,567 million and Ps.2,465 in 2019, 2020 and 2021, respectively, mainly of nixtamalized corn flour to Gruma USA, Mission Foods Mexico and Gruma Centroamérica. Financial information with respect to Mission Foods Mexico includes sales Ps.747 million, Ps.1,101 million and Ps.1,306 million in 2019, 2020 and 2021, respectively, in tortilla related products mainly to Gruma USA.

Financial information of INTESA, TECNOMAIZ and CIASA includes sales of Ps.656 million, Ps.995 million and Ps.1,091 million in 2019, 2020 and 2021, respectively, in technological support to certain subsidiaries of Gruma, S.A.B. de C.V. In the process of consolidation, all the aforementioned intercompany transactions are eliminated from the financial statements.

	Year Ended December 31,					
	2021		2020		2019	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
	(in millions of pesos)					
Gruma USA.....	Ps. 52,959	Ps. 7,496	Ps. 53,266	Ps. 7,686	Ps. 42,442	Ps. 5,908
GIMSA.....	24,970	2,333	23,168	2,521	21,585	2,529
Europe.....	6,819	546	6,014	487	5,701	246
Gruma Centroamérica.....	5,388	312	5,609	501	4,603	380
Others and eliminations.....	4,114	596	3,046	153	3,057	219
Total.....	<u>Ps. 94,250</u>	<u>Ps. 11,283</u>	<u>Ps. 91,103</u>	<u>Ps. 11,348</u>	<u>Ps. 77,388</u>	<u>Ps. 9,282</u>

Net Sales by Subsidiary: By major subsidiary, the percentages of consolidated net sales in 2021, 2020 and 2019 were as follows:

Subsidiary	Percentage of Consolidated Net Sales		
	2021	2020	2019
Gruma USA	56%	58%	55%
GIMSA	26%	25%	28%
Europe	7%	7%	7%
Gruma Centroamérica.....	6%	6%	6%
Others and eliminations	5%	4%	4%

Year Ended December 31, 2021 Compared with Year Ended December 31, 2020

Consolidated Results

Sales volume decreased 1% in 2021 to 4,206 thousand tons, compared with 4,232 thousand tons in 2020. GRUMA's historical highs in 2020 created an unfavorable comparative base, yet even in this environment, the U.S. division, our main subsidiary, generated 1% growth.

Net sales increased 3% to Ps.94,250 million in 2021 compared to Ps.91,103 million in 2020, mainly due to (1) a global increase in the prices of GRUMA's products; (2) a higher value-added portfolio in the United States and Europe; and (3) growth in U.S. volumes.

Cost of sales rose 7% to Ps.60,350 million in 2021 compared to Ps.56,260 million in 2020, driven by higher costs of corn and other raw materials; and inflationary pressures on items within GRUMA's cost structure. Additionally, a more profitable mix within the tortilla business also contributed to this change. Cost of sales as a percentage of net sales increased to 64.0% in 2021 from 61.8% in 2020, due to the aforementioned cost increases.

Selling and administrative expenses remained practically unchanged from last year at Ps.23,315 million in 2021, compared to Ps.23,409 million in 2020. Higher expenses due to inflationary pressures on distribution costs were mainly offset by lower allowances for doubtful accounts. Selling and administrative expenses as a percentage of net sales decreased to 24.7% in 2021 from 25.7% in 2020.

Other income (expense), net, was Ps.698 million in 2021 compared to a net expense of Ps.86 million in 2020. The difference of Ps.784 million was mainly due to an extraordinary asset impairment expense in 2020.

Operating income decreased 1% to Ps.11,283 million in 2021 compared to Ps.11,348 million in 2020, mainly due to the aforementioned inflationary pressures that offset the favorable net sales performance. Therefore, the operating margin contracted to 12.0% in 2021 from 12.5% in 2020.

Comprehensive financing cost, net, decreased 42% to Ps.1,664 million in 2021 compared to Ps.2,871 million in 2020. This decrease was mainly the result of a higher cost arising from foreign exchange fluctuations in intercompany accounts in 2020.

Income taxes increased 12% to Ps.3,462 million in 2021 compared to Ps.3,097 million in 2020 due to higher income before taxes. The effective rate was 36.0% in 2021 versus 36.5% in 2020.

Net income attributable to controlling interest increased 15% to Ps.6,156 million in 2021 versus Ps.5,368 million in 2020, primarily due to the aforementioned performance.

Results of Subsidiaries

Gruma USA

Sales volume increased 1% to 1,522 thousand tons in 2021 compared to 1,507 thousand tons in 2020. The increase was mainly generated by the corn flour business as a result of the gradual opening of the economy. The corn flour business grew 1% while the tortilla business remained flat due to the high comparative base in 2020, as a result of a strong demand on the back of greater brand awareness.

Net sales decreased 1% to Ps.52,959 million in 2021, compared to Ps.53,266 million in 2020 mainly due to the weakness of the Mexican peso against the U.S. dollar in 2020, therefore, having a higher comparative base when compared to 2021. Excluding this effect, in dollar terms, net sales rose 6% compared to 2020. The foregoing was due to (1) the implementation of price increases in our products during the second half of the year; (2) better sales mix in the tortilla business towards higher-priced SKUs, particularly low-carb, gluten-free and wheat flour tortillas; and (3) the reactivation of the institutional channel in the tortilla segment.

Cost of sales increased 1% to Ps.30,484 million in 2021 compared to Ps.30,280 million in 2020, due to the exchange rate effects mentioned above, resulting in a higher comparative base in 2020. Without taking into account this effect, the cost of sales increased 7% in 2021 due to (1) higher raw material costs; (2) higher labor costs; (3) the change in the sales mix towards healthier and higher value-added alternatives, which have higher raw material costs; and (4) greater volume sold. As a percentage of net sales, cost of sales increased to 57.6% in 2021 from 56.9% in 2020, due to the dynamics between revenues and costs mentioned above.

Selling and administrative expenses decreased 2% to Ps.14,953 million in 2021 compared to Ps.15,269 million in 2020, mainly due to the aforementioned foreign exchange effect. Excluding this effect, in dollar terms, selling and administrative expenses increased 4% due to (1) higher distribution and logistics expenses as a result of inflationary pressures throughout the year; (2) higher commissions due to the change in the sales mix towards higher-priced SKUs, mainly in the retail channel; and (3) higher sales volume. As a percentage of net sales, selling and administrative expenses decreased to 28.2% from 28.7% due to the increase in revenues relative to the aforementioned expenses.

Other income (expense), net, was Ps.25 million in 2021 compared to Ps.30 million in 2020.

Operating income decreased 2% to Ps.7,496 million in 2021 compared to Ps.7,686 million in 2020 and operating margin decreased to 14.2% from 14.4%. In dollar terms, operating income increased 4%.

GIMSA

Sales volume decreased 2% to 2,047 thousand tons in 2021 compared to 2,099 thousand tons in 2020, due to a higher comparative base in 2020 arising from COVID-related overpurchases and the temporary effect on volumes from price increases.

Net sales grew 8% to Ps.24,970 million in 2021 compared to Ps.23,168 million in 2020, mainly due to the increases in product pricing implemented throughout the year.

Cost of sales increased 15% to Ps.19,023 million in 2021 compared to Ps.16,502 million in 2020 mainly due to (1) higher corn costs due to high demand from China during the first part of the year; (2) extraordinary expenses due to bad weather; and (3) generally high levels of inflation in 2021. As a percentage of net sales, cost of sales increased to 76.2% in 2021 from 71.2% in 2020 due to the higher costs mentioned above.

Selling and administrative expenses decreased 1% to Ps.4,054 million in 2021 compared to Ps.4,086 million in 2020 due to (1) lower allowances for doubtful accounts; and (2) lower marketing and advertising expenses. Selling and administrative expenses as a percentage of net sales decreased to 16.2% in 2021 from 17.6%.

Other income (expense), net, was Ps.440 million in 2021 compared to a net expense of Ps.59 million in 2020, mainly due to the volatility in corn prices and its effect on hedging.

Operating income contracted 7% to Ps.2,333 million in 2021 compared to Ps.2,521 million in 2020. Operating margin decreased to 9.3% versus 10.9% in 2020.

Gruma Europe

Sales volume decreased 4% to 389 thousand tons in 2021 compared to 404 thousand tons in 2020. The corn milling business contracted 12% due to (1) the high comparative base in 2020 as a result of COVID-19 effects; (2) price sensitivity in some regions due to the rise in the cost of corn; and (3) lower demand for derived products during the first part of the year. The tortilla business showed an 18% increase mainly due to the recovery of the institutional channel in combination with strong growth in the retail channel due to growing demand for these products in the regions where GRUMA has a presence.

Net sales increased 13% to Ps.6,819 million in 2021 compared to Ps.6,014 million in 2020 due to (1) the recovery of the institutional tortilla channel; (2) the strong growth of the retail channel throughout the year; and (3) the implementation of higher prices in the regions where this division has a presence. In dollar terms, net sales increased 20%.

Cost of sales increased 16% to Ps.5,279 million in 2021 compared to Ps.4,540 million in 2020 due to (1) a better mix given the growth of the retail channel during the period; (2) higher cost of corn; and (3) inflationary pressures on raw materials and labor. In dollar terms, cost of sales rose 23%. As a percentage of net sales, cost of sales increased to 77.4% in 2021 from 75.5% in 2020, mainly due to the increase in costs in relation to sales made.

Selling and administrative expenses decreased 3% in 2021 to Ps.1,327 million compared to Ps.1,364 million in 2020 due to the strengthening of the dollar relative to the peso during 2020. In dollar terms, selling and administrative expenses increased 3% due to higher costs in logistics during the period. As a percentage of net sales, selling and administrative expenses decreased to 19.5% in 2021 compared to 22.7% in 2020 due to higher revenues.

Other income (expense), net, decreased to Ps.334 million in 2021 compared to Ps.377 million in 2020, as a result of a lower gain from insurance reimbursements of Ps.364 million.

Operating income grew 12% to Ps.546 million in 2021 compared to Ps.487 million in 2020, and operating margin decreased 10 basis points to 8.0% in 2021 from 8.1% in 2020. In dollar terms, operating income increased 20%.

Gruma Centroamérica

Sales volume decreased 2% to 237 thousand tons in 2021 compared to 243 thousand tons in 2020, mainly due to lower product distribution as part of the United Nations World Food Program.

Net sales decreased 4% to Ps.5,388 million in 2021 compared to Ps.5,609 million in 2020. Excluding the exchange rate effect, in dollar terms, net sales increased 2% in line with the implementation of price increases during 2021.

Cost of sales grew 3% to Ps.3,825 million in 2021 from Ps.3,702 million in 2020. Excluding this effect, in dollar terms, cost of sales increased 9% due higher costs of corn, raw materials in general, fuels and energy. As a percentage of net sales, it increased to 71% from 66%.

Selling and administrative expenses decreased 10% to Ps.1,259 million in 2021 compared to Ps.1,406 million in 2020. In dollar terms, selling and administrative expenses decreased 5% mainly due to restructuring and cost efficiencies during 2021. SG&A as a percentage of net sales, decreased to 23.4% in 2021 from 25.1% in 2020.

Other income (expense), net, was Ps.7 million in 2021 compared to a net expense of Ps.0.3 million in 2020.

Operating income decreased 38% to Ps.312 million compared to Ps.501 in 2020. Operating margin contracted 310 basis points to 5.8% in 2021 from 8.9% in 2020. In dollar terms, operating income declined 34%.

Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Consolidated Results

Sales volume increased 3% in 2020 to 4,232 thousand tons, compared with 4,116 thousand tons in 2019. Sales volume growth was driven mainly by Gruma USA, GIMSA, and Gruma Centroamérica.

Net sales increased 18% to Ps.91,103 million in 2020 compared with Ps.77,388 million in 2019, due primarily to (1) higher sales volume at Gruma USA, coupled with a more profitable portfolio that included higher-priced products in the tortilla business; (2) higher prices at GIMSA; and (3) higher sales volume in Central America, driven by exports to Guatemala and Honduras, along with taking part in the United Nations World Food Program.

Cost of sales rose 16% to Ps.56,260 million in 2020 compared with Ps.48,672 million in 2019, driven by higher sales volume and increased raw material costs. Additionally, the rise in costs from the shift towards a more profitable product mix in the United States, in addition to extraordinary expenses from the effects of COVID-19, contributed to the higher cost of sales. Cost of sales as a percentage of net sales decreased to 61.8% in 2020 from 62.9% in 2019, due to a more profitable product mix with higher margins, mainly in the United States.

Selling, general and administrative expenses (“SG&A”) increased 21% to Ps.23,409 million in 2020 compared with Ps.19,413 million in 2019, due primarily to higher expenses at Gruma USA and GIMSA, in line with the increase in volume and net sales. SG&A as a percentage of net sales increased to 25.7% in 2020 from 25.1% in 2019 driven mostly by higher commissions, higher freight, and other expenses as a result of the change in the product sales mix between commercial channels in the tortilla business.

Other expense, net, was Ps.86 million in 2020 compared with Ps.21 million in 2019. The Ps.65 million difference resulted mostly from impairment of long-lived assets.

Operating income increased 22% to Ps.11,348 million in 2020 compared with Ps.9,282 million in 2019, mostly due to higher sales volume and higher prices as mentioned above, as well as from a more profitable product mix. Operating margin increased to 12.5% in 2020, from 12.0% in 2019.

Net comprehensive financing cost rose 67% to Ps.2,871 million in 2020, compared with Ps.1,722 million in 2019. This increase resulted from higher costs arising from currency fluctuations.

Income taxes rose 14% to Ps.3,097 million in 2020 compared with Ps.2,711 million in 2019, in connection with higher pre-tax income. The effective tax rate was 36.5% in 2020 compared to 35.9% in 2019.

Net income attributable to shareholders increased 11% to Ps.5,368 million in 2020 compared with Ps.4,836 million in 2019, driven primarily by the favorable results in sales volume and net sales mentioned above.

Results of Subsidiaries

Gruma USA

Sales volume increased 5% to 1,507 thousand tons in 2020 compared with 1,441 thousand tons in 2019. The increase was driven by the tortilla business as well as by the corn flour business, given strong demand from the retail channel in the region, which offset the decline in the foodservice channel reflecting measures taken in the face of the COVID-19 pandemic. The corn flour business increased 3.4% while the tortilla business grew 5.4%.

Net sales rose 26% to Ps.53,266 million in 2020 compared with Ps.42,442 million in 2019 due primarily to the combination of (1) higher sales volume in the tortilla and corn flour retail channel and; (2) better sales mix at the tortilla channel favoring higher-priced SKUs, especially carb-balance, gluten-free, and super soft wheat flour tortillas. In dollar terms, net sales grew 11%.

Cost of sales increased 24% to Ps.30,280 million in 2020 compared with Ps.24,479 million in 2019, driven by volume growth and higher costs, the latter in particular due to (1) labor; (2) the change in the sales mix favoring healthier and value-added products, which have higher material costs. Measured in dollar terms, cost of sales rose 10%. As a percentage of net sales, cost of sales decreased to 56.8% in 2020 from 57.7% in 2019, given that the abovementioned revenue growth favorably absorbed the increase in related costs.

Selling and administrative expenses increased 27% to Ps.15,269 million in 2020 compared with Ps.12,054 million in 2019 due primarily to (1) higher distribution expenses in connection with sales volume growth and higher average prices arising from the change in the sales mix to higher-priced SKUs; and (2) higher expenses from a focus on servicing demand within the retail channel. Measured in dollar terms, SG&A rose 12% relative to 2019. As a percentage of net sales, SG&A increased to 28.7% from 28.4% due to the above mentioned commercial dynamics.

Other expense, net, was Ps.30 million in 2020, compared with Ps.0.3 million in 2019.

Operating income rose 30% to Ps.7,686 million in 2020 from Ps.5,908 million in 2019, and operating margin increased to 14.4% from 13.9%. In dollar terms, operating income increased 15%.

GIMSA

Sales volume grew 3% to 2,099 thousand tons in 2020 compared with 2,042 thousand tons in 2019 due to higher sales to government channels, wholesalers, and exports to our subsidiary Azteca Milling.

Net sales rose 7% to Ps.23,168 million in 2020 compared with Ps.21,585 million in 2019 due principally to (1) price increases to offset higher costs; and (2) higher sales volume, as well as foreign currency benefits from the peso-dollar parity in our export prices.

Cost of sales increased 7% to Ps.16,502 million in 2020 compared with Ps.15,405 million in 2019 due mainly to a higher cost of corn, as well as higher sale-related expenses and additives. As a percentage of net sales, cost of sales improved to 71.2% in 2020 from 71.4% in 2019 as higher costs were absorbed by the better sales mix and price increases.

Selling and administrative expenses rose 15% to Ps.4,086 million in 2020 compared with Ps.3,551 million in 2019 due mainly to higher freight expenses in connection with higher tariffs and higher intercompany shipments between plants and distribution centers

to face demand in some regions, especially when considering rising exports and higher expenses related to the use of brand. SG&A as a percentage of net sales increased to 17.6% in 2020 from 16.5% in 2019.

Other expense, net, was Ps.59 million in 2020 versus Ps.100 million in 2019 due mainly to natural gas hedging.

Operating income remained mostly flat at Ps.2,521 million in 2020 compared to the Ps.2,529 million in 2019. Operating margin decreased to 10.9% in 2020 compared to 11.7% in 2019.

Gruma Europe

Sales volume increased 2% to 404 thousand tons in 2020 compared with 395 thousand tons in 2019. The corn milling business grew 10%, benefitting from sales to snack producers with strong demand in the first half of the year. The tortilla business decreased 13.6% driven mostly by lower demand in the foodservice market as a result of COVID-19 effects on this commercial channel.

Net sales increased 5% to Ps.6,014 million in 2020 compared with Ps.5,701 million in 2019 due to the strengthening of the dollar relative to the peso and the euro. Without these foreign exchange effects, net sales decreased from lower volume in tortilla sales, which overshadowed healthy performance in the corn milling business during the first two quarters of the year. In dollar terms, net sales also decreased by 6%.

Cost of sales increased 5% to Ps.4,540 million in 2020 compared with Ps.4,328 million in 2019 due to the aforementioned foreign exchange effects. Excluding these effects, cost of sales decreased 9% due to lower sales volume in the foodservice channel. In dollar terms, cost of sales rose 6%. As a percentage of net sales, cost of sales improved to 75.5% in 2020 from 75.9% in 2019, mainly reflecting (1) lower costs relative to sales; (2) lower sales volume in the tortilla business.

Selling, general and administrative expenses rose 17% in 2020 to Ps.1,364 million compared with Ps.1,166 million in 2019 in connection with (1) sales volume growth; (2) higher marketing expenses at the tortilla business; and (3) strengthening of the sales force at the corn milling business. In dollar terms, SG&A increased 5%. As a percentage of net sales, SG&A rose to 22.7% in 2020 compared with 20.5% in 2019 due to the higher costs.

Other income, net, rose to Ps.377 million in 2020 compared with Ps.40 million in 2019, resulting from a Ps.364 million gain on insurance reimbursements.

Operating income rose 98% to Ps.487 million in 2020 from Ps.246 million in 2019, and operating margin improved 380 basis points to 8.1% in 2020 from 4.3% in 2019. Measured in dollar terms, operating income also increased 73%.

Gruma Centroamérica

Sales volume increased 14% to 243 thousand tons in 2020 compared with 213 thousand tons in 2019, mainly due to (1) product distribution as part of the United Nations World Food Programme and to other countries such as Guatemala and Honduras; and (2) higher demand from the retail channel.

Net sales increased 22% to Ps.5,609 million in 2020 from Ps.4,603 million in 2019, in line with sales volume during the period as well as from peso weakness.

Cost of sales rose 24% to Ps.3,702 million in 2020 compared with Ps.2,987 million in 2019. Cost of sales as a percentage of net sales increased to 66% from 64.9%, driven by primarily (1) higher raw-material costs; and (2) intercompany freight costs as part of the United Nations World Food Program. The aforementioned changes in costs resulted from the weakening of the peso relative to the dollar.

Selling and administrative expenses rose 14% to Ps.1,406 million in 2020 compared with Ps.1,237 million in 2019, and as a percentage of net sales, it decreased to 25.1% in 2020 from 26.9% in 2019, due mainly to a better cost absorption from revenues generated during the period.

Other expense, net was Ps.0.3 million in 2020 compared with income of Ps.1 million in 2019.

Operating income grew 32% to Ps.501 million from Ps.380 million in 2019. Operating margin increased 70 basis points to 8.9% in 2020 from 8.2% in 2019. This change was on the back of the weakness of the peso relative to the dollar.

3.4.3. Financial Condition, Liquidity and Capital Resources

Historically, we have generated and expect to continue to generate positive cash flow from operations. Cash flow from operations primarily represents inflows from net earnings (adjusted for depreciation and other non-cash items) and outflows from increases in working capital needed to grow our business. Cash flow used in investing activities represents our investment in property and capital equipment required for our growth, as well as our acquisition activity. Cash flow from financing activities is primarily related to changes in indebtedness borrowed to grow the business or indebtedness repaid with cash from operations or refinancing transactions as well as dividends paid.

Our principal capital needs are for working capital, capital expenditures related to maintenance, expansion and acquisitions and debt service. Our ability to fund our capital needs depends on our ongoing ability to generate cash from operations, overall capacity and terms of financing arrangements and our access to the capital markets. We believe that our future cash from operations together with our access to funds available under such financing arrangements and the capital markets will provide adequate resources to fund our foreseeable operating requirements, capital expenditures, acquisitions and new business development activities.

We fund our liquidity and capital resource requirements, in the ordinary course of business, through a variety of sources, including:

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

The following is a summary of the principal sources and uses of cash for the three years ended December 31, 2021, 2020, and 2019.

	<u>2021</u>		<u>2020</u>		<u>2019</u>
	(thousands of Mexican pesos)				
Resources provided by (used in):					
Operating activities	Ps. 11,393,945	Ps.	12,870,991	Ps.	7,648,191
Investing activities	(5,265,751)		(3,594,334)		(1,313,968)
Financing Activities	(7,035,816)		(7,406,004)		(5,681,905)

During 2021, net cash generated from operations was Ps.11,394 million which includes working capital used of Ps.3,282 million, of which Ps.1,494 million was due to a decrease in accounts receivable, Ps.3,174 million reflected an increase in inventory, Ps.2,513 million reflected an increase in accounts payable and Ps.2,972 million of income tax paid. Net cash used for financing activities during 2021 was Ps.7,036 million, of which Ps.19,529 million reflected payments of debt, Ps.20,687 million of proceeds from borrowings, Ps.1,017 million in cash interest payments, Ps.1,227 million in payments of liabilities and interest of leases, Ps.2,133 million of dividends paid to our shareholders and Ps.3,802 million of acquisition of own shares. Net cash used for investment activities during 2021 was Ps.5,266 million, primarily attributable to investments for capacity expansions, general manufacturing upgrades and efficiency improvements in our subsidiaries in the U.S., Europe, Mexico and Asia by Ps.5,826 million.

Factors that could decrease our sources of liquidity include a significant decrease in the demand for, or price of, our products, each of which could limit the amount of cash generated from operations, and a lowering of our corporate credit rating or any other credit downgrade, which could impair our liquidity and increase our costs with respect to new debt and cause our stock price to suffer. Our liquidity is also affected by factors such as the depreciation or appreciation of the peso and changes in interest rates. See “Section 3.4.3. Financial Condition, Liquidity and Capital Resources —Indebtedness.”

On September 25, 2018 the CNBV authorized our short- and long-term revolving Debt Securities (*Certificados Bursátiles*) Program for a total amount of Ps.8 billion, limiting the short-term issuances not to exceed Ps.3 billion. Several issuances may be made under the Program, provided however, that the outstanding principal of the totality of the outstanding Debt Securities (*Certificados Bursátiles*) does not exceed the total authorized amount of the program. Each issuance of the Debt Securities (*Certificados Bursátiles*) as per the Program will have its own specifications in terms of amount, date, term, interest rate, periodicity of interest payments, among others, which will be agreed to and documented in each issuance. The Program will have a 5-year term. The first issuance under this

Program was issued on September 27, 2018 for Ps.3 billion and the second issuance was issued on May 21, 2021 for Ps. 2 billion. See “Section 3.3. Relevant Credit Facilities Report” for further details

As further described below, Gruma, S.A.B. de C.V. is subject to financial covenants contained in its debt agreements which requires it to maintain certain financial ratios, among other limitations. Gruma USA is also subject to financial covenants contained in one of its debt agreements which require it to maintain certain financial ratios. A default under any of our existing debt obligations for borrowed money could result in acceleration of the due dates for payment of the amounts owing thereunder and, in certain cases, in a cross-default under some of our existing credit agreement, including the supplement of the Debt Securities (*Certificados Bursátiles*) Gruma 18 and Gruma 21, as well as the indenture governing our 2024 Notes. See “Section 3.3. Relevant Credit Facilities Report.”

Some credit agreements require to maintain a net leverage ratio no greater than 3.5:1, and an interest coverage ratio no lower than 2.5:1. As of December 31, 2021, Gruma, S.A.B. de C.V.’s net leverage ratio was 1.7:1, and the interest coverage ratio was 9.8:1x. Likewise, Gruma Corporation is required to maintain an overall leverage ratio no greater than 3.5:1x and an interest coverage ratio no lower than 2:5:1. See “Section 3.4.3. Financial Condition, Liquidity and Capital Resources —Indebtedness.” As of December 31, 2021, Gruma Corporation’s leverage net ratio was 0.37x, therefore the applicable interest rate range under the Gruma Corporation Revolving Credit Facility in case of disposition would be LIBOR + 100 bp.

The members of the Primary Shareholder Group may pledge the totality or part of their shares in us to guarantee any obligation, including any future borrowings. In the event of any default where lenders exercise their rights against any and all of these shares, the Primary Shareholder Group could lose its controlling interest in us resulting in a change of control. This, in turn, could trigger a default in some of our credit agreements if the established conditions under the terms of the corresponding credit agreements are met, resulting in a default of other debt documents. A Change of Control could also require us to make an offer to repurchase debt, as per the terms in our debt agreements. Said default or repurchase obligation could have a material adverse effect upon our business, financial condition, results of operations and prospects. See “Section 4.3.3. Major Shareholders” for further detail.

Our long-term corporate credit rating on a global scale is “BBB+” and “BBB” by Fitch and Standard & Poor’s, respectively. On August 26, 2021, Fitch improved the credit rating of Gruma to BBB+ from BBB due to its solid business position, recognized brands, geographical diversification, and favorable demographic and consumer trends.

In addition, the issuance of Debt Securities (*Certificados Bursátiles*) in the local market were rated as “AAA(mex)” and “mxAA+” by Fitch and Standard & Poor’s, respectively. We also have a short-term rating of “F1+(mex)” and “mxA-1+” in the national scale by Fitch and Standard & Poor’s, respectively.

If our financial condition deteriorates, we may experience future declines in our credit ratings, with attendant consequences. Our access to external sources of financing, as well as the cost of that financing, has been and may continue to be adversely affected by a deterioration of our long-term debt ratings. A downgrade in our credit ratings may continue to increase the cost of and/or limit the availability of unsecured financing, which may make it more difficult for us to raise capital when necessary. If we cannot obtain adequate capital on favorable terms, or at all, our business, operating results and financial condition would be adversely affected. However, management believes that its working capital and available external sources of financing are sufficient for our present requirements.

Indebtedness

Our indebtedness bears interest at fixed and floating rates. As of December 31, 2021, approximately 80% of our outstanding indebtedness bore interest at fixed rates and approximately 20% bore interest at floating rates. From time to time, we partially hedge both our interest rate exposure and our foreign exchange rate exposure as discussed below. See “Section 3.3. Relevant Credit Facilities Report.”

We are exposed to market risks derived from changes in interest rates, exchange rates, stock prices and supplies prices. Occasionally, we use derivative instruments in a selective way to manage these risks. See “Section 3.4.3. Financial Condition, Liquidity and Capital Resources — Treasury Policy”. As of December 31, 2021, 2020 and 2019, our total debt was approximately Ps.24,461 million, Ps.22,875 million and Ps.21,626 million, respectively. As of December 31, 2021, our long-term debt was approximately Ps.23,335 million.

As of December 31, 2021, approximately 71% of our total debt was U.S. dollar-denominated, 23% in Mexican Pesos and the rest in other currencies.

Our credit agreements currently in force contain event of default provisions, which include: (i) non-payment default regarding principal or interests; (ii) cross default and cross acceleration in connection with some of our other indebtedness; (iii) affirmative and

negative covenants default; (iv) declaration or request of bankruptcy, liquidation or proceedings seeking *concurso mercantil*; (v) delivery of false or incorrect material information; and (vi) change of control provisions. The foregoing events of default are applicable pursuant to the terms and conditions set forth in such credit agreements, including without limitation certain exceptions and baskets and cure periods.

As of December 31, 2021, we were in compliance with all of the covenants and obligations under our existing debt agreements.

As of December 31, 2021, we had committed lines of credit for the amount of U.S.\$500 million of which we had an available balance of U.S.\$500 million as of that date.

As of December 31, 2021, we had total cash and cash equivalents of Ps.5,248 million.

The following table presents our amortization requirements with respect to our total indebtedness as of December 31, 2021.

Year	In Millions of U.S. Dollars
2022.....	54.7
2023.....	157.7
2024.....	411.0
2025.....	259.0
2026 and thereafter.....	306.0
Total.....	U.S.\$1,188.4

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

Date	Ratio of Consolidated Debt to Total Capitalization	Ratio of Consolidated Liabilities to Total Stockholders' Equity
December 31, 2019.....	0.51	1.57
December 31, 2020.....	0.52	1.67
December 31, 2021.....	0.51	1.66

Treasury Policy

The company maintains centralized treasury operations.

GRUMA's short-term liquid assets are invested primarily in peso denominated short-term instruments, liquid government bonds, directly with top tier financial institutions in interests bearing accounts or in short-term debt instruments issued by companies with a minimum "A" rating or its equivalent. Occasionally GRUMA also invests in dollar denominated instruments, interests bearing accounts, including short-term bank instruments and other short-term securities issued by first tier financial institutions.

The excess liquidity of Gruma USA, our division in the United States, is invested in US short-term government instruments, or in money market funds, all of these in financial institutions or in securities with ratings of at least "A1/P1".

We maintain and control our treasury operations and global financial risks through practices approved by our executive team and board of directors.

Off-balance Sheet Arrangements

As of December 31, 2021, we do not have any outstanding off-balance sheet arrangements.

3.4.4. Internal Control

(a) *Disclosure controls and procedures.*

We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and Chief Administrative Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2021. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our Chief Executive Officer, Chief Financial Officer and Chief Administrative Officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer, Chief Financial Officer and Chief Administrative Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) *Management's annual report on internal controls over financial reporting.*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of our management, including our Board of Directors, Chief Executive Officer, Chief Financial Officer, Chief Administrative Officer and other personnel, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework (v.2013) by the Committee of Sponsoring Organizations of the Treadway Commission.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS as issued by IASB. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on our evaluation under the framework in Internal Control—Integrated Framework (v.2013), our management concluded that our internal control over financial reporting was effective as of December 31, 2021.

(c) *Changes in internal control over financial reporting.*

There has been no change in our internal control over financial reporting during 2021 that has materially affected, or is reasonably likely that could materially affect, our internal control over financial reporting.

3.5. CRITICAL ACCOUNTING ESTIMATES, PROVISIONS OR RESERVES

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our audited consolidated financial statements, which have been prepared in accordance with IFRS as issued by the IASB. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period.

We have identified certain key accounting estimates that are used to determine our financial condition and results of operations. These key accounting estimates often involve complex matters or are based on subjective judgments or decisions that require management to make estimates and assumptions that affect the amounts reported in our financial statements. We have identified below the most critical accounting principles that involve a higher degree of judgement and complexity and that management believes are important to a more complete understanding of our financial position and results of operations. Additional accounting policies that are also used in the preparation of our audited consolidated financial statements are outlined in the notes thereto included in this annual report.

Property, Plant and Equipment

We depreciate our property, plant and equipment over their respective estimated useful lives. Useful lives are based on management's estimates of the period that the assets will remain in service and generate revenues. Estimates are based on independent appraisals and the experience of our technical personnel. We review the assets' residual values and useful lives each year to determine whether they should be changed, and adjusted if appropriate. To the extent that our estimates are incorrect, our periodic depreciation expense or carrying value of our assets may be impacted.

Under IFRS, we are required to test long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable for property, plant and equipment. When the carrying amount exceeds the recoverable amount, the difference is accounted for as an impairment loss. The recoverable amount is the higher of (1) the long-lived assets (asset group's) fair value less costs to sell, representing the amount obtainable from the sale of the long-lived asset (asset group) in an arm's length transaction between knowledgeable, willing parties less the costs of disposal and (2) the long-lived assets (asset group's) value in use, representing its future cash flows discounted to present value by using a rate that reflects the current assessment of the time value of money and the risks specific to the long-lived asset (asset group) for which the cash flow estimates have not been adjusted.

The estimates of cash flows take into consideration expectations of future macroeconomic conditions as well as our internal strategic plans. Therefore, inherent to the estimated future cash flows is a certain level of uncertainty which we have considered in our valuation; nevertheless, actual future results may differ.

Primarily as a result of plant rationalization, certain facilities and equipment are not currently in use in operations. We have recorded impairment losses related to certain of those assets and additional losses may potentially occur in the future if our estimates are not accurate and/or future macroeconomic conditions differ significantly from those considered in our analysis.

Goodwill and Other Intangible Assets

Intangible assets with definite lives are amortized on a straight-line basis over estimated useful lives. Management exercises judgment in assessing the useful lives of other intangible assets including patents and trademarks, customers' lists and software for internal use. Under IFRS, goodwill and indefinite-lived intangible assets are not amortized, but are subject to impairment tests either annually or earlier in the case of a triggering event.

A key component of the impairment test is the identification of cash-generating units and the allocation of goodwill to such cash-generating units. Estimates of fair value are primarily determined using discounted cash flows. Cash flows are discounted at present value and an impairment loss is recognized if such discounted cash flows are lower than the net book value of the cash-generating units.

These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and also the magnitude of any such charge. We perform internal valuation analyses and consider relevant internal data as well as other market information that is publicly available.

This approach uses significant estimates and assumptions including projected future cash flows (including timing), a discount rate reflecting the risk inherent in future cash flows and a perpetual growth rate. Inherent in these estimates and assumptions is a certain level of risk which we believe we have considered in our valuation. Nevertheless, if future actual results differ from estimates, a possible impairment charge may be recognized in future periods related to the write-down of the carrying value of goodwill and other intangible assets.

Impairment of GRUMA's investment in Venezuela

Our investment in Venezuela is subject to impairment tests to determine a potential annual recoverable amount, using two valuation techniques: 1) an income approach taking into account estimated future cash flows as a going concern business, discounted at present value using an appropriate discount rate (weighted average cost of capital) and 2) a market approach, specifically, the public company market multiple method using implied multiples such as earnings before interest, taxes, depreciation and amortization, and revenues of comparable companies adjusted for liquidity, control and disposal costs. An impairment is recognized when the carrying value is higher than the recoverable amount. In December 2015, we recognized a full impairment of our investment in Venezuela.

Income Tax

We are subject to income taxes in many jurisdictions. A significant judgment is required in the determination of the global provision for income taxes due to complex tax regulations, changes in tax laws and the amount and future taxable income. There are

many transactions and calculations for which the final tax determination is uncertain. Where the final tax result is different from the amounts initially recorded, such differences will have an effect on current income tax and deferred income tax assets and liabilities in the period when the determination is made.

We record deferred income tax assets and liabilities using enacted tax rates for the effect of temporary differences between the book and tax basis of assets and liabilities. If enacted tax rates change, we adjust the deferred tax assets and liabilities through the provision for income tax in the period of change, to reflect the enacted tax rate expected to be in effect when the deferred tax items reverse. Under IFRS, a deferred tax asset must be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies, in the event we were to determine that we would be able to realize our deferred tax assets in the future in excess of the net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Should we determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

Fair Value of Derivatives and Other Financial Instruments

We use derivative financial instruments in the normal course of business, primarily to hedge certain operational and financial risks to which we are exposed, including without limitation: (i) future, swaps and options contracts for certain key production requirements like natural gas, heating oil and some raw materials such as corn and wheat, in order to minimize the cash flow variability due to price fluctuations; (ii) interest rate swaps, with the purpose of managing the interest rate risk related to our debt; and (iii) exchange rate forward and option contracts (mainly Mexican peso to U.S. dollar or other currencies).

We account for derivative financial instruments used for hedging purposes either as cash-flow hedges or fair value hedges with changes in fair value reported in other comprehensive income and earnings, respectively. Derivative financial instruments not designated as an accounting hedge are recognized at fair value, with changes in fair value recognized currently in income.

We use our judgment to select from a variety of methods and make assumptions that are mainly based on existing market conditions at the end of each reporting period. When available, we measure the fair value of the derivatives and other financial instruments based on quoted market prices. If quoted market prices are not available, we estimate the fair value of derivatives and other financial instruments using industry standard valuation models. When applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs, including interest rates, currency rates, volatilities, among others. Also included in the determination of the fair value of our liability positions is our own credit risk, which has been classified as an unobservable input.

Many of the factors used in measuring fair value are outside the control of management, and these assumptions and estimates may change in future periods. Changes in assumptions or estimates may materially affect the fair value measurement of derivatives and other financial instruments.

Employee Benefits

We recognize liabilities in our balance sheet and expenses in our income statement to reflect our obligations related to our post-employment benefits (retirement plan and seniority premium). The amounts we recognize are determined on an actuarial basis that involves many estimates and accounts for these benefits in accordance with IFRS.

We use estimates in three specific areas that have a significant effect on these amounts: (a) the rate of increase in salaries that we assume we will observe in future years, (b) the discount rate that we use to calculate the present value of our future obligations and the expected returns on plan assets and (c) the expected rate of inflation. The assumptions we have applied are identified in Note 18 to our audited consolidated financial statements as of December 31, 2021 and 2020 and for the years ended in said dates. These estimates are determined based on actuarial studies performed by independent experts using the projected unit credit method. The latest actuarial computation was prepared as of December 31, 2021. We review the estimates each year, and if we change them, our reported expense for post-employment benefits may increase or decrease according to market conditions.

4. MANAGEMENT

4.1. EXTERNAL AUDITORS

The approval of the Board of Directors, through the Audit Committee, is required for (i) the designation or, where applicable, the annual ratification of the firm in charge of the external audit; if applicable (ii) the replacement of the firm or the external auditor in charge of the audit; (iii) the contracting of services other than the external audit of financial statements; and (iv) the fees amount for both the external audit service and services other than the external audit of financial statements. Additionally, we have adopted approval policies and procedures under which all audit and non-audit services provided by our external auditors must be approved by the audit committee and the Board of Directors. Any service proposals submitted by external auditors need to be discussed and approved by the audit committee and the Board of Directors during its meetings, which take place at least four times a year. Once the proposed service is approved, we or our subsidiaries formalize the engagement of services. The approval of any audit and non-audit services to be provided by our external auditors is specified in the minutes of our audit committee, as well as in the corresponding minutes of the Board of Directors meetings. In addition, the members of our board of directors are briefed on matters discussed in the meetings of the audit committee.

In the last three fiscal years there has been no change in the external auditors of GRUMA. In the last three fiscal years the external auditors have not issued any reserved opinion, negative opinion, nor have abstained from issuing an opinion regarding GRUMA's consolidated financial statements.

The procedure to appoint the external auditors is mainly based on the following:

- International presence based in the coverage of countries where GRUMA has operations and the coverage of countries worldwide.
- Capability and experience in Mexican companies regulated by the CNBV.
- Costs of the audit fees.
- Quality of the audit services.

The board of directors of GRUMA is in charge of approving the changes of auditors, with the endorsement of the Audit Committee.

The services rendered to GRUMA during 2021 by the external auditors, different to those of audit, were:

- Transfer pricing studies for tax purposes.
- Review of Federal and State taxes, general tax consultations and other tax advice.
- Service of validation of the Labor Reform joint and several obligation, as well as the analysis and evaluation of the reform.
- IMSS and INFONAVIT opinion for 2021.
- Others.

Fees for Audit and Non Audit Services

The following table sets forth the fees billed to us and our subsidiaries by our independent public accountants, PricewaterhouseCoopers, during the fiscal year ended December 31, 2021:

	Year ended December 31, 2021	
	(thousands of Mexican pesos)	Percentage of Total Fees
Audit Fees.....	Ps.78,733	88%
Tax Fees.....	9,356	11%
Other Fees.....	815	1%
Total Fees.....	Ps.88,904	100%

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

Tax fees in the above table are fees billed by PricewaterhouseCoopers for tax compliance services, preparation of transfer pricing studies and tax advice services.

Other fees in the above table are fees billed by PricewaterhouseCoopers for services other than the auditing of annual financial statements, mainly related to accounting advice on the implementation of new accounting standards as permitted by the applicable independence rules.

4.2. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

The transactions set forth below were made in the ordinary course of business, on substantially similar terms as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features.

Transactions with Subsidiaries

We periodically enter into short-term credit arrangements with our subsidiaries, where we provide them with funds, or they provide us with funds at market interest rates.

Prior to October 2018, GRUMA and GIMSA executed short-term loan agreements to share their excess cash flows. However, as of October 2018, GRUMA and GIMSA started operating under a current account agreement and paying active and passive market interest rates. On December 31, 2020, GRUMA had an outstanding balance owed to GIMSA under the current account agreement of Ps.2,560 million with a 4.78% interest rate. On December 31, 2021, GRUMA had a debt with GIMSA for Ps.3,520 million with a 5.74% interest rate. At its highest point in August 2021, GRUMA had an outstanding balance owed to GIMSA of Ps.4,026 million. As of March 2022, GRUMA has an outstanding balance owed to GIMSA of Ps.4,400 million with a 6.62% interest rate.

In September of 2001, Gruma Corporation started to grant loans to GRUMA. Since 2019 these operations, at their peak on March 2020, reached the amount of U.S.\$280 million. The average annual interest rate for these loans during 2021, 2020 and 2019 was of 0.90%, 1.80% and 2.81%, respectively. Likewise, as of December 31, 2021 and as of March 31, 2022, there were loans from Gruma Corporation to GRUMA of U.S.\$60 million.

Likewise, GRUMA has entered into license agreements with GIMSA and Azteca Milling. L.P. See “Section 2.2.3. Patents, Licenses, Trademarks and other Agreements.”

All the above-mentioned intercompany transactions are eliminated from the audited financial statements.

For more information about related party transactions, please see Note 29 to our audited consolidated financial statements as of December 31, 2021 and 2020 and for the years ended in said dates.

4.3. MANAGEMENT AND SHAREHOLDERS

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

4.3.1. Board of Directors

Our bylaws require that our board of directors be composed of a minimum of five and a maximum of twenty-one directors, as decided at our Ordinary General Shareholders’ Meeting. Pursuant to the Mexican Securities Law, at least 25% of the members of the board of directors must be independent. In addition, under Mexican law, any holder or group of holders representing 10% or more of our capital stock may elect one director.

The board of directors, which was elected at the Ordinary General Shareholders’ Meeting held on April 22, 2022, currently consists of 11 directors, one of which is female (9% of the Board of Directors), and seven of our directors are independent within the meaning of the Mexican Securities Law. At said meeting, Mr. Juan A. González Moreno was ratified as Chairman of our board of directors as well as Mr. Carlos Hank Gonzalez as Vice Chairman. The following table sets forth the current members of our board of directors, their ages, years of service, principal occupations, outside directorships, other business activities and experience, their directorship classifications as defined in the Code of Best Corporate Practices issued by a committee formed by the *Consejo Coordinador Empresarial*, or Mexican Entrepreneur Coordinating Board, and their alternates. The terms of their directorships are for one year or for up to thirty additional days if no designation of their substitute has been made or if the substitute has not taken office.

Juan A. González Moreno	Age: Years as Director: Principal Occupation: Outside Directorships: Business Experience: Directorship Type:	64 28 Chairman of the Board and Chief Executive Officer of GRUMA Director of Grupo Financiero Banorte, Banco Mercantil del Norte, Fundación Gruma, Consejo Mexicano de Hombres de Negocios, Fondo Ambiental Metropolitano de Monterrey, and Museo del Acero. Several positions in GRUMA, including Chief Executive Officer of Special Projects of Gruma USA, President of Azteca Milling, Vice President of Central and Eastern Regions of Mission Foods, President and Vice President of Sales of Azteca Milling, Chief Executive Officer of Gruma Asia-Oceania Shareholder, Related
Carlos Hank González	Age: Years as Director: Principal Occupation: Outside Directorships: Business Experience: Directorship Type:	50 9 Vice-Chairman of the Board of GRUMA; Chairman of the Board of Grupo Financiero Banorte y Banco Mercantil del Norte; Chief Executive Officer of Grupo Hermes; Chairman of the Banorte Foundation Director of Grupo Hermes; Chairman of the Board of Cerrey; Independent Director of Grupo Televisa; Director of Bolsa Mexicana de Valores Chief Executive Officer of Grupo Financiero Interacciones, Casa de Bolsa Interacciones, Banco Interacciones, Grupo Industrial Hermes, Automotriz Hermer and Assistant Managing Director of Grupo Financiero Banorte. Shareholder, Related
Homero Huerta Moreno	Age: Years as Director: Principal Occupation: Outside Directorships: Business Experience: Directorship Type:	59 9 Chief Administrative Officer of GRUMA None Several positions within GRUMA including Corporate Internal Audit Vice President, Management Information Systems Vice President, Controller Vice President of Gruma USA and Finance and Administrative Vice President of Gruma Venezuela Related
Laura Dinora Martínez Salinas	Age:_ Years as Director: Principal Occupation: Outside Directorships: Business Experience: Dictatorship Type:_	38 1 Partner at Martínez Salinas Abogados, S.C. None Several positions in local and international law firms, mainly with a financial and securities approach. Related
Gabriel A. Carrillo Medina	Age: Years as Director: Principal Occupation: Outside Directorships: Business Experience:	65 9 President and shareholder of Mail Rey and Detecno None President of Asociación de Casas de Bolsa de Nuevo León and Club Deportivo San Agustín, several positions within Interacciones Casa de Bolsa, including Chief Financial Officer

	Directorship Type:	Independent
Everardo Elizondo Almaguer	Age:	78
	Years as Director:	8
	Principal Occupation:	Economics Professor at EGADE/ITESM, Economics Professor at UANL and regular columnist of Reforma/El Norte
	Outside Directorships:	Director of Grupo Financiero Banorte, Autlán, Rassini, Cemex and Afore XXI Banorte, Member of the External Advisory Council of UANL
	Business Experience:	Economic Investigations Director of Grupo Industrial Alfa Economic Studies Director of Grupo Financiero Bancomer and Deputy Director of Banco de México
	Directorship Type:	Independent
Jesús Oswaldo Garza Martínez	Age:	65
	Years as Director:	6
	Principal Occupation:	Advisor to CEO of Grupo Financiero Afirme and Financial Consultant
	Outside Directorships:	Director of Grupo Financiero Afirme and Director of Aseguradora Afirme
	Business Experience:	Director of Grupo Financiero Banorte, Casa de Bolsa Banorte, Banorte-IXE Tarjetas, Seguros Banorte and Afore XXI Banorte, President of Centro Bancario del Estado de Nuevo León, Regional Director of Banco de México, Chief Commercial Officer of Banco Mercantil del Norte, Profesor at the Graduate School of Banking at LSU, and several executive positions at Banco Bilbao Vizcaya, Casa de Bolsa Probusa and Valores Finamex
	Directorship Type:	Independent
Thomas S. Heather Rodríguez	Age:	67
	Years as Director:	9
	Principal Occupation:	Of Counsel of Creel, García-Cuellar, Aiza y Enriquez, S.C.
	Outside Directorships:	Director of the Audit, Corporate Practices and Risk Policies Committee of Grupo Financiero Banorte and subsidiaries; Director, President of the Investment Committee and member of the Audit and Corporate Practices Committee of Afore XXI Banorte; Secretary of the Audit and Corporate Practices Committee of Grupo Televisa; Director of RLH Properties
	Business Experience:	More than forty years of professional independent practice; Director and Administrator of Satélites Mexicanos, Director of Grupo Financiero Banorte, Scotiabank, JP Morgan, Bank of America Mexico, Hoteles Nikko, Grupo Modelo and Grupo Bimbo; Collaborator in the Ethics and Law Committees of Consejo Coordinador Empresarial and arbitrator in international courts and fellow of the American College of Bankruptcy
	Directorship Type:	Independent
Javier Martínez-Ábrego Gómez	Age:	80
	Years as Director:	7
	Principal Occupation:	Chairman and Chief Executive Officer of Grupo Motomex
	Outside Directorships:	Chairman of Grupo Motomex
	Business Experience:	Businessman since 1959
	Directorship Type:	Independent
Alberto Santos Boesch	Age:	50
	Years as Director:	9

	Principal Occupation:	Chairman of the Board and Chief Executive Officer of Ingenios Santos
	Outside Directorships:	Director of Axtel, BBVA Bancomer, Interpuerto Monterrey, Development Committee of ITESM, Instituto Nuevo Amanecer, Renace, Red de Filantropía de Egresados y Amigos del Tec, Committee of the Consulting Board of the Facultad de Ciencias Políticas y Administración Pública of UANL, Unidos por el Arte contra el Cáncer Infantil (UNAC), and member of Patronato del Hospital Metropolitano
	Business Experience:	President of Aeropuerto del Norte, Director of Arena Monterrey, Chief Executive Officer of Mundo DeaDeveras, Councillor of the municipality of San Pedro Garza Garcia, N.L., Vice-Chairman of Grupo Tres Vidas Acapulco and Board Member of DIF Nuevo León
	Directorship Type:	Independent
Joseph Woldenberg Russell	Age:	55
	Years as Director:	6
	Principal Occupation:	President of the Board and Executive President of Tubacero
	Outside Directorships:	Director of Canacero, Banamex North Region, Planigrupo, Silica Desarrollos, Divanz Capital, and W International Group, UDEM, Horno3 Steel Museum, Centro Cultural Rosa de los Vientos, and member of the Development Committee at ITESM
	Business Experience:	Vice President of Aceros Generales, Assistant Managing Director of Tubacero and Director of CAINTRA
	Directorship Type:	Independent

Homero Huerta Moreno, member of our board of directors, is the cousin of Mr. Juan A. González Moreno member and Chairman of the board of directors. Carlos Hank González, member and vice-president of our board of directors, is the nephew of Juan A. González Moreno.

Secretary

The secretary of the board of directors is Mr. Rodrigo Martínez Villarreal. Mr. Martínez Villarreal is not member of the board of directors.

Audit and Corporate Governance Committees

As required by the Mexican Securities Law and our bylaws, an audit committee and a corporate governance committee were appointed by the meeting of the board of directors held on April 20, 2022. Members of the audit and corporate governance committees were selected from members of the board of directors. Consequently, as required by the Mexican Securities Law and our bylaws, a chairman for each committee was elected by the General Ordinary Shareholders' Meeting held on April 22, 2022, from among the members appointed by the board.

The current audit and corporate governance committees are comprised of four members, all of whom are independent directors. Set forth below are the names of the members of our audit and corporate governance committees, their positions within the committees, and their directorship type:

Thomas S. Heather	Position:	Chairman of the audit and corporate governance committees.
	Directorship Type:	Independent
Gabriel A. Carrillo Medina	Position:	Member of the audit and corporate governance committees.
	Directorship Type:	Independent

Everardo Elizondo Almaguer	Position:	Member and Financial Expert of the audit and corporate governance committees.
	Directorship Type:	Independent
Jesús Oswaldo Garza Martínez	Position:	Member of the audit and corporate governance committees.
	Directorship Type:	Independent

Executive Committee

Before, the Board of Directors was assisted by an executive committee, which functions have terminated as agreed by the Board of Directors of GRUMA at its meeting held on February 21, 2018. As of this date, no other intermediate management bodies exist in addition to the Audit and Corporate Governance Committees.

4.3.2 Senior Management

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

Juan A. González Moreno	Age:	64
	Years as Executive Officer:	18
	Years at GRUMA:	42
	Current Position:	Chief Executive Officer
	Business Experience:	Several positions in GRUMA, including Chief Executive Officer of Special Projects of Gruma USA, President of Azteca Milling, Vice President of Central and Eastern Regions of Mission Foods, President and Vice President of Sales of Azteca Milling, Chief Executive Officer of Gruma Asia-Oceania
Raúl Cavazos Morales	Age:	62
	Years as Executive Officer:	10
	Years at GRUMA:	34
	Current Position:	Chief Financial Officer
	Business Experience:	Several finance positions within GRUMA, including Chief Treasury Officer and Vice President of Corporate Treasury
Homero Huerta Moreno	Age:	59
	Years as Executive Officer:	20
	Years at GRUMA:	37
	Current Position:	Chief Administrative Officer
	Business Experience:	Several positions within GRUMA including Corporate Internal Audit Vice President, Management Information Systems Vice President, Controllership Vice President of Gruma Corporation and Finance and Administrative Vice President of Gruma Venezuela
Francisco Martínez Saldívar	Age:	62
	Years as Executive Officer:	6
	Years at GRUMA:	9
	Current Position:	Chief Operational Officer
	Business Experience:	National Manager of Corn Procurement and Vice President of Corn Procurement at Azteca Milling; Vice President of Corn Procurement in the US, Mexico, Central America, Asia and Oceania

Rodrigo Martínez Villarreal	Age:	44
	Years as Executive Officer:	4
	Years at GRUMA:	14
	Current Position:	General Counsel
	Business Experience:	Legal VP at GRUMA, Corporate Counsel at Cemex, and foreign associate at Milbank, Tweed, Hadley & McCloy

Homero Huerta Moreno, our Chief Administrative Officer, is the cousin of Mr. Juan Antonio González Moreno.

Code of Ethics

We have adopted a Code of Ethics, which is applicable to, among others, our Board of Directors, executive officers and employees. This code sets forth the conduct standards that these persons must observe in the performance of their duties, which shall serve as guidelines to achieve a transparent decision-making process in accordance with the ethical responsibility concept governing the members of GRUMA.

Our Code of Ethics emphasizes that any distinction, exclusion, restriction or preference based on any of the following reasons: ethnicity or national origin, skin color, culture, gender, age, disabilities, social, economic or health condition, religion, physical appearance, genetic characteristics, immigration status, pregnancy, opinions, sexual preferences, political identity or affiliation, marital status, among others, is not allowed in GRUMA.

Our code of ethics is available on our website: www.gruma.com.

Compensation of Directors and Senior Management

Members of the board of directors are paid a fee of Ps.100,000 for each board meeting they attend. Additionally, members of the audit committee are paid a fee of Ps.100,000 and members of the corporate governance committee are paid a fee of Ps.50,000 for each committee meeting they attend.

For 2021, the aggregate amount of compensation paid to all directors, alternate directors, executive officers and audit and corporate governance committees' members was approximately Ps.329.9 million.

We offer an Executive Bonus Plan that applies to managers, vice presidents, and executive officers. The variable compensation under this plan can range from 21% to 50% of annual base compensation, depending upon the employee's level, his individual performance and the results of our operations.

Share Ownership

Based on the information available to us, as of April 22, 2022, Ms. Graciela Moreno Hernández, widow of the late Mr. Roberto González Barrera, and certain of her descendants, directly and indirectly own 189,615,154 shares representing approximately 50.47% of our capital stock (50.65% of our outstanding shares). Jointly all of them, in virtue of their kinship, may be considered as the Primary Shareholder Group.

In the case of Ms. Graciela Moreno Hernández, she holds her shares indirectly through the trust number 111559-4 created by her in Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex for her benefit and the benefit of certain of her descendants as beneficiaries of the trust (the "Trust"). As of April 22, 2022, the Trust holds 39.99% of our share capital (40.13% of our outstanding shares). For the case of the other members of the Primary Shareholder Group (including some of the beneficiaries of the Trust), some of them hold our shares directly, while a larger portion of the members hold them indirectly through other trusts, among which is the trust number 75174-8 created by Mr. Juan Antonio González Moreno together with his descendants in Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte (the "Banorte Trust"). See "Section 4.4. Bylaws and Other Agreements".

Amongst the beneficiaries of the Trust, only two of them are beneficiaries of more than 10% of our capital stock. Specifically, Mr. Juan Antonio Gonzalez Moreno, Chief Executive Officer and Chairman of the Board of Directors and Mrs. Graciela Silvia Gonzalez Moreno, are as of April 22, 2022, main beneficiary shareholders, given that each of them is beneficiary of more than 12.51% of our capital stock (12.55% of our outstanding shares) through the Trust, Mr. Juan Antonio González Moreno also indirectly holds the 0.56% of our capital stock (0.56% of our outstanding shares) through the Banorte Trust and directly holds 0.62% of our capital stock (0.62%

of our outstanding shares). Mrs. Graciela Silvia González Moreno directly holds 0.49% of our capital stock (0.49% of our outstanding shares).

This Trust, acting alone or jointly with all or some of the persons comprising the Primary Shareholder Group, exerts significant influence, control and power of command over the Company.

As of April 22, 2022, Carlos Hank González is the only Director with an individual shareholding greater than 1% and lower than 10% of our outstanding shares, which amounts to 1.77 of our capital stock. His shareholding is part of the total stake attributed to the Primary Shareholder Group.

4.3.3. Major Shareholders

The following table sets forth certain information regarding the direct and indirect ownership of our capital stock as of April 22, 2022 (which consists entirely of Series B Shares), according to the information on record obtained from our Annual Shareholders Meeting held on such date and information available to us on said date. The Trust is the only shareholder we know to individually and directly own more than 10% of our capital stock, and Mr. Juan Antonio Gonzalez Moreno Chief Executive Officer and Chairman of the Board of Directors, as well as Mrs. Graciela Silvia Gonzalez Moreno are our only main beneficiary shareholders since, each of them indirectly through the Trust and directly own more than 10% of our capital stock. See “Section 2.2.12. Shares evidencing the Capital Stock” for a further discussion of our capital stock. Our majority shareholder does not have different or preferential voting rights with respect to those shares they own.

Name	Number of Outstanding Series B Shares	Percentage of Outstanding Shares
Primary Shareholder Group ⁽¹⁾	189,615,154	50.65%
Other shareholders	184,775,587	49.35%
Total	374,390,741 ⁽²⁾	100%

(1) The shares beneficially owned by the Primary Shareholder Group include 150,229,259 shares held indirectly by certain members of the Primary Shareholder Group through the Trust.

(2) As of April 22, 2022, our capital stock was represented by 375,707,859 issued Series B, Class I, no par value shares (“Series B shares”), of which 374,390,741 shares were outstanding, all of them fully subscribed and paid and 1,317,118 shares were kept in treasury.

The Primary Shareholder Group controls approximately 50.47% of our capital stock (50.65% of our outstanding shares) and therefore elects the majority of our 11 directors. In addition, under Mexican law, any holder or group of holders representing 10% or more of our capital stock may elect one director for each 10% of capital stock held.

We cannot assure that members of the Primary Shareholder Group will continue to hold their shares or will act together for purposes of control. Additionally, the members of the Primary Shareholder Group may pledge the totality or part of their shares in us to guarantee any obligation, including any future borrowings. In the event of any default where lenders exercise their rights against any and all of these shares, the Primary Shareholder Group could lose its controlling interest in us resulting in a change of control. This, in turn, could trigger a default in some of our credit agreements if the established conditions under the terms of the corresponding credit agreements are met, resulting in a default of other debt documents. A Change of Control could also require us to make an offer to repurchase debt, as per the terms in our debt agreements. Said default or repurchase obligation could have a material adverse effect upon our business, financial condition, results of operations and prospects.

We are not aware of any significant changes in the percentage of ownership of any shareholder that held 5% or more of our outstanding shares during the past three years.

4.4. BYLAWS AND OTHER AGREEMENTS

Set forth below is a brief summary of certain significant provisions of our bylaws, according to their last amendment. This description does not purport to be complete and is qualified by reference to our bylaws, which are incorporated as an exhibit to this annual report.

The new Mexican Securities Law of 2006 included provisions seeking to improve the applicable regulations on disclosure of information, minority shareholder rights and corporate governance of the issuers, among other matters. It also imposes additional duties and liabilities on the members of the board of directors as well as senior officers. Thus, we were required to carry out a comprehensive amendment of our bylaws through an extraordinary general shareholders’ meeting held on November 30, 2006.

Incorporation and Register

We were incorporated in Monterrey, Mexico on December 24, 1971 as a corporation (*Sociedad Anónima de Capital Variable*) under the Mexican Corporations Law, for a term of 99 years. On November 30, 2006 we became a publicly held corporation (*Sociedad Anónima Bursátil de Capital Variable*), a special corporate form for all Mexican publicly traded companies pursuant to the regulations of the new Mexican Securities Law.

Corporate Purpose

Our main corporate purpose, as fully described in Article Second of our bylaws, is to serve as a holding company and to engage in various activities such as: (i) purchasing, selling, importing, exporting, and manufacturing all types of goods and products, (ii) issuing any kind of securities and taking all actions in connection therewith (iii) creating, organizing and managing all types of companies, (iv) purchasing, selling and holding real property, (v) receiving all types of specialized and non-specialized services, (vi) establishing branches or offices in any part of the country or abroad, (vii) acquiring, licensing, or using intellectual or industrial property, (viii) granting and receiving loans, (iv) subscribing, issuing and negotiating all types of credit instruments, and (x) performing any acts necessary to accomplish the foregoing.

Directors

Our bylaws provide that our management shall be vested in the board of directors and our Chief Executive Officer. Each director is elected by a simple majority of the shares. Under Mexican law and our bylaws, any holder or group of holders owning 10% or more of our capital stock may elect one director. The board of directors must be comprised of a minimum of five and a maximum of twenty-one directors, as determined by the shareholders at the annual ordinary general shareholders' meeting. Additionally, under the Mexican Securities Law, at least 25% of the members of the board of directors must be independent. Currently, our board of directors consists of 11 members.

The board of directors shall meet at least four times a year. These meetings can be called by the Chairman of the board of directors, the Chairman of the Audit and Corporate Governance Committees, or by 25% of the members of the board of directors. The directors serve for a one-year term, or for up to 30 (thirty) additional days, if no designation of their substitute has been made or if the substitute has not taken office. Directors receive compensation as determined by the shareholders at the annual ordinary general shareholders' meeting. The majority of directors are needed to constitute a quorum, and board resolutions must be passed by a majority of the votes present at any validly constituted meeting or by unanimous consent if no meeting is convened.

Our bylaws provide that the board of directors has the authority and responsibility to: (i) set the general strategies for our business; (ii) oversee the performance and conduct of our business; (iii) oversee our main risks, identified by the information submitted by the committees, the Chief Executive Officer and the firm providing the external auditing services; (iv) approve the information and communication policies with shareholders and the market; and (v) instruct the Chief Executive Officer to disclose to the investor public any material information when known.

Additionally, the board of directors has the authority and responsibility to approve, with the previous opinion of the corresponding Committee: (i) the policies for the use of our assets by any related party; (ii) related party transactions other than those occurring in the ordinary course of business, those of insignificant amount, and those deemed as done within market prices; (iii) the purchase or sale of 5% or more of our corporate assets; (iv) granting of guarantees or the assumption of liabilities for more than 5% of our corporate assets; (v) the appointment, and in its case, removal of the Chief Executive Officer, as the designation of integral compensation policies for all other senior officers; (vi) internal control and internal audit guidelines; (vii) our accounting guidelines; (viii) our financial statements; and (ix) the hiring of the firm providing external audit services and, in its case, any services additional or supplemental to the external audit. The approval in regard to the above matters is exclusive to the board and may not be delegated.

See "Section 4.3.1. Board of Directors" for further information about the board of directors.

Audit and Corporate Governance Committees

Under our bylaws and in accordance with the Mexican Securities Law, the board of directors, through the Audit and Corporate Governance Committees as well as through the firm performing the external audit, shall be in charge of the surveillance of us. Such Committees should be exclusively comprised by independent directors and by a minimum of three members, elected by the board of directors at the proposal of the Chairman of the Board. The Chairman of such Committees shall be exclusively designated and/or removed from office by the annual ordinary general shareholders' meeting.

For the performance of its duties, the Corporate Governance Committee shall: (i) render its opinion to the board of directors, pursuant to the Mexican Securities Law; (ii) request the opinion of independent experts, when deemed convenient; (iii) convene shareholders meetings and include issues in the agenda they deem appropriate; (iv) assist the board of directors when making the annual reports; and (v) be responsible for other activity provided by law or our bylaws.

Likewise, for the performance of its duties, the Audit Committee shall: (i) render its opinion to the board of directors, pursuant to the Mexican Securities Law; (ii) request the opinion of independent experts when deemed convenient; (iii) convene shareholders meetings and include issues in the agenda they deem appropriate; (iv) assess the performance of the external auditing firm, as well as analyze the opinions and reports rendered by the external auditor; (v) discuss our financial statements and, if appropriate, recommend its approval to the board of directors; (vi) inform the board of directors of the condition of the internal controls and internal auditing systems, including any irregularities detected therein; (vii) prepare the opinion of the report rendered by the Chief Executive Officer; (viii) assist the board of directors when making the annual reports; (ix) request from the senior officers and from other employees, reports relevant to the preparation of the financial information and of any other kind deemed necessary for the performance of their duties; (x) investigate possible irregularities within our company, as well as carry out the actions deemed appropriate; (xi) request meetings with senior officers in connection with the internal control and internal audit; (xii) inform the board of directors about the material irregularities detected while exerting their duties, and in case of any irregularities, notify the board of directors of any corrective measures taken; (xiii) ensure that the Chief Executive Officer complies with the resolutions taken by the Shareholders' Meetings and by the board of directors; (xiv) oversee the establishment of internal controls in order to verify that our transactions conform to the applicable legal regulations; and (xv) be responsible of any other activity provided by law or our bylaws.

Fiduciary Duties - Duty of Diligence

Our bylaws and the Mexican Securities Law provide that the directors shall act in good faith and in our best interest. In order to fulfill this duty, our directors may: (i) request information about us that is reasonably necessary to take actions; (ii) require the presence of any officers or other key employees, including the external auditors, that may contribute elements for taking actions at board meetings; (iii) postpone board meetings when a director has not been given sufficient notice of the meeting or in the event that a director has not been provided with the information provided to the other directors; and (iv) discuss and vote on any item requesting, if deemed convenient, the exclusive presence of the members and the secretary of the board of directors.

Our directors may be liable for damages caused when breaching their duty of diligence if such failure causes economic damage to us or our subsidiaries, as well as if the director: (i) fails to attend board or committee meetings and, as a result of such absence, the board was unable to take action, unless such absence is approved by the shareholders meeting; (ii) fails to disclose to the board of directors or the committees material information necessary to reach a decision; and/or (iii) fails to comply with its duties imposed by the Mexican Securities Law or our bylaws. Members of the board of directors may not represent shareholders at any shareholders' meeting.

Fiduciary Duties - Duty of Loyalty

Our bylaws and the Mexican Securities Law provide that the directors and secretary of the board shall keep confidential any non-public information and matters about which they have knowledge as a result of their position. Also, directors must abstain from participating, attending or voting at meetings related to matters where they have or may have a conflict of interest.

The directors and secretary of the board of directors will be deemed to have violated their duty of loyalty and will be liable for any damages when they, directly or through third parties, obtain an economic benefit by virtue of their position without legitimate cause. Furthermore, the directors will fail to comply with their duty of loyalty if they: (i) vote at a board meeting or take any action where there is a conflict of interest; (ii) fail to disclose a conflict of interest they may have during a board meeting; (iii) knowingly favor a particular shareholder of our company against the interests of other shareholders; (iv) approve related party transactions without complying with the requirements of the Mexican Securities Law; (v) use our assets in a manner which infringes upon the policies approved by the board of directors; (vi) unlawfully use material non-public information concerning us; and/or (vii) usurp a corporate business opportunity for their own benefit, or the benefit of a third party, without the prior approval of the board of directors. Our directors may be liable for damages when breaching their duty of loyalty if such failure causes economic damage to us or our subsidiaries.

Civil Actions Against Directors

Under Mexican law, shareholders can initiate actions for civil liabilities against directors through resolutions passed by a majority of the shareholders at a general ordinary shareholders' meeting. In the event the majority of the shareholders decide to bring such action, the director against whom such action is brought will immediately cease to be a member of the board of directors.

Additionally, shareholders representing not less than 5% of our outstanding shares may directly bring such action against directors. Any recovery of damages with respect to such action will be for our benefit and not for the benefit of the shareholders bringing the action.

Chief Executive Officer

According to our bylaws and the Mexican Securities Law, the Chief Executive Officer shall be in charge of running, conducting and executing our business, complying with the strategies, policies and guidelines approved by the board of directors.

For the performance of its duties the Chief Executive Officer shall: (i) submit, for the approval of the board of directors, our business strategies; (ii) execute the resolutions of the Shareholders' Meetings and of the board of directors; (iii) propose to the Audit Committee, the internal control system and internal audit guidelines applicable to us, as well as execute the guidelines approved thereof by the board of directors; (iv) disclose any material information and events that should be disclosed to the investor public; (v) comply with the provisions relevant to the repurchase and placement transactions of our own stock; (vi) exert any corresponding corrective measures and liability suits; (vii) assure that adequate accounting, registry and information systems are maintained by us; (viii) prepare and submit to the board of directors his annual report; (ix) establish mechanisms and internal controls permitting certification that our actions and transactions conform to the applicable regulations; and (x) exercise his right to file the liability suits referred to in the Mexican Securities Law against related parties or third parties that allegedly cause damage to us.

Voting Rights and Shareholders' Meetings

Each share entitles the holder thereof to one vote at any general meeting of our shareholders. Shareholders may vote by proxy. At the ordinary general shareholders' meeting, any shareholder or group of shareholders representing 10% or more of the outstanding capital stock has the right to appoint one director, with the remaining directors being elected by majority vote.

General shareholders' meetings may be ordinary or extraordinary. Extraordinary general shareholders' meetings are called to consider matters specified in Article 182 of the Mexican Corporations Law, including, principally, changes in the authorized fixed share capital and other amendments to the bylaws, the issuance of preferred stock, the liquidation, merger and spin-off of our company, changes in the rights of security holders, and transformation from one corporate form to another. All other matters may be approved by an ordinary general shareholders' meetings. Ordinary general shareholders' meetings must be called to consider and approve matters specified in Article 181 of the Mexican Corporations Law, including, principally, the appointment of the members of the board of directors and the Chairman of the Audit and Corporate Governance Committees, the compensation paid to the directors, the distribution of our profits for the previous year, and the annual reports presented by the board of directors and the Chief Executive Officer. Our shareholders establish the number of members that will serve on our board of directors at the ordinary general shareholders' meeting.

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

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

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

Notice of shareholders' meetings must be published in the electronic system established by the Ministry of Economy and optionally in a newspaper of general circulation in San Pedro Garza García, Nuevo León at least 15 days prior to the meeting. Shareholders' meetings may be held without such publication provided that 100% of the outstanding shares are represented. Shareholders' meetings must be held within the corporate domicile in San Pedro Garza García, Nuevo León.

Under Mexican law, holders of 20% of our outstanding capital stock may have any shareholder action set aside by filing a complaint with a Mexican court of competent jurisdiction within 15 days after the close of the meeting at which such action was taken, by showing that the challenged action violates Mexican law or our bylaws. Relief under these provisions is only available to holders who were entitled to vote on the challenged shareholder action and whose shares were not represented when the action was taken or, if represented, voted against it.

Dividend Rights and Distribution

Within the first four months of each year, the board of directors must submit our company's financial statements for the preceding fiscal year to the shareholders for their approval at the ordinary general shareholders' meeting. They are required by law to allocate 5% of any new profits to a legal reserve which is not thereafter available for distribution until the amount of the legal reserve equals 20% of our capital stock (before adjusting for inflation). Amounts in excess of those allocated to the legal reserve fund may be allocated to other reserve funds as the shareholders may determine, including a reserve for the repurchase of our shares. The remaining balance of new profits, if any, is available for distribution as dividends prior to their approval at the shareholders' meeting. Cash dividends on the shares held through Indeval will be distributed by us through Indeval. Cash dividends on the shares evidenced by physical certificates will be paid when the relevant dividend coupon registered in the name of its holder is delivered to us. No dividends may be paid, however, unless losses for prior fiscal years have been paid up or absorbed. See "Section 2.2.13. Dividends."

Liquidation

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

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

Changes in Capital Stock

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

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

As of April 22, 2022, our capital stock was represented by 375,707,859 issued, non-par value, Class I, Series B shares, out of which 374,390,741 shares were outstanding, fully subscribed and paid for and 1,317,118 shares are kept in treasury.

Preemptive Rights

In the event of a capital increase through the issuance of shares, other than in connection with a public offering of newly issued shares or treasury stock, a holder of existing shares of a given series at the time of the capital increase has a preferential right to subscribe for a sufficient number of new shares of the same series to maintain the holder's existing proportionate holdings of shares of that series. Preemptive rights must be exercised within the period and under the conditions established for such purpose by the shareholders at the corresponding shareholders' meeting. Under Mexican law and our bylaws, the exercise period may not be less than 15 days following the publication of notice of the capital increase in the electronic system established by the Ministry of Economy Federal Official Gazette

or following the date of the shareholders' meeting at which the capital increase was approved if all shareholders were represented; otherwise such rights will lapse.

Furthermore, shareholders will not have preemptive rights to subscribe for common stock issued in connection with mergers, upon the conversion of convertible debentures, or in the resale of treasury stock as a result of repurchases on the Mexican Stock Exchange.

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

Restrictions Affecting Non-Mexican Shareholders

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

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

As required by Mexican law, our bylaws provide that any non-Mexicans who acquire an interest or participation in our capital at any time will be treated as having Mexican nationality for purposes of their interest in us, and with respect to the property, rights, concessions, participations or interests that we may own or rights and obligations that are based on contracts to which we are a party with the Mexican authorities. Such shareholders cannot invoke the protection of their government under penalty of forfeiting to the Mexican State the ownership interest that they may have acquired.

Under this provision, a non-Mexican shareholder is deemed to have agreed not to invoke the protection of his own government with respect to his rights as a shareholder, but is not deemed to have waived any other rights he may have with respect to its investment in us, including any rights under U.S. securities laws. If a shareholder should invoke governmental protection in violation of this provision, his shares could be forfeited to the Mexican government. Mexican law requires that such a provision be included in the bylaws of all Mexican companies unless such bylaws prohibit ownership of shares by non-Mexicans. See "Section 1.3.5. Risk Factors—Risks Related to Our Primary Shareholder Group and Capital Structure—Mexican Law Restricts the Ability of Non-Mexican Shareholders to Invoke the Protection of Their Governments with Respect to Their Rights as Shareholders."

Registration and Transfer

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

Other Provisions

Appraisal Rights

Under Mexican law, whenever the shareholders approve a change of corporate object, change of our nationality or transformation from one type of corporate form to another, any shareholder entitled to vote on such change or transformation who has voted against it has the right to tender its shares and receive the amount attributable to its shares, provided such shareholder exercises its right to withdraw within 15 days following the adjournment of the meeting at which the change or transformation was approved. Under Mexican law, the amount which a withdrawing shareholder is entitled to receive is equal to its proportionate interest in our capital stock according to our most recent balance sheet approved by an ordinary general shareholders' meeting. The reimbursement may have certain tax consequences.

Share Repurchases

We may repurchase our common stock on the Mexican Stock Exchange at any time at the then market price. The repurchase of shares will be made by charging our equity, in which case we may keep them without reducing our capital stock, or charging our capital stock, in which case we must convert them into unsubscribed treasury stock. The ordinary general shareholders' meeting shall

determine the maximum amount of funds to be allocated for the repurchase of shares, which amount shall not exceed our total net profits, including retained earnings.

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

Under Mexican securities regulation, our directors, officers, external auditors, the secretary of the board of directors and holders of 10% or more of our outstanding stock may not sell stock to us, or purchase repurchased stock from us, unless the sale or purchase is made through a tender offer. The repurchase of stock representing 3% or more of our outstanding share capital in any 20 trading-day period must be conducted through a public tender offer.

Repurchase in the Event of Delisting

In the event of the cancellation of the registration of our shares at the *Registro Nacional de Valores*, or National Registry of Securities, or RNV, whether at our request or at the request of the CNBV, under our bylaws and the regulations of the CNBV, we will be obligated to make a tender offer to purchase all of our shares held by non-controlling shareholders. Such tender offer shall be made at least at the greater price of the following: (i) the closing sale price under the terms of the following paragraph, or (ii) the book value of the shares according to the most recent quarterly report submitted to the CNBV and the Mexican Stock Exchange.

The quoted share price on the Mexican Stock Exchange referred to in the preceding paragraph shall be the weighted average share price as quoted on the Mexican Stock Exchange for the last 30 days in which our shares were traded, in a period not greater than six months prior to the date of the public tender offer. If the number of days in which our shares have traded during the period referred to above is less than 30, then only the actual number of days in which our shares have traded during such period will be taken into account. If shares have not been exchanged during such period, then the tender offer shall be made at a price equal to at least the book value of the shares.

In connection with any such cancellation of the registration of our shares, we will be required to deposit sufficient funds into a trust account for at least six months following the date of cancellation to ensure adequate resources to purchase at the public tender offer price any remaining outstanding shares from non-controlling shareholders that did not participate in the offer.

If we ask the RNV to cancel the registration of our shares, we will be exempt from carrying out a public tender offer, provided that: (i) we have the consent of the holders of at least 95% of our outstanding common shares, by a resolution at a shareholders' meeting; (ii) the aggregate amount offered for the securities in the market is less than 300,000 investment units (UDIs); (iii) the trust referred to in the preceding paragraph is executed, and (iv) notice is given to the CNBV of the execution and cancellation of the trust through the established electronic means.

Within ten business days of the commencement of a public tender offer, our board of directors must prepare and disclose to public investors its opinion with respect to the reasonableness of the tender offer price as well as any conflicts of interest that its members may have in connection with the tender offer. The opinion of the board of directors may be accompanied by another opinion issued by an independent expert that we may hire.

We may request the approval from the CNBV to use different criteria to determine the price of the shares. In requesting such approval, the following must be submitted to the CNBV: (i) the resolution of the board of directors approving such request, (ii) the opinion of the Corporate Governance Committee addressing the reasons why it deems appropriate the use of a different price, and (iii) a report from an independent expert indicating that the price is consistent with the terms of the Mexican Securities Law.

Shareholder's Conflicts of Interest

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

Rights of Shareholders

The protections afforded to minority shareholders under Mexican law are different from those in the United States and other jurisdictions. The law concerning duties and responsibilities of directors and controlling shareholders has not been the subject of extensive judicial interpretation in Mexico, unlike the United States where judicial decisions have been issued regarding the duties of diligence and loyalty, which more effectively protect the rights of minority shareholders. Additionally, shareholder class actions are not available under Mexican law and there are different procedural requirements for bringing shareholder derivative lawsuits, which permit shareholders in U.S. courts to bring actions on behalf of other shareholders or to enforce rights of the corporation itself. Shareholders cannot challenge corporate action taken at a shareholders' meeting unless they meet certain procedural requirements.

As a result of these factors, in practice it may be more difficult for our minority shareholders to enforce rights against us or our directors or controlling shareholders than it would be for shareholders of a foreign company. See “Section 1.3.5. Risk Factors—Risks Related to Our Primary Shareholder Group and Capital Structure—The Protections Afforded to Minority Shareholders in Mexico Are Different from Those in other Countries.”

Antitakeover Protections

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

Prior approval from the board of directors must be obtained each time such ownership threshold of 5% (and multiples thereof) is intended to be exceeded, except for persons who, directly or indirectly, are competitors (as such term is defined below) of us or of any of our subsidiaries, who must obtain the prior approval of the board of directors for future acquisitions where a threshold of 2% (or multiples thereof) of our common shares is intended to be exceeded.

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

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

Board Notices, Meetings, Quorum Requirements and Approvals.

To obtain the prior approval of our board of directors, a potential purchaser must properly deliver a written application complying with the applicable requirements set forth in our bylaws. Such application shall state, among other things: (i) the number and class of our shares the person beneficially owns or to which such person has any right, (ii) the number and class of shares the Person intends to acquire, (iii) the number and class of shares with respect to which such Person intends to acquire any right, (iv) the percentage that the shares referred to in (i) represent of our total outstanding shares and of the class or series to which such shares belong, (v) the percentage that the shares referred to in (ii) and (iii) represent of our total outstanding shares and of the class or series to which such shares belong, (vi) the person's identity and nationality, or in the case of a purchaser which is a corporation, trust or legal entity, the nationality and identity of its shareholders, partners or beneficiaries as well as the identity and nationality of each person effectively controlling such corporation, trust or legal entity, (vii) the reasons and purpose behind such acquisition, (viii) if such person is, directly or indirectly, a competitor of us or any of our subsidiaries or affiliates, and if such person has the authority to legally acquire the shares pursuant to our bylaws and Mexican law, (ix) its source of financing the intended acquisition, (x) if the Person is part of an economic group, formed by one or more of its related parties, which intends to acquire shares of our common stock or rights to such shares, (xi) if the person has obtained any financing from one of its related parties for the payment of the shares, (xii) the identity and nationality of the financial institution, if any, that will act as the underwriter or broker in connection with any tender offer, and (xiii) the person's address for receiving notices.

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

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

Mandatory Tender Offers in the Case of Certain Acquisitions.

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

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

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

Notices.

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

Exceptions.

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

Other Agreements.

Mr. Juan Antonio González Moreno, together with his sons Juan Antonio González Marcos and Jesús Antonio González Marcos, established as trustors and trustees the Banorte Trust, to which they contributed 2,101,203 shares, 9,975,041 shares and 9,736,125 shares, respectively, which together represent 5.81% of our capital stock.

The Banorte Trust has the following main characteristics:

- Mr. Juan Antonio González Moreno has the character of Administrator, for which he has the power to instruct the voting sense of all the shares contributed to it.

- It will be in force as long as Mr. Juan Antonio González Moreno lives, during which time the contributed shares may not be withdrawn from the trust except for their sale through a stock exchange, provided the Administrator authorizes such transactions.
- The economic rights of the shares contributed, are kept by each of the respective trustees.
- The trustee rights are subject to preemptive rights among the trustees in the event of the sale of such rights, with the exception of donations to lineal ascendants or descendants.

4.5. OTHER CORPORATE GOVERNANCE PRACTICES

Not applicable.

5. CAPITAL MARKET

5.1. SHAREHOLDING STRUCTURE

Our Series B shares are listed in the BMV under the Ticker Symbol GRUMAB as of 1994. Formerly our shares were listed in the United States of America through ADR's. Each ADR represented four Series B Shares. As previously explained, such program has been terminated and our shares were delisted from the NYSE as of September 8, 2015. Currently, there are no ADR program sponsored by GRUMA. GRUMA does not authorize, endorse, support or encourage the creation of any unsponsored ADR program in respect to its securities and disclaims any liability whatsoever, arising out of any unsponsored ADR program. See "Section 1.4. Other Securities".

5.2. BEHAVIOR OF THE SHARES IN THE STOCK MARKET

The following table sets forth, for the periods indicated, the annual high and low closing sale prices for our Series B Shares.

	Mexican Stock Exchange	
	Common Stock	
	High	Low
	(Ps. Per share ⁽¹⁾)	
Annual Price History		
2017.....	286.38	227.25
2018.....	258.06	207.56
2019.....	234.69	166.07
2020.....	281.21	170.80
2021.....	262.52	205.17
Quarterly Price History		
2020		
1st Quarter.....	211.08	170.80
2nd Quarter.....	249.85	188.77
3rd Quarter.....	281.21	226.33
4th Quarter.....	252.52	214.82
2021		
1st Quarter.....	244.80	224.03
2nd Quarter.....	251.39	205.17
3rd Quarter.....	243.44	212.39
4th Quarter.....	262.52	218.43
2022		
1st Quarter.....	282.96	247.80
Monthly Price History ⁽¹⁾⁽³⁾		
October 2021.....	241.75	218.43

	Mexican Stock Exchange	
	Common Stock	
	High	Low
	(Ps. Per share ⁽¹⁾)	
November 2021.....	259.91	242.22
December 2021.....	262.52	250.60
January 2022.....	269.80	249.59
February 2022.....	282.96	262.28
March 2022.....	282.36	247.80
April 2022 ⁽³⁾	261.71	240.69

(1) Pesos per share reflect nominal price at trade date.

(2) As of April 22, 2022.

On April 22, 2022, the last reported sale price of the B Shares on the Mexican Stock Exchange was Ps.240.69 per B Share.

5.3. MARKET MAKER

Not applicable

6. UNDERLYING ASSETS

Not applicable

7. RESPONSIBLE PARTIES

The undersigned state under oath of telling the truth, that within the scope of our respective positions, we prepared the information regarding the issued contained in this annual report for the year ended December 31, 2021, which, to our true knowledge and understanding, reasonably reflects its situation. Likewise, we state that we have no knowledge of relevant information which was omitted or distorted in this annual report nor that the same contains information which may mislead investors.

GRUMA, S.A.B. de C.V.

[Illegible Signature]

Name: Juan A. González Moreno
Title: Chief Executive Officer

GRUMA, S.A.B. de C.V.

[Illegible Signature]

Name: Homero Huerta Moreno
Title: Chief Administrative Officer*

GRUMA, S.A.B. de C.V.

[Illegible Signature]

Name: Raúl Cavazos Morales
Title: Chief Financial Officer

GRUMA, S.A.B. de C.V.

[Illegible Signature]

Name: Rodrigo Martínez Villarreal
Title: General Counsel

*Responsible for the elaboration of the financial information of the Company.

[ENGLISH TRANSLATION FOR INFORMATION PURPOSES ONLY]

The undersigned under oath of saying the truth state, that the attached consolidated financial statements of Gruma, S.A.B. de C.V. and subsidiaries, as of December 31, 2020 and December 2019, contained in this Annual Report, were audited on April 7, 2021 and April 8, 2020, respectively; pursuant to the International Standards on Auditing.

Additionally, we state that we have read this annual report and based on our reading and within the scope of the audit work carried out, we have no knowledge of material mistakes or inconsistencies in the financial information that is included and that is derived from the audited financial statements referred to in the previous paragraph, nor that the information has been omitted or distorted in this annual report, nor that the same contains financial information that may mislead the investors.

Notwithstanding the foregoing, we, the undersigned, were not hired, and did not carry out additional procedures to express our opinion regarding the other information contained in this annual report, which is not derived from the financial statements audited by us.

/S/

C.P.A. Víctor Gabriel Vecchi
Audit Partner

/S/

C.P.A. Felipe Córdova Otero
Legal Representative

[ENGLISH TRANSLATION FOR INFORMATION PURPOSES ONLY]

The undersigned under oath of saying the truth state, that the attached consolidated financial statements of Gruma, S.A.B. de C.V. and subsidiaries, as of December 31, 2021, contained in this Annual Report, were audited on April 6, 2022; pursuant to the International Standards on Auditing.

Additionally, I state that I have read this annual report and based on my reading and within the scope of the audit work carried out, I have no knowledge of material mistakes or inconsistencies in the financial information that is included and that is derived from the audited financial statements referred to in the previous paragraph, nor that the information has been omitted or distorted in this annual report, nor that the same contains financial information that may mislead the investors.

Notwithstanding the foregoing, I, the undersigned, was not hired, and did not carry out additional procedures to express my opinion regarding the other information contained in this annual report, which is not derived from the financial statements audited by me.

/S/

C.P.A. Felipe Córdova Otero
Audit Partner and Legal Representative

8. EXHIBITS

- Audited Financial Statements for the last three fiscal years.
- Audit Committee's Report
- Corporate Governance Committee's Report

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021 AND 2020

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

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021 AND 2020

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Independent Auditors' Report

To the Stockholders and Board members of
Gruma, S. A. B. de C. V.

Opinion

We have audited the accompanying consolidated financial statements of Gruma, S. A. B. de C. V. and subsidiaries (the Company), which comprise the consolidated balance sheet at December 31, 2021, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2021, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We have conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of this report. We are independent of the Company in accordance with the Professional Code of Ethics Standards of the Mexican Institute of Public Accountants (*Instituto Mexicano de Contadores Públicos, A.C.*) as well as other ethical requirements applicable to our audits of consolidated financial statements in Mexico. We have fulfilled all other ethical responsibilities in accordance with those requirements and Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements taken as a whole, and in forming our opinion on them; therefore, we do not provide a separate opinion on these matters.



Key audit matter

1. *Evaluation of goodwill for impairment*

As mentioned in Notes 3-H and 12 to the consolidated financial statements, the Company annually estimates the recoverable value of its cash generating units (CGUs) associated with goodwill to evaluate said goodwill for impairment.

We have focused on this matter mainly for the following reasons: 1) the importance of the carrying amount of goodwill (Ps 3,432 million at December 31, 2021); 2) the estimate of the recoverable value of the CGUs for which goodwill has been recognized because it involves significant Management judgments, including possible changes in the economic context where the CGUs relating to goodwill operate.

Our audit effort particularly involved the CGUs in the United States of America and Spain, due to their relevance. We focus on the significant judgments relating to the future results of the business, income growth rates and discount rates applied to the projected future cash flows.

How our audit addressed the key audit matter

Regarding the CGUs in the United States of America and Spain, we have performed sensitivity tests and discussed their results with Management. We also evaluated the degree in which the assumptions will need to be modified to recognize an impairment in order to define the nature and the scope of the procedures applied to each CGU based on their risk level, as follows:

We performed an understanding of the processes followed by Management to determine the projections of future cash flows; we also evaluated whether Management had made the projections in line with the established processes and how it exercises timely supervision, and whether the determined projections are consistent with the budgets approved by the Administrative Board.

We compared actual results for the current year with the figures budgeted for this year in the previous fiscal year, to evaluate whether any assumption included in the projections may be considered very optimistic or unrealistic, in conformity with the Company's history.

We compared the models applied in determining the recoverable value of assets with the methods used and recognized for the valuation of assets with similar characteristics.

We challenged and compared, with the support of our appraisers, the significant judgments and assumptions used by Management in the projections relating to its:

- Long-term income growth rates, by comparing them with the historical growth trend of the CGU and the growth rates expected in the industry; and
- The discount rate, when evaluating the cost of capital for the Company and comparable companies, also considering the factors specific to the territory.



2. Risk hedging with financial instruments

As mentioned in Notes 4 and 20 to the consolidated financial statements, the Company entered into basic or standard derivative contracts which do not have complex characteristics and their objective is to hedge the risk carried by price changes and supply of certain inputs. These derivative financial instruments are related mainly to corn call and put options, wheat and soybean futures, gas, diesel, wheat, corn and interest rate swaps and currency forward contracts and option contracts, mainly in Mexico and the United States of America. Derivative financial instrument assets amount to Ps 967 million and derivative financial instrument liabilities, to Ps 103 million.

We have focused on the review of this matter, primarily because of the number of transactions conducted with derivative financial instruments according to the Company's operating needs and in view of their importance in the context of financial statements taken as a whole, not only for the valuation of those instruments, but for the effects they could have on the results for the year as well.

Particularly, we have made every audit effort to review the key input data used in the valuation of those instruments, such as the exchange rate value and the values of commodities (gas, wheat and corn) at the valuation date.

We have applied the following procedures as part of our audit:

- We understood the corporate governance controls relating to the approval of these transactions and the determination of fair value.
- We discussed with the Audit Committee the monitoring of the use of derivative financial instruments by the Company.

On selective test bases:

- We inspected the evidence of authorization of new derivative contracts during the year, by the executives designated for such purposes.
- We obtained confirmations from the counterparties of the existence of instruments with open positions at December 31, 2021.
- With the support of our appraisers, we have independently determined the fair value of a sample of derivative financial instruments using valuation models commonly accepted in the industry and gathering data from market sources, and compared them with the values determined by Management.
- We inspected the financial settlements in gains and losses on termination of derivative contracts.
- We compared the key input data with the exchange rate value and the values of commodities (gas, wheat and corn) used in determining the fair value with data from independent and recognized market sources at the valuation date.



Additional information

Company Management is responsible for the Other Information presented. The Other Information comprises the Annual Report submitted to the National Securities and Banking Commission (CNBV) (but does not include the consolidated financial statements or this Independent Auditors' Report), which will be issued after the date of this report.

The Other Information is not covered by this opinion on the consolidated financial statements, and we do not express any audit conclusion on it.

However, in connection with our audit of the consolidated financial statements of the Company, our responsibility is to read the Other Information when it is available and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to contain a material misstatement.

Upon reading the Other Information, not yet received, we shall issue the declaration on the Annual Report required by the CNBV and, should we detect that it contains a material misstatement, we must communicate it to those charged with the Company's governance and mention it on our report, if applicable.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Management of the Company and subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as Management considered necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue operating as a going concern, disclosing as applicable, matters relating to going concern issues and using the going concern basis of accounting unless Management intends to liquidate the Company or to discontinue operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists.



Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting to prepare the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained until the date of our audit report. However, future events or conditions may cause the Company to cease to continue operating as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present fairly the underlying transactions and events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the economic group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement on our fulfillment of relevant ethical requirements regarding independence and communicate any relationship and other matters that might reasonably affect our independence and, when applicable, the pertinent actions taken to reduce threats or the related safeguards.

Among the matters that have been communicated to those charged with the Company's governance, we determine those of most significance in the audit of the consolidated financial statements for the current year, which are, consequently, the key audit matters. We describe these matters in our audit report unless laws or regulations preclude public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Following is the name of the Audit Partner.

PricewaterhouseCoopers, S.C.

[Spanish original version signed by:]

Certified Public Accountant Felipe Córdova Otero
Audit Partner

Monterrey, N. L., April 6, 2022

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2021 AND 2020
(In thousands of Mexican pesos - Ps)
(Notes 1, 2 and 3)

A s s e t s	Note	2021	2020
Current:			
Cash and cash equivalents.....	6	Ps. 5,248,129	Ps. 6,172,754
Derivative financial instruments.....	20	967,864	1,064,769
Accounts receivable, net.....	7	10,503,313	9,921,714
Inventories.....	8	14,899,818	11,944,943
Recoverable income tax.....		545,691	431,344
Prepaid expenses.....		650,636	464,859
Total current assets.....		32,815,451	30,000,383
Non-current:			
Long-term notes and accounts receivable.....	9	238,249	269,274
Property, plant and equipment, net.....	10	33,915,050	31,044,031
Right-of-use assets.....	11	5,954,646	6,198,838
Intangible assets, net.....	12	3,994,177	3,952,582
Deferred tax.....	13	1,858,008	2,310,978
Total non-current assets.....		45,960,130	43,775,703
Total Assets.....		Ps. 78,775,581	Ps. 73,776,086
L i a b i l i t i e s			
Current:			
Short-term debt.....	14	Ps. 1,125,484	Ps. 2,720,179
Short-term lease liability.....	11	772,660	717,338
Trade accounts payable.....	15	8,754,924	6,220,081
Derivative financial instruments.....	20	95,720	1,047,715
Provisions.....	16	202,789	127,093
Income tax payable.....		514,431	413,385
Other current liabilities.....	17	5,363,559	5,292,633
Total current liabilities.....		16,829,567	16,538,424
Non-current:			
Long-term debt.....	14	23,335,419	20,155,237
Long-term lease liability.....	11	5,795,113	5,962,332
Derivative financial instruments.....	20	7,359	181,110
Provision for deferred taxes.....	13	1,382,887	1,259,007
Employee benefits obligations.....	18	1,116,927	1,088,390
Provisions.....	16	646,332	740,576
Other non-current liabilities.....		99,542	179,309
Total non-current liabilities.....		32,383,579	29,565,961
Total Liabilities.....		49,213,146	46,104,385
E q u i t y			
Controlling interest:			
Common stock.....	19	4,722,600	4,924,197
Reserves.....		3,717,853	2,163,650
Retained earnings.....	19	21,144,797	20,596,419
Total controlling interest.....		29,585,250	27,684,266
Non-controlling interest.....		(22,815)	(12,565)
Total Equity.....		29,562,435	27,671,701
Total Equity and Liabilities.....		Ps. 78,775,581	Ps. 73,776,086

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

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In thousands of Mexican pesos – Ps, except per-share data)
(Notes 1, 2 and 3)

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Net sales.....	5	Ps. 94,250,381	Ps. 91,103,131
Cost of sales.....	21	<u>(60,350,117)</u>	<u>(56,260,258)</u>
Gross profit.....		33,900,264	34,842,873
Selling and administrative expenses.....	21	(23,314,889)	(23,408,562)
Other income (expenses), net.....	22	<u>697,760</u>	<u>(85,906)</u>
Operating income.....		11,283,135	11,348,405
Comprehensive financing cost, net.....	24	<u>(1,664,428)</u>	<u>(2,871,157)</u>
Income before income tax.....		9,618,707	8,477,248
Income tax expense.....	25	<u>(3,461,998)</u>	<u>(3,096,822)</u>
Consolidated net income from continuing operations.....		6,156,709	5,380,426
Loss from discontinued operations.....		<u>(637)</u>	<u>(11,430)</u>
Consolidated net income.....		<u>Ps. 6,156,072</u>	<u>Ps. 5,368,996</u>
Attributable to:			
Shareholders.....		Ps. 6,155,581	Ps. 5,368,058
Non-controlling interest.....		491	938
		<u>Ps. 6,156,072</u>	<u>Ps. 5,368,996</u>
From continued operations:			
Basic and diluted earnings per share (pesos).....		<u>Ps. 15.75</u>	<u>Ps. 13.30</u>
From discontinued operations:			
Basic and diluted losses per share (pesos).....		<u>Ps. -</u>	<u>Ps. (0.03)</u>
From continued and discontinued operations:			
Basic and diluted earnings per share (pesos).....		<u>Ps. 15.75</u>	<u>Ps. 13.27</u>
Weighted average shares outstanding (thousands).....		<u>390,875</u>	<u>404,552</u>

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

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In thousands of Mexican pesos - Ps)
(Notes 1, 2 and 3)

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Consolidated net income.....		Ps. 6,156,072	Ps. 5,368,996
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of employment benefit obligations.....	18	30,247	(82,072)
Income taxes.....	13	(5,338)	16,093
		<u>24,909</u>	<u>(65,979)</u>
Items that will be subsequently reclassified to profit or loss:			
Foreign currency translation adjustments.....		49,411	1,942,009
Reserve for cash flow hedges.....		2,026,728	(124,927)
Other.....		(16,567)	(3,754)
Income taxes.....	13	(156,040)	(93,495)
		<u>1,903,532</u>	<u>1,719,833</u>
Other comprehensive income, net of tax.....		<u>1,928,441</u>	<u>1,653,854</u>
Total comprehensive income.....		Ps. 8,084,513	Ps. 7,022,850
Total comprehensive income for the period is attributable to:			
Shareholders.....		Ps. 8,084,485	Ps. 7,023,582
Non-controlling interest.....		28	(732)
		<u>Ps. 8,084,513</u>	<u>Ps. 7,022,850</u>
Total comprehensive income for the period is attributable to shareholders arises from:			
Continuing operations.....		Ps. 8,085,122	Ps. 7,035,012
Discontinued operations.....		(637)	(11,430)
		<u>Ps. 8,084,485</u>	<u>Ps. 7,023,582</u>

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

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In thousands of Mexican pesos - Ps)
(Notes 1, 2 and 3)

	Common stock (Note 19-A)		Reserves					Total equity
	Number of shares (thousands)	Amount	Foreign currency translation (Note 19-C)	Cash flow hedges and other reserves (Note 20-C)	Retained earnings and other reserves (Note 19-B)	Total controlling interest	Non-controlling interest	
Balances at January 1, 2020	413,144	Ps. 5,120,602	Ps. 394,845	Ps. (100,241)	Ps. 20,574,206	Ps. 25,989,412	Ps. (11,878)	Ps. 25,977,534
Transactions with owners of the Company:								
Dividends paid (Ps. 5.64 per share).....					(2,280,126)	(2,280,126)	-	(2,280,126)
Purchase of own shares.....	(15,847)	(196,405)	-	-	(2,996,006)	(3,192,411)	-	(3,192,411)
	(15,847)	(196,405)	-	-	(5,276,132)	(5,472,537)	-	(5,472,537)
Costs of cash flow hedging transferred to the carrying value of inventory purchased during the year, includes taxes of Ps. (32,260).....	-	-	-	143,809	-	143,809	45	143,854
	(15,847)	(196,405)	-	143,809	(5,276,132)	(5,328,728)	45	(5,328,683)
Comprehensive income:								
Net income of the year.....	-	-	-	-	5,368,058	5,368,058	938	5,368,996
Foreign currency translation adjustment (includes taxes of Ps.(11,648)).....	-	-	1,931,912	-	-	1,931,912	(1,551)	1,930,361
Remeasurement of employment benefit obligations (includes taxes Ps.16,093).....	-	-	-	-	(65,959)	(65,959)	(20)	(65,979)
Cash flow hedges (includes taxes of Ps.81,847).....	-	-	-	(206,675)	-	(206,675)	(99)	(206,774)
Other	-	-	-	-	(3,754)	(3,754)	-	(3,754)
Comprehensive income of the year.....	-	-	1,931,912	(206,675)	5,298,345	7,023,582	(732)	7,022,850
Balances at December 31, 2020	397,297	Ps. 4,924,197	Ps. 2,326,757	Ps. (163,107)	Ps. 20,596,419	Ps. 27,684,266	Ps. (12,565)	Ps. 27,671,701
Transactions with owners of the Company:								
Dividends paid (Ps. 5.20 per share).....	-	-	-	-	(2,047,281)	(2,047,281)	(774)	(2,048,055)
Effect on minority share purchase.....	-	-	-	-	-	-	(9,504)	(9,504)
Purchase of own shares.....	(16,265)	(201,597)	-	-	(3,568,264)	(3,769,861)	-	(3,769,861)
	(16,265)	(201,597)	-	-	(5,615,545)	(5,817,142)	(10,278)	(5,827,420)
Costs of cash flow hedging transferred to the carrying value of inventory purchased during the year, includes taxes of Ps. 114,568.....	-	-	-	(366,359)	-	(366,359)	-	(366,359)
	(16,265)	(201,597)	-	(366,359)	(5,615,545)	(6,183,501)	(10,278)	(6,193,779)
Comprehensive income:								
Net income of the year.....	-	-	-	-	6,155,581	6,155,581	491	6,156,072
Foreign currency translation adjustment (includes taxes of Ps. 177,166).....	-	-	227,040	-	-	227,040	(463)	226,577
Remeasurement of employment benefit obligations (includes taxes Ps. (5,338)).....	-	-	-	-	24,909	24,909	-	24,909
Cash flow hedges (includes taxes of Ps.(333,206).....	-	-	-	1,693,522	-	1,693,522	-	1,693,522
Other	-	-	-	-	(16,567)	(16,567)	-	(16,567)
Comprehensive income of the year.....	-	-	227,040	1,693,522	6,163,923	8,084,485	28	8,084,513
Balances at December 31, 2021	381,032	Ps. 4,722,600	Ps. 2,553,797	Ps. 1,164,056	Ps. 21,144,797	Ps. 21,144,797	Ps. (22,815)	Ps. 29,562,435

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

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In thousands of Mexican pesos - Ps)
(Notes 1, 2 and 3)

	Note	2021	2020
Operating activities:			
Income before taxes		Ps. 9,618,707	Ps. 8,477,248
Derivative financial instruments.....	20 and 22	(414,174)	18,634
Foreign exchange loss from working capital.....		33,952	1,031,811
Net cost of the year for employee benefit obligations.....		337,086	369,454
Allowance for doubtful accounts.....		44,383	154,368
Damaged, slow-moving and obsolete inventory.....		170,843	176,047
Items related with investing activities:			
Depreciation and amortization.....		3,653,275	3,693,754
Impairment of long-lived assets.....		50,541	351,994
Interest income.....		(33,882)	(47,212)
Gain in sale of fixed assets and damaged assets.....	22	(172,655)	(11,263)
Items related with financing activities:			
Derivative financial instruments.....	20 and 24	15,082	203,340
Foreign exchange (gain) loss from debt.....		(9)	656
Foreign exchange loss from lease liability.....		11,419	17,901
Interest expense.....		1,361,253	1,434,422
		<u>14,675,821</u>	<u>15,871,154</u>
Accounts receivable.....		1,494,017	(308,944)
Inventories.....		(3,173,907)	(668,420)
Prepaid expenses.....		(191,168)	54,649
Trade accounts payable.....		2,512,832	411,074
Accrued liabilities and other accounts payables.....		(672,471)	1,144,699
Income taxes paid.....		(2,971,622)	(3,291,022)
Payments of employee benefits obligations.....		(279,557)	(342,199)
		<u>(3,281,876)</u>	<u>(3,000,163)</u>
Net cash flows from operating activities		<u>11,393,945</u>	<u>12,870,991</u>
Investing activities:			
Acquisitions of property, plant and equipment.....	5 and 10	(5,826,475)	(3,702,481)
Sale of property, plant and equipment.....		707,135	117,793
Acquisition of intangible assets.....	12	(123,749)	(21,449)
Interests collected.....		33,877	47,204
Other.....		(56,539)	(35,401)
Net cash flows used in investing activities		<u>(5,265,751)</u>	<u>(3,594,334)</u>
Cash to be used in financing activities		<u>6,128,194</u>	<u>9,276,657</u>
Financing activities:			
Proceeds from debt.....	14	20,686,784	13,754,921
Payment of debt.....	14	(19,528,656)	(13,446,468)
Payment of lease liability.....		(895,209)	(760,382)
Interests paid.....		(1,017,350)	(1,088,271)
Interests paid on lease liability.....		(331,425)	(353,646)
Derivative financial instruments collected.....		(15,082)	(203,340)
Purchase of own shares.....		(3,802,207)	(3,226,518)
Purchase of non-controlling interest shares.....		-	(625)
Dividends paid.....		(2,132,671)	(2,081,675)
Net cash flows used in financing activities		<u>(7,035,816)</u>	<u>(7,406,004)</u>
Net (decrease) increase in cash and cash equivalents.....		(907,622)	1,870,653
Exchange differences on cash.....		(17,003)	358,600
Cash and cash equivalents at the beginning of the year		<u>6,172,754</u>	<u>3,943,501</u>
Cash and cash equivalents at the end of the year		<u>Ps. 5,248,129</u>	<u>Ps. 6,172,754</u>

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

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021 AND 2020
(In thousands of Mexican pesos - Ps, except where otherwise indicated)

1. ENTITY AND OPERATIONS

Gruma, S.A.B. de C.V. (GRUMA) is a Mexican company with subsidiaries located in Mexico, the United States of America, Central America, Europe, Asia and Oceania, together referred to as the “Company”. The Company’s main activities are the production and sale of corn flour, tortillas and related products.

GRUMA is a publicly held corporation (*Sociedad Anónima Bursátil de Capital Variable*) organized under the laws of Mexico. The address of its registered office is Calzada del Valle 407 in San Pedro Garza García, Nuevo León, Mexico. GRUMA is listed on the Mexican Stock Exchange.

The consolidated financial statements were authorized by the Chief Administrative Office of the Company on April 6, 2022.

2. BASIS OF PREPARATION

The consolidated financial statements of Gruma, S.A.B. de C.V. and Subsidiaries for all the periods presented have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The IFRS also include the International Accounting Standards (IAS) in force, as well as all the related interpretations issued by the IFRS Interpretations Committee, including those previously issued by the Standing Interpretations Committee.

The Company adopted the following amendments that were effective starting January 1, 2021, which had no impact on the Company’s financial position or results of operations:

- Amendment to IFRS 16, Leases, COVID 19 – Related rent concession.
- Amendments to IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments, IFRS 7 – Financial Instruments, Disclosures and IFRS 16 - Leases – Benchmark Interest Rate Reform. (see Note 4).

A) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared based on historical cost, except for the fair value of certain financial instruments as described in the policies shown below (see Note 3-K).

The preparation of financial statements requires that management make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates. The key factors in the estimates and assumptions remain the same as those applied in the previous year.

B) FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Mexican pesos, which is the functional currency of GRUMA.

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021 AND 2020
(In thousands of Mexican pesos - Ps, except where otherwise indicated)

C) USE OF ESTIMATES AND JUDGMENTS

The relevant estimates and assumptions are reviewed on a regular basis. The revisions of accounting estimates are recognized in the period in which the estimate is reviewed and in any future period that is affected.

In particular, the information for assumptions, uncertainties from estimates, and critical judgments in the application of accounting policies, that have the most significant effect in the recognized amounts in these consolidated financial statements are described below:

- The assumptions used for the determination of fair values of financial instruments (Note 20).
- The assumptions and uncertainties with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income (Notes 13 and 25).
- The key assumptions in impairment testing for long-lived assets used for the determination of the recoverable amount for the different cash generating units (Notes 10 and 12).
- The actuarial assumptions used for the determination of employee benefits obligations (Note 18).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF CONSOLIDATION

a. Subsidiaries

The subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are incorporated in the consolidated financial statements starting on the date on which the control begins, until the date such control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Company.

At December 31, 2021 and 2020, the main subsidiaries included in the consolidation are:

	% of ownership	
	2021	2020
Gruma Corporation and subsidiaries.....	100.00	100.00
Grupo Industrial Maseca, S.A. de C.V. and subsidiaries.....	100.00	99.93
Gruma International Foods, S.L. and subsidiaries.....	100.00	100.00
Mission Foods México, S. de R.L. de C.V.....	100.00	100.00

At December 31, 2021 and 2020, there were no significant restrictions for the investment in the subsidiaries mentioned above, except for those described in Note 27.

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021 AND 2020
(In thousands of Mexican pesos - Ps, except where otherwise indicated)

b. Transactions with non-controlling interest without change of control

The Company applies a policy of treating transactions with non-controlling interest as transactions with equity owners of the Company. When purchases from non-controlling interest take place, the difference between any consideration paid and the relevant interest acquired of the carrying value of net assets of the subsidiary is recognized as equity transactions; therefore, no goodwill is recognized with these acquisitions. Disposals of non-controlling interests result in gains or losses for the Company and are recorded in equity when there is no loss of control.

c. Business combinations

Business combinations are recognized through the acquisition method of accounting. The consideration transferred for the acquisition of a subsidiary is measured as the fair value of the assets transferred, the liabilities incurred by the Company with the previous owners and the equity instruments issued by the Company. The cost of an acquisition also includes the fair value of any contingent payment.

The related acquisition costs are recognized in the income statement when incurred.

Identifiable assets acquired, liabilities assumed and contingent liabilities in a business combination are measured at fair value at the acquisition date.

The Company recognizes any non-controlling interest as the proportional share of the net identifiable assets of the acquired entity.

The Company recognizes goodwill when the cost including any amount of non-controlling interest in the acquired entity exceeds the fair value at acquisition date of the identifiable assets acquired and liabilities assumed.

When the entity or entities acquired are, before and after the acquisition, ultimately controlled by the same entity, and such control is not temporary, it is assumed that the entities are under common control and therefore, there is no business combination. Transactions and exchanges between entities under common control are recognized on the basis of the carrying value of assets and liabilities transferred on the date of the transaction, and therefore, goodwill is not recognized.

B) FOREIGN CURRENCY

a. Transactions in foreign currency

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates effective at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. The differences that arise from the translation of foreign currency transactions are recognized in the income statement.

b. Foreign currency translation

The financial statements of the Company's entities are measured using the currency of the main economic environment where each entity operates (functional currency). The consolidated financial statements are presented in Mexican pesos, currency that corresponds to the presentation currency of the Company.

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021 AND 2020
(In thousands of Mexican pesos - Ps, except where otherwise indicated)

The financial position and results of the entities that have a functional currency which differs from the Company's presentation currency are translated as follows:

- Assets and liabilities are translated at the closing rate of the year.
- Income and expenses are translated at average exchange rates when it has not fluctuated significantly during the period.
- Equity is translated at the effective exchange rate in the date when the contributions were made and the earnings were generated.
- All resulting exchange differences are recognized in other comprehensive income as a separate component of equity denominated "Foreign currency translation adjustments".

Previous to the translation to Mexican pesos, the financial statements of foreign subsidiaries with functional currency from a hyperinflationary environment are adjusted by inflation in order to reflect the changes in purchasing power of the local currency. Subsequently, assets, liabilities, equity, income, costs, and expenses are translated to the presentation currency at the closing rate at the end of the period. To determine the existence of hyperinflation, the Company evaluates the qualitative characteristics of the economic environment, as well as the quantitative characteristics established by IFRS of an accumulated inflation rate equal or higher than 100% in the past three years.

The Company applies hedge accounting to foreign exchange differences originated between the functional currency of a foreign subsidiary and the functional currency of the Company. Exchange differences resulting from the translation of a financial liability designated as hedge for a net investment in a foreign subsidiary, are recognized in "other comprehensive income" as a separate component denominated "Foreign currency translation adjustments" while the hedge is effective. See Note 3-K for the accounting of the net investment hedge.

The closing exchange rates used for preparing the financial statements are as follows:

	As of December 31, 2021	As of December 31, 2020
Pesos per U.S. dollar.....	20.5835	19.9487
Pesos per Euro.....	23.3046	24.5130
Pesos per Swiss franc.....	22.5252	22.5996
Pesos per Australian dollar.....	14.9145	15.3251
Pesos per Chinese yuan.....	3.2326	3.0538
Pesos per Pound sterling.....	27.7815	27.1502
Pesos per Malaysian ringgit.....	4.9269	4.9421
Pesos per Costa Rica colon.....	0.0319	0.0323
Pesos per Ukrainian hryvnia.....	0.7536	0.7056
Pesos per Russian ruble.....	0.2771	0.2700
Pesos per Turkish lira.....	1.5861	2.7176

C) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short term highly liquid investments with original maturities of less than three months. These items are recognized at historical cost, which do not differ significantly from its fair value.

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021 AND 2020
(In thousands of Mexican pesos - Ps, except where otherwise indicated)

D) ACCOUNTS RECEIVABLE

Trade receivables are initially recognized at fair value and subsequently valued at amortized cost using the effective interest rate method, less provision for impairment. The Company has determined that the amortized cost does not represent significant differences with respect to the invoiced amount from short-term trade receivables, since the transactions do not have relevant associated costs.

Allowances for doubtful accounts or impairment represent expected future credit losses. The recognition of these losses is obliged since the moment the trade receivable is recognized.

E) INVENTORIES

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the average cost method. The net realizable value is the estimated selling price of inventory in the normal course of business, less applicable variable selling expenses. The cost of finished goods and production in process includes raw materials, direct labor, other direct costs and related production overheads. Cost of inventories could also include the transfer from comprehensive income within equity of any gains or losses on cash flow hedges for purchases of raw materials.

F) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are valued at acquisition cost, less accumulated depreciation and recognized impairment losses. Cost includes expenses that are directly attributable to the asset acquisition.

Subsequent costs, including major improvements, are capitalized and are included in the carrying value of the asset or recognized as a separate asset, only when it is probable that future economic benefits associated with the specific asset will flow to the Company and the costs can be measured reliably. Repairs and maintenance are recognized in the income statement when incurred. Major improvements are depreciated during the remaining useful life of the related asset. Replacement and spare parts that the Company expects to use in more than one year and are attributable to a specific machine should be recognized within Property, plant and equipment. Leasehold improvements are depreciated in accordance with the useful life of the improvement component or the remaining lease term. Land is not depreciated.

Costs of borrowings, general and specific, of qualifying assets that require a substantial period of time (over one year) for acquisition or construction, are capitalized as part of the acquisition cost of these assets, until such time as the assets are substantially ready for their intended use or sale.

Depreciation is calculated over the asset cost less residual value, considering its components separately. Depreciation is recognized in income using the straight-line method and applying annual rates that reflect the estimated useful lives of the assets. The estimated useful lives are summarized as follows:

	<u>Years</u>
Buildings.....	25 – 50
Machinery and equipment.....	5 – 25

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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses from sale of assets result from the difference between revenues of the transaction and the book value of the assets, which is included in the income statement as other income (expenses), net.

G) INTANGIBLE ASSETS

a. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment, or whenever the circumstances indicate that the value of the asset might be impaired. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to the operating segment.

b. Intangible assets with finite useful lives

Intangible assets with finite useful lives are carried at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

	<u>Years</u>
Non-compete agreements.....	3 - 20
Patents and trademarks.....	3 - 20
Customer lists.....	5 - 20
Software for internal use.....	3 - 7

c. Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are not amortized, but subject to impairment tests on an annual basis or whenever the circumstances indicate that the value of the asset might be impaired.

d. Research and development

Research costs are expensed when incurred.

Costs from development activities are recognized as an intangible asset when such costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits will be obtained, and the Company pretends and has sufficient resources in order to complete the development and use or sell the asset. The amortization is recognized in income based on the straight-line method during the estimated useful life of the asset.

Development costs that do not qualify as intangible assets are recognized in income when incurred.

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H) IMPAIRMENT OF LONG-LIVED ASSETS

The Company performs impairment tests for its property, plant and equipment and intangible assets with finite useful lives, when certain events and circumstances suggest that the carrying value of the assets might not be recovered. Intangible assets with indefinite useful lives and goodwill are subject to impairment tests at least once a year.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the higher of an asset's fair value less costs to sell and value in use. To determine value in use, estimated future cash flows are discounted at present value, using a discount rate after tax that reflect time value of money and considering the specific risks associated with the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit).

Impairment losses on goodwill are not reversed. For other assets, impairment losses are reversed if a change in the estimates used for determining the recoverable amount has occurred. Impairment losses are reversed to the extent that the book value does not exceed the book value that was determined, net of depreciation or amortization, if no impairment loss was recognized.

I) LONG-LIVED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Long-lived assets are classified as held for sale when (a) their carrying amount is to be recovered mainly through a sale transaction, rather than through continuing use, (b) the assets are held immediately for sale and (c) the sale is considered highly probable in its current condition.

For the sale to be considered highly probable:

- Management must be committed to a sale plan.
- An active program must have begun in order to locate a buyer and to complete the plan.
- The asset must actively be quoted for its sale at a price that is reasonable to its current fair value; and
- The sale is expected to be completed within a year starting the date of classification.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

Discontinued operations are the operations and cash flows that can be clearly distinguished from the rest of the entity, that either have been disposed of or have been classified as held for sale, and:

- Represent a line of business or geographical area of operations.
- Are part of a single coordinated plan to dispose of a line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale.

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J) FINANCIAL INSTRUMENTS

a. Financial assets

(i) Classification

The Company classifies its financial assets in the following categories:

- Those to be measured at amortized cost, and
- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss).

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company classifies a financial asset to be measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

The Company classifies a financial asset to be measured at fair through other comprehensive income if the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

(ii) Recognition

Regular purchases and sales of financial assets are recognized in the balance sheet on the trade date, which is the date when the Company commits to purchase or sell the instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recognized as expense.

After initial recognition, the Company measures financial assets at amortized cost or at fair value with changes in other comprehensive income or in results of the year.

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(iv) Impairment

The Company applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the trade receivables and long-term notes and accounts receivable.

To measure the expected credit losses, the assets have been grouped based on shared credit risk characteristics and the days past since their initial recognition. The expected loss rates are based on the payment profiles of sales over a period of 12 months before December 31, 2021 and 2020, respectively, and the corresponding historical credit losses experienced within this period.

Accounts receivable and long-term receivables are canceled when there is no reasonable expectation of collection.

b. Financial liabilities

(i) Classification

The Company classifies its financial liabilities to be measured at amortized cost, except for the liabilities from derivative financial instruments that are measured at fair value through profit or loss.

Debt and financial liabilities

Debt and financial liabilities that are non-derivatives are initially recognized at fair value, net of transaction costs directly attributable to them; subsequently, these liabilities are recognized at amortized cost. The difference between the net proceeds and the amount payable is recognized in the income statement during the debt term, using the effective interest rate method.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities for trading (derivative financial instruments).

(ii) Derecognition

Financial liabilities are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in income.

K) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivative financial instruments are initially recognized at fair value and are subsequently re-measured at their fair value; the transaction costs are recognized in the income statement when incurred. Derivative financial instruments are classified as current, except for maturities exceeding twelve months.

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Fair value is determined based on recognized market prices. When not quoted in markets, fair value is determined using valuation techniques commonly used in the financial sector. Fair value reflects the credit risk of the instrument and includes adjustments to consider the credit risk of the Company or the counterparty, when applicable.

The method for recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge and the nature of the item being hedged.

For derivative financial instruments that are entered into to hedge certain risks and do not qualify for hedge accounting, the changes in the fair value of such instruments are recognized immediately in the income statement as Other income (expenses), net or Comprehensive financing cost, net, according to the nature of the hedged item.

The derivative financial instruments that the Company designates and qualifies as accounting hedges, are classified as follows:

- Hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
- Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge).

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, including objectives, strategies for risk management and the method for assessing effectiveness in the hedge relationship. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

a. Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk, see Note 20-C.

b. Cash flow hedges

For cash flow hedge transactions, changes in the fair value of the derivative financial instrument are included as other comprehensive income in equity, based on the evaluation of the hedge effectiveness, see Note 20-C.

When option contracts are used to hedge forecast transactions, the Company designates only the intrinsic value of the options as the hedging instrument. Gains or losses related to the effective portion of the change in the intrinsic value of the options are recognized in other comprehensive income within equity. Changes in the time value of options that relate to the hedged item (aligned time value) are recognized in other comprehensive income within equity. The intrinsic value of options on foreign currency transactions is determined by reference to the spot exchange rate of the relevant market. The spread between the contracted strike price and the discounted market spot rate is defined as time value. It is discounted when it is material.

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The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in income as Other income (expenses), net.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecasted transaction is ultimately registered in the income statement. However, when the forecasted transaction recognizes a non-financial asset or non-financial liability, the cumulative gains or losses recognized in other comprehensive income are transferred from equity and included in the initial measurement of the non-financial asset or non-financial liability.

c. Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold, see Note 19-C.

L) TRADE ACCOUNTS AND OTHER ACCOUNTS PAYABLES

These balances represent the liabilities for goods and services provided to the Company before the end of the year that have not been paid. The amounts are not guaranteed and are generally paid within 30 days of recognition. Suppliers and other accounts payable are presented as current liabilities, unless the balance is not payable within 12 months after the reporting period.

The Company has established supplier financing programs, through which they can discount their documents with different financial institutions. The balance payable derived from these programs is recognized within the supplier account in the consolidated balance sheet, without generating a payment obligation with the financial institution. The financial cost of these operations is by the suppliers. This supplier program is presented as an operating activity in the statement of cash flows.

Accounts payable are initially recognized at fair value and subsequently valued at amortized cost using the effective interest rate method.

M) LEASES

Contracts with counterparties celebrated by the Company, in which the transfer of the right to control the use of an identified asset for a certain term in exchange for a consideration, are classified as leases. There is control if the Company obtains the economic benefits from the use of the asset and has the right to direct and decide on the use of the asset during the term of the lease.

The Company applies the lease accounting model, which consists in the recognition of all leases within the balance sheet. Contracts celebrated by the Company for more than a 12-month term and whose underlying asset has a value greater than U.S.\$ 5,000 are recognized as leases.

For contracts that contain both lease and non-lease components, the Company, in its capacity as lessee, allocates the component value as follows:

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- When there is an observable individual price for each component, it is separated and allocated according to the specific individual prices of the components, and applies for all assets of that class.
- When there is no individual price for some or all the components, the components will not be separated and are accounted for as a single lease component, and applies to all assets of that class.

The term of a lease is determined based on the non-cancellable period of the lease contract, plus the optional renewable periods agreed in such contract, if the Company is reasonably certain to extend by considering factors such as: improvements made to the leased asset, penalties for not extending the contract, the adjustment of high costs incurred for the replacement of the leased asset, among others; and that the extension option can only be exercised by the Company.

Lease liabilities include the net present value of the following lease payments:

- a) Fixed lease payments, minus lease incentives receivable;
- b) Variable lease payments that are based on an index or a rate.
- c) Amounts expected to be payable by the group under residual value guarantees.
- d) The exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- e) Payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

For leases, the Company recognizes, at the beginning of the contract, a liability equivalent to the present value of the lease payments agreed in the contract, discounted using the incremental interest rate. After the start date, the lease liability is measured by increasing its carrying value to reflect the accrued interest and decreasing its carrying value to reflect the lease payments made.

The incremental interest rate is determined using the interest rates of comparable bonds of companies with similar credit ratings as the Company, plus the Company's credit risk factor and the risk factor from the country where the asset is located. The above mentioned is considering a similar lease contract and similar security.

For property, plant and equipment leases containing terms of variable payments in which lease payments are modified during the term of the lease, possible future increases in variable lease payments are considered as part of the lease liability. Until effective, the lease liability is reassessed, and the right-of-use asset is adjusted.

The interest expense of a lease liability is recognized monthly by applying the incremental interest rate the term of the lease.

At the beginning of the lease contract, the right-of-use asset is recognized at cost. The cost of the asset includes the present value of the lease payments agreed in the contract and the initial direct costs incurred by the Company, such as restorations or dismantling; after that date, the carrying value of the right-of-use asset is measured decreasing the accumulated depreciation and the accumulated impairment losses.

The Company applies the straight-line method for the depreciation of the right-of-use assets, which begins on the start date of the lease.

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The right-of-use assets are normally depreciated in a straight line during the shortest period between the useful life of the asset and the lease term. If the Company has reasonable certainty to exercise a purchase option, the right-of-use asset depreciates over the useful life of the underlying asset.

The Company recognizes in income the payments for short-term leases or those in which the underlying asset is of low value, applying the straight-line method during the lease period.

For full or partial termination of lease contracts, the Company as lessee will recognize the new measurement of the lease liability adjusting the book value of the right-of-use asset resulting from the lease termination and the related gains or losses, will be recognize in income of the year.

The Company applies impairment tests to the right-of-use assets when there are indications that the carrying value of the assets may not be recovered. See Note 3-H.

N) EMPLOYEE BENEFITS

a. Post-employment benefits

In Mexico, the Company has the following defined benefit plans:

- Single-payment retirement plan, when employees reach the required retirement age, which is 60.
- Seniority premium, after 15 years of service.

The Company has established trust funds to meet its obligations for the seniority premium. Employees do not contribute to these funds.

The liability recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation, less the fair value of plan assets. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset). The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated cash outflows using discount rates in accordance with IAS 19, that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the income statement.

In the United States, the Company has saving and investment plans that incorporate voluntary employees 401(k) contributions with matching contributions of the Company in this country. The Company's contributions are recognized in the income statement when incurred.

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b. Termination benefits

Termination benefits are payable when employment is terminated by decision of the Company, before the normal retirement date.

The Company recognizes termination benefits as a liability at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognizes restructuring costs that represents a provision and involves the payment of termination benefits. Termination benefits that do not meet this requirement are recognized in the income statement in the period when incurred.

c. Short term benefits

Short term employee benefits are measured at nominal base and are recognized as expenses as the related service is provided. If the Company has the legal or constructive obligation to pay as a result of a service rendered by the employee in the past and the amount can be estimated, an obligation is recognized for short term bonuses or profit sharing.

O) PROVISIONS

Provisions are recognized when (a) the Company has a present legal or constructive obligation as a result of past events; (b) it is probable that an outflow of resources will be required to settle the obligation; and (c) the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

P) SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Q) REVENUE RECOGNITION

The Company produces and sells corn flour, packaged tortilla and other related products such as flat bread, snacks and corn grits. The Company serves wholesale and retail markets, as well as institutional markets. Sales are recognized when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customer's acceptance of the products, the risks of loss and obsolescence have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract.

Revenue from sales is recognized based on the price specified in the contract, net of discounts, volume rebates and returns. Volume rebates are estimated, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

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A refund liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a short-term credit.

A receivable is recognized when the products are delivered as this is the point in time that the consideration is unconditional.

The payments made to customers, which represent a modification of the transaction price, are presented as a decrease of revenue.

R) INCOME TAXES

The tax expense of the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized from the analysis of the balance sheet considering temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates that have been approved or substantially approved at the date of the balance sheet and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for tax loss carry-forwards not used, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. In each period-end deferred income tax assets are reviewed and reduced to the extent that it is not probable that the benefits will be realized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if the entity has a legally enforceable right to set off assets against liabilities and are related to income tax levied by the same tax authority on the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

S) EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, which include convertible debt and share options.

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For the years ended December 31, 2021 and 2020, the Company had no dilutive instruments issued.

T) SEGMENT INFORMATION

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the same entity. Operating results from an operating segment are regularly reviewed by the entity's chief executive officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. RISK AND CAPITAL MANAGEMENT

A) RISK MANAGEMENT

The Company is exposed to a variety of financial risks: market risk (including currency risk, interest rate risk, and commodity price risk), credit risk and liquidity risk. The Company's risk management policy focuses on the risks that prevents or endangers the accomplishment of its financial objectives, seeking to minimize the potential adverse effects on its financial performance. The Company uses derivative financial instruments to hedge some of these risks.

Currency risk

The Company operates internationally and thus, is exposed to currency risks, particularly with the U.S. dollar. Currency risks arise from commercial operations, recognized assets and liabilities and net investments in foreign subsidiaries.

The following tables detail the exposure of the Company to currency risks at December 31, 2021 and 2020. The tables show the currency exposure of the Company's financial instruments expressed in Mexican pesos.

At December 31, 2021:

	Amounts in thousands of Mexican pesos				
	U.S. Dollar	Pound sterling	Euros	Costa Rica colons and others	Total
Monetary assets:					
Current (1).....	Ps. 7,746,974	Ps. 347,898	Ps. 1,696,852	Ps. 3,754,920	Ps. 13,546,644
Non-current.....	42,624	-	4,348	32,781	79,753
Monetary liabilities:					
Current.....	(7,913,332)	(290,582)	(1,083,259)	(1,483,464)	(10,770,637)
Non-current.....	(23,482,961)	(260)	(931,214)	(130,715)	(24,545,150)
Net position.....	<u>Ps. (23,606,695)</u>	<u>Ps. 57,056</u>	<u>Ps. (313,273)</u>	<u>Ps. 2,173,522</u>	<u>Ps. (21,689,390)</u>

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At December 31, 2020:

	Amounts in thousands of Mexican pesos				
	U.S. Dollar	Pound sterling	Euros	Costa Rica colons and others	Total
Monetary assets:					
Current (1).....	Ps. 8,540,977	Ps. 241,572	Ps. 1,279,456	Ps. 3,176,239	Ps. 13,238,244
Non-current.....	30,285	-	1,017	20,041	51,343
Monetary liabilities:					
Current.....	(7,034,878)	(269,936)	(682,106)	(1,382,352)	(9,369,272)
Non-current.....	(22,269,751)	(452)	(1,247,117)	(113,929)	(23,631,249)
Net position.....	Ps. (20,733,367)	Ps. (28,816)	Ps. (648,750)	Ps. 1,699,999	Ps. (19,710,934)

(1) Approximately 65% and 57% of this balance corresponds to accounts receivable for 2021 and 2020, respectively.

For the years ended December 31, 2021 and 2020, the effects of exchange rate differences on the Company's monetary assets and liabilities were recognized as follows:

	2021	2020
Exchange differences arising from foreign currency liabilities accounted for as a hedge of the Company's net investment in foreign subsidiaries, recorded directly to equity as an effect of foreign currency translation adjustments (Note 19-C).....	Ps. (490,493)	Ps. (713,987)
Exchange differences, net, arising from foreign currency transactions recognized in the income statement.....	(45,362)	(1,050,368)
	Ps. (535,855)	Ps. (1,764,355)

Net sales are denominated in Mexican pesos, U.S. dollars, and other currencies. Sales generated in Mexican pesos were 26% in 2021 and 24% in 2020 of total net sales. Sales generated in U.S. dollars were 56% in 2021 and 59% in 2020 of total net sales. Additionally, at December 31, 2021 and 2020, 70% and 68%, respectively, of total assets were denominated in different currencies other than Mexican pesos, mainly in U.S. dollars. An important portion of operations are financed through debt denominated in U.S. dollars. For the years ended December 31, 2021 and 2020, net sales in currencies other than Mexican pesos amounted to Ps.69,954,721 and Ps.69,064,298, respectively.

An important currency risk for the debt denominated in U.S. dollars is present in subsidiaries that are not located in the United States, which represented 100% of total debt denominated in U.S. dollars. Nevertheless, the investment that the Company maintains in its operations in the United States generated a hedge.

During 2021 and 2020, the Company entered into forward and foreign exchange option transactions to hedge the Mexican peso to U.S. dollar foreign exchange rate risk related to the price of corn purchases in Mexico. At December 31, 2021 and 2020, the Company has open positions of this foreign exchange derivative instruments with a favorable valuation effect of Ps.4,182 and unfavorable of Ps.374,629, respectively. Exchange rate forwards and options are denominated in the same currency as the highly probable forecasted transactions of inventory purchases, therefore the hedge ratio is one to one.

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The effect of foreign currency translation adjustments recognized in other statements of comprehensive income for the years ended December 31, 2021 and 2020, amounted Ps.49,411 and Ps.1,942,007, respectively. Considering the exchange rate risk in which the company is exposed at December 31, 2021 and 2020, and assuming an increase or decrease of 10% in the Peso/U.S. dollar exchange rates, while keeping constant the rest of the variables, the effect in the Company's other consolidated statements of comprehensive income will be an increase or a decrease of Ps.412,456 and Ps.1,342,318, respectively.

The effect of foreign exchange rate differences recognized in the consolidated income statements for the years ended December 31, 2021 and 2020, related with the assets and liabilities monetary denominated in foreign currency, totaled a loss of Ps.45,362 and Ps.1,050,368, respectively. Considering the exposure related to monetary assets and liabilities in foreign currency as of December 31, 2021 and 2020, and assuming an increase or decrease of 10% in the Peso/U.S. dollar exchange rates while keeping constant the rest of the variables such as interest rates, the effect after taxes in the Company's consolidated results will be an increase or a decrease of Ps.103,741 and Ps.161,282, respectively.

Interest rate risk

The variations in interest rates could affect the cash flow and interest expense of financial liabilities bearing variable interest rates and could also modify the fair value of financial liabilities bearing fixed interest rates.

For the Company, interest rate risk is mainly derived from debt financing transactions, including debt securities, bank and vendor credit facilities and leases. These financing transactions generate exposure to interest rate risk, principally due to changes in relevant base rates (mainly, LIBOR and TIIE, and to a lesser extent, EURIBOR, soon SOFR) that are used to determine the interest rates applicable to the borrowings.

At a global level, a reform of reference interest rates is being carried out, including the replacement of certain interbank reference rates (IBOR) with alternative rates reference close to being risk-free. The authority that regulates the London interbank rate (LIBOR) announced that it intends to begin the elimination of some of its rate terms from December 2021. Currently the Company's Treasury manages the IBOR rate transition plan. The main change for the Company will be the modification to the contractual terms of the variable rate debt referenced to the LIBOR rate (See Note 14). The amendments in phase 2 considered in the Amendments to IFRS 9, address the issues that arise during the implementation of the benchmark interest rate reform, included in the practical expedient to allow contractual changes that are directly required by the reform and the new base is economically equivalent to the previous base, are treated with prospective effects without immediately impacting the results.

The following table shows, at December 31, 2021 and 2020, the Company's debt at fixed and variable rates:

	Amounts in thousands of Mexican pesos	
	2021	2020
Debt at fixed interest rate.....	Ps. 19,491,959	Ps. 17,233,304
Debt at variable interest rate.....	4,968,944	5,642,112
Total.....	<u>Ps. 24,460,903</u>	<u>Ps. 22,875,416</u>

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The Company uses derivative financial instruments such as interest rate swaps for the purposes of hedging a portion of its debt, to reduce the Company's exposure to increases in interest rates. As of December 31, 2021, the Company has an interest rate derivative financial instruments position open with a notional of Ps.3,000,000 with an unfavorable valuation effect of Ps.40,245. The interest rate swap instrument is denominated in the same currency and with the same reference (in this case 28-day TIE rate) as the interest payments programmed in the stock certificate, therefore, the coverage ratio is one to one.

For variable rate debt, an increase in interest rates will increase interest expense. A hypothetical increase of 100 basis points in interest rates on debt at December 31, 2021 and 2020 will have an effect on the results of the Company of Ps.49,689 and Ps.56,421, respectively, considering debt and interest rates at that date, and assuming that the rest of the variables remain constant.

Commodity price risk and derivatives

The availability and price of corn, wheat and other agricultural commodities and fuels, are subject to wide fluctuations due to factors outside of the Company's control, such as weather, plantings, government (domestic and foreign) farm programs and policies, changes in global demand and supply due to population growth and global production of similar and competitive crops, as well as fuels. The Company hedges a portion of its production requirements through commodity futures, swaps and options contracts in order to reduce the risk created by price fluctuations and supply of corn, wheat, natural gas, and soy oils which exist as part of ongoing business operations. The contracting hedges of purchases that exceed the maximum production requirements for a period longer than 18 months, requires the authorization of the Board of Directors in accordance with the Company's corporate policies.

During 2021 and 2020, the Company entered into short-term hedge transactions through commodity futures, swaps and options to hedge a portion of its requirements.

As of December 31, 2021 and 2020, the valuation of the financial instruments that qualified as cash flow accounting hedges represented a profit of Ps.898,242 and Ps.505,118 respectively, which were applied to other comprehensive income within equity. These financial instruments of futures, swaps and options are denominated in the same price reference as the highly probable forecast transactions of purchases of corn, wheat and fuels, therefore, the coverage ratio for these instruments is one to one. The weighted average strike price of open position of corn options during fiscal year 2021 amounts to \$5.32 dollars per bushel (buy puts), \$4.74 dollars per bushel (sell puts) and \$7.37 dollars per bushel (sell calls).

As of December 31, 2021, the Company had no commitments for corn purchases as well as financial instruments that qualify as fair value hedges. As of December 31, 2020, the Company had commitments for corn purchases as well as financial instruments that are qualified as fair value hedges and represented a loss of Ps.544,410.

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From time to time, the Company hedges commodity price risks using futures, swaps and options strategies that do not qualify for hedge accounting. As a result, these derivative financial instruments are recognized at their fair values and the associated effect is recorded in applicable period. For the years ended December 31, 2021 and 2020, these instruments represented a profit of Ps.354 and Ps.8,960, respectively. Additionally, as of December 31, 2021 and 2020, the Company recognized net gain of Ps.432,494 and net loss of Ps.36,458, respectively, on commodity price risk hedges that did not qualify for hedge accounting. See Note 20.

Credit risk

The Company's regular operations expose it to defaults when customers and counterparties are unable to comply with their financial or other commitments. The Company seeks to mitigate this risk by entering into transactions with a diverse pool of counterparties. However, the Company continues to remain subject to unexpected third party financial failures that could disrupt its operations.

The Company is also exposed to risks in connection with its activities of cash management and obtaining debt and temporary investments, and any disruption that affects its financial intermediaries could also adversely affect its operations.

The Company's exposure to risk due to trade receivables is limited given the large number of its customers located in different parts of Mexico, the United States, Central America, Europe, Asia and Oceania. For this reason, there is not a significant concentration of credit risk. However, the Company still maintains allowances for doubtful accounts. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Since most of the clients do not have an independent rating of credit quality, the Company's management determines the maximum credit risk for each one, considering its financial position, past experience, and other factors. Credit limits are established according to policies set by the Company, which also includes controls that assure its compliance.

Default results when the counterparties do not make their contractual payments within the agreed period.

During 2021 and 2020, credit limits were complied with and, consequently, management does not expect any important losses from trade accounts receivable.

Cash and cash equivalents are invested in highly liquid investments, with non-trading purposes and low risk. Mainly in government repos, bank repos and directly with financial institutions of recognized prestige, and receivable in the short term. The Company do not invest in stock markets.

The Company faces credit risk from potential defaults of their counterparts with respect to the derivative financial instruments used. Substantially none of these financial instruments are guaranteed. Additionally, when the Company enters into hedge contracts for exchange rates, interest rates and/or commodities, it minimizes the risk of default by the counterparts by contracting derivative financial instruments only with major national and international financial institutions using contracts and standard forms issued by the *International Swaps and Derivatives Association, Inc.* ("ISDA") and operations standard confirmation formats.

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Investment risk in Venezuela

The recent political and civil instability that has prevailed in Venezuela has represented a risk to the Company's investment in this country. The Company does not have insurance for the risk of expropriation of its investments. See Notes 27 and 28 for additional information.

Liquidity risk

The Company funds its liquidity and capital resource requirements through a variety of sources, including:

- cash generated from operations;
- committed and uncommitted short-term and long-term lines of credit;
- medium- and long-term debt contracting;
- offerings in Bond markets; and
- sales of its equity securities and those of its subsidiaries and affiliates from time to time.

Factors that could decrease the sources of liquidity include a significant decrease in the demand for, or price of, our products, or a considerable increase in the cost of raw materials, which could limit the amount of cash generated from operations. The Company's liquidity is also affected partially by factors such as the volatility of currencies, changes in interest rates, and a decrease of the corporate credit rating, which could further impair the liquidity and increase costs with respect to new debt and cause a negative impact in stock price.

The following tables show the remaining contractual maturities of financial liabilities of the Company:

At December 31, 2021:

	<u>Less than a year</u>	<u>From 1 to 3 years</u>	<u>From 3 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Short and long term debt.....	Ps. 1,125,482	Ps.11,732,497	Ps. 9,682,782	Ps. 2,001,023	Ps. 24,541,784
Interest payable from short and long term debt.....	1,022,573	1,640,300	486,798	191,014	3,340,685
Trade accounts and other payables.....	14,321,272	-	-	-	14,321,272
Short and long term lease liability.....	975,116	1,836,475	1,207,046	5,936,986	9,955,623
Derivative financial instruments.....	95,720	7,359	-	-	103,079
	<u>Ps.17,540,163</u>	<u>Ps.15,216,631</u>	<u>Ps. 11,376,626</u>	<u>Ps. 8,129,023</u>	<u>Ps. 52,262,443</u>

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At December 31, 2020:

	Less than a year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Short and long term debt.....	Ps. 2,720,179	Ps. 6,569,756	Ps. 13,449,808	Ps. 221,388	Ps. 22,961,131
Interest payable from short and long term debt.....	910,490	1,532,450	643,913	1,659	3,088,512
Trade accounts and other payables.....	11,635,270	-	-	-	11,635,270
Short and long term lease liability.....	1,048,820	1,633,145	1,341,777	6,491,067	10,514,809
Derivative financial instruments.....	1,047,715	181,110	-	-	1,228,825
	<u>Ps.17,362,474</u>	<u>Ps. 9,916,461</u>	<u>Ps. 15,435,498</u>	<u>Ps. 6,714,114</u>	<u>Ps. 49,428,547</u>

The Company expects to meet its obligations with cash flows generated by operations. Additionally, the Company has access to credit line agreements with various banks to address potential cash needs.

B) CAPITAL MANAGEMENT

The Company's objectives when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) are to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk, to protect the Company's ability to continue as a going concern while taking advantage of strategic opportunities to provide sustainable returns for shareholders.

The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, repurchase shares issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

In addition, to monitor capital, debt agreements contain financial covenants which are disclosed in Note 14.

5. 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. The main brands are MASECA for corn flour and MISSION and GUERRERO for packaged tortillas.

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- 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 and packaged tortilla and other (Europe):
Manufactures and distributes varieties of flour that are used to produce different types of tortillas, flat breads, grits and other in the same category in Europe. The main brands are MASECA for corn flour and MISSION for packaged products.
- Other segments:
This section represents those segments whose amounts on an individual basis do not exceed 10% of the consolidated total of net sales, operating income and assets. These segments are:
 - a) Corn flour, hearts of palm, rice, and other products (Central America).
 - b) Packaged tortillas (Mexico).
 - c) Wheat flour tortillas and snacks (Asia and Oceania).
 - d) Technology and equipment, which conducts research and development regarding flour and tortilla manufacturing equipment, produces machinery for corn flour and tortilla production and is engaged in the construction of the Company's corn flour manufacturing facilities.
 - e) Balanced feed for livestock (Mexico)

All inter-segment sales prices are market-based. The Chief Executive Officer evaluates performance based on operating income of the respective business units. The accounting policies for the reportable segments are the same as the policies described in Notes 2 and 3.

Segment information as of and for the year ended December 31, 2021:

	Corn flour and packaged tortilla division (United States)	Corn flour division (Mexico)	Corn flour and packaged tortilla division (Europe)	Other segments	Eliminations and corporate expenses	Total
Net sales to external customers.....	Ps. 52,863,714	Ps. 22,504,624	Ps. 6,805,936	Ps. 12,076,107	Ps. -	Ps. 94,250,381
Inter-segment net sales.....	94,994	2,465,329	12,739	2,492,018	(5,065,080)	-
Operating income.....	7,495,788	2,333,291	546,159	655,558	252,339	11,283,135
Depreciation and amortization.....	2,326,667	1,158,015	284,072	606,943	(722,422)	3,653,275
Total assets.....	34,112,743	22,920,215	11,354,516	14,436,319	(4,048,212)	78,775,581
Total liabilities.....	12,847,933	5,944,957	3,480,897	6,029,913	20,909,446	49,213,146
Expenditures paid in the year for fixed assets....	3,084,639	1,003,472	938,828	814,480	(14,944)	5,826,475

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Segment information as of and for the year ended December 31, 2020:

	Corn flour and packaged tortilla division (United States)	Corn flour division (Mexico)	Corn flour and packaged tortilla division (Europe)	Other segments	Eliminations and corporate expenses	Total
Net sales to external customers.....	Ps. 53,187,198	Ps. 20,600,668	Ps. 6,000,425	Ps. 11,303,792	Ps. 11,048	Ps. 91,103,131
Inter-segment net sales.....	78,910	2,567,454	13,096	2,147,477	(4,806,937)	-
Operating income.....	7,686,214	2,520,816	486,908	751,467	(97,000)	11,348,405
Depreciation and amortization.....	2,478,757	1,108,644	269,718	581,949	(745,314)	3,693,754
Total assets.....	32,190,039	20,248,632	10,518,220	14,040,276	(3,221,081)	73,776,086
Total liabilities.....	12,255,045	5,055,156	2,928,748	5,901,658	19,963,778	46,104,385
Expenditures paid in the year for fixed assets....	1,946,682	715,207	714,564	533,184	(207,156)	3,702,481

A summary of information by geographic segment for the years ended December 31, 2021 and 2020 is presented below:

	2021	%	2020	%
<u>Net sales to external customers:</u>				
United States.....	Ps. 52,863,714	56	Ps. 53,187,198	58
Mexico.....	24,295,660	26	22,052,386	24
Europe.....	6,805,936	7	6,000,425	7
Central America.....	5,388,258	6	5,609,315	6
Asia and Oceania.....	4,896,813	5	4,253,807	5
	<u>Ps. 94,250,381</u>	<u>100</u>	<u>Ps. 91,103,131</u>	<u>100</u>
<u>Expenditures paid in the year for fixed assets:</u>				
United States.....	Ps. 3,084,639	53	Ps. 1,946,682	55
Mexico.....	1,414,421	24	862,298	19
Europe.....	938,828	16	714,564	20
Central America.....	108,040	2	90,920	1
Asia and Oceania.....	280,547	5	88,017	5
	<u>Ps. 5,826,475</u>	<u>100</u>	<u>Ps. 3,702,481</u>	<u>100</u>
<u>Identifiable assets</u>				
United States.....	Ps. 34,112,743	43	Ps. 32,190,039	44
Mexico.....	23,892,507	31	21,820,608	30
Europe.....	11,354,516	14	10,518,220	14
Central America.....	3,253,105	4	3,190,461	4
Asia and Oceania.....	6,162,710	8	6,056,758	8
	<u>Ps. 78,775,581</u>	<u>100</u>	<u>Ps. 73,776,086</u>	<u>100</u>

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6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:

	<u>At December 31, 2021</u>	<u>At December 31, 2020</u>
Cash at bank.....	Ps. 5,040,129	Ps. 6,105,454
Short-term investments (less than 3 months).....	208,000	67,300
	<u>Ps. 5,248,129</u>	<u>Ps. 6,172,754</u>

7. ACCOUNTS RECEIVABLE

Accounts receivable comprised the following:

	<u>At December 31, 2021</u>	<u>At December 31, 2020</u>
Trade accounts and notes receivable.....	Ps. 9,229,743	Ps. 8,516,996
Accounts receivable with Venezuelan companies.....	105,909	102,643
Recoverable value-added tax.....	1,253,266	1,197,651
Other debtors.....	204,246	457,559
Allowance for doubtful accounts.....	(183,942)	(250,492)
Impairment of accounts receivable with Venezuelan companies.....	(105,909)	(102,643)
	<u>Ps. 10,503,313</u>	<u>Ps. 9,921,714</u>

The age analysis of accounts receivable is as follows:

	<u>Total</u>	<u>Not past due date balances</u>	<u>Past due balances</u>		
			<u>1 to 120 days</u>	<u>121 to 240 days</u>	<u>More than 240 days (*)</u>
Accounts receivable.....	Ps. 9,433,989	Ps. 6,956,296	Ps. 2,240,306	Ps. 36,050	Ps. 201,337
Allowance for doubtful accounts..	(183,942)	(26,772)	(27,169)	(9,532)	(120,469)
Total at December 31, 2021.....	<u>Ps. 9,250,047</u>	<u>Ps. 6,929,524</u>	<u>Ps. 2,213,137</u>	<u>Ps. 26,518</u>	<u>Ps. 80,868</u>

	<u>Total</u>	<u>Not past due date balances</u>	<u>Past due balances</u>		
			<u>1 to 120 days</u>	<u>121 to 240 days</u>	<u>More than 240 days (*)</u>
Accounts receivable.....	Ps. 8,974,555	Ps. 6,233,207	Ps. 2,414,444	Ps. 107,356	Ps. 219,548
Allowance for doubtful accounts..	(250,492)	(35,032)	(49,696)	(37,207)	(128,557)
Total at December 31, 2020.....	<u>Ps. 8,724,063</u>	<u>Ps. 6,198,175</u>	<u>Ps. 2,364,748</u>	<u>Ps. 70,149</u>	<u>Ps. 90,991</u>

(*) Accounts receivable with Venezuelan companies refer to discontinued operations and were not included in the age analysis of accounts receivable for 2021 and 2020.

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For the years ended December 31, 2021 and 2020, the movements on the current and non-current allowance for doubtful accounts (Note 9) are as follows:

	<u>2021</u>	<u>2020</u>
Beginning balance	Ps. (289,383)	Ps. (202,691)
Allowance for doubtful accounts.....	(44,383)	(154,368)
Receivables written off during the year.....	138,168	71,171
Exchange differences.....	(3,198)	(3,495)
Ending balance.....	<u>Ps. (198,796)</u>	<u>Ps. (289,383)</u>

8. INVENTORIES

Inventories consisted of the following:

	<u>At December 31, 2021</u>	<u>At December 31, 2020</u>
Raw materials, mainly corn and wheat.....	Ps. 9,251,087	Ps. 7,058,131
Finished products.....	2,298,495	1,868,622
Materials and spare parts.....	2,835,575	2,535,637
Production in process.....	201,994	226,586
Advances to suppliers.....	107,308	136,363
Inventory in transit.....	205,359	119,604
	<u>Ps. 14,899,818</u>	<u>Ps. 11,944,943</u>

For the years ended December 31, 2021 and 2020, the cost of raw materials consumed and the changes in the inventories of production in process and finished goods, recognized as cost of sales amounted to Ps.36,341,586 and Ps.32,337,028, respectively.

For the years ended December 31, 2021 and 2020, the Company recognized Ps.170,843 and Ps.176,047, respectively, for inventory that was damaged, slow-moving and obsolete.

9. LONG-TERM NOTES AND ACCOUNTS RECEIVABLE

Long-term notes and accounts receivable are as follows:

	<u>At December 31, 2021</u>	<u>At December 31, 2020</u>
Long-term notes receivable.....	Ps. 138,789	Ps. 147,700
Guarantee deposits.....	93,517	66,247
Long-term recoverable value-added tax.....	14,327	87,787
Other.....	6,470	6,431
Allowance for long-term doubtful accounts.....	(14,854)	(38,891)
	<u>Ps. 238,249</u>	<u>Ps. 269,274</u>

At December 31, 2021 and 2020, long-term notes receivable are denominated in pesos, maturing from 2023 to 2030 and bearing monthly interests at an annual average fixed rate of 16% for 2021 and 2020, respectively.

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10. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment for the years ended December 31, 2021 and 2020 were as follows:

	Land and buildings	Machinery and equipment	Leasehold improvements	Construction in progress	Total
At December 31, 2019					
Cost.....	Ps. 11,609,945	Ps. 38,332,621	Ps. 2,286,644	Ps. 4,386,687	Ps. 56,615,897
Accumulated depreciation.....	(3,926,767)	(22,732,077)	(1,291,411)	-	(27,950,255)
Net book value.....	<u>7,683,178</u>	<u>15,600,544</u>	<u>995,233</u>	<u>4,386,687</u>	<u>28,665,642</u>
For the year ended December 31, 2020					
Opening net book value...	7,683,178	15,600,544	995,233	4,386,687	28,665,642
Exchange differences.....	298,994	706,326	95,383	8,052	1,108,755
Additions.....	34,950	558,082	1,474	2,919,832	3,514,338
Disposals/derecognition (Note 22).....	(70,189)	(75,003)	(109)	(127)	(145,428)
Depreciation charge of the year.....	(276,200)	(2,193,785)	(135,627)	-	(2,605,612)
Transfers.....	332,066	2,718,059	1,283,004	(4,333,129)	-
Assets leased, net of depreciation.....	-	188,154	-	-	188,154
Other	-	335,058	23,529	(30,857)	327,730
Impairment.....	-	(9,548)	-	-	(9,548)
Closing net book value...	<u>8,002,799</u>	<u>17,827,887</u>	<u>2,262,887</u>	<u>2,950,458</u>	<u>31,044,031</u>
At December 31, 2020					
Cost.....	12,333,742	43,239,396	3,764,477	2,950,458	62,288,073
Accumulated depreciation.....	(4,330,943)	(25,411,509)	(1,501,590)	-	(31,244,042)
Net book value.....	<u>8,002,799</u>	<u>17,827,887</u>	<u>2,262,887</u>	<u>2,950,458</u>	<u>31,044,031</u>
For the year ended December 31, 2021					
Opening net book value...	8,002,799	17,827,887	2,262,887	2,950,458	31,044,031
Exchange differences.....	61,803	196,143	61,181	81,401	400,528
Additions.....	35,665	1,128,976	1,165	4,545,211	5,711,017
Disposals/derecognition (Note 22).....	(289,796)	(266,163)	(20,043)	(6,012)	(582,014)
Depreciation charge of the year.....	(280,417)	(2,213,875)	(126,984)	-	(2,621,276)
Transfers.....	1,584,863	2,742,580	29,469	(4,356,912)	-
Assets leased, net of depreciation.....	-	115,458	-	-	115,458
Other	-	(95,302)	(6,010)	(3,849)	(105,161)
Impairment	-	(47,533)	-	-	(47,533)
Closing net book value...	<u>9,114,917</u>	<u>19,388,171</u>	<u>2,201,665</u>	<u>3,210,297</u>	<u>33,915,050</u>
At December 31, 2021					
Cost.....	13,742,957	46,573,753	3,782,767	3,210,297	67,309,774
Accumulated depreciation.....	(4,628,040)	(27,185,582)	(1,581,102)	-	(33,394,724)
Net book value.....	<u>Ps. 9,114,917</u>	<u>Ps. 19,388,171</u>	<u>Ps. 2,201,665</u>	<u>Ps. 3,210,297</u>	<u>Ps. 33,915,050</u>

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For the years ended December 31, 2021 and 2020, depreciation expense was recognized as follows:

	<u>2021</u>	<u>2020</u>
Cost of sales.....	Ps. 2,099,503	Ps. 2,084,352
Selling and administrative expenses.....	521,773	521,260
	<u>Ps. 2,621,276</u>	<u>Ps. 2,605,612</u>

At December 31, 2021 and 2020, property, plant and equipment included idle assets with a carrying value of approximately Ps.61,228 and Ps.63,045, respectively, resulting from the temporary shut-down of the productive operations of various plants in Mexico, mainly in the corn flour division in Mexico.

For the year ended December 31, 2021 and 2020, the Company recognized impairment losses from fixed assets of Ps.47,533 and Ps.9,548, respectively, in Other income (expenses), net. The impairment loss for 2021 corresponds to the subsidiary Gruma Corp, which is within the Corn flour and packaged tortilla (United States) segment and the impairment loss in 2020 correspond to the subsidiary Grupo Industrial Maseca, S.A. de C.V., which is within the “Corn flour” segment (Mexico), respectively.

11. LEASES

Leases information where the Company acts as a lessee is as follows.

A) AMOUNTS RECOGNIZED IN THE BALANCE SHEET

As of December 31, 2021 and 2020, the consolidated balance sheet presents the following amounts related to leases:

	<u>At December 31, 2021</u>	<u>At December 31, 2020</u>
Right-of-use assets:		
Land.....	Ps. 560	Ps. 3,570
Buildings.....	5,508,228	5,822,824
Machinery and equipment.....	445,858	372,444
	<u>Ps. 5,954,646</u>	<u>Ps. 6,198,838</u>
Lease liabilities:		
Short term.....	Ps. 772,660	Ps. 717,338
Long term.....	5,795,113	5,962,332
	<u>Ps. 6,567,773</u>	<u>Ps. 6,679,670</u>

The additions to right-of-use assets in 2021 and 2020 are Ps.1,147,572 and Ps.2,256,717, respectively.

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The following table presents the changes in the Company's lease liabilities:

	<u>2021</u>	<u>2020</u>
Beginning balance.....	Ps. 6,679,670	Ps. 5,016,238
New contracts.....	1,147,572	2,256,717
Lease payments.....	(1,226,634)	(1,114,028)
Foreign currency Exchange effect.....	11,419	17,901
Financia expenses.....	331,425	353,646
Full or partial termination of contracts ^(a)	(555,792)	-
Exchange differences.....	180,113	149,196
Ending balance.....	<u>Ps. 6,567,773</u>	<u>Ps. 6,679,670</u>

(a) During fiscal year 2021, a cancellation of a lease contract liability is included for an amount of Ps.391,229 due to the fact that the Company exercised the purchase option in the lease contract to acquire the property originally leased. The Company made this purchase of the property for an amount of Ps.917,351. This cancellation of the lease did not generate penalties for the Company.

B) AMOUNTS RECOGNIZED IN THE INCOME STATEMENT

For the years ended December 31, 2021 and 2020, the consolidated income statement presents the following amounts related to leases:

	<u>2021</u>	<u>2020</u>
Depreciation expense of the right-of-use assets:		
Land.....	Ps. 877	Ps. 867
Buildings.....	766,522	753,577
Machinery and equipment.....	230,703	290,386
	<u>Ps. 998,102</u>	<u>Ps. 1,044,830</u>
Interest expense.....	Ps. 331,425	Ps. 353,646
Loss for foreign currency Exchange effect.....	11,419	17,901
Short-term lease expense.....	443,542	375,444
Lease expense for low value assets	55,279	57,579
Expenses related to variable lease payments not included in the lease liability.....	664	1,626

Total cash flow from leases for the years ended December 31, 2021 and 2020 amounted to Ps.1,726,119 and Ps.1,548,677, respectively.

C) DESCRIPTION OF LEASE ACTIVITIES

The Company, as a lessee, enters into various lease contracts related to facilities and equipment. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Lease agreements do not impose compliance with any financial ratios. Leased assets cannot be sold or used as collateral to obtain debt.

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D) VARIABLE LEASE PAYMENTS

Certain lease agreements contain terms of variable payments that depend on a price index, so the rent payable is modified during the term of the lease. Possible future increases in variable lease payments are considered as part of the lease liability until effective; at that time, the lease liability is reassessed, and the right-of-use asset is adjusted.

12. INTANGIBLE ASSETS

Changes in intangible assets for the years ended December 31, 2021 and 2020 were as follows:

	Intangible assets acquired					Total
	Goodwill	Covenants not to compete	Patents and trade- marks	Customer lists	Software for internal use and other	
At December 31, 2019						
Cost.....	Ps. 3,493,418	Ps. 467,091	Ps. 154,857	Ps. 247,434	Ps. 835,099	Ps. 5,197,899
Accumulated amortization.....	-	(453,918)	(78,281)	(147,882)	(392,602)	(1,072,683)
Net book value.....	<u>3,493,418</u>	<u>13,173</u>	<u>76,576</u>	<u>99,552</u>	<u>442,497</u>	<u>4,125,216</u>
For the year ended December 31, 2020						
Opening net book value...	3,493,418	Ps. 13,173	Ps. 76,576	Ps. 99,552	Ps. 442,497	Ps. 4,125,216
Exchange differences.....	315,800	1,326	7,638	13,520	24,624	362,908
Additions.....	-	-	-	-	21,449	21,449
Amortization charge.....	-	(7,536)	-	(21,216)	(14,560)	(43,312)
Impairment.....	(342,446)	-	-	-	-	(342,446)
Others.....	-	-	-	-	(171,233)	(171,233)
Closing net book value...	<u>3,466,772</u>	<u>6,963</u>	<u>84,214</u>	<u>91,856</u>	<u>302,777</u>	<u>3,952,582</u>
At December 31, 2020						
Cost.....	3,466,772	468,248	170,161	277,766	710,186	5,093,133
Accumulated amortization.....	-	(461,285)	(85,947)	(185,910)	(407,409)	(1,140,551)
Net book value.....	<u>3,466,772</u>	<u>6,963</u>	<u>84,214</u>	<u>91,856</u>	<u>302,777</u>	<u>3,952,582</u>
For the year ended December 31, 2021						
Opening net book value...	3,466,772	6,963	84,214	91,856	302,777	3,952,582
Exchange differences.....	(34,037)	(1,016)	(4,749)	(4,236)	(1,036)	(45,074)
Additions.....	3,008	-	-	60	123,689	126,757
Amortization charge.....	-	(5,947)	-	(19,025)	(12,108)	(37,080)
Impairment.....	(3,008)	-	-	-	-	(3,008)
Others.....	-	-	(15,101)	15,101	-	-
Closing net book value...	<u>3,432,735</u>	<u>-</u>	<u>64,364</u>	<u>83,756</u>	<u>413,322</u>	<u>3,994,177</u>
At December 31, 2021						
Cost.....	3,432,735	468,913	169,314	271,744	831,178	5,173,884
Accumulated amortization.....	-	(468,913)	(104,950)	(187,988)	(417,856)	(1,179,707)
Net book value.....	<u>Ps. 3,432,735</u>	<u>Ps. -</u>	<u>Ps. 64,364</u>	<u>Ps. 83,756</u>	<u>Ps. 413,322</u>	<u>Ps. 3,994,177</u>

At December 31, 2021 and 2020, only trademarks and goodwill, are considered indefinite-lived intangible assets.

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For the years ended December 31, 2021 and 2020, amortization expense of intangible assets amounted to Ps.37,080 and Ps.43,312, respectively, which were recognized in the income statement as selling and administrative expenses.

Research and development costs of Ps.154,936 and Ps.143,045 that did not qualify for capitalization were recognized in the income statement for the years ended December 31, 2021 and 2020, respectively.

Goodwill acquired in business combinations is allocated at acquisition date to the cash-generating units (CGU) that are expected to benefit from the synergies of the business combinations. The carrying values of goodwill allocated to the CGU or a group of CGU are as follows:

<u>Cash-generating unit</u>	<u>At December 31, 2021</u>	<u>At December 31, 2020</u>
Mission Foods Division (1).....	Ps. 1,244,301	Ps. 1,198,180
Gruma Spain (2).....	816,991	859,351
Gruma UK (2).....	111,771	117,566
Azteca Milling, L.P (1).....	247,614	239,978
Gruma Corporation.....	212,765	212,765
Rositas Investments Pty, Ltd (2).....	219,982	226,039
NDF Azteca Milling Europe SRL (2).....	134,235	143,624
Grupo Industrial Maseca, S.A. de C.V.....	98,622	98,622
Semolina, A.S (2).....	39,682	67,906
Agroindustrias Integradas del Norte, S.A. de C.V (3).....	86,325	86,325
Gruma Centroamérica (2).....	51,207	51,207
Solntse Mexico (2).....	45,001	43,756
Alterra LLC (2).....	44,139	41,353
Molinos Azteca de Chiapas, S.A. de C.V (3).....	28,158	28,158
Harinera de Yucatán, S.A. de C.V (3).....	18,886	18,886
Harinera de Maíz de Mexicali, S.A. de C.V (3).....	17,424	17,424
Molinos Azteca, S.A. de C.V (3).....	8,926	8,926
Harinera de Maíz de Jalisco, S.A. de C.V (3).....	6,706	6,706
	<u>Ps. 3,432,735</u>	<u>Ps. 3,466,772</u>

- (1) Subsidiary of Gruma Corporation
(2) Subsidiary of Gruma International Foods, S.L.
(3) Subsidiary of Grupo Industrial Maseca, S.A. de C.V.

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In 2021 and 2020, the discount rates and growth rates used by the Company to determine the discounted cash flows of the CGU are the following:

Cash-generating unit	After-tax discount rates		Growth rates	
	2021	2020	2021	2020
Mission Foods Division.....	2.6%	2.3%	1.9%	0.0%
Gruma Spain.....	5.1%	5.7%	2.5%	2.0%
Gruma UK.....	4.4%	4.4%	2.4%	2.4%
Azteca Milling, L.P.....	3.9%	3.6%	1.9%	0.0%
Gruma Corporation.....	2.6%	2.3%	1.9%	0.0%
Rositas Investment PTY, LTD.....	3.8%	3.5%	2.4%	2.7%
NDF Azteca Milling Europe SRL.....	5.5%	6.3%	1.5%	3.2%
Grupo Industrial Maseca, S.A. de C.V.....	3.5%	4.8%	2.0%	2.0%
Semolina A.S.....	8.7%	9.4%	3.6%	4.0%
Agroindustrias Integradas del Norte, S.A. de C.V.....	5.9%	6.1%	2.2%	2.0%
Gruma Centroamérica.....	8.0%	10.6%	3.2%	3.0%
Soltse Mexico.....	5.5%	6.2%	2.3%	2.3%
Altera LLC.....	8.8%	10.5%	3.7%	3.9%
Molinos Azteca de Chiapas, S.A. de C.V.....	5.8%	6.1%	2.2%	2.0%
Harinera de Yucatán, S.A. de C.V.....	5.8%	6.1%	2.2%	2.0%
Harinera de Maíz de Mexicali, S.A. de C.V.....	5.8%	6.1%	2.2%	2.0%
Molinos Azteca, S.A. de C.V.....	5.8%	6.1%	2.2%	2.0%
Harinera de Maíz de Jalisco, S.A. de C.V.....	5.8%	6.1%	2.2%	2.0%

The discount rate used reflects the Company's specific risks related to its operations. The long-term growth rate used is consistent with projections included in industry reports.

With respect to the determination of the CGU's value in use, the Company's management considered that a possible change of an increase of 100 basis points in the discount rate after taxes and a decrease of 10% in the long-term growth rates, in independent analysis, will not cause that the CGU's carrying value to materially exceed their value in use and separately. The recovery amount of cash-generating units has been determined based on calculations of the values in use. These calculations use cash flow projections based on financial budgets approved by the Company's management for a 5-year period.

As a result of the impairment test mentioned in Note 3-H that is applied annually to goodwill, the Company recognized in fiscal year 2020, a non-monetary impairment charge of Ps.342,446 in its operating results in "Other income (expenses), net", due to the impairment of goodwill associated with Gruma UK's cash-generating unit. This impairment loss reflects a decrease in the recovery value of this CGU of the European segment, due to the impact that its operations had caused by the COVID-19 pandemic, by the departure of the United Kingdom as a member state of the European Union (Brexit) and by the operational strategic changes implemented by the Company in the geographic region in which the CGU operates.

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13. DEFERRED TAX ASSETS AND LIABILITIES

A) COMPONENTS OF DEFERRED TAX

The principal components of deferred tax assets and liabilities are summarized as follows:

	(Asset) Liability	
	At December 31, 2021	At December 31, 2020
Net operating loss carryforwards and other tax credits.....	Ps. (1,977,651)	Ps. (2,305,839)
Lease liability.....	(1,713,750)	(1,747,881)
Customer advances.....	(154)	(1,920)
Allowance for doubtful accounts.....	(12,452)	(8,718)
Accumulated Liabilities	(1,039,054)	(1,024,245)
Deferred income for trademarks license with subsidiary.....	(339,915)	(521,766)
Other.....	(20,188)	(143,395)
Deferred tax asset.....	<u>(5,103,164)</u>	<u>(5,753,764)</u>
Property, plant and equipment, net.....	1,466,911	1,461,288
Right-of-use asset, net.....	1,561,916	1,610,727
Prepaid expenses.....	31,008	15,220
Intangible assets.....	3,610	198,369
Investment in subsidiaries.....	1,323,618	1,231,757
Derivative financial instruments.....	235,144	175,828
Other.....	<u>5,836</u>	<u>8,604</u>
Deferred tax liability.....	<u>4,628,043</u>	<u>4,701,793</u>
Net provision for deferred tax.....	<u>Ps. (475,121)</u>	<u>Ps. (1,051,971)</u>

At December 31, 2021 and 2020, the Company did not recognize a deferred income tax asset of Ps.523,897 and Ps.369,345, respectively, for tax loss carryforwards, since sufficient evidence was not available to determine that these tax loss carryforwards will be realized during their amortization period. These tax losses expire in the year 2031.

At December 31, 2021 and 2020, the undistributed taxable income of subsidiaries in México amounted to Ps.5,171,936 and Ps.2,287,618, respectively. No deferred income tax has been recognized for this undistributed taxable income, since the Company has the ability to control the time for its reversal and it is probable that in the near future these temporary differences will not reverse. If the Company had not chosen this option, the deferred tax liability of these items would have amounted to Ps.1,551,580 and Ps.686,285 as of December 31, 2021 and 2020, respectively.

At December 31, 2021 and 2020, the Company recognized a deferred income tax liability of Ps. 1,323,618 and Ps.1,231,757, respectively, from undistributed taxable income generated as of 2018 by the Company's subsidiaries in the United States (Gruma Corporation and Subsidiaries) at a reduced rate for the effects of tax credits generated by the distributed profits. The reversal of this tax amount is made at the moment in which the subsidiaries distribute such profits to the Company through dividends.

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The changes in the temporary differences during the year were as follows:

	Balance at January 1, 2021	Recogni- zed in income	Recognized in other compre- hensive income	Reclassifi- cations	Foreign currency translation	Balance at December 31, 2021
Net operating loss carryforwards and other tax credits.....	Ps. (2,305,839)	Ps. 446,750	Ps. (196,758)	Ps. 79,742	Ps. (1,546)	Ps. (1,977,651)
Lease liability.....	(1,747,881)	77,918	-	-	(43,787)	(1,713,750)
Customer advances.....	(1,920)	1,766	-	-	-	(154)
Allowance for doubtful accounts	(8,718)	(3,643)	-	-	(91)	(12,452)
Accumulated liabilities.....	(1,024,245)	(22,094)	5,339	20,256	(18,310)	(1,039,054)
Prepaid expenses from trademark license with affiliates.....	(521,766)	201,488	(19,637)	-	-	(339,915)
Others.....	(143,395)	(9,499)	-	137,090	(4,384)	(20,188)
Deferred tax asset.....	(5,753,764)	692,686	(211,056)	237,088	(68,118)	(5,103,164)
Property, plant and equipment...	1,461,288	24,753	-	(76,704)	57,574	1,466,911
Right-of-use asset.....	1,610,727	(87,416)	-	-	38,605	1,561,916
Prepaid expenses.....	15,220	15,908	-	(120)	-	31,008
Intangible assets.....	198,369	(96,788)	-	(101,245)	3,274	3,610
Investment in subsidiaries.....	1,231,757	52,633	39,228	-	-	1,323,618
Derivative financial instruments.	175,828	23,098	93,322	(59,107)	2,003	235,144
Others.....	8,604	421	-	438	(3,627)	5,836
Deferred tax liability.....	4,701,793	(67,391)	132,550	(236,738)	97,829	4,628,043
Net provision for deferred taxes	Ps. (1,051,971)	Ps. 625,295	Ps. (78,506)	Ps. 350	Ps. 29,711	Ps. (475,121)

	Balance at January 1, 2020	Recogni- zed in income	Recognized in other compre- hensive income	Reclassifi- cations	Foreign currency translation	Balance at December 31, 2020
Net operating loss carryforwards and other tax credits.....	Ps. (2,310,089)	Ps. 20,169	Ps. (25,300)	Ps. 14,697	Ps. (5,316)	Ps. (2,305,839)
Lease liability.....	(1,249,593)	(443,266)	-	-	(55,022)	(1,747,881)
Customer advances.....	(3,628)	1,708	-	-	-	(1,920)
Allowance for doubtful accounts	(5,230)	(3,645)	-	-	157	(8,718)
Accumulated liabilities.....	(921,087)	(52,267)	(16,093)	(3,659)	(31,139)	(1,024,245)
Prepaid expenses from trademark license with affiliates.....	(304,723)	(202,179)	(14,864)	-	-	(521,766)
Derivative financial instruments.	(60,314)	-	60,314	-	-	-
Others.....	(144,938)	(10,065)	-	12,628	(1,020)	(143,395)
Deferred tax asset.....	(4,999,602)	(689,545)	4,057	23,666	(92,340)	(5,753,764)
Property, plant and equipment...	1,523,694	(111,042)	-	-	48,636	1,461,288
Right-of-use asset.....	1,221,016	335,942	-	-	53,769	1,610,727
Prepaid expenses.....	17,375	1,483	-	-	(3,638)	15,220
Intangible assets.....	188,955	491	-	-	8,923	198,369
Investment in subsidiaries.....	884,827	295,118	51,812	-	-	1,231,757
Derivative financial instruments.	-	157	172,606	-	3,065	175,828
Others.....	29,026	(1,303)	-	(14,695)	(4,424)	8,604
Deferred tax liability.....	3,864,893	520,846	224,418	(14,695)	106,331	4,701,793
Net provision for deferred taxes	Ps. (1,134,709)	Ps. (168,699)	Ps. 228,475	Ps. 8,971	Ps. 13,991	Ps. (1,051,971)

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B) TAX LOSS CARRYFORWARDS

At December 31, 2021, the Company had tax loss carryforwards, which amounted to approximately Ps.1,746,323. Based on projections prepared by the Company's management, is not enough evidence that these tax losses will be recovered, therefore, the Company did not recognize a deferred tax asset. Tax losses that will not be used have the following expiration dates:

<u>Year</u>	<u>Amount</u>
2022.....	Ps. 94,543
2023.....	217,290
2024	69,215
2025	15,244
2026 and thereafter.....	1,350,031
Total.....	<u>Ps. 1,746,323</u>

At December 31, 2021, the Company had recoverable taxes of Ps.1,959,423 which, based on projections prepared by the Company's management, could be applied to future taxable income, with expiration in 2031.

C) UNCERTAIN TAX POSITIONS

At December 31, 2021, the Company had not recorded a provision to recognize contingent tax effects.

At December 31, 2020, the Company recognized a liability for uncertain tax positions of Ps.9,236, excluding interest and penalties, and it is included in Other non-current liabilities. The following table shows a reconciliation of the Company's uncertain tax positions, excluding interest and penalties:

	<u>2021</u>	<u>2020</u>
Uncertain tax positions at beginning of year.....	Ps. 9,236	Ps. 6,822
Translation adjustment of the beginning balance.....	295	400
Settlements.....	(5,208)	(3,631)
Additions from changes in facts and circumstances.....	-	5,645
Prescription.....	(4,323)	-
Uncertain tax positions at end of year.....	<u>Ps. -</u>	<u>Ps. 9,236</u>

It is expected that the amount of uncertain tax positions will change in the next 12 months; however, the Company does not expect the change to have a significant impact on its consolidated financial position or results of operations. In 2021, the Company did not accrued interests and penalties related to uncertain tax positions and during 2020 accrued Ps.1,456 for these concepts.

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D) TAX EFFECTS FROM OTHER COMPREHENSIVE INCOME

Deferred taxes related to other comprehensive income are comprised of:

	<u>At December 31, 2021</u>	<u>At December 31, 2020</u>
Foreign currency translation adjustments.....	Ps. (177,166)	Ps. 11,648
Remeasurement of employment benefit obligations.....	5,338	(16,093)
Cash flow hedges reserve	93,322	232,920
Total.....	<u>Ps. (78,506)</u>	<u>Ps. 228,475</u>

14. DEBT

Debt is summarized as follows:

Short-term:	<u>As of December 31, 2021</u>	<u>As of December 31, 2020</u>
Bank loans.....	Ps. 873,300	Ps. 145,861
Current portion of long-term bank loans, notes and debt securities.....	252,184	2,574,318
	<u>Ps. 1,125,484</u>	<u>Ps. 2,720,179</u>
Long-term:	<u>As of December 31, 2021</u>	<u>As of December 31, 2020</u>
Bank loans,	Ps. 23,587,603	Ps. 22,729,555
Current portion of long-term bank loans, notes and debt securities.....	(252,184)	(2,574,318)
	<u>Ps. 23,335,419</u>	<u>Ps. 20,155,237</u>

The terms, conditions and carrying values of debt are as follows:

	<u>Currency</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>As of December 31, 2021</u>	<u>As of December 31, 2020</u>
10-year Senior notes ^(b)	USD	4.875%	2024	Ps. 8,209,835	Ps. 7,948,807
Bank Loan ^(a)	USD	2.789%	2025	5,122,061	4,957,827
Club loan ^(a)	USD	Libor + 1.00%	2026	4,095,644	-
Debt securities	Pesos	TIIE + 0.38%*	2023	2,995,851	2,993,818
Debt securities ^(b)	Pesos	7.00%	2028	1,991,702	-
Bank Loan ^(b)	Euros	0.95%	2026	1,048,709	1,103,083
Bank Loan	Pesos	TIIE + 0.15%	2022	750,000	-
Bank Loans	Euros	17.75% - 27%	2022	123,300	-
Bank Loan	Euros	1.53%	2024	118,334	165,960
Bank Loans	Euros	3.95%	2022-2027	5,467	7,717
Syndicated loan ^(a)	USD	LIBOR + 1.0%	2022	-	2,149,908
Club Loan.....	Pesos	TIIE + 0.55%	2021	-	2,000,000
Revolving Loan ^(a)	USD	LIBOR + 0.75%	2022	-	1,396,409
Bank Loans	USD	LIBOR + 1.25%	2021	-	89,769
Bank Loans.....	Euros	14.10% - 16.75%	2021	-	56,092
Bank Loan	Euros	EURIBOR + 0.65%	2018-2021	-	6,026
Total.....				<u>Ps. 24,460,903</u>	<u>Ps. 22,875,416</u>

(a) Quarterly interest payments; (b) Semiannual interest payments; the rest of the liabilities pay interest monthly or at maturity.

* Effective rate of 8.52% considering interest rate swap.

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As of December 31, 2021 and 2020, short-term debt had an average interest rate of 6.08% and 4.33%, respectively. As of December 31, 2021 and 2020, Net Comprehensive Financing Cost included interest expense related to debt amounting to Ps.1,195,904 and Ps.1,190,609, respectively.

As of December 31, 2021, the annual maturities of long-term debt outstanding were as follows:

<u>Year</u>	<u>Amount</u>
2023.....	Ps. 3,245,399
2024.....	8,459,382
2025.....	5,332,165
2026.....	4,305,748
2027 and thereafter	1,992,725
Total.....	<u>Ps. 23,335,419</u>

On March 30, 2021, the Company obtained a club loan for \$200 million dollars, which was granted jointly by The Bank of Nova Scotia and Bank of America México, SA, Multiple banking institution, for a term of 5 years, accruing interest at a LIBOR rate plus a spread of 100 basis points and payable in a single installment at maturity. The funds from this loan were used by the Company to repay debt denominated in dollars and pesos.

On May 19, 2021, as part of its revolving short- and long-term Debt Securities Program for a total authorized amount of Ps.8,000,000, the Company, carried out a public offering of long-term debt securities in the local debt markets for Ps.2,000,000, with a 7 year term and accruing interest at a fixed annual rate of 7.0%. The funds from this public offering were used by the Company to repay long-term debt in pesos maturing in September 2021.

On June 3, 2021, the Company terminated its committed revolving credit facilities for \$250 million dollars with Rabobank as administrative agent and for \$120 million dollars with The Bank of Nova Scotia as administrative agent. On the same date, the Company closed a new committed revolving facility for \$250 million dollars (Ps.5,145,875), with Rabobank as administrative agent and equal participation from Rabobank, Bank of America, JP Morgan, The Bank of Nova Scotia and Credit Agricole. The new facility has a floating rate of LIBOR plus 1.15%, an unused fee of 0.32% per year, a term of 5 years, as well as restrictions in line with the other current credits. As of December 31, 2021, the entirety of the new committed facility is available.

As of December 31, 2021, the Company has contracted committed lines of credit for Ps.10,291,750 (\$500 million dollars), which are available and require the quarterly payment of unused fees from 0.10% to 0.32%, which are recognized as part of the financial expenses for the year.

The current loan documentation contains various obligations, mainly regarding compliance with financial ratios and delivery of financial information, which if not complied with or remedied within a certain period to the satisfaction of the creditors, could be considered as a cause for early termination.

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Financial ratios are calculated according with the formulas established in the credit agreements. The main financial ratios contained in the credit agreements are the following:

- Interest coverage ratio, defined as the ratio of consolidated earnings before interest, tax, depreciation and amortization (EBITDA) of the last twelve months to consolidated interest charges of the last twelve months, should not be less than 2.50 to 1.00.
- Net Leverage ratio, defined as the ratio of consolidated net debt (determined as the sum of the outstanding principal balance of consolidated indebtedness and guarantees of the Company for obligations with third parties unrelated to the Company's core business minus cash and cash equivalents), to consolidated EBITDA of the last twelve months, should be no greater than 3.50 to 1.00.

As of December 31, 2021 and 2020, the Company was in compliance with the financial covenants, as well as with the delivery of the required financial information.

The table below details the changes in the Company's debt arising from financing activities:

	Short-term bank loans	Long-term bank loans, notes and debt securities	Total
Balance at January 1, 2020	Ps. 587,076	Ps. 21,038,774	Ps. 21,625,850
Proceeds from debt.....	9,835,087	3,919,834	13,754,921
Payment of debt.....	(9,869,708)	(3,576,760)	(13,446,468)
Effect of changes in foreign exchange rates.....	6,036	713,987	720,023
Debt issuance costs.....	-	(210)	(210)
Reclassification of current portion of long-term debt.....	2,150,769	(2,150,769)	-
Exchange differences.....	10,919	181,011	191,930
Other non-cash changes.....	-	29,370	29,370
Balance at December 31, 2020.....	<u>2,720,179</u>	<u>20,155,234</u>	<u>22,875,416</u>
Proceeds from debt.....	14,818,604	5,868,180	20,686,784
Payment of debt.....	(16,424,586)	(3,104,070)	(19,528,656)
Effect of changes in foreign exchange rates.....	22,389	469,034	491,423
Debt issuance costs.....	-	(33,539)	(33,539)
Exchange differences.....	(11,102)	(57,795)	(68,897)
Other non-cash changes.....	-	38,372	38,372
Balance at December 31, 2021.....	<u>Ps. 1,125,484</u>	<u>Ps. 23,335,419</u>	<u>Ps. 24,460,903</u>

15. TRADE ACCOUNTS PAYABLE

The Company has financing programs by which suppliers can discount their notes with different financial institutions (Citibanamex, BBVA, HSBC, Santander, Bank of America). The balance payable derived from these programs is recognized within trade accounts payable in the balance sheet. The financial cost for these operations is a charge to suppliers.

	At December 31, 2021	At December 31, 2020
Discounted balance payable by suppliers.....	<u>Ps. 3,202,816</u>	<u>Ps. 1,557,498</u>

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16. PROVISIONS

The movements of provisions are as follows:

	<u>Labor provisions</u>	<u>Restoration provision</u>	<u>Tax provision</u>	<u>Legal Provision</u>	<u>Total</u>
Balance at January 1, 2020.....	Ps. 498,305	Ps. 149,027	Ps. 2,978	Ps. 95,231	Ps. 745,541
Charge (credit) to income:					
Additional provisions.....	424,110	44,482	634	-	469,226
Unused amounts reserved.....	-	-	(2,151)	-	(2,151)
Used during the year.....	(272,505)	-	(439)	(107,965)	(380,909)
Exchange differences.....	17,633	5,339	256	12,734	35,962
Balance at December 31, 2020.....	<u>667,543</u>	<u>198,848</u>	<u>1,278</u>	<u>-</u>	<u>867,669</u>
Charge (credit) to income:					
Additional provisions.....	239,584	7,214	188	-	246,986
Unused amounts reserved.....	-	(10,659)	(1,197)	-	(11,856)
Used during the year.....	(266,547)	(14,306)	-	-	(280,853)
Exchange differences.....	20,973	6,151	51	-	27,175
Balance at December 31, 2021.....	<u>Ps. 661,553</u>	<u>Ps. 187,248</u>	<u>Ps. 320</u>	<u>Ps. -</u>	<u>Ps. 849,121</u>

The classification of provisions is as follows:

	<u>Labor provisions</u>	<u>Restoration provision</u>	<u>Tax provision</u>	<u>Legal provision</u>	<u>Total</u>
At December 31, 2020:					
Current.....	Ps. 127,093	Ps. -	Ps. -	Ps. -	Ps. 127,093
Non-current.....	540,450	198,848	1,278	-	740,576
	<u>Ps. 667,543</u>	<u>Ps. 198,848</u>	<u>Ps. 1,278</u>	<u>Ps. -</u>	<u>Ps. 867,669</u>
At December 31, 2021:					
Current.....	Ps. 202,789	Ps. -	Ps. -	Ps. -	Ps. 202,789
Non-current.....	458,764	187,248	320	-	646,332
	<u>Ps. 661,553</u>	<u>Ps. 187,248</u>	<u>Ps. 320</u>	<u>Ps. -</u>	<u>Ps. 849,121</u>

Labor provisions

In the United States, when permitted by law, the Company self insures against workers' compensation claims arising from medical expenses incurred due to work accidents or illness. For uncovered risks, the Company estimates the associated liabilities through an actuarial calculation, considering historical information of claims, demographic factors, severity of past events and other actuarial assumptions; to estimate the expected outflows of economic resources and projected timing of the settlement of these claims. At December 31, 2021 and 2020, the discount rate applied was 3.22% and 2.67% respectively. At December 31, 2021 and 2020, the Company has Ps.25,215 (U.S.\$1,225 thousands) and Ps.24,976 (U.S.\$1,252 thousands) of expected insurance reimbursements that are included in consolidated balance sheet as a component of accounts receivable.

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Restoration provision

In the United States, the Company has recognized an obligation to remove equipment and leasehold improvements from certain of its leased manufacturing facilities in order to restore the facilities to their original condition, less normal wear and tear as determined by the terms of the lease. The Company has estimated the expected outflows of economic resources associated with these obligations and the probability of possible settlement dates based upon the terms of the lease. These estimates are used to calculate the present value of the estimated expenditures using a before tax discount rate and taking into account any specific risks associated with these obligations. At December 31, 2021 and 2020 the discount rate applied was 4.21% and 3.72% respectively.

17. OTHER CURRENT LIABILITIES

At December 31, 2021 and 2020, Other current liabilities include mainly the following:

	At December 31, 2021	At December 31, 2020
Employee benefits payable.....	Ps. 1,444,601	Ps. 1,427,294
Dividends payable.....	1,023,641	1,140,063
Promotion and advertising payable.....	417,300	425,550
Deferred income.....	327,483	269,647
Freights.....	243,003	215,580

The rest of the items that comprise Other current liabilities correspond to accrued expenses payable.

18. EMPLOYEE BENEFITS OBLIGATIONS

Employee benefits obligations recognized in the balance sheet, by country, were as follows:

Country	At December 31, 2021	At December 31, 2020
Mexico.....	Ps. 961,334	Ps. 943,227
United States and Europe.....	104,111	97,070
Central America.....	51,482	48,093
Total.....	Ps. 1,116,927	Ps. 1,088,390

A) MEXICO

In Mexico, labor obligations recognized by the Company correspond to the single-payment retirement plan and seniority premium. The benefits for the retirement plan and seniority premium are defined benefit plans, based on the projected salary at the date in which the employee is assumed to receive the benefits. Currently, the plan operates under Mexican law, which does not require minimum funding.

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The plans in Mexico typically expose the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk:

- Investment risk. The expected return rate for investment funds is equivalent to the discount rate, which is calculated using a discount rate determined by reference to long-term government bonds; if the return on plan asset is below this rate, it will create a plan deficit. Due to the long-term nature of the plan liabilities, the Company considers appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the fund.
- Interest risk. A decrease in the interest rate will increase the plan liability; the volatility in interest rates depends exclusively in the economic environment.
- Longevity risk. The present value of the defined benefit plan liability is calculated by reference to the best estimate of mortality of plan participants. An increase in the life expectancy of the plan participants will increase the plan's liability.
- Salary risk. The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary expectancy of the plan participants will increase the plan's liability.

The reconciliation between the beginning and ending balances of the present value of the defined benefit obligations (DBO) is as follows:

	<u>2021</u>	<u>2020</u>
DBO at beginning of the year.....	Ps. 1,002,069	Ps. 911,342
Add (deduct):		
Current service cost.....	71,688	95,415
Financial cost.....	66,158	62,095
Remeasurement for the period.....	(33,219)	76,282
Benefits paid.....	(86,403)	(143,065)
DBO at end of the year.....	<u>Ps. 1,020,293</u>	<u>Ps. 1,002,069</u>

The reconciliation between the beginning and ending balances of the employee benefit plan assets at fair value for the years 2021 and 2020 is shown below:

	<u>2021</u>	<u>2020</u>
Plan assets at fair value at beginning of the year..	Ps. 58,842	Ps. 61,408
Add (deduct):		
Return on plan assets.....	3,089	3,224
Return on plan assets recognized in other comprehensive income.....	(2,972)	(5,790)
Plan assets at fair value at end of the year.....	<u>Ps. 58,959</u>	<u>Ps. 58,842</u>

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The following table shows the reconciliation between the present value of the defined benefit obligation and the plan assets at fair value, and the projected net liability included in the balance sheet:

	<u>At December 31, 2021</u>	<u>At December 31, 2020</u>
Employee benefit (assets) liabilities:		
DBO.....	Ps. 1,020,293	Ps. 1,002,069
Plan assets.....	(58,959)	(58,842)
Employee benefits obligations.....	<u>Ps. 961,334</u>	<u>Ps. 943,227</u>

The value of the DBO related to the pension plan amounted to Ps.866,453 and Ps.862,857 at December 31, 2021 and 2020, respectively, while the value of the DBO related to seniority premiums amounted to Ps.153,840 and Ps.139,212, respectively.

At December 31, 2021 and 2020, the components of net cost comprised the following:

	<u>2021</u>	<u>2020</u>
Current service cost.....	Ps. 71,688	Ps. 95,415
Financial cost.....	66,158	62,095
Return on plan assets.....	(3,089)	(3,224)
Net cost for the year.....	<u>Ps. 134,757</u>	<u>Ps. 154,286</u>

The net cost for the year related to the pension plan amounted to Ps.114,869 and Ps.139,145 at December 31, 2021 and 2020, respectively, while the net cost related to seniority premiums amounted to Ps.19,888 and Ps.15,141, respectively.

The net cost for the year 2021 of Ps.134,757 (Ps.154,286 in 2020) was recognized in income as cost of sales for Ps.13,585 (Ps.24,134 in 2020), selling and administrative expenses for Ps.58,103 (Ps.71,281 in 2020) and interest expense for Ps.63,069 (Ps.58,871 in 2020).

Remeasurements of the defined benefit obligation recognized in other comprehensive income are comprised of:

	<u>2021</u>	<u>2020</u>
Return on plan assets (excluding amounts included in net cost of the year).....	Ps. 2,972	Ps. 5,790
Actuarial losses arising from changes in financial assumptions.....	(67,226)	45,540
Actuarial losses arising from experience adjustments.....	34,007	30,742
	<u>Ps. (30,247)</u>	<u>Ps. 82,072</u>

The total amount recognized in other comprehensive income is described below:

	<u>2021</u>	<u>2020</u>
Balance at the beginning of the year.....	Ps. 618,914	Ps. 536,842
Remeasurements that occurred during the year...	(30,247)	82,072
Balance at the end of the year.....	<u>Ps. 588,667</u>	<u>Ps. 618,914</u>

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At December 31, 2021 and 2020, plan assets stated at fair value and related percentages with respect to total plan assets were analyzed as follows:

	<u>At December 31,</u> <u>2021</u>		<u>At December 31,</u> <u>2020</u>	
Equity securities, classified by type of industry:	Ps.		Ps.	
Consumer industry.....		37,633 64%		29,149 50%
Financial institutions.....		8,958		8,359
		28,675		20,790
Fixed rate securities.....		21,236 36%		29,693 50%
Fair value of plan assets.....	Ps.	<u>58,959 100%</u>	Ps.	<u>58,842 100%</u>

As of December 31, 2021, the funds maintained in plan assets were considered sufficient to face the Company's short-term needs; therefore, the Company's management has determined that for the time being there is no need for additional contributions to increase these assets.

The main actuarial assumptions used were as follows:

	<u>At December</u> <u>31, 2021</u>	<u>At December</u> <u>31, 2020</u>
Discount rate.....	7.75%	6.75%
Future increase rate in compensation levels.....	4.50%	4.50%
Long-term inflation rate.....	3.50%	3.50%

At December 31 2021 and 2020, the impact in DBO for a decrease of 25 basis points in the discount rate amounts to Ps. 20,324 and Ps.16,122, respectively. This sensitivity analysis is based on the change in the discount rate while keeping constant the rest of the assumptions. In practice, this is unlikely to occur, and changes in some of the assumptions can be correlated. The methods used in preparing the sensitivity analysis did not change from those used in prior years.

The average duration of the benefit obligation at December 31, 2021 and 2020 is 12 and 11 years.

The Company does not expect to contribute during the next fiscal year.

Labor subcontracting reform:

On April 23, 2021, several provisions were published in the Federal Labor Law, Social Security Law, Law of the Institute of the National Housing Fund for Workers (INFONAVIT), Federal Tax Code, Income Tax Law and Law of the Value Added Tax in order to regulate the subcontracting of personnel.

In general terms, the main aspects are: a) prohibit the subcontracting of personnel, b) incorporate rules into the current legislation that allow legal and individual entities to contract only specialized services or the execution of specialized works, provided that they are not part of the corporate purpose or the predominant economic activity of the beneficiary of the same, c) establish maximum amounts for the payment of Employee's Statutory profit sharing (PTU), and d) creation of the Registry of Providers of Specialized Services and Specialized Works (REPSE) of the Ministry of Labor and Social Welfare (STPS).

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These entered into force the day after their publication, except for what refers to the obligations indicated in fiscal matters which entered into force on August 1, 2021 and those of the regulations of Section B), of the Federal Law of Workers to State Service that will come into force in 2022.

The Company carried out an analysis on the application of these new provisions and did not have a material impact on the financial statements.

B) UNITED STATES

In the United States, the Company has a savings and investment plan that incorporates voluntary employee 401(k) contributions with matching contributions from the Company up to 4% of eligible employees' salaries. This plan, available to the majority of employees not covered by collective bargaining agreements permits contributions from 1% to 25% of such employees' annual compensation, as defined in the plan agreement. For the years ended December 31, 2021 and 2020, total expenses related to this plan amounted to Ps.176,427 and Ps.185,852, respectively (U.S.\$8,657 and U.S.\$8,607 thousands, respectively).

Additionally, the Company has established an unfunded nonqualified deferred compensation plan for a selected group of management and highly compensated employees. The plan is voluntary and allows employees to defer a portion of their salary or bonus in excess of the savings and investment plan limitations. The employees elect investment options and the Company monitors the result of those investments and records a liability for the obligation. For the years ended December 31, 2021 and 2020, total (income) expenses related to this plan were approximately Ps.16,446 and Ps.18,764, respectively (U.S.\$807 and U.S.\$869 thousands, respectively).

At December 31, 2021 and 2020, the liability recognized for both plans amounted to Ps.104,111 and Ps.97,070, respectively (U.S.\$5,058 and U.S.\$4,866 thousands, respectively).

C) OTHER COUNTRIES

In Central America, the retirement and severance provisions are determined according to the current Labor Legislation of each country. At December 31, 2021 and 2020, the liability recognized for this item amounted to Ps. 38,761 and Ps.33,733, respectively, and the total labor obligation cost amounted Ps. 6,596 and Ps.7,609, respectively. In Europe, as of December 31, 2021 and 2020, the liability recorded for this concept amounts to \$12,721 and \$14,360, respectively, and the total expenses derived for the same concept were \$2,860 and \$2,943, respectively.

19. EQUITY

A) COMMON STOCK

At December 31, 2021, the Company's outstanding common stock consisted of 381,031,849 Series "B" shares, with no par value, fully subscribed and paid, which can only be withdrawn with stockholders' approval and 13,174,067 treasury shares.

The Extraordinary General Shareholders' Meeting held on April 23, 2021 approved the cancellation of 11,285,140 ordinary, nominative shares, without expression of nominal value, series "B", Class I, issued by Gruma S.A.B. de C.V. which have been repurchased by the Company.

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At December 31, 2020, the Company's outstanding common stock consisted of 397,297,269 Series "B" shares, with no par value, fully subscribed and paid, which can only be withdrawn with stockholders' approval and 8,193,787 treasury shares.

The Extraordinary General Shareholders' Meeting held on April 24, 2020, approved the cancellation of 15,466,437 ordinary, nominative shares, without expression of nominal value, series "B", Class I, issued by Gruma S.A.B. de C.V. which have been repurchased by the Company.

B) RETAINED EARNINGS

The Income Tax Law established a 10% tax rate on earnings from 2014 and thereafter, for dividend paid to foreign residents and Mexican individuals; additionally, this law stated that for the years 2001 to 2013, the net taxable income would be determined in accordance with the Income Tax Law effective for each year.

Dividends paid are not subject to income tax if paid from the Net Tax Profit Account (CUFIN) and will be taxed at a rate that fluctuates between 32% and 35% if paid from the reinvested Net Tax Profit Account. Dividends paid that exceed CUFIN and reinvested CUFIN are subject to an income tax payable at a rate of 30% if paid in 2022. The tax is payable by the Company and may be credited against the normal income tax payable by the Company in the year in which the dividends are paid or in the following two years. Dividends paid from earnings previously taxed are not subject to any withholding or additional tax payment. As of December 31, 2021, CUFIN amounted to Ps.15,651,293.

Legal reserve

The legal reserve must be increased annually by 5% of annual net profits, included within retained earnings, until it reaches a fifth of the fully paid common stock amount.

For the years ended December 31, 2021 and 2020, the legal reserve balance was Ps.1,072,719

Repurchase of common stock

The Shareholders' Meeting held on April 23, 2021 approved to increase the reserve to repurchase the Company's own shares up to Ps.7,000,000, which is included within retained earnings.

The Shareholders' Meeting held on April 24, 2020 approved to increase the reserve to repurchase the Company's own shares up to Ps.7,000,000, which is included within retained earnings.

The maximum amount of proceeds that can be used to purchase the Company's own shares cannot exceed, in any case, the net earnings of the entity, including retained earnings.

When purchasing of the Company's own shares, the amount of the consideration paid, including the direct costs attributable to such acquisition, is recognized as a decrease in the Company's equity. When the shares are re-placed, the consideration received is recognized within the equity.

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The difference between the acquisition cost of the repurchased shares and their stated value is recognized as part of the reserve to repurchase the Company's own shares, which is included within retained earnings from prior years. Stated value of the shares is determined by the quotient resulting from dividing common stock paid by the number of the Company's outstanding shares. The gain or loss on the sale of the Company's own shares is recorded in retained earnings.

The movements of the reserve for acquisition of Company's own shares for the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
Balance at the beginning of the year	Ps. 5,215,580	Ps. 2,022,293
Increase in the reserve for repurchase of Company's own shares during the year	2,503,605	6,419,806
Purchase of Company's own shares during the year....	(3,802,207)	(3,226,519)
Balance at the end of the year.....	<u>Ps. 3,916,978</u>	<u>Ps. 5,215,580</u>

At December 31, 2021, the Company has purchased 13,174,067 of its own shares at a market value of Ps. 3,458,456 as of that date.

C) FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

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

	2021	2020
Balance at beginning of year.....	Ps. 2,408,513	Ps. 464,953
Effect of the year from translating net investment in foreign subsidiaries.....	540,365	2,657,547
Exchange differences arising from foreign currency liabilities accounted for as a hedge of the Company's net investments in foreign subsidiaries.....	(490,493)	(713,987)
Balance at end of year.....	<u>Ps. 2,458,385</u>	<u>Ps. 2,408,513</u>

At December 31, 2021 and 2020, the debt denominated in U.S. dollars for up to U.S.\$850 and U.S.\$829 million, respectively, generated a hedge on the investment of the Company in its subsidiaries in the United States (Gruma Corporation and subsidiaries).

During 2021 and 2020, the Company received dividends from its United States subsidiary Gruma Corporation amounting to Ps.4,811,387 (US\$235 million) and Ps.8,862,314 (U.S.\$390 million) respectively.

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20. FINANCIAL INSTRUMENTS

A) FINANCIAL INSTRUMENTS BY CATEGORY

The carrying values of financial instruments by category are presented below:

	At December 31, 2021			
	Financial assets and liabilities at amortized cost	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at fair value with changes in other comprehensive income	Total categories
<u>Financial assets:</u>				
Cash and cash equivalents.....	Ps. 5,248,129	Ps. -	Ps. -	Ps. 5,248,129
Derivative financial instruments	-	3,700	964,164	967,864
Accounts receivable (Note 7).....	9,250,047	-	-	9,250,047
Long term notes receivable and other (Note 9).....	223,922	-	-	223,922
<u>Financial liabilities:</u>				
Current debt.....	1,125,484	-	-	1,125,484
Short-term lease liability.	772,660	-	-	772,660
Trade accounts payable...	8,754,924	-	-	8,754,924
Short- term derivative financial instruments.....	-	9,386	86,334	95,720
Long-term debt.....	23,335,419	-	-	23,335,419
Long-term lease liability.	5,795,113	-	-	5,795,113
Long-term derivative financial instruments.....	-	-	7,359	7,359
Other liabilities (excludes non-financial liabilities).....	1,483,766	-	-	1,483,766

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	At December 31, 2020			
	Financial assets and liabilities at amortized cost	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at fair value with changes in other comprehensive income	Total categories
<u>Financial assets:</u>				
Cash and cash equivalents.....	Ps. 6,172,754	Ps. -	Ps. -	Ps.6,172,7544
Derivative financial instruments (1).....	-	546,650	518,119	1,064,769
Accounts receivable (Note 7).....	8,724,063	-	-	8,724,063
Long term notes receivable and other (Note 9).....	181,487	-	-	181,487
<u>Financial liabilities:</u>				
Current debt.....	2,720,179	-	-	2,720,179
Short-term lease liability.	717,338	-	-	717,338
Trade accounts payable...	6,220,081	-	-	6,220,081
Short- term derivative financial instruments.....	-	645,405	402,310	1,047,715
Long-term debt.....	20,155,237	-	-	20,155,237
Long-term lease liability.	5,962,332	-	-	5,962,332
Long-term derivative financial instruments.....	-	-	181,110	181,110
Other liabilities (excludes non-financial liabilities).....	1,707,912	-	-	1,707,912

(1) Includes assets for Ps.544,410 related to the valuation of firm commitments for corn purchases.

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, accounts receivable, trade accounts payable and other current liabilities approximate their fair value, due to their short maturity. In addition, the net book value of accounts receivable and recoverable taxes represents the expected cash flow to be received.

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

	At December 31, 2021	
	Carrying amount	Fair value
<u>Assets:</u>		
Derivative financial instruments – exchange rate.....	Ps. 12,923	Ps. 12,923
Derivative financial instruments – corn.....	729,129	729,129
Derivative financial instruments – fuel.....	5,147	5,147
Derivative financial instruments – soybean oil	5,096	5,096
Derivative financial instruments – wheat.....	215,569	215,569
Long-term notes receivable and other.....	223,922	238,074

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Liabilities:

10-year Bonds in U.S. dollars bearing fixed interest at an annual rate of 4.875%.....	8,209,834	8,965,185
Short and long-term debt.....	16,251,069	16,428,914
Short and long-term lease liability.....	6,567,774	6,567,774
Derivative financial instruments – natural gas	51,988	51,988
Derivative financial instruments – soybean oil	2,105	2,105
Derivative financial instruments – exchange rate.....	8,741	8,741
Derivative financial instruments – interest rate.....	40,245	40,245

At December 31, 2020

	<u>Carrying amount</u>	<u>Fair value</u>
Assets:		
Derivative financial instruments – exchange rate.....	Ps. 9,196	Ps. 9,196
Derivative financial instruments – corn(1).....	842,475	842,475
Derivative financial instruments – fuel.....	28,574	28,574
Derivative financial instruments – wheat.....	184,524	184,524
Long-term notes receivable and other.....	181,487	198,742

Liabilities:

10-year Bonds in U.S. dollars bearing fixed interest at an annual rate of 4.875%.....	7,948,807	8,999,497
Short and long-term debt.....	14,926,609	15,516,280
Short and long-term lease liability.....	6,679,670	6,679,670
Derivative financial instruments – natural gas	1,169	1,169
Derivative financial instruments – corn.....	547,046	547,046
Derivative financial instruments – exchange rate.....	383,825	383,825
Derivative financial instruments – interest rate.....	296,785	296,785

(1) Includes assets for Ps.544,410 related to the valuation of firm commitments for corn purchases.

The fair values at December 31, 2021 and 2020 were determined by the Company as follows:

- The fair values of bonds in U.S. dollars were determined based on available market prices. Fair values of bonds are classified as level 1 in the fair value hierarchy.
- The fair value for the rest of the long-term debt was based on the present value of the cash flows discounted at interest rates based on readily observable market inputs. Fair value of long-term debt is classified as level 2 in the fair value hierarchy. The average discount rate used was 4.57% in 2021 and 1.96% in 2020.
- Long-term notes receivable are classified as level 2 in the fair value hierarchy. Its fair value was based on the present value of future cash flows using a discount rate of 5.82% and 6.06% in 2021 and 2020, respectively.

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C) DERIVATIVE FINANCIAL INSTRUMENTS

At December 31, 2021 derivative financial instruments comprised the following:

Type of contract	Notional amount	Fair value	
		Asset	Liability
Wheat futures	5,105,000 Bushels	Ps. 212,779	Ps. -
Soybean oil futures	12,600,000 Pounds	5,096	-
Soybean oil futures	2,160,000 Pounds	-	2,105
Wheat swaps	415,000 Bushels	2,790	-
Corn swaps	67,090,000 Bushels	710,109	-
Corn options ⁽¹⁾	49,440,000 Bushels	18,110	-
Corn puts ⁽¹⁾	5,510,000 Bushels	910	-
Natural gas futures and swaps.....	7,080,000 Mmbtu	-	50,806
Diesel swaps.....	255,695 Gallons	5,147	-
Diesel swaps.....	450,000 Gallons	-	1,182
Exchange rate forwards.....	35,625 thousands USD	12,923	-
Exchange rate forwards and options.....	229,700 thousands USD	-	8,741
Interest rate swaps.....	3,000,000 MXN	-	40,245

(1) Within the open positions of financial instruments of corn options, Ps. 664,317 were recorded for change in temporary value of the hedged item to determine ineffectiveness and a loss of Ps. 646,207 for change in intrinsic value of the hedge instruments since inception.

(2) Within the open positions of financial instruments of corn options, a gain of Ps. 39,353 was recorded for change in temporary value of the hedged item to determine ineffectiveness and a loss of Ps. 38,443 for intrinsic value of the hedge instruments since inception

At December 31, 2021, open positions of corn, wheat, gas natural and fuel derivatives were recorded at fair value. The result of the valuation at December 31, 2021 of financial instruments that qualified as cash flow hedge represented a gain of Ps.898,242, which was recognized in comprehensive income within equity. At December 31, 2021, the Company had open positions of financial instruments for corn, wheat, natural gas and fuel that did not qualify as hedge accounting. These open positions represented an income of Ps.354, which was recognized in the income statement as Other income (expenses), net. These positions were contracted, mainly during 2021 and with an expiration date in 2022.

For the year ended December 31, 2021, the Company transferred the amount of Ps.877,252 from cash flow hedges reserve and recognized it as part of inventory. This amount refers to the loss from the terminated operations for corn and wheat hedges, in which the grain, subject to these hedges, was received.

For operations concluded during 2021, for corn and wheat derivatives that qualified as hedge accounting and for which no grain was physically received, a gain of Ps.558,645 was recognized in comprehensive income. It is expected that in the following 12-month period, corn and wheat derivatives that qualified as hedge accounting will affect the Company's results of the year. The completed operations of fuel derivative instruments that qualified as cash flow hedges generated a loss of Ps.4,951, which was applied within equity in the comprehensive income line item. Operations terminated as of December 31, 2021 on corn, natural gas and fuel derivatives that did not qualify as hedge accounting represented a gain of Ps.432,494 which was recognized in the income statement as Other income (expenses), net (Note 22).

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Exchange rate derivative financial instruments were recorded at fair value. The result of the valuation at December 31, 2021 of for the positions of exchange rate derivative financial instruments that qualified as cash flow hedge represented a gain of Ps.12,460, which was recognized in comprehensive income within equity, these positions were contracted, mainly, during 2021 and with an expiration date in 2022. At December 31, 2021, open positions of the instruments that did not qualify as hedge accounting resulted in a gain of approximately Ps.92,717 recognized in income statement. Exchange rate derivatives terminated in 2021 that qualified as cash flow hedge represented a profit of Ps.6,163, which was recognized in comprehensive income within equity. Likewise, the terminated operations of these instruments that did not qualify as hedge accounting represented a loss of Ps.126,472, which was recognized in income statement. During the year ended on December 31, 2021, net losses of Ps.396,325 were transferred from reserve for cash flow hedges and recorded as part of inventory.

As of December 31, 2021, the open positions of interest rate swap instruments were recognized at fair value. The result of the valuation as of December 31, 2021 of the financial instruments that qualified as cash flow hedging was a loss of Ps.40,245, which was recognized as comprehensive income within equity. As of December 31, 2021, expired contracts represented a loss of Ps.110,544 which was applied to the results of the year in the financing cost section.

At December 31, 2021, the Company had revolving funds denominated “margin calls” amounting Ps.19,666, which are required to be applied against payments, due to price changes in the underlying asset.

At December 31, 2020 derivative financial instruments comprised the following:

Type of contract	Notional amount	Fair value	
		Asset	Liability
Corn futures	155,000 Bushels	Ps. -	Ps. 2,636
Wheat futures	6,025,000 Bushels	184,524	-
Corn swaps	9,355,000 Bushels	298,065	-
Corn swaps	(32,215,000) Bushels	-	544,410
Natural gas futures and swaps.....	4,800,000 Mmbtu	24,875	-
Diesel swaps	2,875,600 Gallons	3,699	-
Diesel swaps.....	306,834 Gallons	-	1,169
Exchange rate forwards.....	1,786 thousands USD	9,196	-
Exchange rate forwards and options.....	314,500 thousands USD	-	383,825
Interest rate swaps.....	3,000,000 MXN	-	296,785

At December 31, 2020, open positions of corn, gas natural and fuel derivatives were recorded at fair value. The result of the valuation at December 31, 2020 of financial instruments that qualified as cash flow hedge represented a gain of Ps.505,118, which was recognized in comprehensive income within equity. At December 31, 2020, the Company had open positions of financial instruments for corn, natural gas and fuel that did not qualify as hedge accounting. These open positions represented an income of Ps.8,960, which was recognized in the income statement as Other income (expenses), net.

For the year ended December 31, 2020, the Company transferred the amount of Ps.404,038 from cash flow hedges reserve and recognized it as part of inventory. This amount refers to the loss from the terminated operations for corn and wheat hedges, in which the grain, subject to these hedges, was received.

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As of December 31, 2020, the Company has commitments for corn purchases as well as financial instruments that qualified as fair value hedges. This hedging instrument represents a loss of Ps.544,410. Changes in the fair value of derivative financial instruments that were designated and classified as fair value hedges are recorded in costs of sales in the income statement, together with changes in the fair value of the hedged item.

For operations concluded during the year for corn and wheat derivatives that qualified as hedge accounting and for which no grain was physically received, a gain of Ps.62,204 was recognized in comprehensive income. It is expected that in the following 12-month period, corn derivatives that qualified as hedge accounting will affect the Company's results of the year. Operations terminated as of December 31, 2020 on corn, natural gas and fuel derivatives that did not qualify as hedge accounting represented a loss of Ps.36,458 which was recognized in the income statement as Other income (expenses), net (Note 22).

Exchange rate derivative financial instruments were recorded at fair value. The result of the valuation at December 31, 2020 of for the positions of exchange rate derivative financial instruments that qualified as cash flow hedge represented a loss of Ps.273,635, which was recognized in comprehensive income within equity. At December 31, 2020, open positions of the instruments that did not qualify as hedge accounting resulted in a loss of approximately Ps.83,289 recognized in income. Exchange rate derivatives terminated in 2020 that qualified as cash flow hedge represented a loss of Ps.113,111, which was recognized in comprehensive income within equity. Likewise, the terminated operations of these instruments that did not qualify as hedge accounting represented a loss of Ps.111,187, which was recognized in income. During the year ended on December 31, 2020, net income of Ps.227,924 were transferred from reserve for cash flow hedges and recorded as part of inventory.

As of December 31, 2020, the open positions of interest rate swap instruments were recognized at fair value. The result of the valuation as of December 31, 2020 of the financial instruments that qualified as cash flow hedging was a loss of Ps.296,785, which was recognized as comprehensive income within equity. As of December 31, 2020, expired contracts represented a loss of Ps.66,751, which was applied to the results of the year in the financing cost section.

At December 31, 2020, the Company had revolving funds denominated "margin calls" amounting Ps.334,294, which are required to be applied against payments, due to price changes in the underlying asset.

D) FAIR VALUE HIERARCHY

A three-level hierarchy is used to measure and disclose fair values. An instrument's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation.

The following is a description of the three hierarchy levels:

- Level 1— Quoted prices for identical instruments in active markets.
- Level 2— Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3— Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

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This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

a. Determination of fair value

When available, the Company generally uses quoted market prices to determine fair value and classifies such items in Level 1. If quoted market prices are not available, fair value is valued using industry standard valuation models. When applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs, including interest rates, currency rates, volatilities, etc. Items valued using such inputs are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some inputs that are readily observable. In addition, the Company considers assumptions for its own credit risk and the respective counterparty risk.

b. Measurement

Assets and liabilities measured at fair value are summarized below:

At December 31, 2021					
		Level 1			Total
<i>Assets:</i>					
Plan assets – seniority premium fund....	Ps.	58,959	Ps.	-	Ps. 58,959
Derivative financial instruments– exchange rate.....		-		12,923	12,923
Derivative financial instruments–corn ..		51,559		677,570	729,129
Derivative financial instruments–wheat		212,779		2,790	215,569
Derivative financial instruments– soybean oil		5,096		-	5,096
Derivative financial instruments–fuel....		5,147		-	5,147
	Ps.	333,540	Ps.	693,283	Ps. 1,026,823
<i>Liabilities:</i>					
Derivative financial instruments – exchange rate.....	Ps.	-	Ps.	8,741	Ps. 8,741
Derivative financial instruments – soybean oil.....		2,105		-	2,105
Derivative financial instruments – fuel...		21,072		30,916	51,988
Derivative financial instruments – interest rate		-		40,245	40,245
	Ps.	23,177	Ps.	79,902	Ps. 103,079
At December 31, 2020					
		Level 1			Total
<i>Assets:</i>					
Plan assets – seniority premium fund....	Ps.	58,842	Ps.	-	Ps. 58,842
Derivative financial instruments– exchange rate.....		-		9,196	9,196
Derivative financial instruments–corn(1)		26,168		816,307	842,475
Derivative financial instruments–wheat		184,524		-	184,524
Derivative financial instruments–fuel....		12,454		16,120	28,574
	Ps.	281,988	Ps.	841,623	Ps. 1,123,611

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Liabilities:

Derivative financial instruments – exchange rate.....	Ps.	-	Ps.	383,825	Ps.	383,825
Derivative financial instruments – corn..		2,636		544,410		547,046
Derivative financial instruments – fuel...		1,169		-		1,169
Derivative financial instruments – interest rate		-		296,785		296,785
	<u>Ps.</u>	<u>3,805</u>	<u>Ps.</u>	<u>1,225,020</u>	<u>Ps.</u>	<u>1,228,825</u>

(1) Includes assets for Ps.544,410 related to the valuation of firm commitments for corn purchases

Level 1 - Quoted prices for identical instruments in active markets

Financial instruments that are negotiated in active markets are classified as Level 1. The inputs used in the Company’s financial statements to measure the fair value include quoted market prices of corn and wheat listed on the Chicago Board of Trade.

Level 2 - Quoted prices for similar instruments in active markets

Financial instruments that are classified as Level 2 refer mainly to quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, as well as model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Derivative financial instruments - exchange rate

Exchange rate derivative financial instruments were recorded at fair value, which was determined using future cash flow discounted to present value. Significant data used to determine the fair value of these instruments is as follows:

		<u>2021</u>		<u>2020</u>
Forward exchange rate	Ps.	20.58	Ps.	19.95
Discount rate.....		5.82%		6.06%

Derivative financial instruments - fuel

Fuel derivative financial instruments were recorded at fair value, which was determined using future cash flow discounted to present value, using quoted market prices of fuel listed in the NYMEX Exchange.

Derivative financial instruments - corn

Corn derivative financial instruments that qualify as Level 2 were recorded at fair value. Valuation techniques used to value these financial instruments include market quotations or quotations for similar instruments and other, such as the cash flow discount analysis, which is used to determine the fair value of corn swaps.

During the period, there were no transfers between Levels 1 and 2.

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21. EXPENSES BY NATURE

Expenses by nature are presented in the income statement within the captions of cost of sales and selling and administrative expenses and are analyzed as follows:

	<u>2021</u>	<u>2020</u>
Cost of raw materials consumed and changes in inventory (Note 8).....	Ps. 36,341,586	Ps. 32,337,028
Employee benefit expenses (Note 23).....	25,235,733	25,665,032
Depreciation.....	3,619,378	3,650,442
Amortization (Note 12).....	33,897	43,312
Lease expenses (Note 11).....	499,485	434,649
Research and development expenses (Note 12).....	154,936	143,045
Allowance for doubtful accounts (Note 7).....	44,383	154,368

22. OTHER INCOME (EXPENSES), NET

Other income (expenses), net comprised the following:

	<u>2021</u>	<u>2020</u>
Current employees' statutory profit sharing.....	Ps. (94,037)	Ps. (90,395)
Net gain income from sale of fixed assets.....	172,655	13,172
Impairment loss on long-lived assets (1).....	(50,541)	(351,994)
Income from recovery of insurance claims for damaged assets, net (2).....	202,765	361,945
Result from derivative financial instruments.....	414,174	(18,634)
Tax inflation adjustment in relation to the return of income tax from previous years.....	44,463	-
Others	8,281	-
Total.....	<u>Ps. 697,760</u>	<u>Ps. (85,906)</u>

(1) In 2020 includes a loss due to impairment of goodwill related to the Cash Generating Unit (CGU) in the United Kingdom for Ps.342,446 (See Note 12).

(2) In 2021 and 2020, amounts of Ps.202,799 and Ps.363,854, respectively, are included, corresponding to the income recognized in those years to the income recognized in said years for the claim that occurred during 2019 at the plant located in the Netherlands.

23. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses are comprised of the following:

	<u>2021</u>	<u>2020</u>
Salaries, wages and benefits (including termination benefits).....	Ps. 23,633,342	Ps. 24,024,813
Social security contributions.....	1,265,305	1,270,765
Employment benefits (Note 18).....	337,086	369,454
Total.....	<u>Ps. 25,235,733</u>	<u>Ps. 25,665,032</u>

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24. COMPREHENSIVE FINANCING COST

Comprehensive financing cost, net is comprised by:

	<u>2021</u>	<u>2020</u>
Bank financial expenses and others (Note 14).....	Ps. (1,315,185)	Ps. (1,324,949)
Financial lease expenses (Note 11)	(331,425)	(353,646)
Financial products	42,626	61,146
Result from derivative financial instruments (Note 20).....	(15,082)	(203,340)
Result from foreign exchange differences, net.....	(45,362)	(1,050,368)
Comprehensive financing cost, net.....	<u>Ps. (1,664,428)</u>	<u>Ps. (2,871,157)</u>

25. INCOME TAX EXPENSE

A) INCOME BEFORE INCOME TAX

The domestic and foreign components of income before income tax are the following:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Domestic.....	Ps. 1,120,579	Ps. 229,231
Foreign.....	8,498,128	8,248,017
	<u>Ps. 9,618,707</u>	<u>Ps. 8,477,248</u>

B) COMPONENTS OF INCOME TAX EXPENSE

The components of income tax expense are the following:

	<u>2021</u>	<u>2020</u>
Current tax:		
Current tax on profits for the year.....	Ps. (2,904,292)	Ps. (3,265,521)
Recover of tax due from prior years.....	67,589	-
Total current tax.....	<u>(2,836,703)</u>	<u>(3,265,521)</u>
Deferred tax:		
Origin and reversal of temporary differences.....	(625,295)	168,699
Total deferred tax.....	<u>(625,295)</u>	<u>168,699</u>
Total income tax expense.....	<u>Ps. (3,461,998)</u>	<u>Ps. (3,096,822)</u>

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Domestic federal, foreign federal and state income taxes in the consolidated statements of income consisted of the following components:

	For the year ended December 31,	
	2021	2020
Current:		
Domestic federal.....	Ps. (723,207)	Ps. (826,416)
Foreign federal.....	(1,760,816)	(2,086,425)
Foreign state.....	(352,680)	(352,680)
	<u>(2,836,703)</u>	<u>(3,265,521)</u>
Deferred:		
Domestic federal.....	(417,275)	(149,854)
Foreign federal.....	(205,170)	321,404
Foreign state.....	(2,850)	(2,851)
	<u>(625,295)</u>	<u>168,699</u>
Total income taxes.....	<u>Ps. (3,461,998)</u>	<u>Ps. (3,096,822)</u>

C) RECONCILIATION OF FINANCIAL AND TAXABLE INCOME

For the years ended December 31, 2021 and 2020, the reconciliation between statutory income tax amounts and the effective income tax amounts is summarized as follows:

	2021	2020
Statutory federal income tax (30% for 2021 and 2020).....	Ps. (2,885,612)	Ps. (2,543,174)
Inflation effects on tax values.....	(432,960)	(209,979)
Foreign income tax rate differences	(141,962)	(182,925)
Foreign recovery of income taxes for dividends.....	171,661	(124,909)
Recovery of taxes caused by previous years	67,589	-
Unrecognized tax loss carryforwards of the year.....	(258,141)	(32,501)
Nondeductible expenses and others.....	17,427	(3,334)
Effective income tax (35.99% and 36.53% for 2021 and 2020, respectively).....	<u>Ps. (3,461,998)</u>	<u>Ps. (3,096,822)</u>

26. COMMITMENTS

At December 31, 2021 and 2020, the Company has commitments to purchase grain and other raw materials in the United States for approximately Ps.6,463,219 and Ps.4,468,509, respectively (U.S.\$314,000 thousands and U.S.\$224,000 thousands, respectively), which will be delivered during 2022 and in Mexico for approximately Ps.6,944,749 and Ps.3,251,638, respectively (U.S.\$337,394 thousands and U.S.\$163,000 thousands, respectively), which will be delivered during 2021. The Company has concluded that there is no embedded derivative as a result of these contracts.

At December 31, 2021 and 2020, the Company has commitments to purchase machinery and equipment in the United States for approximately Ps.1,440,845 and Ps.678,256, respectively (U.S.\$70,000 thousands and U.S.\$34,000 thousands, respectively).

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27. INVESTMENT IN VENEZUELA

Expropriation Proceedings and other measures by the Bolivarian Republic of Venezuela Government.- On May 12, 2010, the Bolivarian Republic of Venezuela (the “Republic”) published the Decree number 7.394 in the Official Gazette of Venezuela (the “Expropriation Decree”), ordering the forced acquisition of all assets, property and real estate of the Company’s indirect subsidiary in Venezuela, Molinos Nacionales, C.A. (“MONACA”), through an expropriation proceeding to be initiated and processed with the participation of several agencies of the Republic. The Republic stated that the Expropriation Decree also extends to the Company’s indirect subsidiary, Derivados de Maíz Seleccionado, DEMASECA, C.A. (“DEMASECA”). The Republic took initial steps to carry out an administrative expropriation procedure in accordance with the Expropriation Decree, but then suspended said procedure indefinitely, which is still suspended to this date, therefore the expropriation has not been carried out.

GRUMA’s interests in MONACA and DEMASECA are held through two Spanish companies, Valores Mundiales, S.L. (“Valores Mundiales”), and Consorcio Andino, S.L. (“Consorcio Andino”). In 2010, Valores Mundiales and Consorcio Andino (jointly, the “Investors” or the “Claimants”) commenced conversations with the Republic regarding the Expropriation Decree and other measures related to the same, affecting MONACA and DEMASECA. Through the Investors, GRUMA participated in these conversations, in order to resolve the controversy caused by the Expropriation Decree and other measures imposed by the Republic. These conversations ceased without resulting in an agreement with the Republic.

Venezuela and the Kingdom of Spain are parties to a Treaty on Reciprocal Promotion and Protection of Investments, dated November 2, 1995 (the “Investment Treaty”), under which the Investors may settle investment disputes by means of arbitration before the International Centre for Settlement of Investment Disputes (“ICSID”). On November 9, 2011, the Investors, MONACA and DEMASECA formally notified the Republic about the dispute and their agreement to submit said dispute to ICSID arbitration if the parties were unable to reach an amicable agreement.

On January 22, 2013, as part of a criminal proceeding unrelated to MONACA and DEMASECA against a third party where precautionary measures were issued for the insurance of the assets of said third party which, in an extra-limited way, included MONACA and DEMASECA, the Republic published the Administrative Providence number 004-13 dated January 21 of the same year (the “Providence”) appointing special administrators for MONACA and DEMASECA granting them the broadest powers to execute actions for the continuity and non-interruption of the operation of companies and the broadest powers of administration to guarantee the safekeeping, custody, use and conservation of company assets. See section B) of this Note 27.

Consequently, in accordance with the provisions set forth in IFRS, the Company determined that as of January 22, 2013, it had lost the power to affect the variable returns of its subsidiaries in Venezuela and concluded that the appointment of special administrators with broad powers under the Providence had the effect of taking away its control over MONACA and DEMASECA and as a result, the Company proceeded to deconsolidate both subsidiaries and recognize its investment in Venezuela as a financial asset. Following the provisions set forth in IFRS, GRUMA performed impairment tests on the financial asset related to MONACA and DEMASECA and as of December 31, 2015, recognized an impairment of Ps.4,362,108 corresponding to the total value of said asset.

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On May 10, 2013, Valores Mundiales and Consorcio Andino submitted a Request for Arbitration to ICSID, which was registered on June 11, 2013 under case No. ARB/13/11. The purpose of the arbitration was to seek compensation for the damages caused by Venezuela's violation of the Investment Treaty. The tribunal that presided over this arbitration proceeding was constituted in January 2014.

On July 25, 2017, the tribunal decided the arbitration in favor of Valores Mundiales and Consorcio Andino, by dismissing the jurisdictional objections raised by the Republic and concluding that the Republic had violated provisions of the Investment Treaty. According to the Award issued by the arbitration tribunal, the Republic must pay US\$430.4 million to Valores Mundiales and Consorcio Andino as damages resulting from its violation of certain provisions of the Investment Treaty, plus compound interest at Libor +2% since January 22, 2013 and until the Award's effective payment date. As of December 31, 2021, the award plus interest amounts to approximately US\$565 million. The arbitration tribunal also ordered the Republic to pay US\$5.9 million for legal expenses incurred by the Claimants during the arbitration. Both, the amount of the award plus interest and the legal expenses incurred by the Claimants, were not recorded since they are considered a contingent asset under IAS 37.

In the Award, the arbitration tribunal granted most of the Claimants' claims and concluded that the Republic had violated the Investment Treaty by (i) not granting a fair and equitable treatment to the Claimants' investments; (ii) adopting arbitrary measures that hindered the management and evolution of the Claimants' investments; and (iii) preventing the free transfer of funds related to the Claimants' investments. The arbitration tribunal dismissed the indirect expropriation claim submitted by the Claimants, since the tribunal considered, amongst other reasons, that the administrative expropriation procedure ordered by the Expropriation Decree had not been concluded and the special administrators appointed by the Republic did not exercised control over the companies in a substantial way. The Claimants retain their right to commence a new claim against the Republic if the latter continues with the enforcement of the Expropriation Decree and materializes the transfer of the right of ownership of the assets subject to the Expropriation Decree.

On November 22, 2017, the Republic filed before the ICSID a request for annulment of the Award issued by the arbitration tribunal and the stay of enforcement of the same while said action is pending resolution. On December 7, 2017, ICSID registered the Republic's annulment request and provisionally stayed the enforcement of the Award. The Committee that will decide on the Award's annulment proceedings was finally constituted on May 23, 2018 ("Annulment Committee").

On June 4, 2018, the Republic formally requested that the Annulment Committee kept suspended the enforcement of the Award during the course of the annulment proceeding. After considering the arguments presented by the parties, on September 6, 2018, the Annulment Committee ordered the lifting of the provisional suspension of the enforcement of the Award, which allowed the Investors to begin legal actions to recognize and enforce the Award in different jurisdictions.

On December 21, 2021, the Annulment Committee notified the parties of its decision in the annulment proceeding of the Award initiated by the Republic, which was favorable to the Investors resolving (i) to reject in full the request for annulment of the Award raised by the Republic, (ii) to condemn the Republic to pay the Investors US\$2,348,034 for costs, and (iii) order the Republic to pay ICSID US\$660,032 for costs of the annulment proceedings. Against this resolution of the Annulment Committee, the Republic has no appeal, so the Award has become final.

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On January 8, 2019, the Investors filed a complaint with the Federal District Court in Washington, D.C. requesting recognition of the Award. The complaint for recognition of the Award was notified to the Republic by consular means on July 26, 2019, granting a period to answer until September 24, 2019 without Venezuela responding. Consequently, on October 21, 2019, the Investors requested the Judge to issue a judgment recognizing the Award considering the Republic's default. On March 3, 2020, representatives of the Republic appeared in the proceedings, answered the lawsuit and presented their objections to the passing of a default judgment. On March 16, 2020, the Investors asked the Tribunal to issue a summary judgment against Venezuela, to which Venezuela later objected and argued in favor of a judgment against the recognition of the Award. On November 17, 2020, the Judge ordered the suspension of the award recognition proceeding until the award annulment proceeding is resolved. Since the procedure for annulment of the Award has already been resolved, the Judge resumed the procedure for the recognition of the Award on January 24, 2021, thus the Investors' request remains pending to be resolved, to date.

Nevertheless, even though future discussions with the Republic could take place from time to time, the Company cannot assure that such discussions will be successful or will result in the Investors receiving adequate compensation, if any, for the violation to the Investment Treaty in the terms dictated in the Award or for the eventual enforcement of the Expropriation Decree by the Republic. Additionally, the Company cannot predict the results of the proceedings for the recognition and enforcement of the Award that the Investors commenced or may commence or the ramifications that costly and prolonged legal disputes could have on its results of operations or financial position, or the likelihood of collecting the Award.

On the other hand, the special administrators appointed through the Providence have been resigning their chargers, the last of them resigning at the end of 2018, without the Republic having appointed new special administrators, and since that moment there has been no direct or indirect participation by representatives of the Republic in the decision-making and management of the administration and operation of MONACA and DEMASECA. These administration activities are only carried out by MONACA and DEMASECA's management team, which is directed by its local Executive Committee in Venezuela. Although it could be concluded that some of the factual assumptions that were taken in account for the determination under IFRS regarding the loss of control no longer exist or have been mitigated, this does not change the previous conclusions following the IFRS guidelines. Likewise, the macroeconomic indicators used to determine the devaluation of the investment in Venezuela have continued deteriorating due to the economic and social situation in that country that has been negatively impacted by hyperinflation and significant currency devaluation.

Given that the enforcement of the Award may present material challenges, the impact of the Award in the Company cannot be reasonably assessed at this time. The Investors, jointly with its legal counsel, will adopt appropriate measures to preserve and defend their legal interests.

Intervention Proceedings by the Republic.- Due to a criminal proceeding, not related with MONACA and DEMASECA, initiated in Venezuela by the Republic against Mr. Ricardo Fernández Barrueco, on December 4, 2009, the Eleventh Investigations Court for Criminal Affairs of Caracas issued an order authorizing the precautionary seizure of Mr. Fernández Barrueco's assets, including assets in which he had any kind of interest. Based on the purported indirect minority interest that ROTCH ENERGY HOLDINGS, N.V., (company supposedly linked to Mr. Fernández Barrueco), previously had in MONACA and DEMASECA. MONACA and DEMASECA were included by the Republic amongst the assets of Mr. Fernández Barrueco to be seized and therefore were subject to the aforementioned precautionary measure. Between 2009 and 2012, the Ministry of Finance of Venezuela,

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pursuant to the precautionary measures ordered by the court and, for the purposes of enforcing them, appointed several special administrators regarding the assets of Mr. Fernandez Barrueco, including the indirect minority interest that Mr. Fernández Barrueco allegedly owned in MONACA and DEMASECA. On January 21, 2013, the Ministry of Justice and Internal Relations revoked the prior appointments made by the Ministry of Finance of Venezuela and made a new designation of special administrators in particular for MONACA and DEMASECA through the publication of the Providence, granting them the “broadest powers to execute actions for the continuity and non-interruption of the operation of companies and the broadest powers of administration to guarantee the safekeeping, custody, use and conservation of the companies’ assets.

As a result of the foregoing, MONACA and DEMASECA, as well as Consorcio Andino and Valores Mundiales, as direct shareholders of said companies, filed a petition as aggrieved third-parties to the criminal proceeding the Republic carried against Mr. Fernández Barrueco and that was not related to MONACA and DEMASECA, in order to revert the precautionary measures and all related actions, given that MONACA and DEMASECA were not and are not property of Mr. Fernández Barrueco and therefore should not have been affected by the precautionary measures established in the criminal proceeding against said person. On November 19, 2010, the Eleventh Investigations Court for Criminal Affairs of Caracas ruled that MONACA and DEMASECA are companies wholly owned and controlled by Valores Mundiales and Consorcio Andino, respectively. However, the court kept the precautionary measures issued on December 4, 2009 in effect, without substantiating their decision. An appeal has been filed, which has not been admitted and is pending resolution as of this date despite the multiple requests for pronouncement.

On July 30, 2014, the Twenty-Eighth Court in Trial Functions ordered the dismissal of the criminal case initiated by the Republic against Mr. Fernández Barrueco and ordered the lifting of all securing measures regarding his assets. This decision became final on July 18, 2017 by decision of the Chamber 1 of the Court of Appeals and its clarification of August 4, 2017, which ratifies the lifting of the measures for securing his assets. This decree of dismissal and the lifting of the securing measures regarding the assets of Mr. Fernández Barrueco, by firm decision, led to the decaying of the securing measures that were established against MONACA and DEMASECA, including the Providence, without as of this date existing any legal basis for such measures to remain in force. Therefore, in addition and regardless of the incident that had been promoted in the aforementioned criminal proceeding as injured third parties, on August 13, 2018, MONACA and DEMASECA requested that the Twenty-Eighth Trial Judge terminate and lift all precautionary measures decreed in the aforementioned criminal proceeding that affect these companies, including the Providence in which special administrators were appointed. MONACA and DEMASECA, have orally ratified this request on several occasions before the Judge and in written on October 29, 2018, October 3, 2019, August 19, 2021, and February 15, 2022, however, the Court has not issued a ruling.

The Company and its subsidiaries intend to exhaust all legal remedies available in order to safeguard and protect their legitimate interests.

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28. CONTINGENCIES

Additionally to the situation mentioned in Note 27, the Company and its subsidiaries are subject to litigation arising during the normal course of business. It is the Company's policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable (see Note 16). In the opinion of management, the resolution of these matters will not have a material adverse effect on the Company's consolidated financial statements.

29. RELATED PARTIES

A) TRANSACTIONS WITH RELATED PARTIES

For the year ended December 31, 2021 and 2020, the Company did not perform transactions with related parties.

B) KEY MANAGEMENT PERSONNEL COMPENSATION

Key management includes Board members, alternate Board members, officers and members of the Audit Committee and Corporate Practice Committee. The compensation paid to key management for employee services is shown below:

	2021	2020
Salaries and other short-term employee benefits.....	Ps. 329,913	Ps. 196,520
Termination benefits.....	-	37,422
Total.....	<u>Ps. 329,913</u>	<u>Ps. 233,942</u>

C) BALANCES WITH RELATED PARTIES

At December 31, 2021 and 2020, the Company had no balances with related parties.

30. COVID-19 IMPACTS

On March 11, 2020, the World Health Organization declared the new coronavirus disease (COVID-19) as a global pandemic. Governments have implemented various social and public health measures to reduce the transmission of the virus. These include measures of physical and social distancing, as well as movement restrictions. The Company has evaluated the impact that the COVID-19 pandemic has had on its estimates, assumptions and forecasts, and has included the additional disclosures deemed necessary in the consolidated financial statements. Given the changing nature and uncertainty of COVID-19, the Company will continue to assess the impact that could result on its financial situation and results of its operations.

Impairment of non-current assets

The Company carried out impairment tests using projected cash flows, which consider the predictable impacts of the measures related to COVID-19 and the economic perspective. As a result of these projections, during 2020, the Company recognized an impairment charge related to goodwill (see Note 12, Intangible Assets). As a result of the projections made in 2021, the Company did not identify any impairment charges to record.

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Evaluation of the expected credit loss

The balance receivable from customers have been carefully reviewed and changes in credit quality, including those related to COVID-19, have been integrated into the assessment of credit risk and expected credit losses. Prospective information on the expected economic effects of the pandemic has been considered. As of December 31, 2021 and 2020, the Company has not identified any significant risk among its customers and, therefore, did not recognize additional significant impairment due to expected credit losses on its accounts receivable.

Impact on the Operating Income

The Company incurred incremental costs directly related to COVID-19 during 2021 and 2020 to keep employees safe and ensure business continuity.

The main incremental costs related to COVID-19 that affected the operating results are estimated as follows:

	2021		2020
Bonuses for the front-line employees, costs related to safety (face masks, gloves, sanitizers, thermometers) and medical expenses.....	Ps. 330,835	Ps.	581,398
Donations.....	-		55,513
Other costs.....	103,892		135,991
Total.....	Ps. 434,727	Ps.	772,702

To mitigate these adverse factors, the Company increased its efforts in cost efficiency and discipline.

31. SUBSEQUENT EVENTS

Change of Presentation Currency of Consolidated Financial Statements in 2022

The Company has revised the presentation currency for the consolidated financial statements in accordance with the regulatory provisions contained in IAS 21, “The Effects of Changes in Foreign Exchange Rates”. With the approval of its Board of Directors on February 23, 2022, and prior favorable opinion of the Audit Committee on February 21, 2022, the Company decided to change its presentation currency from the Mexican peso to the US dollar for its consolidated financial statements as of January 1, 2022.

This decision considered that: a) the accounting rules allow choosing the presentation currency, based on the measure used by management to control and monitor the financial position and performance of the Company, b) the Company operates internationally, with the US dollar being the principal currency in the markets in which it participates; in 2021 the Company generated around 56% of its revenues in US dollars, and c) greater ease of analysis is expected for the different users of the consolidated financial information, including comparability with the financial reports of other global entities.

The Company will apply the change in presentation currency retrospectively as a change in accounting policy and will restate the consolidated financial statements as if the presentation currency had always been the US dollar, in accordance with IAS 21 and IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”.

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Situation in Ukraine and Russia

On February 24, 2022, Russian military forces invaded Ukraine. This has resulted in the imposition of sanctions on Russia by the United States of America, the United Kingdom, the European Union and other countries, as well as counter sanctions imposed by Russia to such countries, all of which could continue to increase. It is likely that these sanctions and counter sanctions will increase, as well as other measures will be established in the short term. These sanctions are expected to have a significant global impact on economic growth, financial markets, interest rates, supply chains and prices of food and other inputs, as well as effects on Russia's local economy, such as strong pressure on its currency (ruble) and increase in inflation.

Production operations at the Ukraine plant have been temporarily suspended and the Company has focused on supporting and ensuring the safety of its employees. Additionally, the Company's contingency strategy has been initiated proactively to guarantee business continuity; this includes the fulfillment of commitments with clients located in other countries through other subsidiaries of the Company in Europe, as well as the placement of finished product inventory in the local Ukrainian market, mainly in the self-service channel.

The production plants in Russia continue to operate. The supply of inputs is obtained from the local market and the inventory of spare parts for the production equipment covers the following six months of operation.

In the consolidated financial statements as of December 31, 2021, the Ukrainian and Russian subsidiaries contribute assets that represent 0.7% and 1.77% of total assets, respectively, and their sales represent 0.4% and 1% of consolidated sales, respectively. Therefore, the impact on the Company's sales and earnings from this event is expected to have a low impact. However, higher prices for inputs such as wheat flour, impacts in supply chains and/or an escalation of the conflict that spreads beyond Russia and Ukraine, could lead to a higher risk of negative impact on the business or the operating results of the Company.

Any loss due to impairment in property, plant and equipment, as well as adjustment in the net realizable value of inventory and material change in the classification of financial assets, will be recognized, if applicable, in the first quarter of 2022, since the invasion does not represent evidence of pre-existing conditions as of December 31, 2021.

32. FINANCIAL STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company's financial position or results of operations.

[ENGLISH TRANSLATION FOR INFORMATION PURPOSES ONLY]

Audit Committee

C.P. Thomas S. Heather Rodriguez
Chairman of the Audit Committee
Gruma, S.A.B. de C.V.
Calzada del Valle, No 407
Col. Del Valle
66220 Garza Garcia, N.L.

Monterrey, N.L., April 6, 2022

Dear Mr. Heather,

In compliance with the General Provisions Applicable to Entities and Issuers Supervised by the National Banking and Securities Commission (Commission) that hire External Auditing for Basic Financial Statements Services (Provisions) issued on April 26, 2018, as amended, I hereby declare in accordance with article 37 of said Provisions, the following, in connection with the consolidated financial statements of Gruma, S.A.B. de C.V. (Issuer) for the year ended on December 31, 2021:

- I. I am a certified public accountant with the valid registration number 17646 in the General Administration Federal Tax Audit (*Administración General de Auditoría Fiscal Federal*) (AGAFF), of the Tax Administration Service, issued on September 8, 2010. Additionally, the Firm I work in has the valid registration number 06839 in the AGAFF. Additionally, I comply with the other requirements indicated in articles 4 and 5 of the Provisions. To this date, both registrations are currently in force.
- II. From the date on which I provide my External Audit services, during the development of the same and until the issuance of the corresponding External Audit report, as well as the required communications and opinions in accordance with those indicated in Article 15 of the Provisions, as applicable, I comply with the requirements referred to in articles 4 and 5 of the Provisions. I also state that the Firm complies with the provisions of articles 6, 9 and 10, in relation to article 14 of the Provisions.
- III. That the Firm has documentary evidence of the implemented quality control system referred to in Article 9 of the Provisions and participates in a quality evaluation program that conforms to the requirements contemplated in Article 12 of the Provisions.
- IV. I grant my express consent to provide the Commission with the information it requires in order to verify compliance with the requirements described above.
- V. The Firm I work in, is obligated to keep physically or through digital images, or optical or electromagnetic means and for a period of not less than 5 years from the conclusion of the audit, all the documentation, information and other elements of judgment that cover the compliance of the previous requirements.
- VI. I have audited the basic financial statements of the Entity for 1 year; also, the Firm in which I work has provided the external audit service for approximately 31 years.

/S/

C.P.A. Felipe Córdova Otero
Audit Partner

[ENGLISH TRANSLATION FOR INFORMATION PURPOSES ONLY]

Audit Committee

C.P. Thomas S. Heather Rodriguez
Chairman of the Audit Committee
Gruma, S.A.B. de C.V.
Rio de la Plata Ote. No. 407
Col. Del Valle
66220 Garza Garcia

Monterrey, N.L., April 27, 2022

Dear Mr. Heather,

In relation to the consolidated financial statements of Gruma, S.A.B. de C.V. (Issuer) for the year ended on December 31, 2020 and 2019 and in compliance with the General Provisions Applicable to Entities and Issuers Supervised by the National Banking and Securities Commission that Hire External Auditing for Basic Financial Statements Services (Provisions), issued on April 26, 2018, as amended, I hereby grant my consent for the Issuer to include in the annual information referred to in articles 33, section I, subparagraph b), number 1. of the General Provisions Applicable to Securities' Issuers and other Securities Market's Participants, the audit report on the financial statements issued by me.

The above, in the understanding that I previously ensured that the information contained in the basic financial statements included in the corresponding annual report, as well as any other financial information contained in said document which derive from the referred financial statements or the audit report presented by me, corresponds to the audited information, in order for said information to become of public knowledge.

/S/

C.P.A. Víctor Gabriel Vecchi
Audit Partner

[ENGLISH TRANSLATION FOR INFORMATION PURPOSES ONLY]

Audit Committee

C.P. Thomas S. Heather Rodriguez
Chairman of the Audit Committee
Gruma, S.A.B. de C.V.
Rio de la Plata Ote. No. 407
Col. Del Valle
66220 Garza Garcia

Monterrey, N.L., April 27, 2022

Dear Mr. Heather,

In relation to the consolidated financial statements of Gruma, S.A.B. de C.V. (Issuer) for the year ended on December 31, 2021, and in compliance with the General Provisions Applicable to Entities and Issuers Supervised by the National Banking and Securities Commission that Hire External Auditing for Basic Financial Statements Services (Provisions), issued on April 26, 2018, as amended, I hereby grant my consent for the Issuer to include in the annual information referred to in articles 33, section I, subparagraph b), number 1. of the General Provisions Applicable to Securities' Issuers and other Securities Market's Participants, the audit report on the financial statements issued by me.

The above, in the understanding that I previously ensured that the information contained in the basic financial statements included in the corresponding annual report, as well as any other financial information contained in said document which derive from the referred financial statements or the audit report presented by me, corresponds to the audited information, in order for said information to become of public knowledge.

/S/

C.P.A. Felipe Córdova Otero
Audit Partner

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

CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Shareholders and Directors of Gruma, S. A. B. de C. V. and its subsidiaries

Opinion

We have audited the consolidated financial statements of Gruma S. A. B. de C. V. and its subsidiaries (the Company), which comprise the consolidated statement of balance sheet as at December 31, 2020, and the consolidated statements of net income and comprehensive income, of changes in equity and of cash flows for the year then ended and notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Professional Code of Ethics of Mexican Institute of Public Accountants together with other requirements applicable to our audit of the consolidated financial statements in Mexico. We have fulfilled our other ethical responsibilities in accordance with those requirements and Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key audit matter

How our audit addressed the key audit matter

1. Impairment testing of goodwill:

As mentioned in Notes 3-H and 12 of the consolidated financial statements, the Company conducts an annual estimation of the recoverable value of its cash generating units (CGU) related to goodwill, in order to determine whether it has been impaired.

We have focused on that caption principally 1) in view of the significance of the book value of goodwill (\$3,466 million at December 31, 2020), 2) due to the fact that the estimation of the recoverable value of CGUs on which goodwill has been recognized involves significant management judgments including the consideration of the possibility of changes in the economic context within which the CGUs involved in the goodwill operate.

We particularly concentrated our audit efforts on the CGUs of US, Mexico and Spain due to their relevance. We focused on significant judgment pertaining to future business results, income growth rates and the discount rates applied to future cash flow projections.

For the CGUs of US, México and Spain, we conducted sensitivity tests and discussed the results with management. We also evaluated the extent to which the assumptions would need to be modified to recognize impairment in order to define the nature and extent of the procedures applied for each CGU based on its risk level, as follow:

We gained an understanding of the processes followed by management in projecting future cash flows and assessed that management prepared projections as required by established processes in the manner in which it exercises timely supervision, and whether those projections are consistent with budgets approved by the Board of Directors.

We compared actual results for the current year to figures budgeted in the preceding year for this year, in order to assess whether any of the assumptions usually included in projections could be considered overly optimistic or unrealistic based on Company history.

We compared the models applied in determining the recovery value of assets with those recognized methods used to value similar types of assets.

With the help of our appraisal experts, we challenged and compared the significant assumptions and judgments used in management's projections pertaining to:

- Long-term income growth rates, which we compared to historic trend of grow of the GCUs and growth rates expected from industry; and
- The discount rate used when evaluating the cost of capital for the Company and similar entity, as well as specific territory factors.



2. Risk covered through financial instruments

As mentioned in Notes 4 and 20 to the consolidated financial statements, the Company entered into agreements for uncomplicated basic and standard derivative financial instruments to cover the risk arising from changes in prices and in the supply of certain materials. Those derivative financial instruments are mainly corn and wheat futures, gas, diesel, corn and interest rate swaps, foreign-currency forwards and option agreements, primarily in México and US. Derivative financial instrument assets total \$1,064 million and derivative instrument liabilities total \$1,228 million.

We have focused on that caption, mainly due to the fact that the number of derivative financial instrument transactions entered into by the Company was considerable this year and given their importance within the context of the financial statements taken as a whole, not only because of the valuation that such financial instruments may have, but also due to the effect that these could have on the net income for the year.

We particularly concentrated our audit efforts on understanding and evaluating the internal control environment established by the Company for that type of financial instrument and on key entry data used for their valuation, such as the value of the exchange rate and the value of gas and corn products (commodities) at the date of valuation.

The following procedures were applied as part of our audit:

- We gained an understanding of and evaluated the design and operating effectiveness of key controls involved in the approval of those transactions by corporate governance bodies and determination of fair value.
- We discussed with the Audit Committee its monitoring of the strategy pertaining to the use of derivative financial instruments contracted by the Company.

On a selective basis:

- We inspected evidence of authorization of the contracting of the new derivative financial instruments during the year, by the executives defined for this purpose.
- We secured confirmations, from counterparties of the existence of instruments whose positions were open at December 31, 2020.
- With the support of our appraisal experts, we used selective testing to independently determine the fair value of a sample of derivative financial instruments, using valuation models commonly accepted in the market and data from market sources, which we matched to the values determined by management.
- We inspected financial settlements of profits and losses arising from termination of derivative financial instruments.
- We matched key information related to the exchange rate and values of the products (commodities) of corn and gas used in determining fair value to information from independent sources and recognized market sources at the date of valuation.



Other Information

Management is responsible for the other information. The other information comprises the annual report presented to Comisión Nacional Bancaria y de Valores (CNBV) (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, we will issue the report required by the CNBV and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if required, describe the issue in our report.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company and subsidiaries audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This version of our report is a translation from the original report, which was prepared in Spanish. In all matters of interpretation of information, views or opinions, the original Spanish language version of our report takes precedence over this translation.

The engagement partner on the audit resulting in this independent auditor's report is stated below.

PricewaterhouseCoopers, S. C.

C.P.C. Víctor Vecchi
Audit Partner

Monterrey, N. L., April 7, 2021

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2020 AND 2019
(In thousands of Mexican pesos)
(Notes 1, 2 and 3)

A s s e t s	Note	2020	2019
Current:			
Cash and cash equivalents.....	6	Ps. 6,172,754	Ps. 3,943,501
Derivative financial instruments.....	20	1,064,769	102,325
Accounts receivable, net.....	7	9,921,714	10,609,012
Inventories.....	8	11,944,943	11,238,374
Recoverable income tax.....		431,344	314,310
Prepaid expenses.....		464,859	492,425
Total current assets.....		30,000,383	26,699,947
Non-current:			
Long-term notes and accounts receivable.....	9	269,274	277,873
Property, plant and equipment, net.....	10	31,044,031	28,665,642
Right-of-use assets.....	11	6,198,838	4,729,796
Intangible assets, net.....	12	3,952,582	4,125,216
Deferred tax assets.....	13	2,310,978	2,384,396
Total non-current assets.....		43,775,703	40,182,923
Total Assets.....		Ps. 73,776,086	Ps. 66,882,870
L i a b i l i t i e s			
Current:			
Short-term debt.....	14	Ps. 2,720,179	Ps. 587,076
Short-term lease liability.....	11	717,338	612,596
Trade accounts payable.....	15	6,220,081	5,652,236
Derivative financial instruments.....	20	1,047,715	172,153
Provisions.....	16	127,093	198,421
Income tax payable.....		413,385	479,310
Other current liabilities.....	17	5,292,633	4,597,291
Total current liabilities.....		16,538,424	12,299,083
Non-current:			
Long-term debt.....	14	20,155,237	21,038,774
Long-term lease liability.....	11	5,962,332	4,403,642
Derivative financial instruments.....	20	181,110	159,651
Provision for deferred taxes.....	13	1,259,007	1,249,687
Employee benefits obligations.....	18	1,088,390	974,052
Provisions.....	16	740,576	547,120
Other non-current liabilities.....		179,309	233,327
Total non-current liabilities.....		29,565,961	28,606,253
Total Liabilities.....		46,104,385	40,905,336
E q u i t y			
Shareholders' equity:			
Common stock.....	19	4,924,197	5,120,602
Reserves.....		2,163,650	294,604
Retained earnings.....	19	20,596,419	20,574,206
Total shareholders' equity.....		27,684,266	25,989,412
Non-controlling interest.....		(12,565)	(11,878)
Total Equity.....		27,671,701	25,977,534
Total Liabilities and Equity.....		Ps. 73,776,086	Ps. 66,882,870

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

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In thousands of Mexican pesos, except per-share data)
(Notes 1, 2 and 3)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Net sales.....	5	Ps. 91,103,131	Ps. 77,387,658
Cost of sales.....	21	<u>(56,260,258)</u>	<u>(48,672,006)</u>
Gross profit.....		34,842,873	28,715,652
Selling and administrative expenses.....	21	(23,408,562)	(19,412,701)
Other expenses, net.....	22	<u>(85,906)</u>	<u>(20,946)</u>
Operating income.....		11,348,405	9,282,005
Comprehensive financing cost, net.....	24	<u>(2,871,157)</u>	<u>(1,722,186)</u>
Income before income tax.....		8,477,248	7,559,819
Income tax expense.....	25	<u>(3,096,822)</u>	<u>(2,711,069)</u>
Consolidated net income from continuing operations.....		5,380,426	4,848,750
Loss from discontinued operations.....		<u>(11,430)</u>	<u>(11,473)</u>
Consolidated net income.....		<u>Ps. 5,368,996</u>	<u>Ps. 4,837,277</u>
Attributable to:			
Shareholders.....		Ps. 5,368,058	Ps. 4,835,675
Non-controlling interest.....		938	1,602
		<u>Ps. 5,368,996</u>	<u>Ps. 4,837,277</u>
From continued operations:			
Basic and diluted earnings per share (pesos).....		<u>Ps. 13.30</u>	<u>Ps. 11.60</u>
From discontinued operations:			
Basic and diluted losses per share (pesos).....		<u>Ps. (0.03)</u>	<u>Ps. (0.03)</u>
From continued and discontinued operations:			
Basic and diluted earnings per share (pesos).....		<u>Ps. 13.27</u>	<u>Ps. 11.57</u>
Weighted average shares outstanding (thousands).....		<u>404,552</u>	<u>417,944</u>

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

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In thousands of Mexican pesos)
(Notes 1, 2 and 3)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Consolidated net income.....		Ps. 5,368,996	Ps. 4,837,277
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of employment benefit obligations.....	18	(82,072)	(138,619)
Income taxes.....	13	16,093	26,310
		<u>(65,979)</u>	<u>(112,309)</u>
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation adjustments.....		1,942,009	(723,014)
Cash flow hedges.....		(124,927)	(485,621)
Other.....		(3,754)	(1,116)
Income taxes.....	13	(93,495)	8,887
		<u>1,719,833</u>	<u>(1,200,864)</u>
Other comprehensive income, net of tax.....		<u>1,653,854</u>	<u>(1,313,173)</u>
Total comprehensive income.....		Ps. 7,022,850	Ps. 3,524,104
Total comprehensive income for the period is attributable to:			
Shareholders.....		Ps. 7,023,582	Ps. 3,522,966
Non-controlling interest.....		(732)	1,138
		<u>Ps. 7,022,850</u>	<u>Ps. 3,524,104</u>
Total comprehensive income for the period is attributable to shareholders arises from:			
Continuing operations.....		Ps. 7,035,012	Ps. 3,534,439
Discontinued operations.....		(11,430)	(11,473)
		<u>Ps. 7,023,582</u>	<u>Ps. 3,522,966</u>

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

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In thousands of Mexican pesos)
(Notes 1, 2 and 3)

	Common stock (Note 19-A)		Reserves		Retained earnings and other reserves (Note 19-B)	Total shareholders' equity	Non-controlling interest	Total equity
	Number of shares (thousands)	Amount	Foreign currency translation (Note 19-C)	Cash flow hedges and other reserves (Note 20-C)				
Balances at January 1, 2019	423,431	Ps. 5,248,104	Ps. 1,181,722	Ps. 43,081	Ps. 19,640,139	Ps. 26,113,046	Ps. (11,591)	Ps. 26,101,455
Transactions with owners of the Company:								
Dividends paid (Ps. 4.65 per share).....	(10,287)	(127,502)	-	269,144	(1,951,439)	(1,951,439)	(1,425)	(1,952,864)
Purchase of own shares.....	(10,287)	(127,502)	-	269,144	(1,836,300)	(1,963,802)	-	(1,963,802)
Effect on minority share purchase.....					(503)	(503)		(503)
					(3,788,242)	(3,915,744)	(1,425)	(3,917,169)
Costs of cash flow hedging transferred to the carrying value of inventory purchased during the year, net of taxes					-			
					-			
					(3,788,242)	(3,646,600)	(1,425)	(3,648,025)
					4,835,675	4,835,675	1,602	4,837,277
Comprehensive income:								
Net income of the year.....								
Foreign currency translation adjustment (includes taxes of Ps.(64,304)).....			(786,877)			(786,877)	(441)	(787,318)
Remeasurement of employment benefit obligations (Net of taxes of Ps.26,310).....					(112,250)	(112,250)	(59)	(112,309)
Cash flow hedges (includes taxes of Ps.73,191).....				(412,466)		(412,466)	36	(412,430)
Other					(1,116)	(1,116)	-	(1,116)
Comprehensive income of the year.....					4,722,309	3,522,966	1,138	3,524,104
Balances at December 31, 2019	413,144	Ps. 5,120,602	Ps. 394,845	Ps. (100,241)	Ps. 20,574,206	Ps. 25,989,412	Ps. (11,878)	Ps. 25,977,534
Transactions with owners of the Company:								
Dividends paid (Ps. 5.64 per share).....	(15,847)	(196,405)	-	143,809	(2,280,126)	(2,280,126)		(2,280,126)
Purchase of own shares.....	(15,847)	(196,405)	-	143,809	(2,996,006)	(3,192,411)		(3,192,411)
					(5,276,132)	(5,472,537)		(5,472,537)
Costs of cash flow hedging transferred to the carrying value of inventory purchased during the year, includes taxes of Ps. (32,260).....					-			
					-			
					(5,276,132)	(5,328,728)	45	(5,328,683)
					5,368,058	5,368,058	938	5,368,996
Comprehensive income:								
Net income of the year.....								
Foreign currency translation adjustment (includes taxes of Ps. (11,648)).....			1,931,912			1,931,912	(1,551)	1,930,361
Remeasurement of employment benefit obligations (includes taxes Ps. 16,093).....					(65,959)	(65,959)	(20)	(65,979)
Cash flow hedges (includes taxes of Ps. 81,847) Other				(206,675)		(206,675)	(99)	(206,774)
					(3,754)	(3,754)		(3,754)
Comprehensive income of the year.....					5,298,345	7,023,582	(732)	7,022,850
Balances at December 31, 2020	397,297	Ps. 4,924,197	Ps. 2,326,757	Ps. (163,107)	Ps. 20,596,415	Ps. 27,684,266	Ps. (12,565)	Ps. 27,671,701

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

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In thousands of Mexican pesos)
(Notes 1, 2 and 3)

	Note	2020	2019
Operating activities:			
Income before taxes		Ps. 8,477,248	Ps. 7,559,819
Derivative financial instruments.....	20 and 22	18,634	49,717
Foreign exchange loss (gain) from working capital.....		1,031,811	(89,352)
Net cost of the year for employee benefit obligations.....		369,454	281,577
Allowance for doubtful accounts.....		154,368	63,464
Damaged, slow-moving and obsolete inventory.....		176,047	168,465
Items related with investing activities:			
Depreciation and amortization.....		3,693,754	3,179,550
Impairment of long-lived assets.....		351,994	66,259
Interest income.....		(47,212)	(81,124)
Gain in sale of fixed assets and damaged assets.....	22	(11,263)	(54,689)
Items related with financing activities:			
Derivative financial instruments.....	20 and 24	203,340	(19,928)
Loss (gain) foreign exchange loss from debt.....		656	(39,775)
Foreign exchange loss (gain) from lease liability.....		17,901	(24,400)
Interest expense.....		1,434,422	1,845,988
		<u>15,871,154</u>	<u>12,905,571</u>
Accounts receivable.....		(308,944)	(1,801,573)
Inventories.....		(668,420)	(483,067)
Prepaid expenses.....		54,649	16,676
Trade accounts payable.....		411,074	(193,420)
Accrued liabilities and other accounts payables.....		1,144,699	301,046
Income taxes paid.....		(3,291,022)	(2,839,426)
Payments of employee benefits obligations.....		(342,199)	(257,616)
		<u>(3,000,163)</u>	<u>(5,257,380)</u>
Net cash flows from operating activities		<u>12,870,991</u>	<u>7,648,191</u>
Investing activities:			
Acquisitions of property, plant and equipment.....	5 and 10	(3,702,481)	(1,765,079)
Sale of property, plant and equipment.....		117,793	434,895
Acquisition of intangible assets.....	12	(21,449)	(44,399)
Interests collected.....		47,204	81,124
Other.....		(35,401)	(20,509)
Net cash flows used in investing activities		<u>(3,594,334)</u>	<u>(1,313,968)</u>
Cash to be used in financing activities		<u>9,276,657</u>	<u>6,334,223</u>
Financing activities:			
Proceeds from debt.....	14	13,754,921	55,746,208
Payment of debt.....	14	(13,446,468)	(55,026,523)
Payment of lease liability.....		(760,382)	(616,723)
Interests paid.....		(1,088,271)	(1,662,315)
Interests paid on lease liability.....		(353,646)	(274,937)
Derivative financial instruments collected.....		(203,340)	19,928
Purchase of own shares.....		(3,226,518)	(1,995,020)
Purchase of non-controlling interest shares.....		(625)	(503)
Dividends paid.....		(2,081,675)	(1,872,020)
Net cash flows used in financing activities		<u>(7,406,004)</u>	<u>(5,681,905)</u>
Net increase in cash and cash equivalents.....		1,870,653	652,318
Exchange differences on cash.....		358,600	(144,539)
Cash and cash equivalents at the beginning of the year		<u>3,943,501</u>	<u>3,435,722</u>
Cash and cash equivalents at the end of the year		<u>Ps. 6,172,754</u>	<u>Ps. 3,943,501</u>

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

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020 AND 2019
(In thousands of Mexican pesos, except where otherwise indicated)

1. ENTITY AND OPERATIONS

Gruma, S.A.B. de C.V. (GRUMA) is a Mexican company with subsidiaries located in Mexico, the United States of America, Central America, Europe, Asia and Oceania, together referred to as the “Company”. The Company’s main activities are the production and sale of corn flour, tortillas and related products.

GRUMA is a publicly held corporation (*Sociedad Anónima Bursátil de Capital Variable*) organized under the laws of Mexico. The address of its registered office is Calzada del Valle 407 in San Pedro Garza García, Nuevo León, Mexico. GRUMA is listed on the Mexican Stock Exchange.

The consolidated financial statements were authorized by the Chief Administrative Office of the Company on April 7, 2021.

2. BASIS OF PREPARATION

The consolidated financial statements of Gruma, S.A.B. de C.V. and Subsidiaries for all the periods presented have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The IFRS also include the International Accounting Standards (IAS) in force, as well as all the related interpretations issued by the IFRS Interpretations Committee, including those previously issued by the Standing Interpretations Committee.

The Company adopted the following amendments that were effective starting January 1, 2020, which had no impact on the Company’s financial position or results of operations:

- Amendments to IFRS 3, Business Combinations – Business Definition
- Amendments to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Estimates and Errors – Definition of Materiality
- Amendments to IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments and IFRS 7 – Financial Instruments, Disclosures – Benchmark Interest Rate Reform. (see Note 4).
- Amendments to the Conceptual Framework

A) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared based on historical cost, except for the fair value of certain financial instruments as described in the policies shown below (see Note 3-K).

The preparation of financial statements requires that management make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates. The key factors in the estimates and assumptions remain the same as those applied in the previous year, except for the impacts of the COVID-19 pandemic, see Note 30.

B) FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Mexican pesos, which is the functional currency of GRUMA.

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020 AND 2019
(In thousands of Mexican pesos, except where otherwise indicated)

C) USE OF ESTIMATES AND JUDGMENTS

The relevant estimates and assumptions are reviewed on a regular basis. The review of accounting estimates are recognized in the period in which the estimate is reviewed and in any future period that is affected.

In particular, the information for assumptions, uncertainties from estimates, and critical judgments in the application of accounting policies, that have the most significant effect in the recognized amounts in these consolidated financial statements are described below:

- The assumptions used for the determination of fair values of financial instruments (Note 20).
- The assumptions and uncertainties with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income (Notes 13 and 25).
- The key assumptions in impairment testing for long-lived assets used for the determination of the recoverable amount for the different cash generating units (Notes 10 and 12).
- The actuarial assumptions used for the determination of employee benefits obligations (Note 18).
- The key assumptions in impairment testing of the investment in Venezuela (Notes 27).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF CONSOLIDATION

a. Subsidiaries

The subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are incorporated in the consolidated financial statements starting on the date on which the control begins, until the date such control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Company.

At December 31, 2020 and 2019, the main subsidiaries included in the consolidation are:

	% of ownership	
	2020	2019
Gruma Corporation and subsidiaries.....	100.00	100.00
Grupo Industrial Maseca, S.A. de C.V. and subsidiaries.....	99.93	99.93
Gruma International Foods, S.L. and subsidiaries.....	100.00	100.00
Mission Foods México, S. de R.L. de C.V.....	100.00	100.00

At December 31, 2020 and 2019, there were no significant restrictions for the investment in the subsidiaries mentioned above, except for those described in Note 27.

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020 AND 2019
(In thousands of Mexican pesos, except where otherwise indicated)

b. Transactions with non-controlling interest without change of control

The Company applies a policy of treating transactions with non-controlling interest as transactions with equity owners of the Company. When purchases from non-controlling interest take place, the difference between any consideration paid and the relevant interest acquired of the carrying value of net assets of the subsidiary is recognized as equity transactions; therefore, no goodwill is recognized with these acquisitions. Disposals of non-controlling interests result in gains or losses for the Company and are recorded in equity when there is no loss of control.

c. Business combinations

Business combinations are recognized through the acquisition method of accounting. The consideration transferred for the acquisition of a subsidiary is measured as the fair value of the assets transferred, the liabilities incurred by the Company with the previous owners and the equity instruments issued by the Company. The cost of an acquisition also includes the fair value of any contingent payment.

The related acquisition costs are recognized in the income statement when incurred.

Identifiable assets acquired, liabilities assumed and contingent liabilities in a business combination are measured at fair value at the acquisition date.

The Company recognizes any non-controlling interest as the proportional share of the net identifiable assets of the acquired entity.

The Company recognizes goodwill when the cost including any amount of non-controlling interest in the acquired entity exceeds the fair value at acquisition date of the identifiable assets acquired and liabilities assumed.

When the entity or entities acquired are, before and after the acquisition, ultimately controlled by the same entity, and such control is not temporary, it is assumed that the entities are under common control and therefore, there is no business combination. Transactions and exchanges between entities under common control are recognized on the basis of the carrying value of assets and liabilities transferred on the date of the transaction, and therefore, goodwill is not recognized.

B) FOREIGN CURRENCY

a. Transactions in foreign currency

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates effective at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. The differences that arise from the translation of foreign currency transactions are recognized in the income statement.

b. Foreign currency translation

The financial statements of the Company's entities are measured using the currency of the main economic environment where each entity operates (functional currency). The consolidated financial

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020 AND 2019
(In thousands of Mexican pesos, except where otherwise indicated)

statements are presented in Mexican pesos, currency that corresponds to the presentation currency of the Company.

The financial position and results of the entities that have a functional currency which differs from the Company's presentation currency are translated as follows:

- Assets and liabilities are translated at the closing rate of the year.
- Income and expenses are translated at average exchange rates when it has not fluctuated significantly during the period.
- Equity is translated at the effective exchange rate in the date when the contributions were made and the earnings were generated.
- All resulting exchange differences are recognized in other comprehensive income as a separate component of equity denominated "Foreign currency translation adjustments".

Previous to the translation to Mexican pesos, the financial statements of foreign subsidiaries with functional currency from a hyperinflationary environment are adjusted by inflation in order to reflect the changes in purchasing power of the local currency. Subsequently, assets, liabilities, equity, income, costs, and expenses are translated to the presentation currency at the closing rate at the end of the period. To determine the existence of hyperinflation, the Company evaluates the qualitative characteristics of the economic environment, as well as the quantitative characteristics established by IFRS of an accumulated inflation rate equal or higher than 100% in the past three years.

The Company applies hedge accounting to foreign exchange differences originated between the functional currency of a foreign subsidiary and the functional currency of the Company. Exchange differences resulting from the translation of a financial liability designated as hedge for a net investment in a foreign subsidiary, are recognized in "other comprehensive income" as a separate component denominated "Foreign currency translation adjustments" while the hedge is effective. See Note 3-K for the accounting of the net investment hedge.

The closing exchange rates used for preparing the financial statements are as follows:

	As of December 31, 2020	As of December 31, 2019
Pesos per U.S. dollar.....	19.9487	18.8452
Pesos per Euro.....	24.5130	21.0595
Pesos per Swiss franc.....	22.5996	19.3344
Pesos per Australian dollar.....	15.3251	13.1545
Pesos per Chinese yuan.....	3.0538	2.6997
Pesos per Pound sterling.....	27.1502	24.6382
Pesos per Malaysian ringgit.....	4.9421	4.5661
Pesos per Costa Rica colon.....	0.0323	0.0327
Pesos per Ukrainian hryvnia.....	0.7056	0.7970
Pesos per Russian ruble.....	0.2700	0.3044
Pesos per Turkish lira.....	2.7176	3.1725

C) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short term highly liquid investments with original maturities of less than three months. These items are recognized at historical cost, which do not differ significantly from its fair value.

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D) ACCOUNTS RECEIVABLE

Trade receivables are initially recognized at fair value and subsequently valued at amortized cost using the effective interest rate method, less provision for impairment. The Company has determined that the amortized cost does not represent significant differences with respect to the invoiced amount from short-term trade receivables, since the transactions do not have relevant associated costs.

Allowances for doubtful accounts or impairment represent expected future credit losses. The recognition of these losses is obliged since the moment the trade receivable is recognized.

E) INVENTORIES

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the average cost method. The net realizable value is the estimated selling price of inventory in the normal course of business, less applicable variable selling expenses. The cost of finished goods and production in process includes raw materials, direct labor, other direct costs and related production overheads. Cost of inventories could also include the transfer from comprehensive income within equity of any gains or losses on cash flow hedges for purchases of raw materials.

F) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are valued at acquisition cost, less accumulated depreciation and recognized impairment losses. Cost includes expenses that are directly attributable to the asset acquisition.

Subsequent costs, including major improvements, are capitalized and are included in the carrying value of the asset or recognized as a separate asset, only when it is probable that future economic benefits associated with the specific asset will flow to the Company and the costs can be measured reliably. Repairs and maintenance are recognized in the income statement when incurred. Major improvements are depreciated during the remaining useful life of the related asset. Leasehold improvements are depreciated in accordance with the useful life of the improvement component or the remaining lease term. Land is not depreciated.

Costs of borrowings, general and specific, of qualifying assets that require a substantial period of time (over one year) for acquisition or construction, are capitalized as part of the acquisition cost of these assets, until such time as the assets are substantially ready for their intended use or sale.

Depreciation is calculated over the asset cost less residual value, considering its components separately. Depreciation is recognized in income using the straight-line method and applying annual rates that reflect the estimated useful lives of the assets. The estimated useful lives are summarized as follows:

	Years
Buildings.....	25 – 50
Machinery and equipment.....	5 – 25

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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Gains and losses from sale of assets result from the difference between revenues of the transaction and the book value of the assets, which is included in the income statement as other expenses, net.

G) INTANGIBLE ASSETS

a. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment, or whenever the circumstances indicate that the value of the asset might be impaired. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to the operating segment.

b. Intangible assets with finite useful lives

Intangible assets with finite useful lives are carried at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

	<u>Years</u>
Non-compete agreements.....	3 - 20
Patents and trademarks.....	3 - 20
Customer lists.....	5 - 20
Software for internal use.....	3 - 7

c. Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are not amortized, but subject to impairment tests on an annual basis or whenever the circumstances indicate that the value of the asset might be impaired.

d. Research and development

Research costs are expensed when incurred.

Costs from development activities are recognized as an intangible asset when such costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits will be obtained, and the Company pretends and has sufficient resources in order to complete the development and use or sell the asset. The amortization is recognized in income based on the straight-line method during the estimated useful life of the asset.

Development costs that do not qualify as intangible assets are recognized in income when incurred.

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H) IMPAIRMENT OF LONG-LIVED ASSETS

The Company performs impairment tests for its property, plant and equipment and intangible assets with finite useful lives, when certain events and circumstances suggest that the carrying value of the assets might not be recovered. Intangible assets with indefinite useful lives and goodwill are subject to impairment tests at least once a year.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the higher of an asset's fair value less costs to sell and value in use. To determine value in use, estimated future cash flows are discounted at present value, using a discount rate after tax that reflect time value of money and considering the specific risks associated with the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit).

Impairment losses on goodwill are not reversed. For other assets, impairment losses are reversed if a change in the estimates used for determining the recoverable amount has occurred. Impairment losses are reversed to the extent that the book value does not exceed the book value that was determined, net of depreciation or amortization, if no impairment loss was recognized.

I) LONG-LIVED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Long-lived assets are classified as held for sale when (a) their carrying amount is to be recovered mainly through a sale transaction, rather than through continuing use, (b) the assets are held immediately for sale and (c) the sale is considered highly probable in its current condition.

For the sale to be considered highly probable:

- Management must be committed to a sale plan.
- An active program must have begun in order to locate a buyer and to complete the plan.
- The asset must actively be quoted for its sale at a price that is reasonable to its current fair value; and
- The sale is expected to be completed within a year starting the date of classification.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

Discontinued operations are the operations and cash flows that can be clearly distinguished from the rest of the entity, that either have been disposed of or have been classified as held for sale, and:

- Represent a line of business or geographical area of operations.
- Are part of a single coordinated plan to dispose of a line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale.

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J) FINANCIAL INSTRUMENTS

a. Financial assets

(i) Classification

The Company classifies its financial assets in the following categories:

- Those to be measured at amortized cost, and
- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss).

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company classifies a financial asset to be measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

The Company classifies a financial asset to be measured at fair through other comprehensive income if the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

(ii) Recognition

Regular purchases and sales of financial assets are recognized in the balance sheet on the trade date, which is the date when the Company commits to purchase or sell the instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recognized as expense.

After initial recognition, the Company measures financial assets at amortized cost or at fair value with changes in other comprehensive income or in results of the year.

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(iv) Impairment

The Company applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the trade receivables and long-term notes and accounts receivable.

To measure the expected credit losses, the assets have been grouped based on shared credit risk characteristics and the days past since their initial recognition. The expected loss rates are based on the payment profiles of sales over a period of 12 months before December 31, 2020 and 2019, respectively, and the corresponding historical credit losses experienced within this period.

Accounts receivable and long-term receivables are canceled when there is no reasonable expectation of collection.

b. Financial liabilities

(i) Classification

The Company classifies its financial liabilities to be measured at amortized cost, except for the liabilities from derivative financial instruments that are measured at fair value through profit or loss.

Debt and financial liabilities

Debt and financial liabilities that are non-derivatives are initially recognized at fair value, net of transaction costs directly attributable to them; subsequently, these liabilities are recognized at amortized cost. The difference between the net proceeds and the amount payable is recognized in the income statement during the debt term, using the effective interest rate method.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities for trading (derivative financial instruments).

(ii) Derecognition

Financial liabilities are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in income.

K) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivative financial instruments are initially recognized at fair value and are subsequently re-measured at their fair value; the transaction costs are recognized in the income statement when incurred. Derivative financial instruments are classified as current, except for maturities exceeding twelve months.

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Fair value is determined based on recognized market prices. When not quoted in markets, fair value is determined using valuation techniques commonly used in the financial sector. Fair value reflects the credit risk of the instrument and includes adjustments to consider the credit risk of the Company or the counterparty, when applicable.

The method for recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge and the nature of the item being hedged. For derivative financial instruments that are entered into to hedge certain risks and do not qualify for hedge accounting, the changes in the fair value of such instruments are recognized immediately in the income statement as Other expenses, net or Comprehensive financing cost, net, according to the nature of the hedged item.

The derivative financial instruments that the Company designates and qualifies as accounting hedges, are classified as follows:

- Hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
- Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge).

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, including objectives, strategies for risk management and the method for assessing effectiveness in the hedge relationship. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

a. Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk, see Note 20-C.

b. Cash flow hedges

For cash flow hedge transactions, changes in the fair value of the derivative financial instrument are included as other comprehensive income in equity, based on the evaluation of the hedge effectiveness, see Note 20-C.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in income as Other expenses, net.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecasted transaction is ultimately registered in the income statement. However, when the forecasted transaction recognizes a non-financial asset or non-financial liability, the cumulative gains or losses recognized in other comprehensive income are transferred from equity and included in the initial measurement of the non-financial asset or non-financial liability.

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c. Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold, see Note 19-C.

L) TRADE ACCOUNTS AND OTHER ACCOUNTS PAYABLES

These balances represent the liabilities for goods and services provided to the Company before the end of the year that have not been paid. The amounts are not guaranteed and are generally paid within 30 days of recognition. Suppliers and other accounts payable are presented as current liabilities, unless the payment is not payable within 12 months after the reporting period.

The Company has established supplier financing programs, through which they can discount their documents with different financial institutions. The balance payable derived from these programs is recognized within the supplier account in the consolidated balance sheet, without generating a payment obligation with the financial institution. The financial cost of these operations is by the suppliers.

Accounts payable are initially recognized at fair value and subsequently valued at amortized cost using the effective interest rate method.

M) LEASES

Contracts with counterparties celebrated by the Company, in which the transfer of the right to control the use of an identified asset for a certain term in exchange for a consideration, are classified as leases. There is control if the Company obtains the economic benefits from the use of the asset and has the right to direct and decide on the use of the asset during the term of the lease.

The Company applies the lease accounting model, which consists in the recognition of all leases within the balance sheet. Contracts celebrated by the Company for more than a 12-month term and whose underlying asset has a value greater than U.S.\$ 5,000 are recognized as leases.

For contracts that contain both lease and non-lease components, the Company, in its capacity as lessee, allocates the component value as follows:

- When there is an observable individual price for each component, it is separated and allocated according to the specific individual prices of the components, and applies for all assets of that class.
- When there is no individual price for some or all the components, the components will not be separated and are accounted for as a single lease component, and applies to all assets of that class.

The term of a lease is determined based on the non-cancellable period of the lease contract, plus the optional renewable periods agreed in such contract, if the Company is reasonably certain to extend by considering factors such as: improvements made to the leased asset, penalties for not extending the contract, the adjustment of high costs incurred for the replacement of the leased asset, among others; and that the extension option can only be exercised by the Company.

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Lease liabilities include the net present value of the following lease payments:

- a) Fixed lease payments, minus lease incentives receivable;
- b) Variable lease payments that are based on an index or a rate.
- c) Amounts expected to be payable by the group under residual value guarantees.
- d) The exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- e) Payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

For leases, the Company recognizes, at the beginning of the contract, a liability equivalent to the present value of the lease payments agreed in the contract, discounted using the incremental interest rate. After the start date, the lease liability is measured by increasing its carrying value to reflect the accrued interest and decreasing its carrying value to reflect the lease payments made.

The incremental interest rate is determined using the interest rates of comparable bonds of companies with similar credit ratings as the Company, plus the Company's credit risk factor and the risk factor from the country where the asset is located. The above mentioned is considering a similar lease contract and similar security.

For property, plant and equipment leases containing terms of variable payments in which lease payments are modified during the term of the lease, possible future increases in variable lease payments are considered as part of the lease liability. Until effective, the lease liability is reassessed, and the right-of-use asset is adjusted.

The interest expense of a lease liability is recognized monthly by applying the incremental interest rate the term of the lease.

At the beginning of the lease contract, the right-of-use asset is recognized at cost. The cost of the asset includes the present value of the lease payments agreed in the contract and the initial direct costs incurred by the Company, such as restorations or dismantling; after that date, the carrying value of the right-of-use asset is measured decreasing the accumulated depreciation and the accumulated impairment losses.

The Company applies the straight-line method for the depreciation of the right-of-use assets, which begins on the start date of the lease.

The right-of-use assets are normally depreciated in a straight line during the shortest period between the useful life of the asset and the lease term. If the Company has reasonable certainty to exercise a purchase option, the right-of-use asset depreciates over the useful life of the underlying asset.

The Company recognizes in income the payments for short-term leases or those in which the underlying asset is of low value, applying the straight-line method during the lease period.

The Company applies impairment tests to the right-of-use assets when there are indications that the carrying value of the assets may not be recovered. See Note 3-H.

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N) EMPLOYEE BENEFITS

a. Post-employment benefits

In Mexico, the Company has the following defined benefit plans:

- Single-payment retirement plan, when employees reach the required retirement age, which is 60.
- Seniority premium, after 15 years of service.

The Company has established trust funds to meet its obligations for the seniority premium. Employees do not contribute to these funds.

The liability recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation, less the fair value of plan assets. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset). The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated cash outflows using discount rates in accordance with IAS 19, that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the income statement.

In the United States, the Company has saving and investment plans that incorporate voluntary employees 401(k) contributions with matching contributions of the Company in this country. The Company's contributions are recognized in the income statement when incurred.

b. Termination benefits

Termination benefits are payable when employment is terminated by decision of the Company, before the normal retirement date.

The Company recognizes termination benefits as a liability at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognizes restructuring costs that represents a provision and involves the payment of termination benefits. Termination benefits that do not meet this requirement are recognized in the income statement in the period when incurred.

c. Short term benefits

Short term employee benefits are measured at nominal base and are recognized as expenses as the related service is provided. If the Company has the legal or constructive obligation to pay as a result of

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a service rendered by the employee in the past and the amount can be estimated, an obligation is recognized for short term bonuses or profit sharing.

O) PROVISIONS

Provisions are recognized when (a) the Company has a present legal or constructive obligation as a result of past events; (b) it is probable that an outflow of resources will be required to settle the obligation; and (c) the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

P) SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Q) REVENUE RECOGNITION

The Company produces and sells corn flour, packaged tortilla and other related products such as flat bread, snacks and corn grits. The Company serves wholesale and retail markets, as well as institutional markets. Sales are recognized when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customer's acceptance of the products, the risks of loss and obsolescence have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract.

Revenue from sales is recognized based on the price specified in the contract, net of discounts, volume rebates and returns. Volume rebates are estimated, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

A refund liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a short-term credit.

A receivable is recognized when the products are delivered as this is the point in time that the consideration is unconditional.

The payments made to customers, which represent a modification of the transaction price, are presented as a decrease of revenue.

R) INCOME TAXES

The tax expense of the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized from the analysis of the balance sheet considering temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates that have been approved or substantially approved at the date of the balance sheet and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for tax loss carry-forwards not used, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. In each period-end deferred income tax assets are reviewed and reduced to the extent that it is not probable that the benefits will be realized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if the entity has a legally enforceable right to set off assets against liabilities and are related to income tax levied by the same tax authority on the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

S) EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, which include convertible debt and share options.

For the years ended December 31, 2020 and 2019, the Company had no dilutive instruments issued.

T) SEGMENT INFORMATION

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the same entity. Operating results from an operating segment are regularly reviewed by the entity's chief executive officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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4. RISK AND CAPITAL MANAGEMENT

A) RISK MANAGEMENT

The Company is exposed to a variety of financial risks: market risk (including currency risk, interest rate risk, and commodity price risk), credit risk and liquidity risk. The Company's risk management policy focuses on the risks that prevents or endangers the accomplishment of its financial objectives, seeking to minimize the potential adverse effects on its financial performance. The Company uses derivative financial instruments to hedge some of these risks.

Currency risk

The Company operates internationally and thus, is exposed to currency risks, particularly with the U.S. dollar. Currency risks arise from commercial operations, recognized assets and liabilities and net investments in foreign subsidiaries.

The following tables detail the exposure of the Company to currency risks at December 31, 2020 and 2019. The tables show the currency exposure of the Company's financial instruments expressed in Mexican pesos.

At December 31, 2020:

	Amounts in thousands of Mexican pesos				
	U.S. Dollar	Pound sterling	Euros	Costa Rica colons and others	Total
Monetary assets:					
Current (1).....	Ps. 8,540,977	Ps. 241,572	Ps. 1,279,456	Ps. 3,176,239	Ps. 13,238,244
Non-current.....	30,285	-	1,017	20,041	51,343
Monetary liabilities:					
Current.....	(7,034,878)	(269,936)	(682,106)	(1,382,352)	(9,369,272)
Non-current.....	(22,269,751)	(452)	(1,247,117)	(113,929)	(23,631,249)
Net position.....	Ps. (20,733,367)	Ps. (28,816)	Ps. (648,750)	Ps. 1,699,999	Ps. (19,710,934)

At December 31, 2019:

	Amounts in thousands of Mexican pesos				
	U.S. Dollar	Pound sterling	Euros	Costa Rica colons and others	Total
Monetary assets:					
Current (1).....	Ps. 6,527,041	Ps. 380,590	Ps. 1,266,610	Ps. 2,453,454	Ps. 10,627,695
Non-current.....	20,786	-	5,948	20,549	47,283
Monetary liabilities:					
Current.....	(5,851,640)	(272,267)	(467,924)	(973,815)	(7,565,646)
Non-current.....	(19,605,658)	(1,842)	(1,116,689)	(135,009)	(20,859,198)
Net position.....	Ps. (18,909,471)	Ps. 106,481	Ps. (312,055)	Ps. 1,365,179	Ps. (17,749,866)

(1) Approximately 57% and 66% of this balance corresponds to accounts receivable for 2020 and 2019, respectively.

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For the years ended December 31, 2020 and 2019, the effects of exchange rate differences on the Company's monetary assets and liabilities were recognized as follows:

	2020	2019
Exchange differences arising from foreign currency liabilities accounted for as a hedge of the Company's net investment in foreign subsidiaries, recorded directly to equity as an effect of foreign currency translation adjustments (Note 19-C).....	Ps. (713,987)	Ps. 490,984
Exchange differences, net, arising from foreign currency transactions recognized in the income statement.....	<u>(1,050,368)</u>	<u>153,527</u>
	<u>Ps. (1,764,355)</u>	<u>Ps. 644,511</u>

Net sales are denominated in Mexican pesos, U.S. dollars, and other currencies. Sales generated in Mexican pesos were 24% in 2020 and 27% in 2019 of total net sales. Sales generated in U.S. dollars were 59% in 2020 and 56% in 2019 of total net sales. Additionally, at December 31, 2020 and 2019, 68% and 64%, respectively, of total assets were denominated in different currencies other than Mexican pesos, mainly in U.S. dollars. An important portion of operations are financed through debt denominated in U.S. dollars. For the years ended December 31, 2020 and 2019, net sales in currencies other than Mexican pesos amounted to Ps.69,064,298 and Ps.56,343,906, respectively.

An important currency risk for the debt denominated in U.S. dollars is present in subsidiaries that are not located in the United States, which represented 100% of total debt denominated in U.S. dollars. Nevertheless, the investment that the Company maintains in its operations in the United States generated a hedge.

During 2020 and 2019, the Company entered into forward and foreign exchange option transactions to hedge the Mexican peso to U.S. dollar foreign exchange rate risk related to the price of corn purchases in Mexico. At December 31, 2020 and 2019, the Company has open positions of this foreign exchange derivative instruments with an unfavorable valuation effect of Ps.374,629 and Ps.85,662, respectively. Exchange rate forwards and options are denominated in the same currency as the highly probable forecasted transactions of inventory purchases, therefore the hedge ratio is one to one.

The effect of foreign currency translation adjustments recognized in the consolidated statements of comprehensive income for the years ended December 31, 2020 and 2019, amounted Ps.1,942,007 and Ps.(723,014), respectively. Considering the exposure at December 31, 2020 and 2019, and assuming an increase or decrease of 10% in the Peso/U.S. dollar exchange rates, while keeping constant the rest of the variables, the effect in the Company's consolidated statements of comprehensive income will be an increase or a decrease of Ps.1,342,318 and Ps.1,331,515, respectively.

The effect of foreign exchange rate differences recognized in the consolidated income statements for the years ended December 31, 2020 and 2019, related with the assets and liabilities denominated in foreign currency, totaled a (loss) gain of Ps.(1,050,368) and Ps.153,527, respectively. Considering the exposure at December 31, 2020 and 2019, and assuming an increase or decrease of 10% in the Peso/U.S. dollar exchange rates while keeping constant the rest of the variables such as interest rates, the effect after taxes in the Company's consolidated results will be an increase or a decrease of Ps.161,282 and Ps.360,310, respectively.

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Interest rate risk

The variations in interest rates could affect the interest expense of financial liabilities bearing variable interest rates and could also modify the fair value of financial liabilities bearing fixed interest rates.

For the Company, interest rate risk is mainly derived from debt financing transactions, including debt securities, bank and vendor credit facilities and leases. These financing transactions generate exposure to interest rate risk, principally due to changes in relevant base rates (mainly, LIBOR and TIE, and to a lesser extent, EURIBOR) that are used to determine the interest rates applicable to the borrowings.

At a global level, a reform of reference interest rates is being carried out, including the replacement of certain interbank reference rates (IBOR) with alternative rates close to being risk-free. The authority that regulates the London interbank rate (LIBOR) announced that it intends to begin the elimination of this rate by the end of December 2021. Currently the Company's Treasury manages the IBOR rate transition plan. The main change for the Company will be the modification to the contractual terms of the variable rate debt referenced to the LIBOR rate (See Note 14).

The following table shows, at December 31, 2020 and 2019, the Company's debt at fixed and variable rates:

	Amounts in thousands of Mexican pesos	
	2020	2019
Debt at fixed interest rate.....	Ps. 17,233,304	Ps. 16,322,436
Debt at variable interest rate.....	5,642,112	5,303,414
Total.....	Ps. 22,875,416	Ps. 21,625,850

The Company uses derivative financial instruments such as interest rate swaps for the purposes of hedging a portion of its debt, to reduce the Company's exposure to increases in interest rates. As of December 31, 2020, the Company has an interest rate derivative financial instruments position open with a notional of Ps.3,000,000 with an unfavorable valuation effect of Ps.296,785. The interest rate swap instrument is denominated in the same currency and with the same reference (in this case 28-day TIE rate) as the interest payments programmed in the stock certificate, therefore, the coverage ratio is one to one.

For variable rate debt, an increase in interest rates will increase interest expense. A hypothetical increase of 100 basis points in interest rates on debt at December 31, 2020 and 2019 will have an effect on the results of the Company of Ps.56,421 and Ps.53,034, respectively, considering debt and interest rates at that date, and assuming that the rest of the variables remain constant.

Commodity price risk and derivatives

The availability and price of corn, wheat and other agricultural commodities and fuels, are subject to wide fluctuations due to factors outside of the Company's control, such as weather, plantings, government (domestic and foreign) farm programs and policies, changes in global demand/supply due to population growth and global production of similar and competitive crops, as well as fuels. The Company hedges a portion of its production requirements through commodity futures, swaps and options contracts in order to reduce the risk created by price fluctuations and supply of corn, wheat,

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natural gas, and soy oils which exist as part of ongoing business operations. The contracting hedges of purchases that exceed the maximum production requirements for a period longer than 18 months, requires the authorization of the Board of Directors in accordance with the Company's corporate policies.

During 2020 and 2019, the Company entered into short-term hedge transactions through commodity futures, swaps and options to hedge a portion of its requirements. All derivative financial instruments are recorded at their fair value as either assets or liabilities. Changes in the fair value of derivatives are recorded each period in earnings or accumulated other comprehensive income in equity, depending on whether the derivative qualifies for hedge accounting and is effective as part of a hedge transaction. Ineffectiveness results when the change in the fair value of the hedge instruments differs from the change in the fair value of the position.

For cash flow hedge transactions that qualify and are effective, gains and losses are deferred until the underlying asset or liability is settled, and then are recognized as part of that transaction.

As of December 31, 2020 and 2019, the valuation of the financial instruments that qualified as cash flow accounting hedges represented a profit of Ps.505,118 and Ps.45,044 respectively. These results were applied to other comprehensive income within stockholders' equity.

As of December 31, 2020, the Company has commitments for corn purchases as well as financial instruments that qualify as fair value hedges. This hedging instrument represents a loss of Ps.544,410. Changes in the fair value of derivative financial instruments that were designated and classified as fair value hedges are recorded in the income statement, along with changes in the fair value of the hedged item.

Gains and losses from derivative transactions that do not qualify for hedge accounting and do not comply with hedge effectiveness tests are recognized in the income statement.

From time to time, the Company hedges commodity price risks using futures, swaps and options strategies that do not qualify for hedge accounting. As a result, these derivative financial instruments are recognized at their fair values and the associated effect is recorded in applicable period. For the years ended December 31, 2020 and 2019, these instruments represented a profit of Ps.8,960 and a loss of Ps.43,831, respectively. Additionally, as of December 31, 2020 and 2019, the Company recognized net losses of Ps.36,458 and Ps.5,886, respectively, on commodity price risk hedges that did not qualify for hedge accounting. See Note 20.

Based on the Company's overall commodity exposure (for non-qualifying contracts) at December 31, 2020 and 2019, a decrease or increase of 10% in market prices applied to the fair value of these instruments would result in a gain or loss in the income statement of Ps.2,545 and Ps.29,209, respectively.

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In Mexico, to support the commercialization of corn for Mexican corn growers, Mexico's Secretary of Agriculture "SAGARPA" (Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación) through the Government agency program "ASERCA" (Apoyos y Servicios a la Comercialización Agropecuaria), founded in 1991, implemented a program designed to promote the sale of corn in Mexico, which operated until the end of 2019. The program included the following objectives:

- Ensure that the corn harvest is brought to market, providing certainty to farmers concerning the sale of their crops and supply security for the buyer.
- Establish a minimum price for the farmer and a maximum price for the buyer, which are determined based on international market prices, plus a basic formula specific for each region.
- Implement a corn hedging program to allow both farmers and buyers to minimize their exposure to price fluctuations in the international markets.

To the extent that this or other similar programs are cancelled by the Mexican government, the Company may be required to incur additional costs in purchasing corn for its operations, and therefore will need to increase the prices of its products to reflect such additional costs.

Credit risk

The Company's regular operations expose it to defaults when customers and counterparties are unable to comply with their financial or other commitments. The Company seeks to mitigate this risk by entering into transactions with a diverse pool of counterparties. However, the Company continues to remain subject to unexpected third party financial failures that could disrupt its operations.

The Company is also exposed to risks in connection with its activities of cash management and obtaining debt and temporary investments, and any disruption that affects its financial intermediaries could also adversely affect its operations.

The Company's exposure to risk due to trade receivables is limited given the large number of its customers located in different parts of Mexico, the United States, Central America, Europe, Asia and Oceania. For this reason, there is not a significant concentration of credit risk. However, the Company still maintains allowances for doubtful accounts. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Since most of the clients do not have an independent rating of credit quality, the Company's management determines the maximum credit risk for each one, considering its financial position, past experience, and other factors. Credit limits are established according to policies set by the Company, which also includes controls that assure its compliance.

Default results when the counterparties do not make their contractual payments within the agreed period.

During 2020 and 2019, credit limits were complied with and, consequently, management does not expect any important losses from trade accounts receivable.

Cash and cash equivalents are invested in highly liquid investments, with non-trading purposes and low risk. Mainly in government repos, bank repos and directly with financial institutions of recognized prestige, and receivable in the short term. The Company do not invest in stock markets.

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The Company faces credit risk from potential defaults of their counterparts with respect to the derivative financial instruments used. Substantially none of these financial instruments are guaranteed. Additionally, when the Company enters into hedge contracts for exchange rates, interest rates and/or commodities, it minimizes the risk of default by the counterparts by contracting derivative financial instruments only with major national and international financial institutions using contracts and standard forms issued by the International Swaps and Derivatives Association, Inc. ("ISDA") and operations standard confirmation formats.

Investment risk in Venezuela

The recent political and civil instability that has prevailed in Venezuela has represented a risk to the Company's investment in this country. The Company does not have insurance for the risk of expropriation of its investments. See Notes 27 and 28 for additional information.

Liquidity risk

The Company funds its liquidity and capital resource requirements through a variety of sources, including:

- cash generated from operations;
- committed and uncommitted short-term and long-term lines of credit;
- medium- and long-term debt contracting;
- offerings in Bond markets; and
- sales of its equity securities and those of its subsidiaries and affiliates from time to time.

Factors that could decrease the sources of liquidity include a significant decrease in the demand for, or price of, our products, or a considerable increase in the cost of raw materials, which could limit the amount of cash generated from operations. The Company's liquidity is also affected partially by factors such as the volatility of currencies, changes in interest rates, and a decrease of the corporate credit rating, which could further impair the liquidity and increase costs with respect to new debt and cause a negative impact in stock price.

The following tables show the remaining contractual maturities of financial liabilities of the Company:

At December 31, 2020:

	<u>Less than a year</u>	<u>From 1 to 3 years</u>	<u>From 3 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Short and long term debt.....	Ps. 2,720,179	Ps. 6,569,756	Ps. 13,449,808	Ps. 221,388	Ps. 22,961,131
Interest payable from short and long term debt.....	910,490	1,532,450	643,913	1,659	3,088,512
Trade accounts and other payables.....	11,635,270	-	-	-	11,635,270
Short and long term lease liability.....	1,048,820	1,633,145	1,341,777	6,491,067	10,514,809
Derivative financial instruments.....	1,047,715	181,110	-	-	1,228,825
	<u>Ps.17,362,474</u>	<u>Ps. 9,916,461</u>	<u>Ps. 15,435,498</u>	<u>Ps. 6,714,114</u>	<u>Ps. 49,428,547</u>

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At December 31, 2019:

	<u>Less than a year</u>	<u>From 1 to 3 years</u>	<u>From 3 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Short and long term debt.....	Ps. 587,076	Ps. 5,074,641	Ps. 10,988,638	Ps. 5,090,372	Ps. 21,740,727
Interest payable from short and long term debt.....	1,016,066	1,751,027	1,167,872	131,401	4,066,366
Trade accounts and other payables.....	10,331,121	-	-	-	10,331,121
Short and long term lease liability.....	848,620	1,350,816	1,020,539	4,922,831	8,142,806
Derivative financial instruments.....	172,153	-	159,651	-	331,804
	<u>Ps. 12,955,036</u>	<u>Ps. 8,176,484</u>	<u>Ps. 13,336,700</u>	<u>Ps. 10,144,604</u>	<u>Ps. 44,612,824</u>

The Company expects to meet its obligations with cash flows generated by operations. Additionally, the Company has access to credit line agreements with various banks to address potential cash needs.

B) CAPITAL MANAGEMENT

The Company's objectives when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) are to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk, to protect the Company's ability to continue as a going concern while taking advantage of strategic opportunities to provide sustainable returns for shareholders.

The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, repurchase shares issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

In addition, to monitor capital, debt agreements contain financial covenants which are disclosed in Note 14.

5. 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. The main brands are MASECA for corn flour and MISSION and GUERRERO for packaged tortillas.

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- **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 and packaged tortilla and other (Europe):**
Manufactures and distributes varieties of flour that are used to produce different types of tortillas, flat breads, grits and other in the same category in Europe. The main brands are MASECA for corn flour and MISSION for packaged products.
- **Other segments:**
This section represents those segments whose amounts on an individual basis do not exceed 10% of the consolidated total of net sales, operating income and assets. These segments are:
 - a) Corn flour, hearts of palm, rice, and other products (Central America).
 - b) Packaged tortillas (México).
 - c) Wheat flour tortillas and snacks (Asia and Oceania).
 - d) Technology and equipment, which conducts research and development regarding flour and tortilla manufacturing equipment, produces machinery for corn flour and tortilla production and is engaged in the construction of the Company's corn flour manufacturing facilities.

All inter-segment sales prices are market-based. The Chief Executive Officer evaluates performance based on operating income of the respective business units. The accounting policies for the reportable segments are the same as the policies described in Notes 2 and 3.

Segment information as of and for the year ended December 31, 2020:

	Corn flour and packaged tortilla division (United States)	Corn flour division (Mexico)	Corn flour and packaged tortilla division (Europe)	Other segments	Eliminations and corporate expenses	Total
Net sales to external customers.....	Ps. 53,187,198	Ps. 20,600,668	Ps. 6,000,425	Ps. 11,303,792	Ps. 11,048	Ps. 91,103,131
Inter-segment net sales.....	78,910	2,567,454	13,096	2,147,477	(4,806,937)	-
Operating income.....	7,686,214	2,520,816	486,908	751,467	(97,000)	11,348,405
Depreciation and amortization.....	2,478,757	1,108,644	269,718	581,949	(745,314)	3,693,754
Total assets.....	32,190,039	20,248,632	10,518,220	14,040,276	(3,221,081)	73,776,086
Total liabilities.....	12,255,045	5,055,156	2,928,748	5,901,658	19,963,778	46,104,385
Expenditures paid in the year for fixed assets....	1,946,682	715,207	714,564	533,184	(207,156)	3,702,481

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Segment information as of and for the year ended December 31, 2019:

	Corn flour and packaged tortilla division (United States)	Corn flour division (Mexico)	Corn flour and packaged tortilla division (Europe)	Other segments	Eliminations and corporate expenses	Total
Net sales to external customers.....	Ps. 42,367,788	Ps. 19,684,980	Ps. 5,690,770	Ps. 9,643,899	Ps. 221	Ps. 77,387,658
Inter-segment net sales.....	73,621	1,899,645	10,634	1,503,691	(3,487,591)	-
Operating income.....	5,908,247	2,528,469	246,366	604,400	(5,477)	9,282,005
Depreciation and amortization.....	2,014,156	1,002,672	262,295	514,704	(614,277)	3,179,550
Total assets.....	30,963,502	18,126,299	9,249,896	11,842,187	(3,299,014)	66,882,870
Total liabilities.....	9,772,442	4,482,064	2,605,829	6,290,441	17,754,560	40,905,336
Expenditures paid in the year for fixed assets....	745,595	292,022	211,113	499,345	17,004	1,765,079

A summary of information by geographic segment for the years ended December 31, 2020 and 2019 is presented below:

	2020	%	2019	%
<u>Net sales to external customers:</u>				
United States.....	Ps. 53,187,198	58	Ps. 42,367,788	55
Mexico.....	22,052,386	24	21,045,693	27
Europe.....	6,000,425	7	5,690,770	7
Central America.....	5,609,315	6	4,602,871	6
Asia and Oceania.....	4,253,807	5	3,680,536	5
	<u>Ps. 91,103,131</u>	<u>100</u>	<u>Ps. 77,387,658</u>	<u>100</u>
<u>Expenditures paid in the year for fixed assets:</u>				
United States.....	Ps. 1,946,682	55	Ps. 745,595	42
Mexico.....	862,298	19	613,255	35
Europe.....	714,564	20	211,113	12
Central America.....	90,920	1	36,020	2
Asia and Oceania.....	88,017	5	159,096	9
	<u>Ps. 3,702,481</u>	<u>100</u>	<u>Ps. 1,765,079</u>	<u>100</u>
<u>Identifiable assets</u>				
United States.....	Ps. 32,190,039	44	Ps. 30,963,502	46
Mexico.....	21,820,608	30	18,850,746	28
Europe.....	10,518,220	14	9,249,896	14
Central America.....	3,190,461	4	2,867,559	4
Asia and Oceania.....	6,056,758	8	4,951,167	8
	<u>Ps. 73,776,086</u>	<u>100</u>	<u>Ps. 66,882,870</u>	<u>100</u>

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6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:

	<u>At December 31, 2020</u>	<u>At December 31, 2019</u>
Cash at bank.....	Ps. 6,105,454	Ps. 3,850,601
Short-term investments (less than 3 months).....	67,300	92,900
	<u>Ps. 6,172,754</u>	<u>Ps. 3,943,501</u>

7. ACCOUNTS RECEIVABLE

Accounts receivable comprised the following:

	<u>At December 31, 2020</u>	<u>At December 31, 2019</u>
Trade accounts and notes receivable.....	Ps. 8,516,996	Ps. 8,001,102
Accounts receivable with Venezuelan companies.....	102,643	97,041
Recoverable value-added tax.....	1,197,651	2,302,309
Other debtors.....	457,559	489,096
Allowance for doubtful accounts.....	(250,492)	(183,495)
Impairment of accounts receivable with Venezuelan companies.....	(102,643)	(97,041)
	<u>Ps. 9,921,714</u>	<u>Ps. 10,609,012</u>

The age analysis of accounts receivable is as follows:

	<u>Total</u>	<u>Not past due date balances</u>	<u>Past due balances</u>		
			<u>1 to 120 days</u>	<u>121 to 240 days</u>	<u>More than 240 days (*)</u>
Accounts receivable.....	Ps. 8,974,555	Ps. 6,233,207	Ps. 2,414,444	Ps. 107,356	Ps. 219,548
Allowance for doubtful accounts..	(250,492)	(35,032)	(49,696)	(37,207)	(128,557)
Total at December 31, 2019.....	<u>Ps. 8,724,063</u>	<u>Ps. 6,198,175</u>	<u>Ps. 2,364,748</u>	<u>Ps. 70,149</u>	<u>Ps. 90,991</u>

	<u>Total</u>	<u>Not past due date balances</u>	<u>Past due balances</u>		
			<u>1 to 120 days</u>	<u>121 to 240 days</u>	<u>More than 240 days (*)</u>
Accounts receivable.....	Ps. 8,490,198	Ps. 6,052,086	Ps. 2,079,592	Ps. 118,685	Ps. 239,835
Allowance for doubtful accounts..	(183,495)	(50,956)	(30,354)	(17,404)	(84,781)
Total at December 31, 2019.....	<u>Ps. 8,306,703</u>	<u>Ps. 6,001,130</u>	<u>Ps. 2,049,238</u>	<u>Ps. 101,281</u>	<u>Ps. 155,054</u>

(*) Accounts receivable with Venezuelan companies refer to discontinued operations and were not included in the age analysis of accounts receivable for 2020 and 2019.

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For the years ended December 31, 2020 and 2019, the movements on the current and non-current allowance for doubtful accounts are as follows:

	<u>2020</u>	<u>2019</u>
Beginning balance	Ps. (202,691)	Ps. (212,106)
Allowance for doubtful accounts.....	(154,368)	(63,464)
Receivables written off during the year.....	71,171	68,376
Exchange differences.....	(3,495)	4,503
Ending balance.....	<u>Ps. (289,383)</u>	<u>Ps. (202,691)</u>

8. INVENTORIES

Inventories consisted of the following:

	<u>At December 31, 2020</u>	<u>At December 31, 2019</u>
Raw materials, mainly corn and wheat.....	Ps. 7,058,131	Ps. 7,072,512
Finished products.....	1,868,622	1,623,747
Materials and spare parts.....	2,535,637	2,140,818
Production in process.....	226,586	129,968
Advances to suppliers.....	136,363	103,043
Inventory in transit.....	119,604	168,286
	<u>Ps. 11,944,943</u>	<u>Ps. 11,238,374</u>

For the years ended December 31, 2020 and 2019, the cost of raw materials consumed and the changes in the inventories of production in process and finished goods, recognized as cost of sales amounted to Ps.32,337,028 and Ps.27,935,125, respectively.

For the years ended December 31, 2020 and 2019, the Company recognized Ps.176,047 and Ps.168,465, respectively, for inventory that was damaged, slow-moving and obsolete.

9. LONG-TERM NOTES AND ACCOUNTS RECEIVABLE

Long-term notes and accounts receivable are as follows:

	<u>At December 31, 2020</u>	<u>At December 31, 2019</u>
Long-term notes receivable.....	Ps. 147,700	Ps. 216,744
Guarantee deposits.....	66,247	55,705
Long-term recoverable value-added tax.....	87,787	13,822
Other.....	6,431	10,798
Allowance for long-term doubtful accounts.....	(38,891)	(19,196)
	<u>Ps. 269,274</u>	<u>Ps. 277,873</u>

At December 31, 2020 and 2019, long-term notes receivable are denominated in pesos, maturing from 2022 to 2029 and bearing monthly interests at an annual average fixed rate of 16% for 2020 and 2019, respectively.

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10. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment for the years ended December 31, 2020 and 2019 were as follows:

	Land and buildings	Machinery and equipment	Leasehold improvements	Construction in progress	Total
At December 31, 2018					
Cost.....	Ps. 11,397,878	Ps. 38,556,862	Ps. 2,321,995	Ps. 5,290,709	Ps. 57,567,444
Accumulated depreciation.....	(3,885,666)	(22,306,575)	(1,220,543)	-	(27,412,784)
Net book value.....	<u>7,512,212</u>	<u>16,250,287</u>	<u>1,101,452</u>	<u>5,290,709</u>	<u>30,154,660</u>
For the year ended December 31, 2019					
Opening net book value...	Ps. 7,512,212	Ps. 16,250,287	Ps. 1,101,452	Ps. 5,290,709	Ps. 30,154,660
Exchange differences.....	(154,732)	(369,510)	(30,216)	(124,151)	(678,609)
Additions.....	89,678	682,293	16,063	977,045	1,765,079
Disposals/derecognition (Note 22).....	(32,697)	(307,145)	(4,272)	(36,092)	(380,206)
Depreciation charge of the year.....	(251,882)	(1,986,557)	(115,109)	(2,016)	(2,355,564)
Transfers.....	520,599	1,170,894	27,315	(1,718,808)	-
Other assets leased, net of depreciation.....	-	226,541	-	-	226,541
Impairment.....	-	(66,259)	-	-	(66,259)
Closing net book value...	<u>Ps. 7,683,178</u>	<u>Ps. 15,600,544</u>	<u>Ps. 995,233</u>	<u>Ps. 4,386,687</u>	<u>Ps. 28,665,642</u>
At December 31, 2019					
Cost.....	Ps. 11,609,945	Ps. 38,332,621	Ps. 2,286,644	Ps. 4,386,687	Ps. 56,615,897
Accumulated depreciation.....	(3,926,767)	(22,732,077)	(1,291,411)	-	(27,950,255)
Net book value.....	<u>Ps. 7,683,178</u>	<u>Ps. 15,600,544</u>	<u>Ps. 995,233</u>	<u>Ps. 4,386,687</u>	<u>Ps. 28,665,642</u>
For the year ended December 31, 2020					
Opening net book value...	Ps. 7,683,178	Ps. 15,600,544	Ps. 995,233	Ps. 4,386,687	Ps. 28,665,642
Exchange differences.....	298,994	706,326	95,383	8,052	1,108,755
Additions.....	34,950	558,082	1,474	2,919,832	3,514,338
Disposals/derecognition (Note 22).....	(70,189)	(75,003)	(109)	(127)	(145,428)
Depreciation charge of the year.....	(276,200)	(2,193,785)	(135,627)	-	(2,605,612)
Transfers.....	332,066	2,718,059	1,283,004	(4,333,129)	-
Assets leased, net of depreciation.....	-	188,154	-	-	188,154
Other assets.....	-	335,058	23,529	(30,857)	327,730
Impairment.....	-	(9,548)	-	-	(9,548)
Closing net book value...	<u>8,002,799</u>	<u>17,827,887</u>	<u>2,262,887</u>	<u>2,950,458</u>	<u>31,044,031</u>
At December 31, 2020					
Cost.....	Ps. 12,333,742	Ps. 43,239,396	Ps. 3,764,477	Ps. 2,950,458	Ps. 62,288,073
Accumulated depreciation.....	(4,330,943)	(25,411,509)	(1,501,590)	-	(31,244,042)
Net book value.....	<u>Ps. 8,002,799</u>	<u>Ps. 17,827,887</u>	<u>Ps. 2,262,887</u>	<u>Ps. 2,950,458</u>	<u>Ps. 31,044,031</u>

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For the years ended December 31, 2020 and 2019, depreciation expense was recognized as follows:

	<u>2020</u>	<u>2019</u>
Cost of sales.....	Ps. 2,084,352	Ps. 1,829,880
Selling and administrative expenses.....	521,260	525,684
	<u>Ps. 2,605,612</u>	<u>Ps. 2,355,564</u>

At December 31, 2020 and 2019, property, plant and equipment included idle assets with a carrying value of approximately Ps.63,045 and Ps.65,405, respectively, resulting from the temporary shut-down of the productive operations of various plants in Mexico, mainly in the corn flour division in Mexico.

For the year ended December 31, 2020 and 2019, the Company recognized impairment losses from fixed assets of Ps.9,548 and Ps.66,259, respectively, in Other expenses, net. The impairment loss for 2020 corresponds to the subsidiary Grupo Industrial Maseca, S.A. C.V., which is within the “Corn flour” segment (Mexico) and the impairment loss in 2019 correspond to the subsidiary Transporte Aéreo Técnico Ejecutivo, S.A. de C.V., which is included in the “Eliminations and corporate expenses” segment, respectively.

11. LEASES

Leases information where the Company acts as a lessee is as follows.

A) AMOUNTS RECOGNIZED IN THE BALANCE SHEET

As of December 31, 2020 and 2019, the consolidated balance sheet presents the following amounts related to leases:

	<u>At December 31, 2020</u>	<u>At December 31, 2019</u>
Right-of-use assets:		
Land.....	Ps. 3,570	Ps. 2,923
Buildings.....	5,822,824	4,439,951
Machinery and equipment.....	372,444	286,922
	<u>Ps. 6,198,838</u>	<u>Ps. 4,729,796</u>
Lease liabilities:		
Short term.....	Ps. 717,338	Ps. 612,596
Long term.....	5,962,332	4,403,642
	<u>Ps. 6,679,670</u>	<u>Ps. 5,016,238</u>

The additions to right-of-use assets in 2020 and 2019 are Ps.2,256,717 and Ps.311,006, respectively.

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The following table presents the changes in the Company's lease liabilities:

	<u>2020</u>	<u>2019</u>
Beginning balance.....	\$ 5,016,238	\$ 5,569,135
New contracts.....	2,256,717	311,006
Lease payments.....	(1,114,028)	(891,660)
Foreign currency Exchange effect.....	17,901	(24,399)
Financia expenses.....	353,646	274,937
Exchange differences.....	149,196	(222,781)
Ending balance.....	<u>\$ 6,679,670</u>	<u>\$ 5,016,238</u>

B) AMOUNTS RECOGNIZED IN THE INCOME STATEMENT

For the years ended December 31, 2020 and 2019, the consolidated income statement presents the following amounts related to leases:

	<u>2020</u>	<u>2019</u>
Depreciation expense of the right-of-use assets:		
Land.....	Ps. 867	Ps. 1,460
Buildings.....	753,577	597,700
Machinery and equipment.....	290,386	184,385
	<u>Ps. 1,044,830</u>	<u>Ps. 783,545</u>
Interest expense.....	Ps. 353,646	Ps. 274,937
Foreign currency Exchange effect.....	17,901	-
Short-term lease expense.....	375,444	220,250
Lease expense for low value assets	57,579	145,838
Expenses related to variable lease payments not included in the lease liability.....	1,626	9,221

Total cash flow from leases for the years ended December 31, 2020 and 2019 amounted to Ps.1,548,677 and Ps.1,266,969, respectively.

C) DESCRIPTION OF LEASE ACTIVITIES

The Company, as a lessee, enters into various lease contracts related to facilities and equipment. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Lease agreements do not impose compliance with any financial ratios. Leased assets cannot be sold or used as collateral to obtain debt.

D) VARIABLE LEASE PAYMENTS

Certain lease agreements contain terms of variable payments that depend on a price index, so the rent payable is modified during the term of the lease. Possible future increases in variable lease payments are considered as part of the lease liability until effective; at that time, the lease liability is reassessed, and the right-of-use asset is adjusted.

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12. INTANGIBLE ASSETS

Changes in intangible assets for the years ended December 31, 2020 and 2019 were as follows:

	Intangible assets acquired					Total
	Goodwill	Covenants not to compete	Patents and trade- marks	Customer lists	Software for internal use and other	
At December 31, 2018						
Cost.....	Ps. 3,670,715	Ps. 467,969	Ps. 163,318	Ps. 263,232	Ps. 794,681	Ps. 5,359,915
Accumulated amortization.....	-	(447,341)	(77,779)	(134,877)	(381,409)	(1,041,406)
Net book value.....	<u>Ps. 3,670,715</u>	<u>Ps. 20,628</u>	<u>Ps. 85,539</u>	<u>Ps. 128,355</u>	<u>Ps. 413,272</u>	<u>Ps. 4,318,509</u>
For the year ended December 31, 2019						
Opening net book value...	Ps. 3,670,715	Ps. 20,628	Ps. 85,539	Ps. 128,355	Ps. 413,272	Ps. 4,318,509
Exchange differences.....	(177,297)	(723)	(8,963)	(6,886)	(3,382)	(197,251)
Additions.....	-	-	-	-	44,399	44,399
Amortization charge.....	-	(6,732)	-	(21,917)	(11,792)	(40,441)
Closing net book value...	<u>Ps. 3,493,418</u>	<u>Ps. 13,173</u>	<u>Ps. 76,576</u>	<u>Ps. 99,552</u>	<u>Ps. 442,497</u>	<u>Ps. 4,125,216</u>
At December 31, 2019						
Cost.....	Ps. 3,493,418	Ps. 467,091	Ps. 154,857	Ps. 247,434	Ps. 835,099	Ps. 5,197,899
Accumulated amortization.....	-	(453,918)	(78,281)	(147,882)	(392,602)	(1,072,683)
Net book value.....	<u>Ps. 3,493,418</u>	<u>Ps. 13,173</u>	<u>Ps. 76,576</u>	<u>Ps. 99,552</u>	<u>Ps. 442,497</u>	<u>Ps. 4,125,216</u>
For the year ended December 31, 2020						
Opening net book value...	Ps. 3,493,418	Ps. 13,173	Ps. 76,576	Ps. 99,552	Ps. 442,497	Ps. 4,125,216
Exchange differences.....	315,800	1,326	7,638	13,520	24,624	362,908
Additions.....	-	-	-	-	21,449	21,449
Amortization charge.....	-	(7,536)	-	(21,216)	(14,560)	(43,312)
Impairment.....	(342,446)	-	-	-	-	(342,446)
Others.....	-	-	-	-	(171,233)	(171,233)
Closing net book value...	<u>Ps. 3,466,772</u>	<u>Ps. 6,963</u>	<u>Ps. 84,214</u>	<u>Ps. 91,856</u>	<u>Ps. 302,777</u>	<u>Ps. 3,952,582</u>
At December 31, 2020						
Cost.....	Ps. 3,466,772	Ps. 468,248	Ps. 170,161	Ps. 277,766	Ps. 710,186	Ps. 5,093,133
Accumulated amortization.....	-	(461,285)	(85,947)	(185,910)	(407,409)	(1,140,551)
Net book value.....	<u>Ps. 3,466,772</u>	<u>Ps. 6,963</u>	<u>Ps. 84,214</u>	<u>Ps. 91,856</u>	<u>Ps. 302,777</u>	<u>Ps. 3,952,582</u>

At December 31, 2020 and 2019, only trademarks and goodwill, are considered indefinite-lived intangible assets.

For the years ended December 31, 2020 and 2019, amortization expense of intangible assets amounted to Ps.43,312 and Ps.40,441, respectively, which were recognized in the income statement as selling and administrative expenses.

Research and development costs of Ps.143,045 and Ps.167,968 that did not qualify for capitalization were recognized in the income statement for the years ended December 31, 2020 and 2019, respectively.

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Goodwill acquired in business combinations is allocated at acquisition date to the cash-generating units (CGU) that are expected to benefit from the synergies of the business combinations. The carrying values of goodwill allocated to the CGU or a group of CGU are as follows:

<u>Cash-generating unit</u>	<u>At December 31, 2020</u>	<u>At December 31, 2019</u>
Mission Foods Division (1).....	Ps. 1,198,180	Ps. 1,118,005
Gruma Spain (2).....	859,351	738,283
Gruma UK (2).....	117,566	395,205
Azteca Milling, L.P (1).....	239,978	226,703
Gruma Corporation.....	212,765	212,765
Rositas Investments Pty, Ltd (2).....	226,039	194,024
NDF Azteca Milling Europe SRL (2).....	143,624	116,790
Grupo Industrial Maseca, S.A. de C.V.....	98,622	98,622
Semolina, A.S (2).....	67,906	79,273
Agroindustrias Integradas del Norte, S.A. de C.V (3).....	86,325	86,325
Gruma Centroamérica (2).....	51,207	51,207
Solntse Mexico (2).....	43,756	49,406
Altera LLC (2).....	41,353	46,710
Molinos Azteca de Chiapas, S.A. de C.V (3).....	28,158	28,158
Harinera de Yucatán, S.A. de C.V (3).....	18,886	18,886
Harinera de Maíz de Mexicali, S.A. de C.V (3).....	17,424	17,424
Molinos Azteca, S.A. de C.V (3).....	8,926	8,926
Harinera de Maíz de Jalisco, S.A. de C.V (3).....	6,706	6,706
	<u>Ps. 3,466,772</u>	<u>Ps. 3,493,418</u>

- (1) Subsidiary of Gruma Corporation
(2) Subsidiary of Gruma International Foods, S.L.
(3) Subsidiary of Grupo Industrial Maseca, S.A. de C.V.

In 2020 and 2019, the discount rates and growth rates used by the Company to determine the discounted cash flows of the CGU are the following:

<u>Cash-generating unit</u>	<u>After-tax discount rates</u>		<u>Growth rates</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Mission Foods Division.....	2.3%	5.3%	0.0%	1.5%
Gruma Spain.....	5.7%	7.2%	2.0%	2.5%
Gruma UK.....	4.4%	6.7%	2.4%	1.8%
Azteca Milling, L.P.....	3.6%	6.1%	0.0%	1.5%
Gruma Corporation.....	2.3%	5.3%	0.0%	2.5%
Rositas Investment PTY, LTD.....	3.5%	6.0%	2.7%	3.0%
NDF Azteca Milling Europe SRL.....	6.3%	7.5%	3.2%	1.0%
Grupo Industrial Maseca, S.A. de C.V.....	4.8%	5.9%	2.0%	2.5%
Semolina A.S.....	9.4%	8.6%	4.0%	2.5%
Agroindustrias Integradas del Norte, S.A. de C.V.....	6.1%	6.7%	2.0%	2.5%
Gruma Centroamérica.....	10.6%	8.9%	3.0%	2.5%
Solntse Mexico.....	6.2%	8.6%	2.3%	2.5%
Altera LLC.....	10.5%	11.2%	3.9%	2.5%
Molinos Azteca de Chiapas, S.A. de C.V.....	6.1%	6.7%	2.0%	2.5%
Harinera de Yucatán, S.A. de C.V.....	6.1%	6.7%	2.0%	2.5%
Harinera de Maíz de Mexicali, S.A. de C.V.....	6.1%	6.7%	2.0%	2.5%
Molinos Azteca, S.A. de C.V.....	6.1%	6.7%	2.0%	2.5%
Harinera de Maíz de Jalisco, S.A. de C.V.....	6.1%	6.7%	2.0%	2.5%

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The discount rate used reflects the Company's specific risks related to its operations. The long-term growth rate used is consistent with projections included in industry reports.

With respect to the determination of the CGU's value in use, the Company's management considered that a possible change of an increase of 100 basis points in the discount rate after taxes and a decrease of 10% in the long-term growth rates, in independent analysis, will not cause that the CGU's carrying value to materially exceed their value in use and separately. The recovery amount of cash-generating units has been determined based on calculations of the values in use. These calculations use cash flow projections based on financial budgets approved by the Company's management for a 5-year period.

As a result of the impairment test mentioned in Note 3-H that is applied annually to goodwill, the Company recognized in fiscal year 2020, a non-monetary impairment charge of Ps.342,446 in its operating results in "Other expenses, net", due to the impairment of goodwill associated with Gruma UK's cash-generating unit. This impairment loss reflects a decrease in the recovery value of this CGU of the European segment, due to the impact that its operations had caused by the COVID-19 pandemic, by the departure of the United Kingdom as a member state of the European Union (Brexit) and by the operational strategic changes implemented by the Company in the geographic region in which the CGU operates.

In fiscal year 2019, the Company did not determine impairment losses on goodwill.

13. DEFERRED TAX ASSETS AND LIABILITIES

A) COMPONENTS OF DEFERRED TAX

The principal components of deferred tax assets and liabilities are summarized as follows:

	(Asset) Liability	
	At December 31, 2020	At December 31, 2019
Net operating loss carryforwards and other tax credits.....	Ps. (2,305,839)	Ps. (2,310,089)
Lease liability.....	(1,747,881)	(1,249,593)
Customer advances.....	(1,920)	(3,628)
Allowance for doubtful accounts.....	(8,718)	(5,230)
Accumulated Liabilities.....	(1,024,245)	(921,087)
Deferred income for trademarks license with subsidiary.....	(521,766)	(304,723)
Derivative financial instruments.....	-	(60,314)
Other.....	(143,395)	(144,938)
Deferred tax asset.....	<u>(5,753,764)</u>	<u>(4,999,602)</u>
Property, plant and equipment, net.....	1,461,288	1,523,694
Right-of-use asset, net.....	1,610,727	1,221,016
Prepaid expenses.....	15,220	17,375
Intangible assets.....	198,369	188,955
Investment in subsidiaries.....	1,231,757	884,827
Derivative financial instruments.....	175,828	-
Other.....	8,604	29,026
Deferred tax liability.....	<u>4,701,793</u>	<u>3,864,893</u>
Net provision for deferred tax.....	<u>Ps. (1,051,971)</u>	<u>Ps. (1,134,709)</u>

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At December 31, 2020 and 2019, the Company did not recognize a deferred income tax asset of Ps.369,345 and Ps.333,884, respectively, for tax loss carryforwards, since sufficient evidence was not available to determine that these tax loss carryforwards will be realized during their amortization period. These tax losses expire in the year 2030.

At December 31, 2020 and 2019, the undistributed taxable income of subsidiaries in México amounted to Ps.2,287,618 and Ps.1,879,606, respectively. No deferred income tax has been recognized for this undistributed taxable income, since the Company has the ability to control the time for its reversal and it is probable that in the near future these temporary differences will not reverse. If the Company had not chosen this option, the deferred tax liability of these items would have amounted to Ps.686,285 and Ps.563,881 as of December 31, 2020 and 2019, respectively.

At December 31, 2020 and 2019, the Company recognized a deferred income tax liability of Ps.1,231,757 and Ps.884,827, respectively, from undistributed taxable income generated as of 2018 by the Company's subsidiaries in the United States (Gruma Corporation and Subsidiaries) at a reduced rate for the effects of tax credits generated by the distributed profits. The reversal of this tax amount is made at the moment in which the subsidiaries distribute such profits to the Company through dividends.

The changes in the temporary differences during the year were as follows:

	Balance at January 1, 2020	Recogni- zed in income	Recognized in other compre- hensive income	Reclassifi- cations	Foreign currency translation	Balance at December 31, 2020
Net operating loss carryforwards and other tax credits.....	Ps. (2,310,089)	Ps. 20,169	Ps. (25,300)	Ps. 14,697	Ps. (5,316)	Ps. (2,305,839)
Lease liability.....	(1,249,593)	(443,266)	-	-	(55,022)	(1,747,881)
Customer advances.....	(3,628)	1,708	-	-	-	(1,920)
Allowance for doubtful accounts	(5,230)	(3,645)	-	-	157	(8,718)
Accumulated liabilities.....	(921,087)	(52,267)	(16,093)	(3,659)	(31,139)	(1,024,245)
Prepaid expenses from trademark license with affiliates.....	(304,723)	(202,179)	(14,864)	-	-	(521,766)
Derivative financial instruments.	(60,314)	-	60,314	-	-	-
Others.....	(144,938)	(10,065)	-	12,628	(1,020)	(143,395)
Deferred tax asset.....	(4,999,602)	(689,545)	4,057	23,666	(92,340)	(5,753,764)
Property, plant and equipment...	1,523,694	(111,042)	-	-	48,636	1,461,288
Right-of-use asset.....	1,221,016	335,942	-	-	53,769	1,610,727
Prepaid expenses.....	17,375	1,483	-	-	(3,638)	15,220
Intangible assets.....	188,955	491	-	-	8,923	198,369
Investment in subsidiaries.....	884,827	295,118	51,812	-	-	1,231,757
Derivative financial instruments.	-	157	172,606	-	3,065	175,828
Others.....	29,026	(1,303)	-	(14,695)	(4,424)	8,604
Deferred tax liability.....	3,864,893	520,846	224,418	(14,695)	106,331	4,701,793
Net provision for deferred taxes	<u>Ps. (1,134,709)</u>	<u>Ps. (168,699)</u>	<u>Ps. 228,475</u>	<u>Ps. 8,971</u>	<u>Ps. 13,991</u>	<u>Ps. (1,051,971)</u>

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	<u>Balance at January 1, 2019</u>	<u>Recogni- zed in income</u>	<u>Recognized in other compre- hensive income</u>	<u>Reclassifi- cations</u>	<u>Foreign currency translation</u>	<u>Balance at December 31, 2019</u>
Net operating loss carryforwards and other tax credits.....	Ps.(1,498,134)	Ps. (456,183)	Ps. 84,238	Ps. (441,262)	Ps. 1,252	Ps. (2,310,089)
Lease liability.....	-	(1,247,752)	-	-	(1,841)	(1,249,593)
Customer advances.....	(18,256)	14,628	-	-	-	(3,628)
Allowance for doubtful accounts	(7,282)	2,327	-	-	(275)	(5,230)
Accumulated liabilities	(759,951)	(132,288)	(26,310)	(12,189)	9,651	(921,087)
Prepaid expenses from trademark license with affiliates.....	(483,850)	179,127	-	-	-	(304,723)
Derivative financial instruments.	-	-	(51,517)	(8,654)	(143)	(60,314)
Others.....	(199,119)	44,955	-	13,421	(4,195)	(144,938)
Deferred tax asset.....	(2,966,592)	(1,595,186)	6,411	(448,684)	4,449	(4,999,602)
Property, plant and equipment...	1,618,393	(33,668)	-	(1,675)	(59,356)	1,523,694
Right-of-use asset.....	-	1,220,108	-	-	908	1,221,016
Prepaid expenses.....	19,148	(3,334)	-	-	1,561	17,375
Inventories.....	297	-	-	-	(297)	-
Intangible assets.....	203,054	(1,155)	-	-	(12,944)	188,955
Investment in subsidiaries.....	468,368	436,393	(19,934)	-	-	884,827
Derivative financial instruments.	3,366	-	(3,366)	-	-	-
Others.....	15,114	6,127	-	8,359	(574)	29,026
Deferred tax liability.....	2,327,740	1,624,471	(23,300)	6,684	(70,702)	3,864,893
Net provision for deferred taxes	<u>Ps. (638,852)</u>	<u>Ps. 29,285</u>	<u>Ps. (16,889)</u>	<u>Ps. (442,000)</u>	<u>Ps. (66,253)</u>	<u>Ps. (1,134,709)</u>

B) TAX LOSS CARRYFORWARDS

At December 31, 2020, the Company had tax loss carryforwards, which amounted to approximately Ps.1,231,151. Based on projections prepared by the Company's management, is not enough evidence that these tax losses will be recovered, therefore, the Company did not recognize a deferred tax asset. Tax losses that will not be used have the following expiration dates:

<u>Year</u>	<u>Amount</u>
2021.....	Ps. 70,142
2022.....	87,440
2023	257,892
2024	55,459
2025 and thereafter.....	760,218
Total.....	<u>Ps. 1,231,151</u>

At December 31, 2020, the Company had tax credits of Ps.2,227,874 which, based on projections prepared by the Company's management, could be applied to future taxable income, with expiration in 2030.

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C) UNCERTAIN TAX POSITIONS

At December 31, 2020 and 2019, the Company recognized a liability for uncertain tax positions of Ps.9,236 and Ps.6,822, respectively, excluding interest and penalties, and it is included in Other non-current liabilities. The following table shows a reconciliation of the Company's uncertain tax positions, excluding interest and penalties:

	<u>2020</u>	<u>2019</u>
Uncertain tax positions at beginning of year.....	Ps. 6,822	Ps. 1,279
Translation adjustment of the beginning balance.....	400	(303)
Increase resulting from uncertain fiscal positions for the year	-	5,846
Settlements	(3,631)	-
Additions from changes in facts and circumstances.....	5,645	-
Uncertain tax positions at end of year.....	<u>Ps. 9,236</u>	<u>Ps. 6,822</u>

It is expected that the amount of uncertain tax positions will change in the next 12 months; however, the Company does not expect the change to have a significant impact on its consolidated financial position or results of operations. The Company had accrued interest and penalties of approximately Ps.1,456 and Ps.1,074 related to uncertain tax positions for 2020 and 2019, respectively.

D) TAX EFFECTS FROM OTHER COMPREHENSIVE INCOME

Deferred taxes related to other comprehensive income are comprised of:

	<u>At December 31, 2020</u>	<u>At December 31, 2019</u>
Foreign currency translation adjustments.....	Ps. 11,648	Ps. 64,304
Remeasurement of employment benefit obligations.....	(16,093)	(26,310)
Cash flow hedges.....	232,920	(54,883)
Total.....	<u>Ps. 228,475</u>	<u>Ps. (16,889)</u>

14. DEBT

Debt is summarized as follows:

Short-term:

	<u>At December 31, 2020</u>	<u>At December 31, 2019</u>
Bank loans.....	Ps. 145,861	Ps. 94,385
Current portion of long-term bank loans, notes and debt securities.....	2,574,318	492,691
	<u>Ps. 2,720,179</u>	<u>Ps. 587,076</u>

Long-term:

	<u>At December 31, 2020</u>	<u>At December 31, 2019</u>
Bank loans,	Ps. 22,729,555	Ps. 21,531,465
Current portion of long-term bank loans, notes and debt securities.....	(2,574,318)	(492,691)
	<u>Ps. 20,155,237</u>	<u>Ps. 21,038,774</u>

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The terms, conditions and carrying values of debt are as follows:

	<u>Currency</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>At December 31, 2020</u>	<u>At December 31, 2019</u>
10-year Senior notes ^(b)	U.S.\$	4.875%	2024	Ps. 7,948,807	Ps. 7,500,645
Syndicated loan ^(a)	U.S.\$	2.789%	2025	4,957,827	4,676,578
Debt securities	Pesos	TIIE + 0.38%*	2023	2,993,818	2,992,161
Syndicated loan ^(a)	U.S.\$	LIBOR + 1.0%	2022	2,149,908	2,438,553
Credit.....	Pesos	TIIE + 0.55%	2021	2,000,000	2,000,000
Revolving credit ^(a)	U.S.\$	LIBOR + 0.75%	2022	1,396,409	753,808
Credits.....	U.S.\$	LIBOR + 1.25%	2021	89,769	-
Credits.....	U.S.\$	LIBOR + 0.65%	2020	-	94,226
Credit ^(b)	Euros	0.95%	2026	1,103,083	947,668
Credit.....	Euros	1.53%	2024	165,960	178,224
Credit.....	Euros	14.10% - 16.75%	2021	56,092	-
Credit.....	Euros	3.95%	2022-2027	7,717	33,649
Credit.....	Euros	EURIBOR + 0.65%	2018-2021	6,026	10,338
Total.....				Ps. 22,875,416	Ps. 21,625,850

(a) Quarterly interest payments; (b) Semiannual interest payments;
* Effective rate of 8.52% considering the interest rate swap.

At December 31, 2020 and 2019, short-term debt bore interest at an average rate of 4.33% and 2.56%, respectively. At December 31, 2020 and 2019, interest expense included interest related to debt amounting Ps.1,190,609 and Ps.1,621,547, respectively.

At December 31, 2020, the annual maturities of long-term debt outstanding were as follows:

<u>Year</u>	<u>Amount</u>
2022.....	Ps. 3,307,435
2023.....	3,262,322
2024.....	8,222,288
2025.....	5,201,824
2026 and thereafter	161,368
Total.....	Ps. 20,155,237

On December 19, 2019, the Company obtained a loan of \$250 million dollars with Bank of Nova Scotia, for a term of 6 years, with the option of extension for another year, and accrue quarterly interest at a fixed rate of 2.789%. The resources from this loan were used by the Company to pay various short-term liabilities in pesos. The Company considered the extension of an additional year of this debt as a loan commitment and not as an option.

On October 16, 2019, the subsidiary Azteca Foods Iberia, S.A.U. obtained a loan of \$ 45 million euros with BBVA, SA, with five equal amortizations from the third to the seventh anniversary of the disposition, and accrue interest semi-annually at a fixed rate of 0.95 %. The resources from this loan were used by the Company to finance investments in Europe.

The Company has credit line agreements for Ps.12,368,194 (U.S. \$620 million), of which Ps.10,971,785 (U.S.\$ 550 million) are available as of December 31, 2020. These credit line agreements require a quarterly payment of a commitment fee ranging from 0.10% to 0.28% over the unused amounts, which is recognized as interest expense of the year.

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The outstanding credit agreements contain covenants mainly related to compliance with certain financial ratios and delivery of financial information, which, if not complied with during the period, as determined by creditors, may be considered a cause for early maturity of the debt.

Financial ratios are calculated according with the formulas established in the credit agreements. The main financial ratios contained in the credit agreements are the following:

- Interest coverage ratio, defined as the ratio of consolidated earnings before interest, tax, depreciation and amortization (EBITDA) of the last twelve months to consolidated interest charges, should not be less than 2.50 to 1.00.
- Leverage ratio, defined as the ratio of total consolidated indebtedness, net (determined as the sum of the outstanding principal balance of consolidated indebtedness and guarantees of the Company for obligations with third parties unrelated to the Company's core business less cash and cash equivalents), to consolidated EBITDA, should be no greater than 3.50 to 1.00.

At December 31, 2020 and 2019, the Company was in compliance with the financial covenants, as well as with the delivery of the required financial information.

Reconciliation of liabilities arising from financing activities

The table below details the changes in the Company's debt arising from financing activities:

	Short-term bank loans	Long-term bank loans, notes and debt securities	Total
Balance at January 1, 2019	Ps. 4,330,288	Ps.17,164,392	Ps. 21,494,680
Proceeds from debt.....	45,831,103	9,915,105	55,746,208
Payment of debt.....	(50,059,565)	(4,966,958)	(55,026,523)
Effect of changes in foreign exchange rates.....	(8,920)	(534,274)	(543,194)
Debt issuance costs.....	-	(34,721)	(34,721)
Reclassification of current portion of long-term debt.....	494,353	(494,353)	-
Exchange differences.....	(183)	(34,495)	(34,678)
Other non-cash changes.....	-	24,078	24,078
Balance at December 31, 2019.....	<u>Ps. 587,076</u>	<u>Ps.21,038,774</u>	<u>Ps. 21,625,850</u>
Proceeds from debt.....	9,835,087	3,919,834	13,754,921
Payment of debt.....	(9,869,708)	(3,576,760)	(13,446,468)
Effect of changes in foreign exchange rates.....	6,036	713,987	720,023
Debt issuance costs.....	-	(210)	(210)
Reclassification of current portion of long-term debt.....	2,150,769	(2,150,769)	-
Exchange differences.....	10,919	181,011	191,930
Other non-cash changes.....	-	29,370	29,370
Balance at December 31, 2020.....	<u>Ps. 2,720,179</u>	<u>Ps.20,155,237</u>	<u>Ps. 22,875,416</u>

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15. TRADE ACCOUNTS PAYABLE

The Company has financing programs by which suppliers can discount their notes with different financial institutions (Citibanamex, BBVA HSBC, Santander, Bank of America). The balance payable derived from these programs is recognized within trade accounts payable in the balance sheet. The financial cost for these operations is a charge to suppliers.

	At December 31, 2020	At December 31, 2019
Discounted balance payable by suppliers.....	Ps. 1,557,498	Ps. 2,035,619

16. PROVISIONS

The movements of provisions are as follows:

	Labor provisions	Restoration provision	Tax provision	Legal Provision	Total
Balance at January 1, 2019.....	Ps. 463,392	Ps. 161,658	Ps. 14,787	Ps. -	Ps. 639,837
Charge (credit) to income:					
Additional provisions.....	293,660	8,266	11,157	95,231	408,314
Used during the year.....	(237,799)	(14,143)	(23,211)	-	(275,153)
Exchange differences.....	(20,948)	(6,754)	245	-	(27,457)
Balance at December 31, 2019.....	498,305	149,027	2,978	95,231	745,541
Charge (credit) to income:					
Additional provisions.....	424,110	44,482	634	-	469,226
Used during the year.....	-	-	(2,151)	-	(2,151)
Exchange differences.....	(272,505)	-	(439)	(107,965)	(380,909)
Exchange differences.....	17,633	5,339	256	12,734	35,962
Balance at December 31, 2020.....	Ps. 667,543	Ps. 198,848	Ps. 1,278	Ps. -	Ps. 867,669

The classification of provisions is as follows:

	Labor provisions	Restoration provision	Tax provision	Legal provision	Total
At December 31, 2019:					
Current.....	Ps. 198,421	Ps. -	Ps. -	Ps. -	Ps. 198,421
Non-current.....	299,884	149,027	2,978	95,231	547,120
	Ps. 498,305	Ps. 149,027	Ps. 2,978	Ps. 95,231	Ps. 745,541
At December 31, 2020:					
Current.....	Ps. 127,093	Ps. -	Ps. -	Ps. -	Ps. 127,093
Non-current.....	540,450	198,848	1,278	-	740,576
	Ps. 667,543	Ps. 198,848	Ps. 1,278	Ps. -	Ps. 867,669

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Labor provisions

In the United States, when permitted by law, the Company self insures against workers' compensation claims arising from medical expenses incurred due to work accidents or illness. For uncovered risks, the Company estimates the associated liabilities through an actuarial calculation, considering historical information of claims, demographic factors, severity of past events and other actuarial assumptions; to estimate the expected outflows of economic resources and projected timing of the settlement of these claims. At December 31, 2020 and 2019, the discount rate applied was 2.67% and 3.69% respectively. At December 31, 2020 and 2019, the Company has Ps.24,976 (U.S.\$1,252 thousands) and Ps.21,558 (U.S.\$1,144) of expected insurance reimbursements that are included in consolidated balance sheet as a component of accounts receivable.

Restoration provision

In the United States, the Company has recognized an obligation to remove equipment and leasehold improvements from certain of its leased manufacturing facilities in order to restore the facilities to their original condition, less normal wear and tear as determined by the terms of the lease. The Company has estimated the expected outflows of economic resources associated with these obligations and the probability of possible settlement dates based upon the terms of the lease. These estimates are used to calculate the present value of the estimated expenditures using a before tax discount rate and taking into account any specific risks associated with these obligations. At December 31, 2020 and 2019 the discount rate applied during 2020 was 3.72% and 4.61% respectively.

Tax provision

In Central America, on December 15, 2015, the Company received a notification from the Tax Administration indicating an adjustment to the declared taxable income of the income tax for the period of the year 2012, for non-deductible costs for not be supported with the corresponding legal documentation. The amount of the proposed adjustment is Ps.1,384 (42,812 thousands colones).

On June 15, 2018, a resolution was received against the Company presents pleading memorial on July 11, 2018, to date the judgment is pending. In the opinion of the tax advisers and the Company's Administration, there are sufficient legal tax elements to obtain a favorable resolution; it is the Company's intention to exhaust all the legal resources that proceed in defense of its legitimate rights and legal interests. As of December 31, 2020, a provision has been created that covers this concept for Ps.1,277 (39,512 thousands colones).

17. OTHER CURRENT LIABILITIES

At December 31, 2020 and 2019, Other current liabilities include mainly the following:

	At December 31, 2020	At December 31, 2019
Employee benefits payable.....	Ps. 1,427,294	Ps. 1,131,798
Dividends payable.....	1,140,063	975,919
Promotion and advertising payable.....	425,550	376,441

The rest of the items that comprise Other current liabilities correspond to accrued expenses payable.

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18. EMPLOYEE BENEFITS OBLIGATIONS

Employee benefits obligations recognized in the balance sheet, by country, were as follows:

Country	At December 31, 2020	At December 31, 2019
Mexico.....	Ps. 943,227	Ps. 849,934
United States and Europe.....	111,430	92,023
Central America.....	33,733	32,095
Total.....	<u>Ps. 1,088,390</u>	<u>Ps. 974,052</u>

A) MEXICO

In Mexico, labor obligations recognized by the Company correspond to the single-payment retirement plan and seniority premium. The benefits for the retirement plan and seniority premium are defined benefit plans, based on the projected salary at the date in which the employee is assumed to receive the benefits. Currently, the plan operates under Mexican law, which does not require minimum funding.

The plans in Mexico typically expose the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk:

- Investment risk. The expected return rate for investment funds is equivalent to the discount rate, which is calculated using a discount rate determined by reference to long-term government bonds; if the return on plan asset is below this rate, it will create a plan deficit. Due to the long-term nature of the plan liabilities, the Company considers appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the fund.
- Interest risk. A decrease in the interest rate will increase the plan liability; the volatility in interest rates depends exclusively in the economic environment.
- Longevity risk. The present value of the defined benefit plan liability is calculated by reference to the best estimate of mortality of plan participants. An increase in the life expectancy of the plan participants will increase the plan's liability.
- Salary risk. The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary expectancy of the plan participants will increase the plan's liability.

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The reconciliation between the beginning and ending balances of the present value of the defined benefit obligations (DBO) is as follows:

	<u>2020</u>	<u>2019</u>
DBO at beginning of the year.....	Ps. 911,342	Ps. 766,432
Add (deduct):		
Current service cost.....	95,415	39,757
Financial cost.....	62,095	65,976
Remeasurement for the period.....	76,282	132,632
Benefits paid.....	(143,065)	(93,455)
DBO at end of the year.....	<u>Ps. 1,002,069</u>	<u>Ps. 911,342</u>

The reconciliation between the beginning and ending balances of the employee benefit plan assets at fair value for the years 2020 and 2019 is shown below:

	<u>2020</u>	<u>2019</u>
Plan assets at fair value at beginning of the year..	Ps. 61,408	Ps. 64,029
Add (deduct):		
Return on plan assets.....	3,224	3,366
Return on plan assets recognized in other comprehensive income.....	(5,790)	(5,987)
Plan assets at fair value at end of the year.....	<u>Ps. 58,842</u>	<u>Ps. 61,408</u>

The following table shows the reconciliation between the present value of the defined benefit obligation and the plan assets at fair value, and the projected net liability included in the balance sheet:

	<u>At December 31, 2020</u>	<u>At December 31, 2019</u>
Employee benefit (assets) liabilities:		
DBO.....	Ps. 1,002,069	Ps. 911,342
Plan assets.....	(58,842)	(61,408)
Employee benefits obligations.....	<u>Ps. 943,227</u>	<u>Ps. 849,934</u>

The value of the DBO related to the pension plan amounted to Ps.862,857 and Ps.791,684 at December 31, 2020 and 2019, respectively, while the value of the DBO related to seniority premiums amounted to Ps.139,212 and Ps.119,658, respectively.

At December 31, 2020 and 2019, the components of net cost comprised the following:

	<u>2020</u>	<u>2019</u>
Current service cost.....	Ps. 95,415	Ps. 39,757
Financial cost.....	62,095	65,976
Return on plan assets.....	(3,224)	(3,366)
Net cost for the year.....	<u>Ps. 154,286</u>	<u>Ps. 102,367</u>

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The net cost for the year related to the pension plan amounted to Ps.139,145 and Ps.89,651 at December 31, 2020 and 2019, respectively, while the net cost related to seniority premiums amounted to Ps.15,141 and Ps.12,716, respectively.

The net cost for the year 2020 of Ps.154,286 (Ps.102,367 in 2019) was recognized in income as cost of sales for Ps.24,134 (Ps.4,705 in 2019), selling and administrative expenses for Ps.71,281 (Ps.35,052 in 2019) and interest expense for Ps.58,871 (Ps.62,610 in 2019).

Remeasurements of the defined benefit obligation recognized in other comprehensive income are comprised of:

	<u>2020</u>	<u>2019</u>
Return on plan assets (excluding amounts included in net cost of the year).....	Ps. 5,790	Ps. 5,987
Actuarial losses arising from changes in financial assumptions.....	45,540	100,859
Actuarial losses arising from experience adjustments.....	30,742	31,773
	<u>Ps. 82,072</u>	<u>Ps. 138,619</u>

The total amount recognized in other comprehensive income is described below:

	<u>2020</u>	<u>2019</u>
Balance at the beginning of the year.....	Ps. 536,842	Ps. 398,223
Remeasurements that occurred during the year...	82,072	138,619
Balance at the end of the year.....	<u>Ps. 618,914</u>	<u>Ps. 536,842</u>

At December 31, 2020 and 2019, plan assets stated at fair value and related percentages with respect to total plan assets were analyzed as follows:

	<u>At December 31, 2020</u>		<u>At December 31, 2019</u>	
Equity securities, classified by type of industry:	Ps. 29,149	50%	Ps. 29,943	49%
Consumer industry.....	8,359		7,088	
Financial institutions.....	20,790		22,855	
Fixed rate securities.....	29,693	50%	31,465	51%
Fair value of plan assets.....	<u>Ps. 58,842</u>	<u>100%</u>	<u>Ps. 61,408</u>	<u>100%</u>

As of December 31, 2020, the funds maintained in plan assets were considered sufficient to face the Company's short-term needs; therefore, the Company's management has determined that for the time being there is no need for additional contributions to increase these assets.

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The main actuarial assumptions used were as follows:

	<u>At December 31, 2020</u>	<u>At December 31, 2019</u>
Discount rate.....	6.75%	7.25%
Future increase rate in compensation levels.....	4.50%	4.50%
Long-term inflation rate.....	3.50%	3.50%

At December 31 2020 and 2019, the impact in DBO for a decrease of 25 basis points in the discount rate amounts to Ps.16,122 and Ps.14,421, respectively. This sensitivity analysis is based on the change in the discount rate while keeping constant the rest of the assumptions. In practice, this is unlikely to occur, and changes in some of the assumptions can be correlated. The methods used in preparing the sensitivity analysis did not change from those used in prior years.

The average duration of the benefit obligation at December 31, 2020 and 2019 is 11 years.

The Company does not expect to contribute during the next fiscal year.

B) OTHER COUNTRIES

In the United States, the Company has a savings and investment plan that incorporates voluntary employee 401(k) contributions with matching contributions from the Company in this country. For the years ended December 31, 2020 and 2019, total expenses related to this plan amounted to Ps.185,852 and Ps.150,606, respectively (U.S.\$8,607 and U.S.\$7,816 thousands, respectively).

Additionally, the Company has established an unfunded nonqualified deferred compensation plan for a selected group of management and highly compensated employees. The plan is voluntary and allows employees to defer a portion of their salary or bonus in excess of the savings and investment plan limitations. The employees elect investment options and the Company monitors the result of those investments and records a liability for the obligation. For the years ended December 31, 2020 and 2019, total (income) expenses related to this plan were approximately Ps.18,764 and Ps.14,741, respectively (U.S. \$869 and U.S.\$765 thousands, respectively).

At December 31, 2020 and 2019, the liability recognized for both plans amounted to Ps.97,070 and Ps.78,829, respectively (U.S.\$4,866 and U.S.\$4,183 thousands, respectively).

In Central America, the retirement and severance provisions are determined according to the current Labor Legislation of each country. At December 31, 2020 and 2019, the liability recognized for this item amounted to Ps.33,733 and Ps.32,095, respectively, and the total labor obligation cost amounted Ps.7,609 and Ps.11,133, respectively.

19. EQUITY

A) COMMON STOCK

At December 31, 2020, the Company's outstanding common stock consisted of 397,297,269 Series "B" shares, with no par value, fully subscribed and paid, which can only be withdrawn with stockholders' approval and 8,193,787 treasury shares.

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The Extraordinary General Shareholders' Meeting held on April 24, 2020 approved the cancellation of 15,466,437 ordinary, nominative shares, without expression of nominal value, series "B", Class I, issued by Gruma S.A.B. de C.V. which have been repurchased by the Company

At December 31, 2019, the Company's outstanding common stock consisted of 413,143,708 Series "B" shares, with no par value, fully subscribed and paid, which can only be withdrawn with stockholders' approval and 7,813,785 treasury shares.

The Extraordinary General Shareholders' Meeting held on April 26, 2019, approved the cancellation of 11,791,586 ordinary, nominative shares, without expression of nominal value, series "B", Class I, issued by Gruma S.A.B. de C.V. which have been repurchased by the Company.

B) RETAINED EARNINGS

The Income Tax Law established a 10% tax rate on earnings from 2014 and thereafter, for dividend paid to foreign residents and Mexican individuals; additionally, this law stated that for the years 2001 to 2013, the net taxable income would be determined in accordance with the Income Tax Law effective for each year.

Dividends paid are not subject to income tax if paid from the Net Tax Profit Account (CUFIN) and will be taxed at a rate that fluctuates between 32% and 35% if paid from the reinvested Net Tax Profit Account. Dividends paid that exceed CUFIN and reinvested CUFIN are subject to an income tax payable at a rate of 30% if paid in 2021. The tax is payable by the Company and may be credited against the normal income tax payable by the Company in the year in which the dividends are paid or in the following two years. Dividends paid from earnings previously taxed are not subject to any withholding or additional tax payment. As of December 31, 2020, CUFIN amounted to Ps.13,602,576.

Legal reserve

In accordance with Mexican Corporate Law, the legal reserve must be increased annually by 5% of annual net profits until it reaches a fifth of the fully paid common stock amount. The legal reserve is included within retained earnings.

Movements in the legal reserve for the years ended December 31, 2020 and 2019 are as follows:

	<u>Amount</u>
Balance at December 31, 2018.....	Ps. 1,072,719
Increases during the year.....	-
Balance at December 31, 2019.....	<u>1,072,719</u>
Increases during the year.....	-
Balance at December 31, 2020.....	<u><u>Ps. 1,072,719</u></u>

Repurchase of common stock

The Shareholders' Meeting held on April 24, 2020 approved to increase the reserve to repurchase the Company's own shares up to Ps.7,000,000, which is included within retained earnings.

The Shareholders' Meeting held on April 27, 2019 approved to increase the reserve to repurchase the Company's own shares up to Ps.3,500,000, which is included within retained earnings.

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The maximum amount of proceeds that can be used to purchase the Company's own shares cannot exceed, in any case, the net earnings of the entity, including retained earnings.

When purchasing of the Company's own shares, the amount of the consideration paid, including the direct costs attributable to such acquisition, is recognized as a decrease in the Company's equity. When the shares are re-placed, the consideration received is recognized within the equity.

The difference between the acquisition cost of the repurchased shares and their stated value, composed of common stock and share premium paid, if applicable, is recognized as part of the reserve to repurchase the Company's own shares, which is included within retained earnings from prior years. The gain or loss on the sale of the Company's own shares is recorded in retained earnings.

The movements of the reserve for acquisition of Company's own shares for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Balance at the beginning of the year	\$ 2,022,293	\$ 432,368
Increase in the reserve for repurchase of Company's own shares during the year	6,419,806	3,584,945
Purchase of Company's own shares during the year....	(3,226,519)	(1,995,021)
Balance at the end of the year.....	<u>\$ 5,215,580</u>	<u>\$ 2,022,293</u>

At December 31, 2020, the Company has purchased 8,193,787 of its own shares at a market value of Ps.1,941,354 as of that date.

C) FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

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

	2020	2019
Balance at beginning of year.....	Ps. 464,953	Ps. 1,187,475
Effect of the year from translating net investment in foreign subsidiaries.....	2,657,547	(1,213,506)
Exchange differences arising from foreign currency liabilities accounted for as a hedge of the Company's net investments in foreign subsidiaries.....	(713,987)	490,984
Balance at end of year.....	<u>Ps. 2,408,513</u>	<u>Ps. 464,953</u>

At December 31, 2020 and 2019, the debt denominated in U.S. dollars for up to U.S.\$829 and U.S.\$821 million, respectively, generated a hedge on the investment of the Company in its subsidiaries in the United States (Gruma Corporation and subsidiaries).

During 2020 and 2019, the Company received dividends from its United States subsidiary Gruma Corporation amounting to Ps.8,862,314 (US \$390 million) and Ps.1,562,816 (U.S.\$80 million) respectively.

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20. FINANCIAL INSTRUMENTS

A) FINANCIAL INSTRUMENTS BY CATEGORY

The carrying values of financial instruments by category are presented below:

	At December 31, 2020			
	Financial assets and liabilities at amortized cost	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at fair value with changes in other comprehensive income	Total categories
<u>Financial assets:</u>				
Cash and cash equivalents.....	Ps. 6,172,754	Ps.	Ps.	Ps. 6,172,754
Derivative financial instruments (1).....		546,650	518,119	1,064,769
Accounts receivable.....	8,724,063			8,724,063
Long term notes receivable and other (Note 9).....	115,240			115,240
<u>Financial liabilities:</u>				
Current debt.....	2,720,179			2,720,179
Short-term lease liability.	717,338			717,338
Trade accounts payable...	6,220,081			6,220,081
Short- term derivative financial instruments.....		645,405	402,310	1,047,715
Long-term debt.....	20,155,237			20,155,237
Long-term lease liability.	5,962,332			5,962,332
Long-term derivative financial instruments.....			181,110	181,110
Other liabilities (excludes non-financial liabilities).....	60,458			60,458

(1) Includes assets for 544,410 related to the valuation of firm commitments for corn purchases.

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	At December 31, 2019			
	Financial assets and liabilities at amortized cost	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at fair value with changes in other comprehensive income	Total categories
<u>Financial assets:</u>				
Cash and cash equivalents.....	Ps. 3,943,501	Ps.	Ps.	Ps. 3,943,501
Derivative financial instruments.....			102,325	102,325
Accounts receivable.....	8,306,703			8,306,703
Long term notes receivable and other (Note 9).....	208,346			208,346
<u>Financial liabilities:</u>				
Current debt.....	587,076			587,076
Short-term lease liability..	612,596			612,596
Trade accounts payable.....	5,652,236			5,652,236
Short- term derivative financial instruments.....		46,915	125,238	172,153
Long-term debt.....	21,038,774			21,038,774
Long-term lease liability.	4,403,642			4,403,642
Long-term derivative financial instruments.....			159,651	159,651
Other liabilities (excludes non-financial liabilities).....	69,994			69,994

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, accounts receivable, trade accounts payable and other current liabilities approximate their fair value, due to their short maturity. In addition, the net book value of accounts receivable and recoverable taxes represents the expected cash flow to be received.

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

	At December 31, 2020	
	Carrying amount	Fair value
Assets:		
Derivative financial instruments – exchange rate.....	Ps. 9,196	Ps. 9,196
Derivative financial instruments – corn(1).....	842,475	842,475
Derivative financial instruments – fuel.....	28,574	28,574
Derivative financial instruments – wheat.....	184,524	184,524
Long-term notes receivable and other.....	181,487	198,742
Liabilities:		
10-year Bonds in U.S. dollars bearing fixed interest at an annual rate of 4.875%.....	7,948,807	8,999,497
Short and long-term debt.....	14,926,609	15,516,280
Short and long-term lease liability.....	6,679,670	6,679,670
Derivative financial instruments – natural gas	1,169	1,169
Derivative financial instruments – corn.....	547,046	547,046
Derivative financial instruments – exchange rate.....	383,825	383,825
Derivative financial instruments – interest rate.....	296,785	296,785

(1) Includes assets for Ps.544,410 related to the valuation of firm commitments for corn purchases.

	At December 31, 2019	
	Carrying amount	Fair value
Assets:		
Derivative financial instruments – corn.....	Ps. 74,295	Ps. 74,295
Derivative financial instruments – wheat.....	28,030	28,030
Long-term notes receivable and other.....	264,051	292,626
Liabilities:		
10-year Bonds in U.S. dollars bearing fixed interest at an annual rate of 4.875%.....	7,500,646	8,181,380
Short and long-term debt.....	14,125,204	14,413,230
Short and long-term lease liability.....	5,016,238	5,016,238
Derivative financial instruments – natural gas	55,465	55,465
Derivative financial instruments – corn.....	5,828	5,828
Derivative financial instruments – wheat.....	25,198	25,198
Derivative financial instruments – exchange rate.....	85,662	85,662
Derivative financial instruments – interest rate.....	159,651	159,651

The fair values at December 31, 2020 and 2019 were determined by the Company as follows:

- The fair values of bonds in U.S. dollars were determined based on available market prices. Fair values of bonds are classified as level 1 in the fair value hierarchy.
- The fair value for the rest of the long-term debt was based on the present value of the cash flows discounted at interest rates based on readily observable market inputs. Fair value of long-term debt is classified as level 2 in the fair value hierarchy. The average discount rate used was 1.96% in 2020 and 3.86% in 2019.
- Long-term notes receivable are classified as level 2 in the fair value hierarchy. Its fair value was based on the present value of future cash flows using a discount rate of 6.06% and 6.77% in 2020 and 2019, respectively.

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C) DERIVATIVE FINANCIAL INSTRUMENTS

At December 31, 2020 derivative financial instruments comprised the following:

Type of contract	Notional amount	Fair value	
		Asset	Liability
Corn futures	155,000 Bushels	Ps.	Ps. 2,636
Wheat futures	6,025,000 Bushels	184,524	
Corn swaps	9,355,000 Bushels	298,065	
Corn swaps	(32,215,000) Bushels		544,410
Natural gas futures and swaps.....	4,800,000 Mmbtu	24,875	
Diesel swaps	2,875,600 Gallons	3,699	
Diesel swaps.....	306,834 Gallons		1,169
Exchange rate forwards.....	1,786 thousands USD	9,196	
Exchange rate forwards and options.....	314,500 thousands USD		383,825
Interest rate swaps.....	3,000,000 MXN		296,785

At December 31, 2020, open positions of corn, gas natural and fuel derivatives were recorded at fair value. The result of the valuation at December 31, 2020 of financial instruments that qualified as cash flow hedge represented a gain of Ps.505,118, which was recognized in comprehensive income within equity. At December 31, 2020, the Company had open positions of financial instruments for corn, natural gas and fuel that did not qualify as hedge accounting. These open positions represented an income of Ps.8,960, which was recognized in the income statement as Other expenses, net.

For the year ended December 31, 2020, the Company transferred the amount of Ps.404,038 from cash flow hedges reserve and recognized it as part of inventory. This amount refers to the loss from the terminated operations for corn and wheat hedges, in which the grain, subject to these hedges, was received.

As of December 31, 2020, the Company has commitments for corn purchases as well as financial instruments that qualified as fair value hedges. This hedging instrument represents a loss of Ps.544,410. Changes in the fair value of derivative financial instruments that were designated and classified as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged item.

For operations concluded during the year for corn and wheat derivatives that qualified as hedge accounting and for which no grain was physically received, a gain of Ps.62,204 was recognized in comprehensive income. It is expected that in the following 12-month period, corn derivatives that qualified as hedge accounting will affect the Company's results of the year. Operations terminated as of December 31, 2020 on corn, natural gas and fuel derivatives that did not qualify as hedge accounting represented a loss of Ps.36,458 which was recognized in the income statement as Other expenses, net (Note 22).

Exchange rate derivative financial instruments were recorded at fair value. The result of the valuation at December 31, 2020 of for the positions of exchange rate derivative financial instruments that qualified as cash flow hedge represented a loss of Ps.273,635, which was recognized in comprehensive income within equity. At December 31, 2020, open positions of the instruments that did not qualify as hedge accounting resulted in a loss of approximately Ps.83,289 recognized in income. Exchange rate

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derivatives terminated in 2020 that qualified as cash flow hedge represented a loss of Ps.113,111, which was recognized in comprehensive income within equity. Likewise, the terminated operations of these instruments that did not qualify as hedge accounting represented a loss of Ps.111,187, which was recognized in income. During the year ended on December 31, 2020, net income of Ps.227,924 were transferred from reserve for cash flow hedges and recorded as part of inventory.

As of December 31, 2020, the open positions of interest rate swap instruments were recognized at fair value. The result of the valuation as of December 31, 2020 of the financial instruments that qualified as cash flow hedging was a loss of \$ 296,785, which was recognized as comprehensive income within equity. As of December 31, 2020 and 2019, expired contracts represented a loss of \$ 66,751 and a profit of \$ 4,174, respectively, which was applied to the results of the year in the financing cost section.

At December 31, 2020, the Company had revolving funds denominated “margin calls” amounting Ps.334,294, which are required to be applied against payments, due to price changes in the underlying asset.

At December 31, 2019 derivative financial instruments comprised the following:

Type of contract	Notional amount	Fair value	
		Asset	Liability
Corn futures	630,000 Bushels	Ps. 3,150	Ps. -
Corn futures	(55,000) Bushels		1,154
Wheat futures	7,100,000 Bushels	28,030	
Wheat futures	1,460,000 Bushels		25,198
Corn swaps.....	14,153,529 Bushels	57,147	
Corn swaps.....	8,680,000 Bushels		4,674
Corn options.....	8,195,000 Bushels	13,999	
Natural gas futures and swaps.....	12,460,000 Mmbtu		55,465
Exchange rate forwards.....	316,900 thousands USD		85,662
Interest rate swap.....	3,000,000 MXN		159,651

At December 31, 2019, open positions of corn, gas natural and fuel derivatives were recorded at fair value. The result of the valuation at December 31, 2019 of financial instruments that qualified as cash flow hedge represented a gain of Ps.45,044, which was recognized in comprehensive income within equity. At December 31, 2019, the Company had open positions of financial instruments for corn, natural gas and fuel that did not qualify as hedge accounting. These open positions represented a loss of Ps.43,831, which was recognized in the income statement as Other expenses, net.

For the year ended December 31, 2019, the Company reclassified the amount of Ps.78,590 from comprehensive income and recognized it as part of inventory. This amount refers to the loss from the terminated operations for corn and wheat hedges, in which the grain, subject to these hedges, was received.

Operations terminated for corn and wheat hedges during the period, which qualified for hedge accounting, and for which no corn has been received, originated a gain of Ps.39,683, recognized in comprehensive income (Note 24) and it is expected that in the following 12-month period, corn derivatives that qualified as hedge accounting will affect the Company’s results of the year. Operations that concluded in the year 2019 for natural gas derivative instruments that qualified as cash flow hedge generated a loss of Ps.16,898 which was recognized in other comprehensive income (Note 24) within

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equity. Operations terminated at December 31, 2019 on corn, natural gas and fuel derivatives that did not qualify as hedge accounting represented a loss of Ps.5,886 which was recognized in the income statement as Other expenses, net (Note 22).

Exchange rate derivative financial instruments were recorded at fair value. Open positions of exchange rate derivative financial instruments that qualified as cash flow hedge represented a loss of Ps.67,956, which was recognized in comprehensive income within equity. At December 31, 2019, valuation of the open positions of these instruments that did not qualify as hedge accounting resulted in a loss of approximately Ps.5,159 recognized in income as comprehensive financing cost, net (Note 24). For the year ended December 31, 2019, terminated operations of these instruments that qualified as cash flow hedge represented a loss of Ps.7,426, which was recognized in comprehensive income within equity. Likewise, terminated operations of these instruments that did not qualify as hedge accounting represented a gain of Ps.25,087, which was recognized in income as comprehensive financing cost, net (Note 24). During the year ended on December 31, 2019, net losses of Ps.190,554 were transferred from reserve for cash flow hedges and recorded as part of inventory.

At December 31, 2019 the open positions of interest rate swap instruments were recognized at fair value. The result of the valuation as of December 31, 2019 of the financial instruments that qualified as cash flow hedges was a loss of Ps.159,651, which was applied in comprehensive income within equity.

At December 31, 2019, the Company had revolving funds denominated “margin calls” amounting Ps.143,873, which are required to be applied against payments, due to price changes in the underlying asset.

D) FAIR VALUE HIERARCHY

A three-level hierarchy is used to measure and disclose fair values. An instrument’s categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation.

The following is a description of the three hierarchy levels:

- Level 1— Quoted prices for identical instruments in active markets.
- Level 2— Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3— Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

a. Determination of fair value

When available, the Company generally uses quoted market prices to determine fair value and classifies such items in Level 1. If quoted market prices are not available, fair value is valued using industry standard valuation models. When applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs, including interest rates, currency rates, volatilities, etc. Items valued using such inputs are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3

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even though there may be some inputs that are readily observable. In addition, the Company considers assumptions for its own credit risk and the respective counterparty risk.

b. Measurement

Assets and liabilities measured at fair value are summarized below:

	At December 31, 2020		
	Level 1	Level 2	Total
<i>Assets:</i>			
Plan assets – seniority premium fund....	Ps. 58,842	Ps. -	Ps. 58,842
Derivative financial instruments– exchange rate.....		9,196	9,196
Derivative financial instruments–corn(1)	26,168	816,307	842,475
Derivative financial instruments–wheat	184,524	-	184,524
Derivative financial instruments–fuel....	12,454	16,120	28,574
	Ps. 281,988	Ps. 841,623	Ps. 1,123,611
<i>Liabilities:</i>			
Derivative financial instruments – exchange rate.....	Ps. -	Ps. 383,825	Ps. 383,825
Derivative financial instruments – corn..	2,636	544,410	547,046
Derivative financial instruments – wheat.....	-	-	-
Derivative financial instruments – fuel...	1,169	-	1,169
Derivative financial instruments – interest rate	-	296,785	296,785
	Ps. 3,805	Ps. 1,225,020	Ps. 1,228,825

(1) Includes assets for Ps.544,410 related to the valuation of firm commitments for corn purchases.

	At December 31, 2019		
	Level 1	Level 2	Total
<i>Assets:</i>			
Plan assets – seniority premium fund....	Ps. 61,408	Ps. -	Ps. 61,408
Derivative financial instruments – corn..	8,259	66,036	74,295
Derivative financial instruments – wheat	28,030	-	28,030
	Ps. 97,697	Ps. 66,036	Ps. 163,733
<i>Liabilities:</i>			
Derivative financial instruments – exchange rate.....	Ps. -	Ps. 85,662	Ps. 85,662
Derivative financial instruments – corn..	1,154	4,674	5,828
Derivative financial instruments – wheat.....	25,198	-	25,198
Derivative financial instruments – fuel...	26,256	29,209	55,465
Derivative financial instruments – interest rate	-	159,651	159,651
	Ps. 52,608	Ps. 279,196	Ps. 331,804

There were no transfers between the three levels in the period.

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Level 1 - Quoted prices for identical instruments in active markets

Financial instruments that are negotiated in active markets are classified as Level 1. The inputs used in the Company's financial statements to measure the fair value include quoted market prices of corn and wheat listed on the Chicago Board of Trade.

Level 2 - Quoted prices for similar instruments in active markets

Financial instruments that are classified as Level 2 refer mainly to quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, as well as model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Derivative financial instruments - exchange rate

Exchange rate derivative financial instruments were recorded at fair value, which was determined using future cash flow discounted to present value. Significant data used to determine the fair value of these instruments is as follows:

	<u>2020</u>	<u>2019</u>
Forward exchange rate	Ps. 19.95	Ps. 18.85
Discount rate.....	6.06%	6.77%

Derivative financial instruments - fuel

Fuel derivative financial instruments were recorded at fair value, which was determined using future cash flow discounted to present value, using quoted market prices of fuel listed in the NYMEX Exchange.

Derivative financial instruments - corn

Corn derivative financial instruments that qualify as Level 2 were recorded at fair value. Valuation techniques used to value these financial instruments include market quotations or quotations for similar instruments and other, such as the cash flow discount analysis, which is used to determine the fair value of corn swaps.

During the period, there were no transfers between Levels 1 and 2.

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21. EXPENSES BY NATURE

Expenses by nature are presented in the income statement within the captions of cost of sales and selling and administrative expenses and are analyzed as follows:

	<u>2020</u>	<u>2019</u>
Cost of raw materials consumed and changes in inventory (Note 8).....	Ps. 32,337,028	Ps. 27,935,125
Employee benefit expenses (Note 23).....	25,665,032	20,101,084
Depreciation.....	3,650,442	3,139,109
Amortization (Note 12).....	43,312	40,441
Lease expenses (Note 11) --.....	434,649	375,309
Research and development expenses (Note 12).....	143,045	167,968
Allowance for doubtful accounts (Note 7).....	154,368	63,464

22. OTHER (EXPENSES), NET

Other expenses, net comprised the following:

	<u>2020</u>	<u>2019</u>
Current employees' statutory profit sharing.....	Ps. (90,395)	Ps. (62,044)
Net gain income from sale of fixed assets.....	13,172	20,497
Impairment loss on long-lived assets (1).....	(351,994)	(66,259)
Income from recovery of insurance claims for damaged assets, net (2).....	361,945	34,192
Result from derivative financial instruments.....	(18,634)	(49,717)
Surcharges received from the authority in relation to the asset tax refund for the year 2007	-	102,385
Total.....	<u>Ps. (85,906)</u>	<u>Ps. (20,946)</u>

(1) In 2020 includes a loss due to impairment of goodwill related to the Cash Generating Unit (CGU) in the United Kingdom for Ps.342,446 (See Note 12).

(2) In 2020 an amount of Ps.363,854 is included, corresponding to the income recognized in said year for the claim that occurred during 2019 at the plant located in the Netherlands. In 2019, fixed assets and inventories lost in this plant were written off for an amount of Ps.313,940 and Ps.51,230, respectively, and an income from insurance recovery for Ps.390,885 was recognized, which was collected in 2020.

23. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses are comprised of the following:

	<u>2020</u>	<u>2019</u>
Salaries, wages and benefits (including termination benefits).....	Ps. 24,024,813	Ps. 18,720,273
Social security contributions.....	1,270,765	1,099,234
Employment benefits (Note 18).....	369,454	281,577
Total.....	<u>Ps. 25,665,032</u>	<u>Ps. 20,101,084</u>

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24. COMPREHENSIVE FINANCING COST

Comprehensive financing cost, net is comprised by:

	<u>2020</u>	<u>2019</u>
Bank financial expenses and others (Note 14).....	Ps. (1,324,949)	Ps. (1,727,537)
Financial lease expenses (Note 11)	(353,646)	(274,937)
Financial products	61,146	106,833
Result from derivative financial instruments (Note 20).....	(203,340)	19,928
Result from foreign exchange differences, net.....	(1,050,368)	153,527
Comprehensive financing cost, net.....	<u>Ps. (2,871,157)</u>	<u>Ps. (1,722,186)</u>

25. INCOME TAX EXPENSE

A) INCOME BEFORE INCOME TAX

The domestic and foreign components of income before income tax are the following:

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Domestic.....	Ps. 229,231	Ps. 968,738
Foreign.....	8,248,017	6,591,081
	<u>Ps. 8,477,248</u>	<u>Ps. 7,559,819</u>

B) COMPONENTS OF INCOME TAX EXPENSE

The components of income tax expense are the following:

	<u>2020</u>	<u>2019</u>
Current tax:		
Current tax on profits for the year.....	Ps. (3,265,521)	Ps. (2,676,830)
Adjustments in respect of prior years.....	-	(4,954)
Total current tax.....	<u>(3,265,521)</u>	<u>(2,681,784)</u>
Deferred tax:		
Origin and reversal of temporary differences.....	168,699	(29,285)
Total deferred tax.....	<u>168,699</u>	<u>(29,285)</u>
Total income tax expense.....	<u>Ps. (3,096,822)</u>	<u>Ps. (2,711,069)</u>

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Domestic federal, foreign federal and state income taxes in the consolidated statements of income consisted of the following components:

	For the year ended December 31,	
	2020	2019
Current:		
Domestic federal.....	Ps. (826,416)	Ps. (955,941)
Foreign federal.....	(2,086,425)	(1,477,947)
Foreign state.....	(352,680)	(247,896)
	<u>(3,265,521)</u>	<u>(2,681,784)</u>
Deferred:		
Domestic federal.....	(149,854)	(15,878)
Foreign federal.....	321,404	7,827
Foreign state.....	(2,851)	(21,234)
	<u>168,699</u>	<u>(29,285)</u>
Total income taxes.....	<u>Ps.(3,096,822)</u>	<u>Ps.(2,711,069)</u>

C) RECONCILIATION OF FINANCIAL AND TAXABLE INCOME

For the years ended December 31, 2020 and 2019, the reconciliation between statutory income tax amounts and the effective income tax amounts is summarized as follows:

	2020	2019
Statutory federal income tax (30% for 2020 and 2019).....	Ps. (2,543,174)	Ps. (2,267,946)
Benefit due to subsidiaries' tax losses.....		-
Inflation effects on tax values.....	(209,979)	(138,965)
Foreign income tax rate differences (*).....	(182,925)	(126,740)
Tax credit derived from foreign dividends.....	(124,909)	47,024
Unrecognized tax loss carryforwards of the year.....	(32,501)	(201,077)
Nondeductible expenses and others.....	(3,334)	(23,365)
Effective income tax (36.53% and 35.86% for 2020 and 2019, respectively).....	<u>Ps. (3,096,822)</u>	<u>Ps. (2,711,069)</u>

26. COMMITMENTS

At December 31, 2020 and 2019, the Company has commitments to purchase grain and other raw materials in the United States for approximately Ps.4,468,509 and Ps.5,050,514, respectively (U.S.\$224,000 thousands and U.S.\$268,000 thousands, respectively), which will be delivered during 2021 and in Mexico for approximately Ps.3,251,638 and Ps.4,560,538, respectively (U.S.\$163,000 thousands and U.S.\$242,000 thousands, respectively), which will be delivered during 2021. The Company has concluded that there is no embedded derivative as a result of these contracts.

At December 31, 2020 and 2019, the Company has commitments to purchase machinery and equipment in the United States for approximately Ps.678,256 and Ps.141,339, respectively (U.S.\$34,000 thousands and U.S.\$7,500 thousands, respectively).

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27. INVESTMENT IN VENEZUELA

Expropriation Proceedings and other measures by the Bolivarian Republic of Venezuela Government.- On May 12, 2010, the Bolivarian Republic of Venezuela (the “Republic”) published the Decree number 7.394 in the Official Gazette of Venezuela (the “Expropriation Decree”), ordering the forced acquisition of all assets, property and real estate of the Company’s indirect subsidiary in Venezuela, Molinos Nacionales, C.A. (“MONACA”), through an expropriation proceeding to be initiated and processed with the participation of several agencies of the Republic. The Republic stated that the Expropriation Decree also extends to the Company’s indirect subsidiary, Derivados de Maíz Seleccionado, DEMASECA, C.A. (“DEMASECA”). The Republic took initial steps to carry out an administrative expropriation procedure in accordance with the Expropriation Decree, but then suspended said procedure indefinitely, which is still suspended to this date, therefore the expropriation has not been carried out.

GRUMA’s interests in MONACA and DEMASECA are held through two Spanish companies, Valores Mundiales, S.L. (“Valores Mundiales”), and Consorcio Andino, S.L. (“Consorcio Andino”). In 2010, Valores Mundiales and Consorcio Andino (jointly, the “Investors” or the “Claimants”) commenced conversations with the Republic regarding the Expropriation Decree and other measures related to the same, affecting MONACA and DEMASECA. Through the Investors, GRUMA participated in these conversations, in order to resolve the controversy caused by the Expropriation Decree and other measures imposed by the Republic. These conversations ceased without resulting in an agreement with the Republic.

Venezuela and the Kingdom of Spain are parties to a Treaty on Reciprocal Promotion and Protection of Investments, dated November 2, 1995 (the “Investment Treaty”), under which the Investors may settle investment disputes by means of arbitration before the International Centre for Settlement of Investment Disputes (“ICSID”). On November 9, 2011, the Investors, MONACA and DEMASECA formally notified the Republic about the dispute and their agreement to submit said dispute to ICSID arbitration if the parties were unable to reach an amicable agreement.

On January 22, 2013, as part of a criminal proceeding unrelated to MONACA and DEMASECA against a third party where precautionary measures were issued for the insurance of the assets of said third party which, in an extra-limited way, included MONACA and DEMASECA, the Republic published the Administrative Providence number 004-13 dated January 21 of the same year (the “Providence”) appointing special administrators for MONACA and DEMASECA granting them the broadest powers to execute actions for the continuity and non-interruption of the operation of companies and the broadest powers of administration to guarantee the safekeeping, custody, use and conservation of company assets. See section B) of this Note 27.

Consequently, in accordance with the provisions set forth in IFRS, the Company determined that as of January 22, 2013, it had lost the power to affect the variable returns of its subsidiaries in Venezuela and concluded that the appointment of special administrators with broad powers under the Providence had the effect of taking away its control over MONACA and DEMASECA and as a result, the Company proceeded to deconsolidate both subsidiaries and recognize its investment in Venezuela as a financial asset. Following the provisions set forth in IFRS, GRUMA performed impairment tests on the financial asset related to MONACA and DEMASECA and as of December 31, 2015, recognized an impairment of \$4,362,108 corresponding to the total value of said asset.

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On May 10, 2013, Valores Mundiales and Consorcio Andino submitted a Request for Arbitration to ICSID, which was registered on June 11, 2013 under case No. ARB/13/11. The purpose of the arbitration was to seek compensation for the damages caused by Venezuela's violation of the Investment Treaty. The tribunal that presided over this arbitration proceeding was constituted in January 2014.

On July 25, 2017, the tribunal decided the arbitration in favor of Valores Mundiales and Consorcio Andino, by dismissing the jurisdictional objections raised by the Republic and concluding that the Republic had violated provisions of the Investment Treaty. According to the Award issued by the arbitration tribunal, the Republic must pay US\$430.4 million to Valores Mundiales and Consorcio Andino as damages resulting from its violation of certain provisions of the Investment Treaty, plus compound interest at Libor +2% since January 22, 2013 and until the Award's effective payment date. As of December 31, 2020, the award plus interest amounts to approximately US\$552.7 million. The arbitration tribunal also ordered the Republic to pay US\$5.9 million for legal expenses incurred by the Claimants during the arbitration. Both, the amount of the award plus interest and the legal expenses incurred by the Claimants, were not recorded since they are considered a contingent asset under IAS 37.

In the Award, the arbitration tribunal granted most of the Claimants' claims and concluded that the Republic had violated the Investment Treaty by (i) not granting a fair and equitable treatment to the Claimants' investments; (ii) adopting arbitrary measures that hindered the management and evolution of the Claimants' investments; and (iii) preventing the free transfer of funds related to the Claimants' investments. The arbitration tribunal dismissed the indirect expropriation claim submitted by the Claimants, since the tribunal considered, amongst other reasons, that the administrative expropriation procedure ordered by the Expropriation Decree had not been concluded and the special administrators appointed by the Republic did not exercised control over the companies in a substantial way. The Claimants retain their right to commence a new claim against the Republic if the latter continues with the enforcement of the Expropriation Decree and materializes the transfer of the right of ownership of the assets subject to the Expropriation Decree.

On November 22, 2017, the Republic filed before the ICSID a request for annulment of the Award issued by the arbitration tribunal and the stay of enforcement of the same while said action is pending resolution. On December 7, 2017, ICSID registered the Republic's annulment request and provisionally stayed the enforcement of the Award. The Committee that will decide on the Award's annulment proceedings was finally constituted on May 23, 2018 ("Annulment Committee").

On June 4, 2018, the Republic formally requested that the Annulment Committee kept suspended the enforcement of the Award during the course of the annulment proceeding. After considering the arguments presented by the parties, on September 6, 2018, the Annulment Committee ordered the lifting of the provisional suspension of the enforcement of the Award, which allows the Investors to begin legal actions to recognize and enforce the Award in different jurisdictions.

In accordance with the procedural calendar governing the annulment proceeding, the Republic filed its Memorial on Annulment on August 23, 2018 and the Investors submitted their Counter Memorial on Annulment on November 16, 2018. The Republic submitted its Reply on January 15, 2019 and the Investors submitted their Rejoinder on March 15, 2019.

The annulment proceeding Hearing was originally scheduled on May 20, 2019. However, on April 4, 2019, the Annulment Committee decided to suspend the Hearing due to a dispute between

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representatives of the Republic over who has the power to represent the interests of the Republic in the annulment proceeding. On August 29, 2019, the Committee resolved the aforementioned dispute and invited the parties to propose a new date for the Hearing. Nevertheless, in that moment a new date for the Hearing was not established, since on October 29, 2019, the ICSID General Secretary formally proposed to the Annulment Committee to suspend the annulment proceeding pursuant to ICSID rules for non-payment of the advance cost by the Republic. Consequently, on November 11, 2019, the Annulment Committee notified the parties its decision to suspend the procedure in accordance with ICSID rules, clarifying that, if the procedure was resumed, the Annulment Committee would set new dates for the Hearing in consultation with the parties. During 2020, the Republic made the payment of the advance costs, therefore the Annulment Committee resumed the procedure and the parties managed to agree to set a date for the Hearing. The Hearing was held on October 20 and 21, 2020, and the Annulment Committee is deliberating to issue its decision, which is estimated to take around twelve months. At this time, it is not possible to predict the result of said procedure nor the period within which it will be resolved.

On January 8, 2019, the Investors filed a complaint with the Federal District Court in Washington, D.C. requesting recognition of the Award. The complaint for recognition of the Award was notified to the Republic by consular means on July 26, 2019, granting a period to answer until September 24, 2019 without Venezuela responding. Consequently, on October 21, 2019, the Investors requested the Judge to issue a judgment recognizing the Award considering the Republic's default. On March 3, 2020, representatives of the Republic appeared in the proceedings, answered the lawsuit and presented their objections to the passing of a default judgment. On March 16, 2020, the Investors asked the Tribunal to issue a summary judgment against Venezuela, to which Venezuela later objected and argued in favor of a judgment against the recognition of the Award. On November 17, 2020, the Judge ordered the suspension of the award recognition proceeding until the award annulment proceeding is resolved, thus the Investors' request remains pending to be resolved, to date.

Nevertheless, even though future discussions with the Republic could take place from time to time, the Company cannot assure that such discussions will be successful or will result in the Investors receiving adequate compensation, if any, for the violation to the Investment Treaty in the terms dictated in the Award or for the eventual enforcement of the Expropriation Decree by the Republic. Additionally, the Company cannot predict the results of the Award annulment proceeding, or the proceedings for the recognition and enforcement of the Award that the Investors commenced or may commence or the ramifications that costly and prolonged legal disputes could have on its results of operations or financial position, or the likelihood of collecting the Award.

On the other hand, the special administrators appointed through the Providence have been resigning their chargers, the last of them resigning at the end of 2018, without the Republic having appointed new special administrators, and since that moment there has been no direct or indirect participation by representatives of the Republic in the decision-making and management of the administration and operation of MONACA and DEMASECA. These administration activities are only carried out by MONACA and DEMASECA's management team, which is directed by its local Executive Committee in Venezuela. Although it could be concluded that some of the factual assumptions that were taken in account for the determination under IFRS regarding the loss of control no longer exist or have been mitigated, this does not change the previous conclusions following the IFRS guidelines. Likewise, the macroeconomic indicators used to determine the devaluation of the investment in Venezuela have continued deteriorating due to the economic and social situation in that country that has been negatively impacted by hyperinflation and significant currency devaluation.

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Given that the enforcement of the Award may present material challenges, the impact of the Award in the Company cannot be reasonably assessed at this time. The Investors, jointly with its legal counsel, will adopt appropriate measures to preserve and defend their legal interests.

Intervention Proceedings by the Republic.- Due to a criminal proceeding, not related with MONACA and DEMASECA, initiated in Venezuela by the Republic against Mr. Ricardo Fernández Barrueco, on December 4, 2009, the Eleventh Investigations Court for Criminal Affairs of Caracas issued an order authorizing the precautionary seizure of Mr. Fernández Barrueco's assets, including assets in which he had any kind of interest. Based on the purported indirect minority interest that ROTCH ENERGY HOLDINGS, N.V., (company supposedly linked to Mr. Fernández Barrueco), previously had in MONACA and DEMASECA. MONACA and DEMASECA were included by the Republic amongst the assets of Mr. Fernández Barrueco to be seized and therefore were subject to the aforementioned precautionary measure. Between 2009 and 2012, the Ministry of Finance of Venezuela, pursuant to the precautionary measures ordered by the court and, for the purposes of enforcing them, appointed several special administrators regarding the assets of Mr. Fernandez Barrueco, including the indirect minority interest that Mr. Fernández Barrueco allegedly owned in MONACA and DEMASECA. On January 21, 2013, the Ministry of Justice and Internal Relations revoked the prior appointments made by the Ministry of Finance of Venezuela and made a new designation of special administrators in particular for MONACA and DEMASECA through the publication of the Providence, granting them the "broadest powers to execute actions for the continuity and non-interruption of the operation of companies and the broadest powers of administration to guarantee the safekeeping, custody, use and conservation of the companies' assets.

As a result of the foregoing, MONACA and DEMASECA, as well as Consorcio Andino and Valores Mundiales, as direct shareholders of said companies, filed a petition as aggrieved third-parties to the criminal proceeding the Republic carried against Mr. Fernández Barrueco and that was not related to MONACA and DEMASECA, in order to revert the precautionary measures and all related actions, given that MONACA and DEMASECA were not and are not property of Mr. Fernández Barrueco and therefore should not have been affected by the precautionary measures established in the criminal proceeding against said person. On November 19, 2010, the Eleventh Investigations Court for Criminal Affairs of Caracas ruled that MONACA and DEMASECA are companies wholly owned and controlled by Valores Mundiales and Consorcio Andino, respectively. However, the court kept the precautionary measures issued on December 4, 2009 in effect, without substantiating their decision. An appeal has been filed, which has not been admitted and is pending resolution as of this date despite the multiple requests for pronouncement.

On July 30, 2014, the Twenty-Eighth Court in Trial Functions ordered the dismissal of the criminal case initiated by the Republic against Mr. Fernández Barrueco and ordered the lifting of all securing measures regarding his assets. This decision became final on July 18, 2017 by decision of the Chamber 1 of the Court of Appeals and its clarification of August 4, 2017, which ratifies the lifting of the measures for securing his assets. This decree of dismissal and the lifting of the securing measures regarding the assets of Mr. Fernández Barrueco, by firm decision, led to the decaying of the securing measures that were established against MONACA and DEMASECA, including the Providence, without as of this date existing any legal basis for such measures to remain in force. Therefore, in addition and regardless of the incident that had been promoted in the aforementioned criminal proceeding as injured third parties, on August 13, 2018, MONACA and DEMASECA requested that the Twenty-Eighth Trial Judge terminate and lift all precautionary measures decreed in the aforementioned criminal proceeding that affect these companies, including the Providence in which special administrators were appointed.

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MONACA and DEMASECA, have orally ratified this request on several occasions before the Judge and in written on October 29, 2018 and October 3, 2019, however, the Court has not issued a ruling.

The Company and its subsidiaries intend to exhaust all legal remedies available in order to safeguard and protect their legitimate interests.

28. CONTINGENCIES

Additionally to the situation mentioned in Note 27, the Company and its subsidiaries are subject to litigation arising during the normal course of business. It is the Company's policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable (see Note 16). In the opinion of management, the resolution of these matters will not have a material adverse effect on the Company's consolidated financial statements.

29. RELATED PARTIES

A) TRANSACTIONS WITH RELATED PARTIES

For the year ended December 31, 2020 and 2019, the Company did not perform transactions with related parties.

B) KEY MANAGEMENT PERSONNEL COMPENSATION

Key management includes Board members, alternate Board members, officers and members of the Audit Committee and Corporate Practice Committee. The compensation paid to key management for employee services is shown below:

	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits.....	Ps. 196,520	Ps. 186,395
Termination benefits.....	37,422	-
Total.....	<u>Ps. 233,942</u>	<u>Ps. 186,395</u>

At December 31, 2020 and 2019, the reserve for deferred compensation amounted to Ps.49,080 and Ps.46,570, respectively.

C) BALANCES WITH RELATED PARTIES

At December 31, 2020 and 2019, the Company had no balances with related parties.

30. COVID-19 IMPACTS

On March 11, 2020, the World Health Organization declared the new coronavirus disease (COVID-19) as a global pandemic. Governments have implemented various social and public health measures to reduce the transmission of the virus. These include measures of physical and social distancing, as well as movement restrictions. The Company has evaluated the impact that the COVID-19 pandemic has had on its estimates, assumptions and forecasts, and has included the additional disclosures deemed necessary in the consolidated financial statements. Given the changing nature and uncertainty of COVID-19, the Company will continue to assess the impact that could result on its financial situation and results of its operations.

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Impairment of non-current assets

The Company carried out impairment tests using projected cash flows, which consider the predictable impacts of the measures related to COVID-19 and the economic perspective. As a result of these projections, the Company recognized an impairment charge related to goodwill (see Note 12, Intangible Assets).

Evaluation of the expected credit loss

The balance receivable from customers have been carefully reviewed and changes in credit quality, including those related to COVID-19, have been integrated into the assessment of credit risk and expected credit losses. Prospective information on the expected economic effects of the pandemic has been considered. The Company has not identified any significant risk among its customers and, therefore, did not recognize additional significant impairment due to expected credit losses on its accounts receivable.

Impact on the Operating Income

The Company incurred incremental costs directly related to COVID-19 during 2020 to keep employees safe and ensure business continuity. The main incremental costs related to COVID-19 that affected the operating results are estimated at Ps.772,702, which include (i) Ps.581,398 for bonuses for the front-line employees, costs related to safety (face masks, gloves, sanitizers, thermometers) and medical expenses; (ii) Ps.55,513 for donations; (iii) Ps.135,991 for other incremental costs. To mitigate these adverse factors, the Company increased its efforts in cost efficiency and discipline.

31. FINANCIAL STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company's financial position or results of operations.

[ENGLISH TRANSLATION FOR INFORMATION PURPOSES ONLY]

Audit Committee

C.P. Thomas S. Heather Rodriguez
Chairman of the Audit Committee
Gruma, S.A.B. de C.V.
Rio de la Plata, No 407
Col. Del Valle
66220 Garza Garcia, N.L.

Monterrey, N.L., April 7, 2021

Dear Mr. Heather,

In compliance with the General Provisions Applicable to Entities and Issuers Supervised by the National Banking and Securities Commission (Commission) that hire External Auditing for Basic Financial Statements Services (Provisions) issued on April 26, 2018, as amended, I hereby declare in accordance with article 37 of said Provisions, the following, in connection with the consolidated financial statements of Gruma, S.A.B. de C.V. (Issuer) for the year ended on December 31, 2020:

- I. I am a certified public accountant with the valid registration number 18803 in the General Administration Federal Tax Audit (*Administración General de Auditoría Fiscal Federal*) (AGAFF), of the Tax Administration Service, issued on June 27, 2019. Additionally, the Firm I work in has the valid registration number 06839 in the AGAFF. Additionally, I comply with the other requirements indicated in articles 4 and 5 of the Provisions. To this date, both registrations are currently in force.
- II. From the date on which I provide my External Audit services, during the development of the same and until the issuance of the corresponding External Audit report, as well as the required communications and opinions in accordance with those indicated in Article 15 of the Provisions, as applicable, I comply with the requirements referred to in articles 4 and 5 of the Provisions. I also state that the Firm complies with the provisions of articles 6, 9 and 10, in relation to article 14 of the Provisions.
- III. That the Firm has documentary evidence of the implemented quality control system referred to in Article 9 of the Provisions and participates in a quality evaluation program that conforms to the requirements contemplated in Article 12 of the Provisions.
- IV. I grant my express consent to provide the Commission with the information it requires in order to verify compliance with the requirements described above.
- V. The Firm I work in, is obligated to keep physically or through digital images, or optical or electromagnetic means and for a period of not less than 5 years from the conclusion of the audit, all the documentation, information and other elements of judgment that cover the compliance of the previous requirements.
- VI. I have audited the basic financial statements of the Entity for 5 years; also, the Firm in which I work has provided the external audit service for approximately 30 years.

/S/

C.P.A. Víctor Gabriel Vecchi
Audit Partner

[ENGLISH TRANSLATION FOR INFORMATION PURPOSES ONLY]

Audit Committee

C.P. Thomas S. Heather Rodriguez
Chairman of the Audit Committee
Gruma, S.A.B. de C.V.
Rio de la Plata Ote. No. 407
Col. Del Valle
66220 Garza Garcia

Monterrey, N.L., April 27, 2021

Dear Mr. Heather,

In relation to the consolidated financial statements of Gruma, S.A.B. de C.V. (Issuer) for the year ended on December 31, 2020, 2019 and 2018 and in compliance with the General Provisions Applicable to Entities and Issuers Supervised by the National Banking and Securities Commission that Hire External Auditing for Basic Financial Statements Services (Provisions), issued on April 26, 2018, as amended, I hereby grant my consent for the Issuer to include in the annual information referred to in articles 33, section I, subparagraph b), number 1. of the General Provisions Applicable to Securities' Issuers and other Securities Market's Participants, the audit report on the financial statements issued by me.

The above, in the understanding that I previously ensured that the information contained in the basic financial statements included in the corresponding annual report, as well as any other financial information contained in said document which derive from the referred financial statements or the audit report presented by me, corresponds to the audited information, in order for said information to become of public knowledge.

/S/

C.P.A. Víctor Gabriel Vecchi
Audit Partner

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

CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Auditors Translated from Spanish

To the Shareholders and Directors of Gruma, S. A. B. de C. V. and its subsidiaries

Opinion

We have audited the consolidated financial statements of Gruma, S. A. B. de C. V. and its subsidiaries (the Company), which comprise the consolidated statement of balance sheet as at December 31, 2019, and the related consolidated statements of net income and comprehensive income, of changes in equity and of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Ethics Standards of Mexican Institute of Public Accountants together with other requirements applicable to our audit of the consolidated financial statements in Mexico. We have fulfilled our other ethical responsibilities in accordance with these requirements and standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key audit matter

How our audit addressed the key audit matter

1. Impairment testing of goodwill:

As mentioned in Notes 3-H and 12 of the consolidated financial statements, the Company conducts an annual estimation of the recoverable value of its cash generating units (CGU) related to goodwill, in order to determine whether it has been impaired.

We have focused on that caption principally 1) in view of the significance of the book value of goodwill (\$3,493 million at December 31, 2019), 2) due to the fact that the estimation of the recoverable value of CGUs on which goodwill has been recognized by the US, Mexico and Spain involves significant management judgments including the consideration of the possibility of changes in the economic context within which the CGUs involved in the goodwill operate.

We particularly focused on significant judgment pertaining to future business results, income growth rates and the discount rates applied to future cash flow projections.

For the CGUs of US, México and Spain, we conducted sensitivity tests and discussed the results with management. We also evaluated the extent to which the assumptions would need to be modified to recognize impairment in order to define the nature and extent of the procedures applied for each CGU based on its risk level, as follow:

We gained an understanding of the processes followed by management in projecting future cash flows and assessed that management prepared projections as required by established processes in the manner in which it exercises timely supervision, and whether those projections are consistent with budgets approved by the Board of Directors.

We compared actual results for the current year to figures budgeted in the preceding year for this year, in order to assess whether any of the assumptions usually included in projections could be considered overly optimistic or unrealistic based on Company history.

We ensured that the models applied in determining the recovery value of assets are recognized methods used to value similar types of assets.

With the help of our appraisal experts, we challenged and compared the significant assumptions and judgments used in management projections pertaining to:

- Long-term income growth rates, which we compared to historic trend of grow of the GCUs and growth rates expected from industry; and
- The discount rate used when evaluating the cost of capital for the Company and similar entity, as well as specific territory factors.



2. Risk covered through financial instruments

As mentioned in Notes 4 and 20 to the consolidated financial statements, the Company entered into agreements for uncomplicated basic and standard derivative financial instruments to cover the risk arising from changes in prices and in the supply of certain materials. Those derivative financial instruments are mainly gas and corn swaps and foreign-currency forwards and option agreements, primarily in México and US. Derivative financial instrument assets total \$102 million and derivative instrument liabilities total \$331 million.

We have focused on that caption, mainly due to the fact that the number of derivative financial instrument transactions entered into by the Company was considerable this year and given their importance within the context of the financial statements taken as a whole, not only because of the valuation that such financial instruments may have, but also due to the effect that these could have on the net income for the year.

We particularly concentrated our audit efforts on understanding and evaluating the internal control environment established by the Company for that type of financial instrument and on key entry data used for their valuation, such as the value of the exchange rate and the value of gas and corn products (commodities) at the date of valuation.

The following procedures were applied as part of our audit:

- We gained an understanding of and evaluated the design and operating effectiveness of key controls involved in the approval of those transactions by corporate governance bodies and determination of fair value.
- We discussed with the Audit Committee its monitoring of the strategy pertaining to the use of derivative financial instruments contracted by the Company.

On a selective basis:

- We inspected evidence of authorization of the contracting of the new derivative financial instruments during the year, by the executives defined for this purpose.
- We secured confirmations, from counterparties of the existence of instruments whose positions were open at December 31, 2019.
- With the support of our appraisal experts, we used selective testing to independently determine the fair value of a sample of derivative financial instruments, using valuation models commonly accepted in the market and data from market sources, which we matched to the values determined by management.
- We inspected financial settlements of profits and losses arising from termination of derivative financial instruments.
- We matched key information related to the exchange rate and values of the products (commodities) of corn and gas used in determining fair value to information from independent sources and recognized market sources at the date of valuation.



Other Information

Management is responsible for the other information. The other information comprises the annual report presented to Comisión Nacional Bancaria y de Valores (CNBV) (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, we will issue the report required by the CNBV and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if required, describe the issue in our report.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company and subsidiaries audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This version of our report is a translation from the original report, which was prepared in Spanish. In all matters of interpretation of information, views or opinions, the original Spanish language version of our report takes precedence over this translation

The engagement partner on the audit resulting in this independent auditor's report is stated below.

PricewaterhouseCoopers, S. C.

C.P.C. Víctor Gabriel Vecchi
Audit Partner

Monterrey, N. L., April 8, 2020

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2019 AND 2018
(In thousands of Mexican pesos)
(Notes 1, 2 and 3)

A s s e t s	Note	2019	2018
Current:			
Cash and cash equivalents.....	6	Ps. 3,943,501	Ps. 3,435,722
Derivative financial instruments.....	20	102,325	66,049
Accounts receivable, net.....	7	10,609,012	9,476,303
Inventories.....	8	11,238,374	11,115,967
Recoverable income tax.....		314,310	517,809
Prepaid expenses.....		492,425	449,544
Total current assets.....		26,699,947	25,061,394
Non-current:			
Long-term notes and accounts receivable.....	9	277,873	263,717
Property, plant and equipment, net.....	10	28,665,642	30,154,660
Right-of-use assets.....	11	4,729,796	-
Intangible assets, net.....	12	4,125,216	4,318,509
Deferred tax assets.....	13	2,384,396	2,034,423
Total non-current assets.....		40,182,923	36,771,309
Total Assets.....		Ps. 66,882,870	Ps. 61,832,703
L i a b i l i t i e s			
Current:			
Short-term debt.....	14	Ps. 587,076	Ps. 4,330,288
Short-term lease liability.....	11	612,596	-
Trade accounts payable.....	15	5,652,236	5,968,044
Derivative financial instruments.....	20	172,153	118,841
Provisions.....	16	198,421	148,271
Income tax payable.....		479,310	411,337
Other current liabilities.....	17	4,597,291	4,795,296
Total current liabilities.....		12,299,083	15,772,077
Non-current:			
Long-term debt.....	14	21,038,774	17,164,392
Long-term lease liability.....	11	4,403,642	-
Derivative financial instruments.....	20	159,651	-
Provision for deferred taxes.....	13	1,249,687	1,395,571
Employee benefits obligations.....	18	974,052	814,752
Provisions.....	16	547,120	491,566
Other non-current liabilities.....		233,327	92,890
Total non-current liabilities.....		28,606,253	19,959,171
Total Liabilities.....		40,905,336	35,731,248
E q u i t y			
Shareholders' equity:			
Common stock.....	19	5,120,602	5,248,104
Reserves.....		294,604	1,224,803
Retained earnings.....	19	20,574,206	19,640,139
Total shareholders' equity.....		25,989,412	26,113,046
Non-controlling interest.....		(11,878)	(11,591)
Total Equity.....		25,977,534	26,101,455
Total Liabilities and Equity.....		Ps. 66,882,870	Ps. 61,832,703

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

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands of Mexican pesos, except per-share data)
(Notes 1, 2 and 3)

	Note	2019	2018
Net sales.....	5	Ps. 77,387,658	Ps. 74,037,588
Cost of sales.....	21	<u>(48,672,006)</u>	<u>(46,347,137)</u>
Gross profit.....		28,715,652	27,690,451
Selling and administrative expenses.....	21	(19,412,701)	(18,238,681)
Other expenses, net.....	22	<u>(20,946)</u>	<u>(26,288)</u>
Operating income.....		9,282,005	9,425,482
Comprehensive financing cost, net.....	24	<u>(1,722,186)</u>	<u>(1,564,826)</u>
Income before income tax.....		7,559,819	7,860,656
Income tax expense.....	25	<u>(2,711,069)</u>	<u>(2,807,958)</u>
Consolidated net income from continuing operations.....		4,848,750	5,052,698
Loss from discontinued operations.....		<u>(11,473)</u>	<u>(81,756)</u>
Consolidated net income.....		<u>Ps. 4,837,277</u>	<u>Ps. 4,970,942</u>
Attributable to:			
Shareholders.....		Ps. 4,835,675	Ps. 4,969,803
Non-controlling interest.....		1,602	1,139
		<u>Ps. 4,837,277</u>	<u>Ps. 4,970,942</u>
From continued operations:			
Basic and diluted earnings per share (pesos).....		<u>Ps. 11.60</u>	<u>Ps. 11.76</u>
From discontinued operations:			
Basic and diluted losses per share (pesos).....		<u>Ps. (0.03)</u>	<u>Ps. (0.19)</u>
From continued and discontinued operations:			
Basic and diluted earnings per share (pesos).....		<u>Ps. 11.57</u>	<u>Ps. 11.57</u>
Weighted average shares outstanding (thousands).....		<u>417,944</u>	<u>429,490</u>

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

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands of Mexican pesos)
(Notes 1, 2 and 3)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Consolidated net income		Ps. 4,837,277	Ps. 4,970,942
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of employment benefit obligations.....	18	(138,619)	47,598
Income taxes.....	13	26,310	(6,658)
		<u>(112,309)</u>	<u>40,940</u>
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation adjustments.....		(723,014)	(708,017)
Cash flow hedges.....		(485,621)	(192,148)
Other.....		(1,116)	(80,505)
Income taxes.....	13	8,887	8,676
		<u>(1,200,864)</u>	<u>(971,994)</u>
Other comprehensive income, net of tax.....		<u>(1,313,173)</u>	<u>(931,054)</u>
Total comprehensive income		<u>Ps. 3,524,104</u>	<u>Ps. 4,039,888</u>
Total comprehensive income for the period is attributable to:			
Shareholders.....		Ps. 3,522,966	Ps. 4,045,705
Non-controlling interest.....		1,138	(5,817)
		<u>Ps. 3,524,104</u>	<u>Ps. 4,039,888</u>
Total comprehensive income for the period is attributable to shareholders arises from:			
Continuing operations.....		Ps. 3,534,439	Ps. 4,127,461
Discontinued operations.....		(11,473)	(81,756)
		<u>Ps. 3,522,966</u>	<u>Ps. 4,045,705</u>

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

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands of Mexican pesos)
(Notes 1, 2 and 3)

	Common stock (Note 19-A)		Reserves		Retained earnings and other reserves (Note 19-B)	Total shareholders' equity	Non-controlling interest	Total equity
	Number of shares (thousands)	Amount	Foreign currency translation (Note 19-C)	Cash flow hedges and other reserves (Note 20-C)				
Balances at January 1, 2018	432,749	Ps. 5,363,595	Ps. 1,872,713	Ps. 240,415	Ps. 18,499,806	Ps. 25,976,529	Ps. (5,774)	Ps. 25,970,755
Transactions with owners of the Company:								
Dividends paid (Ps.4.28 per share).....	(9,318)	(115,491)			(1,852,166)	(1,852,166)	-	(1,852,166)
Purchase of own shares.....	(9,318)	(115,491)			(1,941,531)	(2,057,022)	-	(2,057,022)
Balances at January 1, 2019					(3,793,697)	(3,909,188)	-	(3,909,188)
Comprehensive income:								
Net income of the year.....					4,969,803	4,969,803	1,139	4,970,942
Foreign currency translation adjustment (Net of taxes of Ps.14,195).....			(690,991)			(690,991)	(2,831)	(693,822)
Remeasurement of employment benefit obligations (Net of taxes of Ps.(6,658)).....						40,914	26	40,940
Cash flow hedges (Net of taxes of Ps.(5,378)).....				(197,334)		(197,334)	(192)	(197,526)
Other (Net of taxes of Ps.(141)).....				(197,334)		(197,334)	(3,959)	(80,646)
Comprehensive income of the year					4,934,030	4,045,705	(5,817)	4,039,888
Balances at December 31, 2018	423,431	Ps. 5,248,104	Ps. 1,181,722	Ps. 43,081	Ps. 19,640,139	Ps. 26,113,046	Ps. (11,591)	Ps. 26,101,455
Transactions with owners of the Company:								
Dividends paid (Ps.4.65 per share).....	(10,287)	(127,502)			(1,951,439)	(1,951,439)	(1,425)	(1,952,864)
Purchase of own shares.....	(10,287)	(127,502)			(1,836,300)	(1,963,802)		(1,963,802)
Effect on minority share purchase.....					(503)	(503)		(503)
Costs of cash flow hedging transferred to the carrying value of inventory purchased during the year, net of taxes					(3,788,242)	(3,915,744)	(1,425)	(3,917,169)
Comprehensive income:								
Net income of the year.....				269,144		269,144	-	269,144
Foreign currency translation adjustment (Net of taxes of Ps.64,304).....				269,144		(3,646,600)	(1,425)	(3,648,025)
Remeasurement of employment benefit obligations (Net of taxes Ps.26,310).....			(786,877)			4,835,675	1,602	4,837,277
Cash flow hedges (Net of taxes of Ps.73,191).....				(412,466)		(412,466)	(59)	(412,430)
Other (Net of taxes).....				(412,466)		(1,116)	-	(1,116)
Comprehensive income of the year					4,722,309	3,522,966	1,138	3,524,104
Balances at December 31, 2019	413,144	Ps. 5,120,602	Ps. 394,845	Ps. (100,241)	Ps. 20,574,206	Ps. 25,989,412	Ps. (11,878)	Ps. 25,977,534

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

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands of Mexican pesos)
(Notes 1, 2 and 3)

	Note	2019	2018
Operating activities:			
Income before taxes		Ps. 7,559,819	Ps. 7,860,656
Derivative financial instruments.....	20 and 22	49,717	(55,337)
Foreign exchange gain (loss) from working capital.....		(89,352)	145,752
Net cost of the year for employee benefit obligations.....		281,577	244,014
Allowance for doubtful accounts.....		63,464	34,650
Damaged, slow-moving and obsolete inventory.....		168,465	118,921
Items related with investing activities:			
Depreciation and amortization.....		3,179,550	2,312,383
Impairment of long-lived assets.....		66,259	3,403
Interest income.....		(81,124)	(51,084)
Gain (loss) in sale of fixed assets and damaged assets.....	22	(54,689)	15,611
Items related with financing activities:			
Derivative financial instruments.....	20 and 24	(19,928)	66,560
Gain (loss) foreign exchange loss from debt.....		(39,775)	87,585
Foreign exchange gain from lease liability.....		(24,400)	
Interest expense.....		1,845,988	1,287,245
		<u>12,905,571</u>	<u>12,070,359</u>
Accounts receivable.....		(1,801,573)	(1,099,576)
Inventories.....		(483,067)	(555,556)
Prepaid expenses.....		16,676	(131,443)
Trade accounts payable.....		(193,420)	(467,653)
Accrued liabilities and other accounts payables.....		301,046	239,221
Income taxes paid.....		(2,839,426)	(2,081,871)
Payments of employee benefits obligations.....		(257,616)	(264,310)
		<u>(5,257,380)</u>	<u>(4,361,188)</u>
Net cash flows from operating activities		<u>7,648,191</u>	<u>7,709,171</u>
Investing activities:			
Acquisitions of property, plant and equipment.....	5 and 10	(1,765,079)	(3,969,598)
Sale of property, plant and equipment.....		434,895	400,254
Acquisition of intangible assets.....	12	(44,399)	(302,765)
Interests collected.....		81,124	51,084
Other.....		(20,509)	(85,710)
Net cash flows used in investing activities		<u>(1,313,968)</u>	<u>(3,906,735)</u>
Cash to be used in financing activities			
		<u>6,334,223</u>	<u>3,802,436</u>
Financing activities:			
Proceeds from debt.....	14	55,746,208	30,376,283
Payment of debt.....	14	(55,026,523)	(28,911,854)
Payment of lease liability.....		(616,723)	-
Interests paid.....		(1,662,315)	(1,231,047)
Interests paid on lease liability.....		(274,937)	-
Derivative financial instruments collected.....		19,928	37,778
Purchase of own shares.....		(1,995,020)	(2,067,632)
Purchase of non-controlling interest share.....		(503)	-
Dividends paid.....		(1,872,020)	(1,839,392)
Net cash flows used in financing activities		<u>(5,681,905)</u>	<u>(3,635,864)</u>
Net increase in cash and cash equivalents.....		652,318	166,572
Exchange differences on cash.....		(144,539)	39,170
Cash and cash equivalents at the beginning of the year		<u>3,435,722</u>	<u>3,229,980</u>
Cash and cash equivalents at the end of the year		<u>Ps. 3,943,501</u>	<u>Ps. 3,435,722</u>

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

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019 AND 2018
(In thousands of Mexican pesos, except where otherwise indicated)

1. ENTITY AND OPERATIONS

Gruma, S.A.B. de C.V. (GRUMA) is a Mexican company with subsidiaries located in Mexico, the United States of America, Central America, Europe, Asia and Oceania, together referred to as the “Company”. The Company’s main activities are the production and sale of corn flour, tortillas and related products.

GRUMA is a publicly held corporation (*Sociedad Anónima Bursátil de Capital Variable*) organized under the laws of Mexico. The address of its registered office is Río de la Plata 407 in San Pedro Garza García, Nuevo León, Mexico. GRUMA is listed on the Mexican Stock Exchange.

The consolidated financial statements were authorized by the Chief Administrative Office of the Company on April 8th, 2020.

2. BASIS OF PREPARATION

The consolidated financial statements of Gruma, S.A.B. de C.V. and Subsidiaries for all the periods presented have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The IFRS also include the International Accounting Standards (IAS) in force, as well as all the related interpretations issued by the IFRS Interpretations Committee, including those previously issued by the Standing Interpretations Committee.

The Company adopted the new standards that were effective starting January 1, 2019, being the most relevant IFRS 16, Leases. The Company applied changes to its accounting policies starting the date of adoption of IFRS 16, which are explained in Note 31.

A) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared based on historical cost, except for the fair value of certain financial instruments as described in the policies shown below (see Note 3-K).

The preparation of financial statements requires that management make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

B) FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Mexican pesos, which is the functional currency of GRUMA.

C) USE OF ESTIMATES AND JUDGMENTS

The relevant estimates and assumptions are reviewed on a regular basis. The review of accounting estimates are recognized in the period in which the estimate is reviewed and in any future period that is affected.

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(In thousands of Mexican pesos, except where otherwise indicated)

In particular, the information for assumptions, uncertainties from estimates, and critical judgments in the application of accounting policies, that have the most significant effect in the recognized amounts in these consolidated financial statements are described below:

- The assumptions used for the determination of fair values of financial instruments (Note 20).
- The assumptions and uncertainties with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income (Notes 13 and 25).
- The key assumptions in impairment testing for long-lived assets used for the determination of the recoverable amount for the different cash generating units (Notes 10 and 12).
- The actuarial assumptions used for the determination of employee benefits obligations (Note 18).
- The key assumptions in impairment testing of the investment in Venezuela (Notes 27).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF CONSOLIDATION

a. Subsidiaries

The subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are incorporated in the consolidated financial statements starting on the date on which the control begins, until the date such control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Company.

At December 31, 2019 and 2018, the main subsidiaries included in the consolidation are:

	% of ownership	
	2019	2018
Gruma Corporation and subsidiaries.....	100.00	100.00
Grupo Industrial Maseca, S.A. de C.V. and subsidiaries.....	99.93	99.92
Gruma International Foods, S.L. and subsidiaries.....	100.00	100.00
Mission Foods México, S. de R.L. de C.V.....	100.00	100.00

At December 31, 2019 and 2018, there were no significant restrictions for the investment in the subsidiaries mentioned above, except for those described in Note 27.

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019 AND 2018
(In thousands of Mexican pesos, except where otherwise indicated)

b. Transactions with non-controlling interest without change of control

The Company applies a policy of treating transactions with non-controlling interest as transactions with equity owners of the Company. When purchases from non-controlling interest take place, the difference between any consideration paid and the relevant interest acquired of the carrying value of net assets of the subsidiary is recognized as equity transactions; therefore, no goodwill is recognized with these acquisitions. Disposals of non-controlling interests result in gains or losses for the Company and are recorded in equity when there is no loss of control.

c. Business combinations

Business combinations are recognized through the acquisition method of accounting. The consideration transferred for the acquisition of a subsidiary is measured as the fair value of the assets transferred, the liabilities incurred by the Company with the previous owners and the equity instruments issued by the Company. The cost of an acquisition also includes the fair value of any contingent payment.

The related acquisition costs are recognized in the income statement when incurred.

Identifiable assets acquired, liabilities assumed and contingent liabilities in a business combination are measured at fair value at the acquisition date.

The Company recognizes any non-controlling interest as the proportional share of the net identifiable assets of the acquired entity.

The Company recognizes goodwill when the cost including any amount of non-controlling interest in the acquired entity exceeds the fair value at acquisition date of the identifiable assets acquired and liabilities assumed.

When the entity or entities acquired are, before and after the acquisition, ultimately controlled by the same entity, and such control is not temporary, it is assumed that the entities are under common control and therefore, there is no business combination. Transactions and exchanges between entities under common control are recognized on the basis of the carrying value of assets and liabilities transferred on the date of the transaction, and therefore, goodwill is not recognized.

B) FOREIGN CURRENCY

a. Transactions in foreign currency

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates effective at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. The differences that arise from the translation of foreign currency transactions are recognized in the income statement.

b. Foreign currency translation

The financial statements of the Company's entities are measured using the currency of the main economic environment where each entity operates (functional currency). The consolidated financial statements are presented in Mexican pesos, currency that corresponds to the presentation currency of the Company.

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019 AND 2018
(In thousands of Mexican pesos, except where otherwise indicated)

The financial position and results of the entities that have a functional currency which differs from the Company's presentation currency are translated as follows:

- Assets and liabilities are translated at the closing rate of the period.
- Income and expenses are translated at average exchange rates when it has not fluctuated significantly during the period.
- Equity is translated at the effective exchange rate in the date when the contributions were made and the earnings were generated.
- All resulting exchange differences are recognized in other comprehensive income as a separate component of equity denominated "Foreign currency translation adjustments".

Previous to the translation to Mexican pesos, the financial statements of foreign subsidiaries with functional currency from a hyperinflationary environment are adjusted by inflation in order to reflect the changes in purchasing power of the local currency. Subsequently, assets, liabilities, equity, income, costs, and expenses are translated to the presentation currency at the closing rate at the end of the period. To determine the existence of hyperinflation, the Company evaluates the qualitative characteristics of the economic environment, as well as the quantitative characteristics established by IFRS of an accumulated inflation rate equal or higher than 100% in the past three years.

The Company applies hedge accounting to foreign exchange differences originated between the functional currency of a foreign subsidiary and the functional currency of the Company. Exchange differences resulting from the translation of a financial liability designated as hedge for a net investment in a foreign subsidiary, are recognized in "other comprehensive income" as a separate component denominated "Foreign currency translation adjustments" while the hedge is effective. See Note 3-K for the accounting of the net investment hedge.

The closing exchange rates used for preparing the financial statements are as follows:

	As of December 31, 2019	As of December 31, 2018
Pesos per U.S. dollar.....	18.8452	19.6829
Pesos per Euro.....	21.0595	22.5251
Pesos per Swiss franc.....	19.3344	19.9847
Pesos per Australian dollar.....	13.1545	13.8583
Pesos per Chinese yuan.....	2.6997	2.8679
Pesos per Pound sterling.....	24.6382	24.9835
Pesos per Malaysian ringgit.....	4.5661	4.7383
Pesos per Costa Rica colon.....	0.0327	0.0322
Pesos per Ukrainian hryvnia.....	0.7970	0.7103
Pesos per Russian ruble.....	0.3044	0.2833
Pesos per Turkish lira.....	3.1725	3.7414

C) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short term highly liquid investments with original maturities of less than three months. These items are recognized at historical cost, which do not differ significantly from its fair value.

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019 AND 2018
(In thousands of Mexican pesos, except where otherwise indicated)

D) ACCOUNTS RECEIVABLE

Trade receivables are initially recognized at fair value and subsequently valued at amortized cost using the effective interest rate method, less provision for impairment. The Company has determined that the amortized cost does not represent significant differences with respect to the invoiced amount from short-term trade receivables, since the transactions do not have relevant associated costs.

Allowances for doubtful accounts or impairment represent expected future credit losses. The recognition of these losses is obliged since the moment the trade receivable is recognized.

E) INVENTORIES

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the average cost method. The net realizable value is the estimated selling price of inventory in the normal course of business, less applicable variable selling expenses. The cost of finished goods and production in process includes raw materials, direct labor, other direct costs and related production overheads. Cost of inventories could also include the transfer from comprehensive income of any gains or losses on cash flow hedges for purchases of raw materials.

F) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are valued at acquisition cost, less accumulated depreciation and recognized impairment losses. Cost includes expenses that are directly attributable to the asset acquisition.

Subsequent costs, including major improvements, are capitalized and are included in the carrying value of the asset or recognized as a separate asset, only when it is probable that future economic benefits associated with the specific asset will flow to the Company and the costs can be measured reliably. Repairs and maintenance are recognized in the income statement when incurred. Major improvements are depreciated during the remaining useful life of the related asset. Leasehold improvements are depreciated in accordance with the useful life of the improvement component or the remaining lease term. Land is not depreciated.

Costs of borrowings, general and specific, of qualifying assets that require a substantial period of time (over one year) for acquisition or construction, are capitalized as part of the acquisition cost of these assets, until such time as the assets are substantially ready for their intended use or sale.

Depreciation is calculated over the asset cost less residual value, considering its components separately. Depreciation is recognized in income using the straight-line method and applying annual rates that reflect the estimated useful lives of the assets. The estimated useful lives are summarized as follows:

	Years
Buildings.....	25 – 50
Machinery and equipment.....	5 – 25

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(In thousands of Mexican pesos, except where otherwise indicated)

Gains and losses from sale of assets result from the difference between revenues of the transaction and the book value of the assets, which is included in the income statement as other income (expenses), net.

G) INTANGIBLE ASSETS

a. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment, or whenever the circumstances indicate that the value of the asset might be impaired. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to the operating segment.

b. Intangible assets with finite useful lives

Intangible assets with finite useful lives are carried at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

	<u>Years</u>
Non-compete agreements.....	3 - 20
Patents and trademarks.....	3 - 20
Customer lists.....	5 - 20
Software for internal use.....	3 - 7

c. Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are not amortized, but subject to impairment tests on an annual basis or whenever the circumstances indicate that the value of the asset might be impaired.

d. Research and development

Research costs are expensed when incurred.

Costs from development activities are recognized as an intangible asset when such costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits will be obtained, and the Company pretends and has sufficient resources in order to complete the development and use or sell the asset. The amortization is recognized in income based on the straight-line method during the estimated useful life of the asset.

Development costs that do not qualify as intangible assets are recognized in income when incurred.

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H) IMPAIRMENT OF LONG-LIVED ASSETS

The Company performs impairment tests for its property, plant and equipment and intangible assets with finite useful lives, when certain events and circumstances suggest that the carrying value of the assets might not be recovered. Intangible assets with indefinite useful lives and goodwill are subject to impairment tests at least once a year.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the higher of an asset's fair value less costs to sell and value in use. To determine value in use, estimated future cash flows are discounted at present value, using a pre-tax discount rate that reflect time value of money and considering the specific risks associated with the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit).

Impairment losses on goodwill are not reversed. For other assets, impairment losses are reversed if a change in the estimates used for determining the recoverable amount has occurred. Impairment losses are reversed to the extent that the book value does not exceed the book value that was determined, net of depreciation or amortization, if no impairment loss was recognized.

I) LONG-LIVED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Long-lived assets are classified as held for sale when (a) their carrying amount is to be recovered mainly through a sale transaction, rather than through continuing use, (b) the assets are held immediately for sale and (c) the sale is considered highly probable in its current condition.

For the sale to be considered highly probable:

- Management must be committed to a sale plan.
- An active program must have begun in order to locate a buyer and to complete the plan.
- The asset must actively be quoted for its sale at a price that is reasonable to its current fair value; and
- The sale is expected to be completed within a year starting the date of classification.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

Discontinued operations are the operations and cash flows that can be clearly distinguished from the rest of the entity, that either have been disposed of or have been classified as held for sale, and:

- Represent a line of business or geographical area of operations.
- Are part of a single coordinated plan to dispose of a line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale.

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J) FINANCIAL INSTRUMENTS

a. Financial assets

(i) Classification

The Company classifies its financial assets in the following categories:

- Those to be measured at amortized cost, and
- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss).

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company classifies a financial asset to be measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

The Company classifies a financial asset to be measured at fair through other comprehensive income if the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

(ii) Recognition

Regular purchases and sales of financial assets are recognized in the balance sheet on the trade date, which is the date when the Company commits to purchase or sell the instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recognized as expense.

After initial recognition, the Company measures financial assets at amortized cost or at fair value with changes in other comprehensive income or in results of the year.

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(iv) Impairment

The Company applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the trade receivables and long-term notes and accounts receivable.

To measure the expected credit losses, the assets have been grouped based on shared credit risk characteristics and the days past since their initial recognition. The expected loss rates are based on the payment profiles of sales over a period of 12 months before December 31, 2019 and 2018, respectively, and the corresponding historical credit losses experienced within this period.

Accounts receivable and long-term receivables are canceled when there is no reasonable expectation of collection.

b. Financial liabilities

(i) Classification

The Company classifies its financial liabilities to be measured at amortized cost, except for the liabilities from derivative financial instruments that are measured at fair value through profit or loss.

Debt and financial liabilities

Debt and financial liabilities that are non-derivatives are initially recognized at fair value, net of transaction costs directly attributable to them; subsequently, these liabilities are recognized at amortized cost. The difference between the net proceeds and the amount payable is recognized in the income statement during the debt term, using the effective interest rate method.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities for trading (derivative financial instruments).

(ii) Derecognition

Financial liabilities are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in income.

K) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivative financial instruments are initially recognized at fair value and are subsequently re-measured at their fair value; the transaction costs are recognized in the income statement when incurred. Derivative financial instruments are classified as current, except for maturities exceeding twelve months.

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Fair value is determined based on recognized market prices. When not quoted in markets, fair value is determined using valuation techniques commonly used in the financial sector. Fair value reflects the credit risk of the instrument and includes adjustments to consider the credit risk of the Company or the counterparty, when applicable.

The method for recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge and, if so, the nature of the item being hedged. The Company designates derivative financial instruments as follows:

- Hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
- Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge).

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, including objectives, strategies for risk management and the method for assessing effectiveness in the hedge relationship. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

a. Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. At December 31, 2019 and 2018, the Company did not have this type of hedging.

b. Cash flow hedges

For cash flow hedge transactions, changes in the fair value of the derivative financial instrument are included as other comprehensive income in equity, based on the evaluation of the hedge effectiveness, see Note 20-C.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in income as Other (expenses) income, net.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecasted transaction is ultimately registered in the income statement. However, when the forecasted transaction recognizes a non-financial asset or non-financial liability, the cumulative gains or losses recognized in other comprehensive income are transferred from equity and included in the initial measurement of the non-financial asset or non-financial liability.

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c. Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold, see Note 19-C.

L) LEASES

Starting January 1, 2019, the Company adopted the guidelines of IFRS 16, Leases, retrospectively with the cumulative effect of initially applying the new standard recognized on the date of adoption. Comparative information for 2018 was not restated. See Note 31 for further detail on the impact of the change in the accounting policy.

Contracts with counterparties celebrated by the Company, in which the transfer of the right to control the use of an identified asset for a certain term in exchange for a consideration, are classified as leases. There is control if the Company obtains the economic benefits from the use of the asset and has the right to direct and decide on the use of the asset during the term of the lease.

The Company applies the lease accounting model, which consists in the recognition of all leases within the balance sheet. Contracts celebrated by the Company for more than a 12-month term and whose underlying asset has a value greater than U.S.\$ 5,000 are recognized as leases.

For contracts that contain both lease and non-lease components, The Company, in its capacity as lessee, allocates the component value as follows:

- When there is an observable individual price for each component, it is separated and allocated according to the specific individual prices of the components, and applies for all assets of that class.
- When there is no individual price for some or all the components, the components will not be separated and are accounted for as a single lease component, and applies to all assets of that class.

The term of a lease is determined based on the non-cancellable period of the lease contract, in addition to the optional renewable periods agreed in such contract, if the Company is reasonably sure to extend it, must take into consideration factors such as: improvements made to the leased asset, penalties for not extending the contract, the adjustment of high costs incurred for the replacement of the leased asset, among others; and that the extension option can only be exercise by the Company.

Lease liabilities include the net present value of the following lease payments:

- Fixed lease payments, minus lease incentives receivable;
- Variable lease payments that are based on an index or a rate.
- Amounts expected to be payable by the group under residual value guarantees.
- The exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

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For leases, the Company recognizes, at the beginning of the contract, a liability equivalent to the present value of the lease payments agreed in the contract, discounted using the incremental interest rate. After the start date, the lease liability is measured by increasing its carrying value to reflect the accrued interest and decreasing its carrying value to reflect the lease payments made.

The incremental interest rate is determined using the interest rates of comparable bonds of companies with similar credit ratings as the Company, plus the Company's credit risk factor and the risk factor from the country where the asset is located. The above mentioned is considering a similar lease contract and similar security.

For property, plant and equipment leases containing terms of variable payments in which lease payments are modified during the term of the lease, possible future increases in variable lease payments are considered as part of the lease liability. Until effective, the lease liability is reassessed, and the right-of-use asset is adjusted.

The interest expense of a lease liability is recognized monthly by applying the incremental interest rate the term of the lease.

At the beginning of the lease contract, the right-of-use asset is recognized at cost. The cost of the asset includes the present value of the lease payments agreed in the contract and the initial direct costs incurred by the Company, such as restorations or dismantling; after that date, the carrying value of the right-of-use asset is measured decreasing the accumulated depreciation and the accumulated impairment losses.

The Company applies the straight-line method for the depreciation of the right-of-use assets, which begins on the start date of the lease.

The right-of-use assets are normally depreciated in a straight line during the shortest period between the useful life of the asset and the lease term. If the Company has reasonable certainty to exercise a purchase option, the right-of-use asset depreciates over the useful life of the underlying asset.

The Company recognizes in income the payments for short-term leases or those in which the underlying asset is of low value, applying the straight-line method during the lease period.

The Company applies impairment tests to the right-of-use assets when there are indications that the carrying value of the assets may not be recovered. See Note 3-H.

Accounting policies applied until December 31, 2018

a. Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in the income statement on a straight-line basis over the period of the lease.

b. Finance leases

Leases where the Company has substantially all the risks and rewards of ownership, are classified as finance leases.

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Under finance leases, at the initial date, both assets and liabilities are recognized at the lower of the fair value of the leased property and the present value of the minimum lease payments. In order to discount the minimum payments, the Company uses the interest rate implicit in the lease, if this is practicable to determine; if not, the Company's incremental borrowing rate is used.

Lease payments are allocated between the interest expense and the reduction of the pending liability. Interest expense is recognized in each period during the lease term to produce a constant periodic interest rate on the remaining balance of the liability.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

M) EMPLOYEE BENEFITS

a. Post-employment benefits

In Mexico, the Company has the following defined benefit plans:

- Single-payment retirement plan, when employees reach the required retirement age, which is 60.
- Seniority premium, after 15 years of service.

The Company has established trust funds to meet its obligations for the seniority premium. Employees do not contribute to these funds.

The liability recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation, less the fair value of plan assets. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset). The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated cash outflows using discount rates in accordance with IAS 19, that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the income statement.

In the United States, the Company has saving and investment plans that incorporate voluntary employees 401(k) contributions with matching contributions of the Company in this country. The Company's contributions are recognized in the income statement when incurred.

b. Termination benefits

Termination benefits are payable when employment is terminated by decision of the Company, before the normal retirement date.

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The Company recognizes termination benefits as a liability at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognizes restructuring costs that represents a provision and involves the payment of termination benefits. Termination benefits that do not meet this requirement are recognized in the income statement in the period when incurred.

c. Short term benefits

Short term employee benefits are measured at nominal base and are recognized as expenses as the related service is provided. If the Company has the legal or constructive obligation to pay as a result of a service rendered by the employee in the past and the amount can be estimated, an obligation is recognized for short term bonuses or profit sharing.

N) PROVISIONS

Provisions are recognized when (a) the Company has a present legal or constructive obligation as a result of past events; (b) it is probable that an outflow of resources will be required to settle the obligation; and (c) the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

O) SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

P) REVENUE RECOGNITION

The Company produces and sells corn flour, packaged tortilla and other related products such as flat bread, snacks and corn grits. The Company serves wholesale and retail markets, as well as institutional markets. Sales are recognized when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customer's acceptance of the products, the risks of loss and obsolescence have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract.

Revenue from sales is recognized based on the price specified in the contract, net of discounts, volume rebates and returns. Volume rebates are estimated, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

A refund liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a short-term credit.

A receivable is recognized when the products are delivered as this is the point in time that the consideration is unconditional.

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The payments made to customers, which represent a modification of the transaction price, are presented as a decrease of revenue.

Q) INCOME TAXES

The tax expense of the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized from the analysis of the balance sheet considering temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates that have been approved or substantially approved at the date of the balance sheet and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for tax loss carry-forwards not used, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. In each period-end deferred income tax assets are reviewed and reduced to the extent that it is not probable that the benefits will be realized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if the entity has a legally enforceable right to set off assets against liabilities and are related to income tax levied by the same tax authority on the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

R) EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, which include convertible debt and share options.

For the years ended December 31, 2019 and 2018, the Company had no dilutive instruments issued.

S) SEGMENT INFORMATION

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with

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other components of the same entity. Operating results from an operating segment are regularly reviewed by the entity's chief executive officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. RISK AND CAPITAL MANAGEMENT

A) RISK MANAGEMENT

The Company is exposed to a variety of financial risks: market risk (including currency risk, interest rate risk, and commodity price risk), credit risk and liquidity risk. The Company's risk management policy focuses on the risks that prevents or endangers the accomplishment of its financial objectives, seeking to minimize the potential adverse effects on its financial performance. The Company uses derivative financial instruments to hedge some of these risks.

Currency risk

The Company operates internationally and thus, is exposed to currency risks, particularly with the U.S. dollar. Currency risks arise from commercial operations, recognized assets and liabilities and net investments in foreign subsidiaries.

The following tables detail the exposure of the Company to currency risks at December 31, 2019 and 2018. The tables show the currency exposure of the Company's financial instruments expressed in Mexican pesos.

At December 31, 2019:

	Amounts in thousands of Mexican pesos				
	U.S. Dollar	Pound sterling	Euros	Costa Rica colons and others	Total
Monetary assets:					
Current (1).....	Ps. 6,527,041	Ps. 380,590	Ps. 1,266,610	Ps. 2,453,454	Ps. 10,627,695
Non-current.....	20,786	-	5,948	20,549	47,283
Monetary liabilities:					
Current.....	(5,851,640)	(272,267)	(467,924)	(973,815)	(7,565,646)
Non-current.....	(19,605,658)	(1,842)	(1,116,689)	(135,009)	(20,859,198)
Net position.....	Ps. (18,909,471)	Ps. 106,481	Ps. (312,055)	Ps. 1,365,179	Ps. (17,749,866)

At December 31, 2018:

	Amounts in thousands of Mexican pesos				
	U.S. Dollar	Pound sterling	Euros	Costa Rica colons and others	Total
Monetary assets:					
Current (1).....	Ps. 5,336,963	Ps. 366,466	Ps. 961,994	Ps. 2,841,101	Ps. 9,506,524
Non-current.....	17,084	-	1,198	20,919	39,201
Monetary liabilities:					
Current.....	(5,908,519)	(264,256)	(645,557)	(979,512)	(7,797,844)
Non-current.....	(12,492,211)	-	(251,472)	(44,984)	(12,788,667)
Net position.....	Ps. (13,046,683)	Ps. 102,210	Ps. 66,163	Ps. 1,837,524	Ps. (11,040,786)

(1) Approximately 66% of this balance corresponds to accounts receivable.

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For the years ended December 31, 2019 and 2018, the effects of exchange rate differences on the Company's monetary assets and liabilities were recognized as follows:

	2019	2018
Exchange differences arising from foreign currency liabilities accounted for as a hedge of the Company's net investment in foreign subsidiaries, recorded directly to equity as an effect of foreign currency translation adjustments (Note 19-C).....	Ps. 490,984	Ps. 157,171
Exchange differences, net, arising from foreign currency transactions recognized in the income statement.....	153,527	(233,335)
	Ps. 644,511	Ps. (76,164)

Net sales are denominated in Mexican pesos, U.S. dollars, and other currencies. Sales generated in Mexican pesos were 27% in 2019 and 27% in 2018 of total net sales. Sales generated in U.S. dollars were 56% in 2019 and 55% in 2018 of total net sales. Additionally, at December 31, 2019 and 2018, 64% and 63%, respectively, of total assets were denominated in different currencies other than Mexican pesos, mainly in U.S. dollars. An important portion of operations are financed through debt denominated in U.S. dollars. For the years ended December 31, 2019 and 2018, net sales in currencies other than Mexican pesos amounted to Ps. 56,343,906 and Ps. 53,951,919, respectively.

An important currency risk for the debt denominated in U.S. dollars is present in subsidiaries that are not located in the United States, which represented 100% of total debt denominated in U.S. dollars. Nevertheless, the investment that the Company maintains in its operations in the United States generated a hedge.

During 2019 and 2018, the Company entered into forward transactions to hedge the Mexican peso to U.S. dollar foreign exchange rate risk related to the price of corn purchases in Mexico. At December 31, 2019 and 2018, the Company has open positions of foreign exchange derivative instruments of Ps.(85,662) and Ps.(103,997), respectively. Exchange rate forwards and options are denominated in the same currency as the highly probable forecasted transactions of inventory purchases, therefore the hedge ratio is one to one.

The effect of foreign currency translation adjustments recognized in the consolidated statements of comprehensive income for the years ended December 31, 2019 and 2018, amounted Ps.(723,014) and Ps.(708,017), respectively. Considering the exposure at December 31, 2019 and 2018, and assuming an increase or decrease of 10% in the Peso/U.S. dollar exchange rates, while keeping constant the rest of the variables, the effect in the Company's consolidated statements of comprehensive income will be an increase or a decrease of Ps.1,331,515 and Ps.1,397,435, respectively.

The effect of foreign exchange differences recognized in the consolidated income statements for the years ended December 31, 2019 and 2018, related with the assets and liabilities denominated in foreign currency, totaled a gain (loss) of Ps.153,531 and Ps.(233,337), respectively. Considering the exposure at December 31, 2019 and 2018, and assuming an increase or decrease of 10% in the Peso/U.S. dollar exchange rates while keeping constant the rest of the variables such as interest rates, the effect after taxes in the Company's consolidated results will be an increase or a decrease of Ps.360,310 and Ps.124,843, respectively.

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Interest rate risk

The variations in interest rates could affect the interest expense of financial liabilities bearing variable interest rates and could also modify the fair value of financial liabilities bearing fixed interest rates.

For the Company, interest rate risk is mainly derived from debt financing transactions, including debt securities, bank and vendor credit facilities and leases. These financing transactions generate exposure to interest rate risk, principally due to changes in relevant base rates (mainly, LIBOR and TIE, and to a lesser extent, EUROLIBOR) that are used to determine the interest rates applicable to the borrowings.

The following table shows, at December 31, 2019 and 2018, the Company's debt at fixed and variable rates:

	Amounts in thousands of Mexican pesos			
	2019		2018	
Debt at fixed interest rate.....	Ps.	16,322,436	Ps.	8,130,389
Debt at variable interest rate.....		5,303,414		13,364,291
Total.....	Ps.	21,625,850	Ps.	21,494,680

The Company uses derivative financial instruments such as interest rate swaps for the purposes of hedging a portion of its debt, to reduce the Company's exposure to increases in interest rates. As of December 31, 2019, the Company has an interest rate derivative financial instruments position open with a notional of \$ 3,000,000,000 with a valuation of \$ (159,651). The interest rate swap instrument is denominated in the same currency and with the same reference (in this case 28-day TIE rate) as the interest payments programmed in the stock certificate, therefore, the coverage ratio is one to one.

For variable rate debt, an increase in interest rates will increase interest expense. A hypothetical increase of 100 basis points in interest rates on debt at December 31, 2019 and 2018 will have an effect on the results of the Company of Ps. 53,034 and Ps.133,643, respectively, considering debt and interest rates at that date, and assuming that the rest of the variables remain constant.

Commodity price risk and derivatives

The availability and price of corn, wheat and other agricultural commodities and fuels, are subject to wide fluctuations due to factors outside of the Company's control, such as weather, plantings, government (domestic and foreign) farm programs and policies, changes in global demand/supply due to population growth and global production of similar and competitive crops, as well as fuels. The Company hedges a portion of its production requirements through commodity futures, swaps and options contracts in order to reduce the risk created by price fluctuations and supply of corn, wheat, natural gas, and soy oils which exist as part of ongoing business operations. The contracting hedges of purchases that exceed the maximum production requirements for a period longer than 18 months, requires the authorization of the Board of Directors in accordance with the Company's corporate policies.

During 2019 and 2018, the Company entered into short-term hedge transactions through commodity futures, swaps and options to hedge a portion of its requirements. All derivative financial instruments are recorded at their fair value as either assets or liabilities. Changes in the fair value of derivatives are recorded each period in earnings or accumulated other comprehensive income in equity, depending on whether the derivative qualifies for hedge accounting and is effective as part of a hedge transaction.

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Ineffectiveness results when the change in the fair value of the hedge instruments differs from the change in the fair value of the position.

For hedge transactions that qualify and are effective, gains and losses are deferred until the underlying asset or liability is settled, and then are recognized as part of that transaction.

Gains and losses from derivative transactions that do not qualify for hedge accounting and do not comply with hedge effectiveness tests are recognized in the income statement.

At December 31, 2019 and 2018, financial instruments that qualify as hedge accounting represented a gain of Ps.45,044 and Ps.36,582, respectively. These results were recognized as comprehensive income within equity.

From time to time, the Company hedges commodity price risks using futures, swaps and options strategies that do not qualify for hedge accounting. As a result, these derivative financial instruments are recognized at their fair values and the associated effect is recorded in applicable period. For the years ended December 31, 2019 and 2018, the Company recognized a loss of Ps. 43,831 and a gain of Ps.25,739, respectively. Additionally, as of December 31, 2019 and 2018, the Company realized net losses of Ps. 5,886 and net gains of Ps.29,598, respectively, on commodity price risk hedges that did not qualify for hedge accounting. See Note 20.

Based on the Company's overall commodity exposure at December 31, 2019 and 2018, a decrease or increase of 10% in market prices applied to the fair value of these instruments would result in a gain or loss in the income statement of Ps. 29,209 and Ps.47,064, respectively (for non-qualifying contracts).

In Mexico, to support the commercialization of corn for Mexican grains growers, Mexico's Secretary of Agriculture and Rural Development, through the Commercialization Services Agency (Servicios a la Comercialización y Desarrollo de Mercados Agropecuarios, or ASERCA) operates a program designed to promote the sale of grains in Mexico. The program includes the following objectives:

- Ensure that the corn harvest is brought to market, providing certainty to farmers concerning the sale of their crops and supply security for the buyer.
- Establish a minimum price for the farmer and a maximum price for the buyer, which are determined based on international market prices, plus a basic formula specific for each region.
- Implement a corn hedging program to allow both farmers and buyers to minimize their exposure to price fluctuations in the international markets.

To the extent that this or other similar programs are cancelled by the Mexican government, the Company may be required to incur additional costs in purchasing corn for its operations, and therefore will need to increase the prices of its products to reflect such additional costs.

Credit risk

The Company's regular operations expose it to defaults when customers and counterparties are unable to comply with their financial or other commitments. The Company seeks to mitigate this risk by entering into transactions with a diverse pool of counterparties. However, the Company continues to remain subject to unexpected third party financial failures that could disrupt its operations.

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The Company is also exposed to risks in connection with its activities of cash management and obtaining debt and temporary investments, and any disruption that affects its financial intermediaries could also adversely affect its operations.

The Company's exposure to risk due to trade receivables is limited given the large number of its customers located in different parts of Mexico, the United States, Central America, Europe, Asia and Oceania. For this reason, there is not a significant concentration of credit risk. However, the Company still maintains allowances for doubtful accounts. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Since most of the clients do not have an independent rating of credit quality, the Company's management determines the maximum credit risk for each one, considering its financial position, past experience, and other factors. Credit limits are established according to policies set by the Company, which also includes controls that assure its compliance.

Default results when the counterparties do not make their contractual payments within the agreed period.

During 2019 and 2018, credit limits were complied with and, consequently, management does not expect any important losses from trade accounts receivable.

The Company has centralized its treasury operations in Mexico and regional treasuries for its international operations. Liquid assets are invested primarily in government bonds and short-term debt instruments with a minimum grade of "A1/P1". For operations in Central America, the Company only invests cash reserves with leading local banks and local branches of international banks. Additionally, small investments are maintained abroad.

The Company faces credit risk from potential defaults of their counterparts with respect to the derivative financial instruments used. Substantially none of these financial instruments are guaranteed. Additionally, when the Company enters into hedge contracts for exchange rates, interest rates and/or commodities, it minimizes the risk of default by the counterparts by contracting derivative financial instruments only with major national and international financial institutions using contracts and standard forms issued by the International Swaps and Derivatives Association, Inc. ("ISDA") and operations standard confirmation formats.

Investment risk in Venezuela

The recent political and civil instability that has prevailed in Venezuela has represented a risk to the Company's investment in this country. The Company does not have insurance for the risk of expropriation of its investments. See Notes 27 and 28 for additional information.

Liquidity risk

The Company funds its liquidity and capital resource requirements through a variety of sources, including:

- cash generated from operations;
- committed and uncommitted short-term and long-term lines of credit;
- medium- and long-term debt contracting;
- offerings in Bond markets; and

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- sales of its equity securities and those of its subsidiaries and affiliates from time to time.
- Factors that could decrease the sources of liquidity include a significant decrease in the demand for, or price of, our products, or a considerable increase in the cost of raw materials, which could limit the amount of cash generated from operations. The Company's liquidity is also affected partially by factors such as the volatility of currencies, changes in interest rates, and a decrease of the corporate credit rating, which could further impair the liquidity and increase costs with respect to new debt and cause a negative impact in stock price.

The following tables show the remaining contractual maturities of financial liabilities of the Company:

At December 31, 2019:

	<u>Less than a year</u>	<u>From 1 to 3 years</u>	<u>From 3 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Short and long term debt.....	Ps. 587,076	Ps. 5,074,641	Ps. 10,988,638	Ps. 5,090,372	Ps. 21,740,727
Interest payable from short and long term debt.....	1,016,066	1,751,027	1,167,872	131,401	4,066,366
Trade accounts and other payables.....	10,331,121	-	-	-	10,331,121
Short and long term lease liability.....	848,620	1,350,816	1,020,539	4,922,831	8,142,806
Derivative financial instruments.....	172,153	-	159,651	-	331,804
	<u>Ps.12,955,036</u>	<u>Ps.8,176,484</u>	<u>Ps. 13,336,700</u>	<u>Ps. 10,144,604</u>	<u>Ps. 44,612,824</u>

At December 31, 2018:

	<u>Less than a year</u>	<u>From 1 to 3 years</u>	<u>From 3 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Short and long term debt.....	Ps. 4,330,290	Ps.3,079,720	Ps. 6,277,618	Ps.7,911,283	Ps. 21,598,911
Interest payable from short and long term debt.....	998,722	1,872,896	1,255,682	355,634	4,482,934
Trade accounts and other payables.....	10,653,984	-	-	-	10,653,984
Derivative financial instruments.....	118,840	-	-	-	118,840
	<u>Ps.16,101,836</u>	<u>Ps.4,952,616</u>	<u>Ps. 7,533,300</u>	<u>Ps.8,266,917</u>	<u>Ps. 36,854,669</u>

The Company expects to meet its obligations with cash flows generated by operations. Additionally, the Company has access to credit line agreements with various banks to address potential cash needs.

B) CAPITAL MANAGEMENT

The Company's objectives when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) are to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk, to protect the Company's ability to continue as a going concern while taking advantage of strategic opportunities to provide sustainable returns for shareholders.

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The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, repurchase shares issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

In addition, to monitor capital, debt agreements contain financial covenants which are disclosed in Note 14.

5. 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. The main brands are MASECA for corn flour and MISSION and GUERRERO for packaged tortillas.
- **Corn flour division (Mexico):**
Engaged principally in the production, distribution and sale of corn flour in Mexico under MASECA brand. Corn flour produced by this division is used mainly in the preparation of tortillas and other related products.
- **Corn flour and packaged tortilla and other (Europe):**
Manufactures and distributes varieties of flour that are used to produce different types of tortillas, flat breads, grits and other in the same category in Europe. The main brands are MASECA for corn flour and MISSION for packaged products.
- **Other segments:**
This section represents those segments whose amounts on an individual basis do not exceed 10% of the consolidated total of net sales, operating income and assets. These segments are:
 - a) Corn flour, hearts of palm, rice, and other products (Central America).
 - b) Packaged tortillas (México).
 - c) Wheat flour tortillas and snacks (Asia and Oceania).
 - d) Technology and equipment, which conducts research and development regarding flour and tortilla manufacturing equipment, produces machinery for corn flour and tortilla production and is engaged in the construction of the Company's corn flour manufacturing facilities.

All inter-segment sales prices are market-based. The Chief Executive Officer evaluates performance based on operating income of the respective business units. The accounting policies for the reportable segments are the same as the policies described in Notes 2 and 3.

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Segment information as of and for the year ended December 31, 2019:

	Corn flour and packaged tortilla division (United States)	Corn flour division (Mexico)	Corn flour and packaged tortilla division (Europe)	Other segments	Eliminations and corporate expenses	Total
Net sales to external customers.....	Ps. 42,367,788	Ps. 19,684,980	Ps. 5,690,770	Ps. 9,643,899	Ps. 221	Ps. 77,387,658
Inter-segment net sales.....	73,621	1,899,645	10,634	1,503,691	(3,487,591)	-
Operating income.....	5,908,247	2,528,469	246,366	604,400	(5,477)	9,282,005
Depreciation and amortization.....	2,014,156	1,002,672	262,295	514,704	(614,277)	3,179,550
Total assets.....	30,963,502	18,126,299	9,249,896	11,842,187	(3,299,014)	66,882,870
Total liabilities.....	9,772,442	4,482,064	2,605,829	6,290,441	17,754,560	40,905,336
Expenditures paid in the year for fixed assets....	745,595	292,022	211,113	499,345	17,004	1,765,079

Segment information as of and for the year ended December 31, 2018:

	Corn flour and packaged tortilla division (United States)	Corn flour division (Mexico)	Corn flour and packaged tortilla division (Europe)	Other segments	Eliminations and corporate expenses	Total
Net sales to external customers.....	Ps. 40,194,641	Ps. 18,947,161	Ps. 5,380,886	Ps. 9,512,297	Ps. 2,593	Ps. 74,037,588
Inter-segment net sales.....	92,833	1,560,376	8,636	1,844,549	(3,506,394)	-
Operating income.....	5,689,804	2,403,777	186,800	726,994	418,107	9,425,482
Depreciation and amortization.....	1,470,322	893,574	252,779	409,881	(710,770)	2,315,786
Total assets.....	25,478,958	17,997,241	7,369,203	13,100,806	(2,113,505)	61,832,703
Total liabilities.....	5,719,105	4,275,964	1,932,792	7,181,065	16,622,322	35,731,248
Expenditures paid in the year for fixed assets....	1,334,774	510,352	673,093	948,338	503,041	3,969,598

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A summary of information by geographic segment for the years ended December 31, 2019 and 2018 is presented below:

	<u>2019</u>	<u>%</u>	<u>2018</u>	<u>%</u>
<u>Net sales to external customers:</u>				
United States.....	Ps. 42,367,788	55	Ps. 40,194,649	55
Mexico.....	21,045,693	27	20,085,669	27
Europe.....	5,690,770	7	5,380,886	7
Central America.....	4,602,871	6	4,596,318	6
Asia and Oceania.....	3,680,536	5	3,780,066	5
	<u>Ps. 77,387,658</u>	<u>100</u>	<u>Ps. 74,037,588</u>	<u>100</u>
<u>Expenditures paid in the year for fixed assets:</u>				
United States.....	Ps. 745,595	42	Ps. 1,334,774	34
Mexico.....	613,255	35	1,696,447	42
Europe.....	211,113	12	673,093	17
Central America.....	36,020	2	194,987	5
Asia and Oceania.....	159,096	9	70,297	2
	<u>Ps. 1,765,079</u>	<u>100</u>	<u>Ps. 3,969,598</u>	<u>100</u>
<u>Identifiable assets</u>				
United States.....	Ps. 30,963,502	46	Ps. 25,478,958	41
Mexico.....	18,850,746	28	21,059,650	34
Europe.....	9,249,896	14	7,369,203	12
Central America.....	2,867,559	4	2,936,796	5
Asia and Oceania.....	4,951,167	8	4,988,096	8
	<u>Ps. 66,882,870</u>	<u>100</u>	<u>Ps. 61,832,703</u>	<u>100</u>

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:

	<u>At December 31, 2019</u>	<u>At December 31, 2018</u>
Cash at bank.....	Ps. 3,850,601	Ps. 3,256,874
Short-term investments (less than 3 months).....	92,900	178,848
	<u>Ps. 3,943,501</u>	<u>Ps. 3,435,722</u>

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7. ACCOUNTS RECEIVABLE

Accounts receivable comprised the following:

	<u>At December 31, 2019</u>	<u>At December 31, 2018</u>
Trade accounts and notes receivable.....	Ps. 8,001,102	Ps. 7,800,844
Accounts receivable with Venezuelan companies.....	97,041	1,490,376
Recoverable value-added tax.....	2,302,309	1,597,755
Other debtors.....	489,096	275,799
Allowance for doubtful accounts.....	(183,495)	(198,095)
Impairment of accounts receivable with Venezuelan companies(1)	(97,041)	(1,490,376)
	<u>Ps. 10,609,012</u>	<u>Ps. 9,476,303</u>

(1) During the year, reserves of Ps. 1,393,335 were applied to reflect the amount that the Company expects to recover.

The age analysis of accounts receivable is as follows:

	<u>Total</u>	<u>Not past due date balances</u>	<u>Past due balances</u>		
			<u>1 to 120 days</u>	<u>121 to 240 days</u>	<u>More than 240 days (*)</u>
Accounts receivable.....	Ps. 8,490,198	Ps. 6,052,086	Ps. 2,079,592	Ps. 118,685	Ps. 239,835
Allowance for doubtful accounts..	(183,495)	(50,956)	(30,354)	(17,404)	(84,781)
Total at December 31, 2019.....	<u>Ps. 8,306,703</u>	<u>Ps. 6,001,130</u>	<u>Ps. 2,049,238</u>	<u>Ps. 101,281</u>	<u>Ps. 155,054</u>

	<u>Total</u>	<u>Not past due date balances</u>	<u>Past due balances</u>		
			<u>1 to 120 days</u>	<u>121 to 240 days</u>	<u>More than 240 days (*)</u>
Accounts receivable.....	Ps. 8,076,643	Ps. 5,953,772	Ps. 1,847,139	Ps. 88,981	Ps. 186,751
Allowance for doubtful accounts..	(198,095)	(47,830)	(26,033)	(20,622)	(103,610)
Total at December 31, 2018.....	<u>Ps. 7,878,548</u>	<u>Ps. 5,905,942</u>	<u>Ps. 1,821,106</u>	<u>Ps. 68,359</u>	<u>Ps. 83,141</u>

(*) Accounts receivable with Venezuelan companies refer to discontinued operations and were not included in the age analysis of accounts receivable for 2019 and 2018.

For the years ended December 31, 2019 and 2018, the movements on the current and non-current allowance for doubtful accounts are as follows:

	<u>2019</u>	<u>2018</u>
Beginning balance	Ps. (212,106)	Ps. (217,235)
Allowance for doubtful accounts.....	(63,464)	(34,650)
Receivables written off during the year.....	68,376	37,519
Exchange differences.....	4,503	2,260
Ending balance.....	<u>Ps. (202,691)</u>	<u>Ps. (212,106)</u>

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8. INVENTORIES

Inventories consisted of the following:

	<u>At December 31, 2019</u>	<u>At December 31, 2018</u>
Raw materials, mainly corn and wheat.....	Ps. 7,072,512	Ps. 7,293,331
Finished products.....	1,623,747	1,399,881
Materials and spare parts.....	2,140,818	2,035,338
Production in process.....	129,968	130,505
Advances to suppliers.....	103,043	106,661
Inventory in transit.....	168,286	150,251
	<u>Ps. 11,238,374</u>	<u>Ps. 11,115,967</u>

For the years ended December 31, 2019 and 2018, the cost of raw materials consumed and the changes in the inventories of production in process and finished goods, recognized as cost of sales amounted to Ps.27,935,125 and Ps.27,020,966, respectively.

For the years ended December 31, 2019 and 2018, the Company recognized Ps.168,465 and Ps.118,921, respectively, for inventory that was damaged, slow-moving and obsolete.

9. LONG-TERM NOTES AND ACCOUNTS RECEIVABLE

Long-term notes and accounts receivable are as follows:

	<u>At December 31, 2019</u>	<u>At December 31, 2018</u>
Long-term notes receivable.....	Ps. 216,744	Ps. 212,259
Guarantee deposits.....	55,705	46,808
Long-term recoverable value-added tax.....	13,822	11,585
Other.....	10,798	7,076
Allowance for long-term doubtful accounts.....	(19,196)	(14,011)
	<u>Ps. 277,873</u>	<u>Ps. 263,717</u>

At December 31, 2019 and 2018, long-term notes receivable are denominated in pesos, maturing from 2021 to 2028 and bearing monthly interests at an annual average fixed rate of 16% for 2019 and 2018.

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10. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment for the years ended December 31, 2019 and 2018 were as follows:

	Land and buildings	Machinery and equipment	Leasehold improvements	Construction in progress	Total
At December 31, 2017					
Cost.....	Ps. 11,255,370	Ps. 37,469,766	Ps. 2,335,481	Ps. 5,016,329	Ps. 56,076,946
Accumulated depreciation.....	(3,737,976)	(21,912,644)	(1,099,422)	-	(26,750,042)
Net book value.....	<u>7,517,394</u>	<u>15,557,122</u>	<u>1,236,059</u>	<u>5,016,329</u>	<u>29,326,904</u>
For the year ended December 31, 2018					
Opening net book value...	Ps. 7,517,394	Ps. 15,557,122	Ps. 1,236,059	Ps. 5,016,329	Ps. 29,326,904
Exchange differences.....	(290,919)	(304,619)	(8,330)	(60,371)	(664,239)
Additions.....	73,521	1,264,444	1,669	2,629,964	3,969,598
Disposals.....	(172,148)	(235,165)	(11,955)	-	(419,268)
Depreciation charge of the year.....	(273,617)	(1,877,686)	(128,505)	-	(2,279,808)
Transfers.....	661,384	1,621,315	12,514	(2,295,213)	-
Other assets leased, net of depreciation.....	-	224,876	-	-	224,876
Impairment.....	(3,403)	-	-	-	(3,403)
Closing net book value...	<u>Ps. 7,512,212</u>	<u>Ps. 16,250,287</u>	<u>Ps. 1,101,452</u>	<u>Ps. 5,290,709</u>	<u>Ps. 30,154,660</u>
At December 31, 2018					
Cost.....	Ps. 11,397,878	Ps. 38,556,862	Ps. 2,321,995	Ps. 5,290,709	Ps. 57,567,444
Accumulated depreciation.....	(3,885,666)	(22,306,575)	(1,220,543)	-	(27,412,784)
Net book value.....	<u>Ps. 7,512,212</u>	<u>Ps. 16,250,287</u>	<u>Ps. 1,101,452</u>	<u>Ps. 5,290,709</u>	<u>Ps. 30,154,660</u>
For the year ended December 31, 2019					
Opening net book value...	Ps. 7,512,212	Ps. 16,250,287	Ps. 1,101,452	Ps. 5,290,709	Ps. 30,154,660
Exchange differences.....	(154,732)	(369,510)	(30,216)	(124,151)	(678,609)
Additions.....	89,678	682,293	16,063	977,045	1,765,079
Disposals/derecognition (Note 22).....	(32,697)	(307,145)	(4,272)	(36,092)	(380,206)
Depreciation charge of the year.....	(251,882)	(1,986,557)	(115,109)	(2,016)	(2,355,564)
Transfers.....	520,599	1,170,894	27,315	(1,718,808)	-
Other assets leased, net of depreciation.....	-	226,541	-	-	226,541
Impairment.....	-	(66,259)	-	-	(66,259)
Closing net book value...	<u>7,683,178</u>	<u>15,600,544</u>	<u>995,233</u>	<u>4,386,687</u>	<u>28,665,642</u>
At December 31, 2019					
Cost.....	Ps. 11,609,945	Ps. 38,332,621	Ps. 2,286,644	Ps. 4,386,687	Ps. 56,615,897
Accumulated depreciation.....	(3,926,767)	(22,732,077)	(1,291,411)	-	(27,950,255)
Net book value.....	<u>Ps. 7,683,178</u>	<u>Ps. 15,600,544</u>	<u>Ps. 995,233</u>	<u>Ps. 4,386,687</u>	<u>Ps. 28,665,642</u>

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For the years ended December 31, 2019 and 2018, depreciation expense was recognized as follows:

	<u>2019</u>	<u>2018</u>
Cost of sales.....	Ps. 1,829,880	Ps. 1,834,381
Selling and administrative expenses.....	525,684	445,427
	<u>Ps. 2,355,564</u>	<u>Ps. 2,279,808</u>

At December 31, 2019 and 2018, property, plant and equipment included idle assets with a carrying value of approximately Ps.65,405 and Ps.81,419, respectively, resulting from the temporary shut-down of the productive operations of various plants in Mexico and the United States, mainly in the corn flour division in Mexico and packaged tortilla division in the United States.

For the year ended December 31, 2018, the Company recognized an impairment loss on fixed assets of Ps. (66,259) and Ps. (3,043), respectively within “Other expenses”. This impairment loss referred to the subsidiary Transporte Aéreo Técnico Ejecutivo, S.A. de C.V. in 2019 and Mex Urbanos, S.A. de C.V., which is part of “Eliminations and corporate expenses”.

11. LEASES

Starting January 1, 2019, the Company adopted the guidelines of IFRS 16, Leases, retrospectively, without restating the comparative information of 2018, as allowed by the transitory provisions of the new standard. Until 2018, leases were classified as finance or operating, see Note 3-L for more details. As of January 1, 2019, leases are recognized as a right-of-use asset and the corresponding liability on the date in which the leased asset is available for use by the Company.

Leases information where the Company acts as a lessee is as follows.

A) AMOUNTS RECOGNIZED IN THE BALANCE SHEET

The following information related to leases is presented in the balance sheet:

	<u>At December 31, 2019</u>	<u>At January 1, 2019*</u>
Right-of-use assets:		
Land.....	Ps. 2,923	Ps. 2,478
Buildings.....	4,439,951	4,995,346
Machinery and equipment.....	286,922	386,056
	<u>Ps. 4,729,796</u>	<u>Ps. 5,383,880</u>
Lease liabilities:		
Short term.....	Ps. 612,596	Ps. 633,544
Long term.....	4,403,642	4,935,591
	<u>Ps. 5,016,238</u>	<u>Ps. 5,569,135</u>

* Corresponds to the adoption date of IFRS 16.

Additions to right-of-use assets during 2019 amounted to Ps 311,006.

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The following table presents the changes in the Company's lease liabilities:

	<u>Leases</u>
Balance as of January 1, 2019.....	\$ 5,569,135
New Contracts.....	311,006
Lease payments.....	(891,660)
Foreing currency Exchange effect	(24,399)
Financial expenses.....	274,937
Exchange differences.....	(222,781)
Balance as of December 31,2019.....	<u>\$ 5,016,238</u>

B) AMOUNTS RECOGNIZED IN THE INCOME STATEMENT

The following information related to leases is presented in the income statement:

	<u>2019</u>
<u>Depreciation expense of the right-of-use assets:</u>	
Land.....	Ps. 1,460
Buildings.....	597,700
Machinery and equipment.....	184,385
	<u>Ps. 783,545</u>
Interest expense.....	Ps. 274,937
Short term lease expense.....	220,250
Lease expense of low value assets	145,838
Expenses related to variable lease payments not included in the lease liability.....	9,221

Total cash flow from leases for the year ended December 31, 2019 amounted to Ps. 1,266,969.

C) DESCRIPTION OF LEASE ACTIVITIES

The Company, as a lessee, enters into various lease contracts related to facilities and equipment. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Lease agreements do not impose compliance with any financial ratios. Leased assets cannot be sold or used as collateral to obtain debt.

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D) VARIABLE LEASE PAYMENTS

Certain lease agreements contain terms of variable payments that depend on a price index, so the rent payable is modified during the term of the lease. Possible future increases in variable lease payments are considered as part of the lease liability until effective; at that time, the lease liability is reassessed, and the right-of-use asset is adjusted.

12. INTANGIBLE ASSETS

Changes in intangible assets for the years ended December 31, 2019 and 2018 were as follows:

	Intangible assets acquired					Total
	Goodwill	Covenants not to compete	Patents and trade- marks	Customer lists	Software for internal use and other	
At December 31, 2017						
Cost.....	Ps. 3,707,696	Ps. 447,341	Ps. 167,063	Ps. 270,427	Ps. 618,079	Ps. 5,210,606
Accumulated amortization.....	-	(447,341)	(73,581)	(80,501)	(386,480)	(987,903)
Net book value.....	<u>Ps. 3,707,696</u>	<u>Ps. -</u>	<u>Ps. 93,482</u>	<u>Ps. 189,926</u>	<u>Ps. 231,599</u>	<u>Ps. 4,222,703</u>
For the year ended December 31, 2018						
Opening net book value...	Ps. 3,707,696	Ps. -	Ps. 93,482	Ps. 189,926	Ps. 231,599	Ps. 4,222,703
Exchange differences.....	(128,836)	-	(3,981)	(39,773)	(1,794)	(174,384)
Additions.....	91,855	20,628	-	315	189,967	302,765
Amortization charge.....	-	-	(3,962)	(22,113)	(6,500)	(32,575)
Closing net book value...	<u>Ps. 3,670,715</u>	<u>Ps. 20,628</u>	<u>Ps. 85,539</u>	<u>Ps. 128,355</u>	<u>Ps. 413,272</u>	<u>Ps. 4,318,509</u>
At December 31, 2018						
Cost.....	Ps. 3,670,715	Ps. 467,969	Ps. 163,318	Ps. 263,232	Ps. 794,681	Ps. 5,359,915
Accumulated amortization.....	-	(447,341)	(77,779)	(134,877)	(381,409)	(1,041,406)
Net book value.....	<u>Ps. 3,670,715</u>	<u>Ps. 20,628</u>	<u>Ps. 85,539</u>	<u>Ps. 128,355</u>	<u>Ps. 413,272</u>	<u>Ps. 4,318,509</u>
For the year ended December 31, 2019						
Opening net book value...	Ps. 3,670,715	Ps. 20,628	Ps. 85,539	Ps. 128,355	Ps. 413,272	Ps. 4,318,509
Exchange differences.....	(177,297)	(723)	(8,963)	(6,886)	(3,382)	(197,251)
Additions.....	-	-	-	-	44,399	44,399
Amortization charge.....	-	(6,732)	-	(21,917)	(11,792)	(40,441)
Closing net book value...	<u>Ps. 3,493,418</u>	<u>Ps. 13,173</u>	<u>Ps. 76,576</u>	<u>Ps. 99,552</u>	<u>Ps. 442,497</u>	<u>Ps. 4,125,216</u>
At December 31, 2019						
Cost.....	Ps. 3,493,418	Ps. 467,091	Ps. 154,857	Ps. 247,434	Ps. 835,099	Ps. 5,197,899
Accumulated amortization.....	-	(453,918)	(78,281)	(147,882)	(392,602)	(1,072,683)
Net book value.....	<u>Ps. 3,493,418</u>	<u>Ps. 13,173</u>	<u>Ps. 76,576</u>	<u>Ps. 99,552</u>	<u>Ps. 442,497</u>	<u>Ps. 4,125,216</u>

At December 31, 2019 and 2018, only trademarks and goodwill, are considered indefinite-lived intangible assets.

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For the years ended December 31, 2019 and 2018, amortization expense of intangible assets amounted to Ps.40,441 and Ps.32,575, respectively, which were recognized in the income statement as selling and administrative expenses.

Research and development costs of Ps.167,968 and Ps.168,979 that did not qualify for capitalization were recognized in the income statement for the years ended December 31, 2019 and 2018, respectively.

Goodwill acquired in business combinations is allocated at acquisition date to the cash-generating units (CGU) that are expected to benefit from the synergies of the business combinations. The carrying values of goodwill allocated to the CGU or a group of CGU are as follows:

<u>Cash-generating unit</u>	<u>At December 31, 2019</u>	<u>At December 31, 2018</u>
Mission Foods Division (1).....	Ps. 1,118,005	Ps. 1,178,868
Gruma Spain (2).....	738,283	789,663
Gruma UK (2).....	395,205	422,708
Azteca Milling, L.P (1).....	226,703	236,780
Gruma Corporation.....	212,765	212,765
Rositas Investments Pty, Ltd (2).....	194,024	204,403
NDF Azteca Milling Europe SRL (2).....	116,790	128,178
Grupo Industrial Maseca, S.A. de C.V.....	98,622	98,622
Semolina, A.S (2).....	79,273	93,496
Agroindustrias Integradas del Norte, S.A. de C.V (3).....	86,325	86,325
Gruma Centroamérica (2).....	51,207	51,207
Solntse Mexico (2).....	49,406	45,974
Altera LLC (2).....	46,710	41,626
Molinos Azteca de Chiapas, S.A. de C.V (3).....	28,158	28,158
Harinera de Yucatán, S.A. de C.V (3).....	18,886	18,886
Harinera de Maíz de Mexicali, S.A. de C.V (3).....	17,424	17,424
Molinos Azteca, S.A. de C.V (3).....	8,926	8,926
Harinera de Maíz de Jalisco, S.A. de C.V (3).....	6,706	6,706
	<u>Ps. 3,493,418</u>	<u>Ps. 3,670,715</u>

- (1) Subsidiary of Gruma Corporation
(2) Subsidiary of Gruma International Foods, S.L.
(3) Subsidiary of Grupo Industrial Maseca, S.A. de C.V.

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In 2019 and 2018, the discount rates and growth rates in perpetuity used by the Company for determining the discounted cash flows of the CGU with the main balances of goodwill are the following:

Cash-generating unit	After-tax discount rates		Growth rates	
	2019	2018	2019	2018
Mission Foods Division.....	5.3%	7.1%	1.5%	1.3%
Gruma Spain.....	7.2%	9.2%	2.5%	2.5%
Gruma UK.....	6.7%	8.7%	1.8%	2.5%
Azteca Milling, L.P.....	6.1%	8.1%	1.5%	1.3%
Gruma Corporation.....	5.3%	7.1%	2.5%	2.5%
Rositas Investment PTY, LTD.....	6.0%	7.9%	3.0%	3.0%
NDF Azteca Milling Europe SRL.....	7.5%	9.3%	1.0%	2.1%
Grupo Industrial Maseca, S.A. de C.V.....	5.9%	7.8%	2.5%	2.5%
Semolina A.S.....	8.6%	10.3%	2.5%	2.5%
Agroindustrias Integradas del Norte, S.A. de C.V.....	6.7%	8.7%	2.5%	2.5%
Gruma Centroamérica.....	8.9%	10.0%	2.5%	2.5%
Solntse Mexico.....	8.6%	10.8%	2.5%	2.5%
Altera LLC.....	11.2%	14.7%	2.5%	2.5%
Molinos Azteca de Chiapas, S.A. de C.V.....	6.7%	8.7%	2.5%	2.5%
Harinera de Yucatán, S.A. de C.V.....	6.7%	8.7%	2.5%	2.5%
Harinera de Maíz de Mexicali, S.A. de C.V.....	6.7%	8.7%	2.5%	2.5%
Molinos Azteca, S.A. de C.V.....	6.7%	8.7%	2.5%	2.5%
Harinera de Maíz de Jalisco, S.A. de C.V.....	6.7%	8.7%	2.5%	2.5%

The discount rate used reflects the Company's specific risks related to its operations. The long-term growth rate used is consistent with projections included in industry reports.

With respect to the determination of the CGU's value in use, the Company's management considered that a reasonably possible change in the key assumptions used, will not cause that the CGU's carrying value to materially exceed their value in use. The recovery amount of cash-generating units has been determined based on calculations of the values in use. These calculations use cash flow projections based on financial budgets approved by the Company's management for a 5-year period.

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13. DEFERRED TAX ASSETS AND LIABILITIES

A) COMPONENTS OF DEFERRED TAX

The principal components of deferred tax assets and liabilities are summarized as follows:

	(Asset) Liability	
	At December 31, 2019	At December 31, 2018
Net operating loss carryforwards and other tax credits.....	Ps. (2,310,089)	Ps. (1,498,134)
Lease liability.....	(1,249,593)	-
Customer advances.....	(3,628)	(18,256)
Allowance for doubtful accounts.....	(5,230)	(7,282)
Provisions.....	(921,087)	(759,951)
Deferred income for trademarks license with subsidiary.....	(304,723)	(483,850)
Derivative financial instruments.....	(60,314)	-
Other.....	(144,938)	(199,119)
Deferred tax asset.....	<u>(4,999,602)</u>	<u>(2,966,592)</u>
Property, plant and equipment, net.....	1,523,694	1,618,393
Right-of-use asset, net.....	1,221,016	-
Prepaid expenses.....	17,375	19,148
Inventories.....	-	297
Intangible assets.....	188,955	203,054
Investment in subsidiaries.....	884,827	468,368
Derivative financial instruments.....	-	3,366
Other.....	29,026	15,114
Deferred tax liability.....	<u>3,864,893</u>	<u>2,327,740</u>
Net provision for deferred tax.....	<u>Ps. (1,134,709)</u>	<u>Ps. (638,852)</u>

At December 31, 2019 and 2018, the Company did not recognize a deferred income tax asset of Ps.333,884 and Ps.306,120, respectively, for tax loss carryforwards, since sufficient evidence was not available to determine that these tax loss carryforwards will be realized during their amortization period. These tax losses expire in the year 2029.

At December 31, 2019 and 2018, undistributed taxable income of subsidiaries in México amounted to Ps.1,879,606 and Ps.2,220,454, respectively. No deferred income tax has been recognized for this undistributed taxable income, since the Company has the ability to control the time for its reversal and it is probable that in the near future these temporary differences will not reverse. If the Company had not chosen this option, the deferred tax liability of these items would have amounted to Ps.563,881 and Ps.666,136 as of December 31, 2019 and 2018, respectively.

At December 31, 2019 and 2018, the Company recognized a deferred income tax liability of Ps.884,827 and Ps.468,368, respectively, from undistributed taxable income generated as of 2018 by the Company's subsidiaries in the United States (Gruma Corporation and Subsidiaries) at a reduced rate for the effects of tax credits generated by the distributed profits. The reversal of this tax amount is made at the moment in which the subsidiaries distribute such profits to the Company through dividends.

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The changes in the temporary differences during the year were as follows:

	<u>Balance at January 1, 2019</u>	<u>Recogni- zed in income</u>	<u>Recognized in other compre- hensive income</u>	<u>Reclassifi- cations</u>	<u>Foreign currency translation</u>	<u>Balance at December 31, 2019</u>
Net operating loss carryforwards and other tax credits.....	Ps.(1,498,134)	Ps. (456,183)	Ps. 84,238	Ps. (441,262)	Ps. 1,252	Ps. (2,310,089)
Lease liability.....	-	(1,247,752)	-	-	(1,841)	(1,249,593)
Customer advances.....	(18,256)	14,628	-	-	-	(3,628)
Allowance for doubtful accounts	(7,282)	2,327	-	-	(275)	(5,230)
Provisions.....	(759,951)	(132,288)	(26,310)	(12,189)	9,651	(921,087)
Prepaid expenses from trademark license with affiliates.....	(483,850)	179,127	-	-	-	(304,723)
Derivative financial instruments.	-	-	(51,517)	(8,654)	(143)	(60,314)
Others.....	(199,119)	44,955	-	13,421	(4,195)	(144,938)
Deferred tax asset.....	<u>(2,966,592)</u>	<u>(1,595,186)</u>	<u>6,411</u>	<u>(448,684)</u>	<u>4,449</u>	<u>(4,999,602)</u>
Property, plant and equipment...	1,618,393	(33,668)	-	(1,675)	(59,356)	1,523,694
Right-of-use asset.....	-	1,220,108	-	-	908	1,221,016
Prepaid expenses.....	19,148	(3,334)	-	-	1,561	17,375
Inventories.....	297	-	-	-	(297)	-
Intangible assets.....	203,054	(1,155)	-	-	(12,944)	188,955
Investment in subsidiaries.....	468,368	436,393	(19,934)	-	-	884,827
Derivative financial instruments.	3,366	-	(3,366)	-	-	-
Others.....	15,114	6,127	-	8,359	(574)	29,026
Deferred tax liability.....	<u>2,327,740</u>	<u>1,624,471</u>	<u>(23,300)</u>	<u>6,684</u>	<u>(70,702)</u>	<u>3,864,893</u>
Net provision for deferred taxes	<u>Ps. (638,852)</u>	<u>Ps. 29,285</u>	<u>Ps. (16,889)</u>	<u>Ps. (442,000)</u>	<u>Ps. (66,253)</u>	<u>Ps. (1,134,709)</u>

	<u>Balance at January 1, 2018</u>	<u>Recogni- zed in income</u>	<u>Recognized in other compre- hensive income</u>	<u>Effect of the adoption of IFRS 9</u>	<u>Reclassifi- cations</u>	<u>Foreign currency translation</u>	<u>Balance at December 31, 2018</u>
Net operating loss carryforwards and other tax credits.....	Ps.(1,211,398)	Ps. (261,760)	Ps. 47,150	Ps. -	Ps.(78,511)	Ps. 6,385	Ps.(1,498,134)
Customer advances.....	(8,305)	(5,564)	-	-	(4,387)	-	(18,256)
Allowance for doubtful accounts	(7,501)	(64)	-	(5,697)	5,569	411	(7,282)
Provisions.....	(770,907)	(5,235)	2,707	-	11,435	2,049	(759,951)
Deferred income from trademark license with subsidiary.....	(670,947)	178,267	-	-	8,830	-	(483,850)
Derivative financial instruments.	(8,388)	-	8,365	-	-	23	-
Others.....	(211,378)	40,206	(2,084)	3,579	(21,957)	(7,485)	(199,119)
Deferred tax asset.....	<u>(2,888,824)</u>	<u>(54,150)</u>	<u>56,138</u>	<u>(2,118)</u>	<u>(79,021)</u>	<u>1,383</u>	<u>(2,966,592)</u>
Property, plant and equipment...	1,683,124	(46,961)	-	-	(3,568)	(14,202)	1,618,393
Prepaid expenses.....	12,548	1,587	-	-	-	5,013	19,148
Inventories.....	773	537	-	-	(14)	(999)	297
Intangible assets.....	230,932	(27,679)	344	-	-	(543)	203,054
Investment in subsidiaries.....	-	468,368	-	-	-	-	468,368
Derivative financial instruments.	-	-	3,366	-	-	-	3,366
Others.....	1,568	105,790	(61,866)	-	(23,401)	(6,977)	15,114
Deferred tax liability.....	<u>1,928,945</u>	<u>501,642</u>	<u>(58,156)</u>	<u>-</u>	<u>(26,983)</u>	<u>(17,708)</u>	<u>2,327,740</u>
Net provision for deferred taxes	<u>Ps. (959,879)</u>	<u>Ps. 447,492</u>	<u>Ps. (2,018)</u>	<u>Ps. (2,118)</u>	<u>Ps.(106,004)</u>	<u>Ps. (16,325)</u>	<u>Ps. (638,852)</u>

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B) TAX LOSS CARRYFORWARDS

At December 31, 2019, the Company had tax loss carryforwards which amounted to approximately Ps.1,156,659. Based on projections prepared by the Company's management of expected future taxable income, it has been determined that only tax losses for an amount of Ps.43,711 will be used. Therefore, the Company did not recognize a deferred tax asset for the difference. Tax losses that will be used have the following expiration dates:

<u>Year</u>	<u>Amount</u>
2020.....	Ps. 60,232
2021.....	98,315
2022	83,996
2023	259,500
2024 and thereafter.....	610,905
Total.....	<u>Ps. 1,112,948</u>

At December 31, 2019, the Company had tax credits of Ps.2,234,881, which, based on projections prepared by the Company's management, could be applied to future taxable income, with expiration of Ps. 1,486,858 and Ps. 748,023 in the years 2028 and 2029 respectively.

C) UNCERTAIN TAX POSITIONS

At December 31, 2019 and 2018, the Company recognized a liability for uncertain tax positions of Ps.6,822 and Ps.1,279, respectively, excluding interest and penalties, and it is included in Other non-current liabilities. The following table shows a reconciliation of the Company's uncertain tax positions, excluding interest and penalties:

	<u>2019</u>	<u>2018</u>
Uncertain tax positions at beginning of year.....	Ps. 1,279	Ps. 10,006
Translation adjustment of the beginning balance.....	(303)	(26)
Increase resulting from uncertain fiscal positions for the year	5,846	-
Settlements	-	(8,701)
Uncertain tax positions at end of year.....	<u>Ps. 6,822</u>	<u>Ps. 1,279</u>

It is expected that the amount of uncertain tax positions will change in the next 12 months; however, the Company does not expect the change to have a significant impact on its consolidated financial position or results of operations. The Company had accrued interest and penalties of approximately Ps.1,074 and Ps.335 related to uncertain tax positions for 2019 and 2018, respectively.

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D) TAX EFFECTS FROM OTHER COMPREHENSIVE INCOME

Deferred taxes related to other comprehensive income are comprised of:

	<u>At December 31, 2019</u>	<u>At December 31, 2018</u>
Foreign currency translation adjustments.....	Ps. 64,304	Ps. 5,378
Remeasurement of employment benefit obligations.....	(26,310)	6,658
Cash flow hedges.....	(54,883)	(14,195)
Other.....	-	141
Total.....	<u>Ps. (16,889)</u>	<u>Ps. (2,018)</u>

14. DEBT

Debt is summarized as follows:

Short-term:

	<u>At December 31, 2019</u>	<u>At December 31, 2018</u>
Bank loans.....	Ps. 94,385	Ps. 3,864,924
Current portion of long-term bank loans.....	492,691	465,364
	<u>Ps. 587,076</u>	<u>Ps. 4,330,288</u>

Long-term:

	<u>At December 31, 2019</u>	<u>At December 31, 2018</u>
Bank loans.....	Ps. 21,531,465	Ps. 17,629,756
Current portion of long-term bank loans.....	(492,691)	(465,364)
	<u>Ps. 21,038,774</u>	<u>Ps. 17,164,392</u>

The terms, conditions and carrying values of debt are as follows:

	<u>Currency</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>At December 31, 2019</u>	<u>At December 31, 2018</u>
10-year Senior notes ^(b)	U.S.\$	4.875%	2024	Ps. 7,500,645	Ps. 7,829,289
Syndicated loan ^(a)	U.S.\$	2.789%	2025	4,676,578	-
Credits.....	Pesos	8.45% - 8.695%	2019	-	3,550,000
Debt securities.....	Pesos	TIE + 0.38%	2023	2,992,161	2,990,409
Syndicated loan ^(a)	U.S.\$	LIBOR + 1.0%	2022	2,438,553	2,901,666
Credit.....	Pesos	TIE + 0.55%	2021	2,000,000	2,000,000
Revolving credit ^(a)	U.S.\$	LIBOR + 0.75%	2022	753,808	-
Revolving credit ^(a)	U.S.\$	LIBOR + 1.0%	2022	-	1,574,632
Credit.....	U.S.\$	LIBOR + 0.65%	2020	94,226	314,924
Credit ^(b)	Euros	0.95%	2026	947,668	-
Credit.....	Euros	1.53%	2024	178,224	228,752
Credit.....	Euros	1.19% - 3.95%	2020-2022	33,649	88,448
Credit.....	Euros	EURIBOR + 0.65%	2018-2021	10,338	16,560
Total.....				<u>Ps. 21,625,850</u>	<u>Ps. 21,494,680</u>

(a) Quarterly interest payments; (b) Semiannual interest payments;
- The remaining debt pays interests on a monthly basis, or at maturity.

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At December 31, 2019 and 2018, short-term debt bore interest at an average rate of 2.56% and 8.16%, respectively. At December 31, 2019 and 2018, interest expense included interest related to debt amounting Ps. 1,621,547 and Ps.1,287,245, respectively.

At December 31, 2019, the annual maturities of long-term debt outstanding were as follows:

<u>Year</u>	<u>Amount</u>
2021.....	Ps. 2,538,216
2022.....	2,536,425
2023.....	3,190,498
2024.....	7,755,421
2025 and thereafter	5,018,214
Total.....	Ps. <u>21,038,774</u>

On December 19, 2019, the Company obtained a loan of \$ 250 million dollars with Bank of Nova Scotia, for a term of 6 years, with the option of extension for another year, and accrue quarterly interest at a fixed rate of 2.789%. The resources from this loan were used by the Company to pay various short-term liabilities in pesos. The Company considered the extension of an additional year of this debt as a loan commitment and not as an option.

On October 16, 2019, the subsidiary Azteca Foods Iberia, SAU: obtained a loan of \$ 45 million euros with BBVA, SA, with five equal amortizations from the third to the seventh anniversary of the disposition, and accrue interest semi-annually at a fixed rate of 0.95 %. The resources from this loan will be used by the Company to finance investments in Europe.

As part of a Revolving Short-Term and Long-Term Debt Securities (*Certificados Bursátiles*) Program for an authorized total amount of Ps. 8,000,000, on September 26, 2018, the Company launched a public offering of long-term debt securities in the local debt market for Ps. 3,000,000, with a 5-year maturity and accruing interest at an annual rate of 28-day TIIE plus 38 basis points. The proceeds from this public offering were used by the Company to refinance short-term debt.

On September 27, 2018, the Company obtained a loan facility of Ps.2,000,000 with a 3-year maturity and accruing interest at an annual rate of 28-day TIIE plus 55 basis points. The credit facility was obtained from the following group of banks, in equal portions: Bank of America Mexico, S.A., BBVA Bancomer S.A., HSBC Mexico, S.A., y Scotiabank Inverlat S.A., with the last one as administrative agent. The proceeds from this credit facility were used to refinance the Company's short-term debt.

The Company has credit line agreements for Ps. 11,684,024 (U.S. \$620 million), of which Ps.10,930,216 (U.S.\$580 million) are available as of December 31, 2019. These credit line agreements require a quarterly payment of a commitment fee ranging from 0.10% to 0.28% over the unused amounts, which is recognized as interest expense of the year.

The outstanding credit agreements contain covenants mainly related to compliance with certain financial ratios and delivery of financial information, which, if not complied with during the period, as determined by creditors, may be considered a cause for early maturity of the debt.

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Financial ratios are calculated according with the formulas established in the credit agreements. The main financial ratios contained in the credit agreements are the following:

- Interest coverage ratio, defined as the ratio of consolidated earnings before interest, tax, depreciation and amortization (EBITDA) of the last twelve months to consolidated interest charges, should not be less than 2.50 to 1.00.
- Leverage ratio, defined as the ratio of total consolidated indebtedness, net (determined as the sum of the outstanding principal balance of consolidated indebtedness and guarantees of the Company for obligations with third parties unrelated to the Company's core business less cash and cash equivalents), to consolidated EBITDA, should be no greater than 3.50 to 1.00.

At December 31, 2019 and 2018, the Company was in compliance with the financial covenants, as well as with the delivery of the required financial information.

Reconciliation of liabilities arising from financing activities

The table below details the changes in the Company's liabilities arising from financing activities:

	Short-term bank loans	Long-term bank loans	Total
Balance at January 1, 2019	Ps. 4,330,288	Ps.17,164,392	Ps. 21,494,680
Proceeds from debt.....	45,831,103	9,915,105	55,746,208
Payment of debt.....	(50,059,565)	(4,966,958)	(55,026,523)
Effect of changes in foreign exchange rates.....	(8,920)	(534,274)	(543,194)
Debt issuance costs.....		(34,721)	(34,721)
Other non-cash changes.....	494,170	(504,770)	(10,600)
Balance at December 31, 2019.....	<u>Ps. 587,076</u>	<u>Ps.21,038,774</u>	<u>Ps. 21,625,850</u>

	Short-term bank loans	Long-term bank loans	Total
Balance at January 1, 2018	Ps. 2,896,675	Ps.17,310,045	Ps. 20,206,720
Proceeds from debt.....	25,386,251	5,000,000	30,386,251
Payment of debt.....	(24,398,131)	(4,513,723)	(28,911,854)
Effect of changes in foreign exchange rates.....	4,920	(157,171)	(152,251)
Debt issuance costs.....	-	(9,968)	(9,968)
Other non-cash changes.....	440,573	(464,791)	(24,218)
Balance at December 31, 2018.....	<u>Ps. 4,330,288</u>	<u>Ps.17,164,392</u>	<u>Ps. 21,494,680</u>

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15. TRADE ACCOUNTS PAYABLE

The Company has financing programs to suppliers, through which they can discount their notes with different financial institutions (Citibanamex, BBVA Bancomer, Santander, Bank of America). The balance payable derived from these programs is recognized within trade accounts payable in the balance sheet. The financial cost of these operations is a charge to suppliers.

	At December 31, 2019	At December 31, 2018
Discounted balance payable by suppliers.....	Ps. 2,035,619	Ps. 2,053,237

16. PROVISIONS

The movements of provisions are as follows:

	Labor provisions	Restoration provision	Tax provision	Legal Provision	Total
Balance at January 1, 2018.....	Ps. 487,067	Ps. 158,339	Ps. 36,192	Ps. -	Ps. 681,598
Charge (credit) to income:					
Additional provisions.....	214,399	3,648	1,754	-	219,801
Used during the year.....	(236,231)	-	(21,324)	-	(257,555)
Exchange differences.....	(1,843)	(329)	(1,835)	-	(4,007)
Balance at December 31, 2018.....	463,392	161,658	14,787	-	639,837
Charge (credit) to income:					
Additional provisions.....	293,660	8,266	11,157	95,231	408,314
Used during the year.....	(237,799)	(14,143)	(23,211)	-	(275,153)
Exchange differences.....	(20,948)	(6,754)	245	-	(27,457)
Balance at December 31, 2019.....	Ps. 498,305	Ps. 149,027	Ps. 2,978	95,231	Ps. 745,541
Of which current.....	Ps. 198,421	Ps. -	Ps. -	Ps. -	Ps. 198,421
Of which non-current.....	299,884	149,027	2,978	95,231	547,120

Labor provisions

In the United States, when permitted by law, the Company self insures against workers' compensation claims arising from medical expenses incurred due to work accidents or illness. For uncovered risks, the Company estimates the associated liabilities through an actuarial calculation, considering historical information of claims, demographic factors, severity of past events and other actuarial assumptions; to estimate the expected outflows of economic resources and projected timing of the settlement of these claims. The discount rate applied during 2019 was 3.69%. At December 31, 2019, the Company has Ps.21,558 (U.S.\$1,144 thousand) of expected insurance reimbursements that are included in consolidated balance sheet as a component of accounts receivable.

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Restoration provision

In the United States and Europe, the Company has recognized an obligation to remove equipment and leasehold improvements from certain of its leased manufacturing facilities in order to restore the facilities to their original condition, less normal wear and tear as determined by the terms of the lease. The Company has estimated the expected outflows of economic resources associated with these obligations and the probability of possible settlement dates based upon the terms of the lease. These estimates are used to calculate the present value of the estimated expenditures using a pre-tax discount rate and taking into account any specific risks associated with these obligations. The discount rate applied during 2019 was 4.61%.

Tax provision

In Central America, for the periods from 2004, 2005 and 2009, tax authorities have lodged tax assessments against the Company for approximately Ps.14,787 (460 million colons) in connection with sales and income tax. Based on the criteria of the Company's management and the opinion of tax consultants hired for the Company's defense, there is a probability that some of the tax assessments will be settled. For this reason, the Company has accrued the necessary amounts to cover the payment of these obligations.

Legal provision

The Company has recognized a provision of Ps. 95,231 (U.S.\$ 5 million) related to a claim associated to the operation in the United States and determined on the basis of an agreement signed with the counterparty.

17. OTHER CURRENT LIABILITIES

At December 31, 2019 and 2018, Other current liabilities include the following:

	<u>At December 31, 2019</u>	<u>At December 31, 2018</u>
Employee benefits payable.....	Ps. 1,131,798	Ps. 1,115,637
Dividends payable.....	975,919	926,083
Promotion and advertising payable.....	376,441	296,203

The rest of the items that comprise Other current liabilities correspond to accrued expenses payable.

18. EMPLOYEE BENEFITS OBLIGATIONS

Employee benefits obligations recognized in the balance sheet, by country, were as follows:

<u>Country</u>	<u>At December 31, 2019</u>	<u>At December 31, 2018</u>
Mexico.....	Ps. 849,934	Ps. 702,403
United States and Europe.....	92,023	81,773
Central America.....	32,095	30,576
Total.....	<u>Ps. 974,052</u>	<u>Ps. 814,752</u>

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A) MEXICO

In Mexico, labor obligations recognized by the Company correspond to the single-payment retirement plan and seniority premium. The benefits for the retirement plan and seniority premium are defined benefit plans, based on the projected salary at the date in which the employee is assumed to receive the benefits. Currently, the plan operates under Mexican law, which does not require minimum funding.

The plans in Mexico typically expose the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk:

- Investment risk. The expected return rate for investment funds is equivalent to the discount rate, which is calculated using a discount rate determined by reference to long-term government bonds; if the return on plan asset is below this rate, it will create a plan deficit. Due to the long-term nature of the plan liabilities, the Company considers appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the fund.
- Interest risk. A decrease in the interest rate will increase the plan liability; the volatility in interest rates depends exclusively in the economic environment.
- Longevity risk. The present value of the defined benefit plan liability is calculated by reference to the best estimate of mortality of plan participants. An increase in the life expectancy of the plan participants will increase the plan's liability.
- Salary risk. The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary expectancy of the plan participants will increase the plan's liability.

The reconciliation between the beginning and ending balances of the present value of the defined benefit obligations (DBO) is as follows:

	2019	2018
DBO at beginning of the year.....	Ps. 766,432	Ps. 797,391
Add (deduct):		
Current service cost.....	39,757	35,466
Financial cost.....	65,976	54,372
Remeasurement for the period.....	132,632	(51,624)
Benefits paid.....	(93,455)	(69,173)
DBO at end of the year.....	<u>Ps. 911,342</u>	<u>Ps. 766,432</u>

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The reconciliation between the beginning and ending balances of the employee benefit plan assets at fair value for the years 2019 and 2018 is shown below:

	<u>2019</u>	<u>2018</u>
Plan assets at fair value at beginning of the year..	Ps. 64,029	Ps. 64,654
Add (deduct):		
Return on plan assets.....	3,366	3,401
Return on plan assets recognized in other comprehensive income.....	(5,987)	(4,026)
Plan assets at fair value at end of the year.....	<u>Ps. 61,408</u>	<u>Ps. 64,029</u>

The following table shows the reconciliation between the present value of the defined benefit obligation and the plan assets at fair value, and the projected net liability included in the balance sheet:

	<u>At December 31, 2019</u>	<u>At December 31, 2018</u>
Employee benefit (assets) liabilities:		
DBO.....	Ps. 911,342	Ps. 766,432
Plan assets.....	(61,408)	(64,029)
Employee benefits obligations.....	<u>Ps. 849,934</u>	<u>Ps. 702,403</u>

The value of the DBO related to the pension plan amounted to Ps. 791,684 and Ps. 672,216 at December 31, 2019 and 2018, respectively, while the value of the DBO related to seniority premiums amounted to Ps. 119,658 and Ps. 94,216, respectively.

At December 31, 2019 and 2018, the components of net cost comprised the following:

	<u>2019</u>	<u>2018</u>
Current service cost.....	Ps. 39,757	Ps. 35,466
Financial cost.....	65,976	54,372
Return on plan assets.....	(3,366)	(3,401)
Net cost for the year.....	<u>Ps. 102,367</u>	<u>Ps. 86,437</u>

The net cost for the year related to the pension plan amounted to Ps.89,651 and Ps.80,558 at December 31, 2019 and 2018, respectively, while the net cost related to seniority premiums amounted to Ps. 12,716 and Ps. 5,879, respectively.

The net cost for the year 2019 of Ps. 102,367 (Ps.86,437 in 2018) was recognized in income as cost of sales for Ps. 4,705 (Ps.9,344 in 2018), selling and administrative expenses for Ps.35,052 (Ps.26,122 in 2018) and interest expense for Ps. 62,610 (Ps.50,971 in 2018).

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Remeasurements of the defined benefit obligation recognized in other comprehensive income are comprised of:

	<u>2019</u>	<u>2018</u>
Return on plan assets (excluding amounts included in net cost of the year).....	Ps. 5,987	Ps. 4,026
Actuarial gains and losses arising from changes in demographic assumptions.....	-	-
Actuarial gains and losses arising from changes in financial assumptions.....	100,859	(97,390)
Actuarial gains and losses arising from experience adjustments.....	31,773	45,766
	<u>Ps. 138,619</u>	<u>Ps. (47,598)</u>

The total amount recognized in other comprehensive income is described below:

	<u>2019</u>	<u>2018</u>
Balance at the beginning of the year.....	Ps. 398,223	Ps. 445,821
Remeasurements that occurred during the year...	138,619	(47,598)
Balance at the end of the year.....	<u>Ps. 536,842</u>	<u>Ps. 398,223</u>

At December 31, 2019 and 2018, plan assets stated at fair value and related percentages with respect to total plan assets were analyzed as follows:

	<u>At December 31, 2019</u>		<u>At December 31, 2018</u>	
Equity securities, classified by type of industry:	Ps. 29,943	49%	Ps. 32,442	51%
Consumer industry.....	7,088		7,862	
Financial institutions.....	22,855		24,580	
Fixed rate securities.....	31,465	51%	31,587	49%
Fair value of plan assets.....	<u>Ps. 61,408</u>	<u>100%</u>	<u>Ps. 64,029</u>	<u>100%</u>

As of December 31, 2019, the funds maintained in plan assets were considered sufficient to face the Company's short-term needs; therefore, the Company's management has determined that for the time being there is no need for additional contributions to increase these assets.

The main actuarial assumptions used were as follows:

	<u>At December 31, 2019</u>	<u>At December 31, 2018</u>
Discount rate.....	7.25%	9.25%
Future increase rate in compensation levels.....	4.50%	4.50%
Long-term inflation rate.....	3.50%	3.50%

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At December 31 2019 and 2018, the impact in DBO for a decrease of 25 basis points in the discount rate amounts to Ps.14,421 and Ps.12,476, respectively. This sensitivity analysis is based on the change in the discount rate while keeping constant the rest of the assumptions. In practice, this is unlikely to occur, and changes in some of the assumptions can be correlated. The methods used in preparing the sensitivity analysis did not change from those used in prior years.

The average duration of the benefit obligation at December 31, 2019 and 2018 is 11 and 11 years, respectively.

The Company does not expect to contribute during the next fiscal year.

B) OTHER COUNTRIES

In the United States, the Company has a savings and investment plan that incorporates voluntary employee 401(k) contributions with matching contributions from the Company in this country. For the years ended December 31, 2019 and 2018, total expenses related to this plan amounted to Ps.150,606 and Ps.145,275, respectively (U.S. \$7,816 and U.S.\$7,566 thousand, respectively).

Additionally, the Company has established an unfunded nonqualified deferred compensation plan for a selected group of management and highly compensated employees. The plan is voluntary and allows employees to defer a portion of their salary or bonus in excess of the savings and investment plan limitations. The employees elect investment options and the Company monitors the result of those investments and records a liability for the obligation. For the years ended December 31, 2019 and 2018, total (income) expenses related to this plan were approximately Ps. 14,741 and Ps.(1,747), respectively (U.S. \$765 and U.S.\$(91) thousand, respectively).

At December 31, 2019 and 2018, the liability recognized for both plans amounted to Ps.78,829 and Ps.67,749, respectively (U.S. \$4,183 and U.S.\$3,442 thousand, respectively).

In Central America, the retirement and severance provisions are determined according to the current Labor Legislation of each country. At December 31, 2019 and 2018, the liability recognized for this item amounted to Ps.32,095 and Ps.30,576, respectively, and the total labor obligation cost amounted Ps. 11,133 and Ps.12,903, respectively.

19. EQUITY

A) COMMON STOCK

At December 31, 2019, the Company's outstanding common stock consisted of 413,143,708 Series "B" shares, with no par value, fully subscribed and paid, which can only be withdrawn with stockholders' approval and 7,813,785 treasury shares.

In Accordance to the agreements adopted by the Extraordinary General Shareholders' Meeting held on April 26, 2019, approved cancellation of 11,791,586 ordinary, nominative shares, without expression of nominal value, series "B", Class I, issued by Gruma S.A.B. de C.V. and that have been repurchased by the same.

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At December 31, 2018, the Company's outstanding common stock consisted of 423,430,920 Series "B" shares, with no par value, fully subscribed and paid, which can only be withdrawn with stockholders' approval and 9,318,159 treasury shares.

B) RETAINED EARNINGS

In the Income Tax Law, effective starting January 1, 2014. Among other, establishes a 10% tax rate on earnings from 2014 and thereafter, for dividend paid to foreign residents and Mexican individuals; additionally, this law states that for the years 2001 to 2013, the net taxable income will be determined in accordance with the Income Tax Law that was effective for each year.

Dividends paid are not subject to income tax if paid from the Net Tax Profit Account (CUFIN) and will be taxed at a rate that fluctuates between 32% and 35% if they are paid from the reinvested Net Tax Profit Account. Dividends paid that exceed CUFIN and reinvested CUFIN are subject to an income tax payable at a rate of 30% if paid in 2020. The tax is payable by the Company and may be credited against the normal income tax payable by the Company in the year in which the dividends are paid or in the following two years. Dividends paid from earnings previously taxed are not subject to any withholding or additional tax payment. As of December 31, 2019, CUFIN amounted to Ps.9,150,689.

Legal reserve

In accordance with Mexican Corporate Law, the legal reserve must be increased annually by 5% of annual net profits until it reaches a fifth of the fully paid common stock amount. The legal reserve is included within retained earnings.

Movements in the legal reserve for the years ended December 31, 2018 and 2017 are as follows:

	<u>Amount</u>
Balance at December 31, 2017.....	Ps. 988,484
Increases during the year.....	84,235
Balance at December 31, 2018.....	<u>1,072,719</u>
Increases during the year.....	-
Balance at December 31, 2019.....	<u>Ps. 1,072,719</u>

Purchase of common stock

The Shareholders' Meeting held on April 26, 2019 approved to increase the reserve to repurchase the Company's own shares up to Ps.3,500,000, which is included within retained earnings.

The Shareholders' Meeting held on April 27, 2018 approved to increase the reserve to repurchase the Company's own shares up to Ps.2,500,000, which is included within retained earnings.

The maximum amount of proceeds that can be used to purchase the Company's own shares cannot exceed, in any case, the net earnings of the entity, including retained earnings.

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When purchasing of the Company's own shares, the amount of the consideration paid, including the direct costs attributable to such acquisition, is recognized as a decrease in the Company's equity. When the shares are re-placed, the consideration received is recognized within the equity.

The difference between the acquisition cost of the repurchased shares and their stated value, composed of common stock and share premium paid, if applicable, is recognized as part of the reserve to repurchase the Company's own shares, which is included within retained earnings from prior years. The gain or loss on the sale of the Company's own shares is recorded in retained earnings.

The movements of the reserve for acquisition of Company's own shares for the years ended December 31, 2019 and 2018 is as follows:

	<u>Amount</u>
Balance at December 31, 2017.....	Ps. 650,000
Increase of the reserve to repurchase the Company's own shares approved in the Shareholders' Meeting held on April 27, 2018.....	1,850,000
Purchase of Company's own shares during the year....	<u>(2,067,632)</u>
Balance at December 31, 2018.....	432,368
Cancellation of 11,791,586 shares, approved in the Shareholders' Meeting held on April 26, 2019.....	2,584,945
Increase in the reserve for repurchase of Company's own shares during the year approved in the Shareholders' Meeting held on April 26, 2019.....	1,000,000
Purchase of Company's own shares during the year ...	<u>(1,995,020)</u>
Balance at December 31, 2019.....	<u><u>2,022,293</u></u>

At December 31, 2019, the Company has purchased 7,813,785 of its own shares at a market value of Ps. 1,516,890 as of that date.

C) FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

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

	<u>2019</u>	<u>2018</u>
Balance at beginning of year.....	Ps. 1,187,475	Ps. 1,892,661
Effect of the year from translating net investment in foreign subsidiaries.....	(1,213,506)	(862,357)
Exchange differences arising from foreign currency liabilities accounted for as a hedge of the Company's net investments in foreign subsidiaries.....	490,984	157,171
Balance at end of year.....	<u><u>Ps. 464,953</u></u>	<u><u>Ps. 1,187,475</u></u>

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The investment of the Company in its subsidiaries in the United States (Gruma Corporation and subsidiaries) generated a hedge for its U.S. dollar on the debt up to U.S. \$821 and U.S.\$630 million at December 31, 2019 and 2018, respectively.

At December 31, 2019 and 2018, the accumulated effect of translating net investment in foreign subsidiaries impacted non-controlling interest in the amounts of Ps.(3,968) and Ps.(3,526), respectively.

During 2019, the Company received dividends from its United States subsidiary Gruma Corporation amounting to Ps. 1,562,816 (US \$80 million) and Ps. 3,540,828 (U.S.\$175 million) respectively.

20. FINANCIAL INSTRUMENTS

A) FINANCIAL INSTRUMENTS BY CATEGORY

The carrying values of financial instruments by category are presented below:

	At December 31, 2019			
	Financial assets and liabilities at amortized cost	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at fair value with changes in other comprehensive income	Total categories
<u>Financial assets:</u>				
Cash and cash equivalents.....	Ps. 3,818,181	Ps.	Ps.	Ps. 3,818,181
Derivative financial instruments.....			102,325	102,325
Accounts receivable.....	8,306,703			8,306,703
Long term notes receivable and other (Note 9).....	208,346			208,346
<u>Financial liabilities:</u>				
Current debt.....	587,076			587,076
Trade accounts payable.....	5,652,236			5,652,236
Short- term derivative financial instruments...		46,915	125,238	172,153
Long-term debt.....	21,038,774			21,038,774
Long-term derivative financial instruments...			159,651	159,651
Other liabilities (excludes non-financial liabilities)....	69,994			69,994

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	At December 31, 2018			
	Financial assets and liabilities at amortized cost	Financial assets and liabilities at fair value through profit or loss	Hedge derivatives	Total categories
<u>Financial assets:</u>				
Cash and cash equivalents.....	Ps. 3,435,722	Ps.	Ps.	Ps. 3,435,722
Derivative financial instruments.....		184	65,865	66,049
Accounts receivable.....	7,878,548			7,878,548
Long term notes receivable and other (Note 9).....	205,323			205,323
<u>Financial liabilities:</u>				
Current debt.....	4,330,288			4,330,288
Trade accounts payable.....	5,968,044			5,968,044
Derivative financial instruments.....	-	12,854	105,987	118,841
Long-term debt.....	17,164,392			17,164,392
Other liabilities (excludes non-financial liabilities)....	101,668			101,668

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, accounts receivable, trade accounts payable and other current liabilities approximate their fair value, due to their short maturity. In addition, the net book value of accounts receivable and recoverable taxes represents the expected cash flow to be received.

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

	At December 31, 2019	
	Carrying amount	Fair value
Assets:		
Derivative financial instruments – corn.....	Ps. 74,295	Ps. 74,295
Derivative financial instruments – wheat.....	28,030	28,030
Long-term notes receivable and other.....	264,051	292,626
Liabilities:		
10-year Bonds in U.S. dollars bearing fixed interest at an annual rate of 4.875%.....	7,500,646	8,181,380
Short and long-term debt.....	14,125,204	14,413,230
Derivative financial instruments – natural gas	55,465	55,465
Derivative financial instruments – corn.....	5,828	5,828
Derivative financial instruments – wheat.....	25,198	25,198
Derivative financial instruments – exchange rate.....	85,662	85,662
Derivative financial instruments – interest rate.....	159,651	159,651
	At December 31, 2018	
	Carrying amount	Fair value
Assets:		
Derivative financial instruments – corn.....	Ps. 34,221	Ps. 34,221
Derivative financial instruments – fuel.....	31,828	31,828
Long-term notes receivable and other.....	252,132	253,694
Liabilities:		
10-year Bonds in U.S. dollars bearing fixed interest at an annual rate of 4.875%.....	7,829,289	7,920,320
Short and long-term debt.....	13,665,391	13,787,733
Derivative financial instruments – corn.....	7,154	7,154
Derivative financial instruments – wheat.....	7,690	7,690
Derivative financial instruments – exchange rate.....	103,997	103,997

The fair values at December 31, 2019 and 2018 were determined by the Company as follows:

- The fair values of bonds in U.S. dollars were determined based on available market prices. Fair values of bonds are classified as level 1 in the fair value hierarchy.
- The fair value for the rest of the long-term debt was based on the present value of the cash flows discounted at interest rates based on readily observable market inputs. Fair value of long-term debt is classified as level 2 in the fair value hierarchy. The average discount rate used was 3.86% in 2019 and 7.05% in 2018.
- Long-term notes receivable are classified as level 2 in the fair value hierarchy. Its fair value was based on the present value of future cash flows using a discount rate of 6.77% and 8.73% in 2019 and 2018, respectively.

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C) DERIVATIVE FINANCIAL INSTRUMENTS

At December 31, 2019 derivative financial instruments comprised the following:

Type of contract	Notional amount	Fair value	
		Asset	Liability
Corn futures	630,000 Bushels	Ps. 3,150	Ps.
Corn futures	(55,000) Bushels		1,154
Wheat futures	7,100,000 Bushels	28,030	
Wheat futures	1,460,000 Bushels		25,198
Corn swaps	14,153,529 Bushels	57,147	
Corn swaps	8,680,000 Bushels		4,674
Corn options.....	8,195,000 Bushels	13,999	
Natural gas futures and swaps.....	12,460,000 Mmbtu		55,465
Exchange rate forwards.....	316,900,000 USD		85,662
Interest rate swaps.....	3,000,000,000 MXN		159,651

At December 31, 2019, open positions of corn, gas natural and fuel derivatives were recorded at fair value. The result of the valuation at December 31, 2019 of financial instruments that qualified as cash flow hedge represented a gain of Ps. 45,044, which was recognized in comprehensive income within equity. At December 31, 2019, the Company had open positions of financial instruments for corn, natural gas and fuel that did not qualify as hedge accounting. These open positions represented a loss of Ps. 43,831, which was recognized in the income statement as Other income, net.

For the year ended December 31, 2019, the Company transferred the amount of Ps. 78,590 from cash flow hedges reserve and recognized it as part of inventory. This amount refers to the loss from the terminated operations for corn and wheat hedges, in which the grain, subject to these hedges, was received.

The corn and wheat hedges terminated during the period and for which no grain has been received, originated a gain of Ps. 39,683, which was recognized in comprehensive income and it is expected that in the following 12-month period, corn derivatives that qualified as hedge accounting will affect the Company's results of the year. The operations ended for the year ended December 31, 2019 of gas derivative instruments that qualified as cash flow hedging generated a loss of P. 16,898 which was applied within stockholders' equity in other comprehensive income. Operations terminated at December 31, 2019 on corn, natural gas and fuel derivatives that did not qualify as hedge accounting represented a loss of Ps. 5,886 which was recognized in the income statement as Other income, net (Note 22).

Exchange rate derivative financial instruments were recorded at fair value. Open positions of exchange rate derivative financial instruments that qualified as cash flow hedge represented a loss of Ps. 67,956, which was recognized in comprehensive income within equity. At December 31, 2019, valuation of the open positions of these instruments that did not qualify as hedge accounting resulted in a loss of approximately Ps. 5,159 recognized in income as comprehensive financing cost, net (Note 24). For the year ended December 31, 2019, terminated operations of these instruments that qualified as cash flow hedge represented a loss of Ps.7,426, which was recognized in comprehensive income within equity.

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Likewise, terminated operations of these instruments that did not qualify as hedge accounting represented a gain of Ps.25,087, which was recognized in income as comprehensive financing cost, net (Note 24). During the year ended December 31, 2019, Ps. 190,554 net loss were transferred from cash flow hedges reserve and recorded as part of the inventory.

As of December 31, 2019, the open positions of the interest rate swap financial instruments were valued at fair market value. The result of the valuation as of December 31, 2019 of the financial instruments that qualified as cash flow hedging was a loss of \$ 159,651, which was applied to comprehensive income within shareholders' equity.

At December 31, 2019, the Company had revolving funds denominated “margin calls” amounting Ps. 143.873, which are required to be applied against payments, due to price changes in the underlying asset.

At December 31, 2018 derivative financial instruments comprised the following:

Type of contract	Notional amount	Fair value	
		Asset	Liability
Corn futures and swaps.....	18,990,000 Bushels	Ps. 34,221	Ps. -
Corn options.....	12,890,000 Bushels	-	7,154
Wheat futures and swaps.....	2,940,000 Bushels	-	7,690
Natural gas futures and swaps.....	15,480,000 Mmbtu	31,828	-
Exchange rate forwards.....	\$ 188,913,600 USD	-	103,997

At December 31, 2018, open positions of corn, gas natural and fuel derivatives were recorded at fair value. The result of the valuation at December 31, 2018 of financial instruments that qualified as cash flow hedge represented a gain of Ps.36,582, which was recognized in comprehensive income within equity. At December 31, 2018, the Company had open positions of financial instruments for corn, natural gas and fuel that did not qualify as hedge accounting. These open positions represented a gain of Ps.25,739, which was recognized in the income statement as Other income, net.

For the year ended December 31, 2018, the Company reclassified the amount of Ps.74,533 from comprehensive income and recognized it as part of inventory. This amount refers to the loss from the terminated operations for corn hedges, in which the grain, subject to these hedges, was received. Additionally, the corn hedges terminated during the period and for which no corn has been received, originated a gain of Ps.117,187, which was recognized in comprehensive income and it is expected that in the following 12-month period, corn derivatives that qualified as hedge accounting will affect the Company's results of the year. Operations terminated at December 31, 2018 on corn, natural gas and fuel derivatives that did not qualify as hedge accounting represented a gain of Ps.29,598 which was recognized in the income statement as Other income, net (Note 22).

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Exchange rate derivative financial instruments were recorded at fair value. Open positions of exchange rate derivative financial instruments that qualified as cash flow hedge represented a loss of Ps.91,450, which was recognized in comprehensive income within equity. At December 31, 2018, valuation of the open positions of these instruments that did not qualify as hedge accounting resulted in a loss of approximately Ps.104,339 recognized in income as comprehensive financing cost, net (Note 24). For the year ended December 31, 2018, terminated operations of these instruments that qualified as cash

flow hedge represented a loss of Ps.10,100, which was recognized in comprehensive income within equity. Likewise, terminated operations of these instruments that did not qualify as hedge accounting represented a gain of Ps.37,778, which was recognized in income as comprehensive financing cost, net (Note 24). During the year ended December 31, 2018, Ps.306,436 recorded in comprehensive income within equity were recycled and recorded as part of the inventory.

At December 31, 2018, the Company had revolving funds denominated “margin calls” amounting Ps.99,473, which are required to be applied against payments, due to price changes in the underlying asset.

D) FAIR VALUE HIERARCHY

A three-level hierarchy is used to measure and disclose fair values. An instrument’s categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation.

The following is a description of the three hierarchy levels:

- Level 1—Quoted prices for identical instruments in active markets.
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

a. Determination of fair value

When available, the Company generally uses quoted market prices to determine fair value and classifies such items in Level 1. If quoted market prices are not available, fair value is valued using industry standard valuation models. When applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs, including interest rates, currency rates, volatilities, etc. Items valued using such inputs are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some inputs that are readily observable. In addition, the Company considers assumptions for its own credit risk and the respective counterparty risk.

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b. Measurement

Assets and liabilities measured at fair value are summarized below:

At December 31, 2019					
		Level 1	Level 2	Total	
<i>Assets:</i>					
Plan assets – seniority premium fund....	Ps.	61,408	Ps. -	Ps.	61,408
Derivative financial instruments – corn..		8,259	66,036		74,295
Derivative financial instruments – wheat		28,030	-		28,030
	Ps.	97,697	Ps. 66,036	Ps.	163,733
<i>Liabilities:</i>					
Derivative financial instruments – exchange rate.....	Ps.	-	Ps. 85,662	Ps.	85,662
Derivative financial instruments – corn..		1,154	4,674		5,828
Derivative financial instruments – wheat.....		25,198	-		25,198
Derivative financial instruments – fuel...		26,256	29,209		55,465
Derivative financial instruments – interest rate		-	159,651		159,651
	Ps.	52,608	Ps. 279,196	Ps.	331,804

At December 31, 2018					
		Level 1	Level 2	Total	
<i>Assets:</i>					
Plan assets – seniority premium fund....	Ps.	64,029	Ps. -	Ps.	64,029
Derivative financial instruments – corn..		7,355	26,866		34,221
Derivative financial instruments – exchange rate.....		16,898	14,930		31,828
	Ps.	88,282	Ps. 41,796	Ps.	130,078
<i>Liabilities:</i>					
Derivative financial instruments – exchange rate.....	Ps.	-	Ps. 103,997	Ps.	103,997
Derivative financial instruments – corn..		-	7,154		7,154
Derivative financial instruments – wheat.....		7,383	307		7,690
	Ps.	7,383	Ps. 111,458	Ps.	118,841

There were no transfers between the three levels in the period.

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Level 1 - Quoted prices for identical instruments in active markets

Financial instruments that are negotiated in active markets are classified as Level 1. The inputs used in the Company's financial statements to measure the fair value include quoted market prices of corn listed on the Chicago Board of Trade.

Level 2 - Quoted prices for similar instruments in active markets

Financial instruments that are classified as Level 2 refer mainly to quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, as well as model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Derivative financial instruments - exchange rate

Exchange rate derivative financial instruments were recorded at fair value, which was determined using future cash flow discounted to present value. Significant data used to determine the fair value of these instruments is as follows:

		<u>2019</u>		<u>2018</u>
Forward exchange rate	Ps.	18.85	Ps.	19.68
Discount rate.....		6.77%		8.59%

Derivative financial instruments - fuel

Fuel derivative financial instruments were recorded at fair value, which was determined using future cash flow discounted to present value, using quoted market prices of fuel listed in the NYMEX Exchange.

Derivative financial instruments - corn

Corn derivative financial instruments that qualify as Level 2 were recorded at fair value. Valuation techniques used to value these financial instruments include market quotations or quotations for similar instruments and other, such as the cash flow discount analysis, which is used to determine the fair value of corn swaps.

During the period, there were no transfers between Levels 1 and 2.

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21. EXPENSES BY NATURE

Expenses by nature are presented in the income statement within the captions of cost of sales and selling and administrative expenses and are analyzed as follows:

	<u>2019</u>	<u>2018</u>
Cost of raw materials consumed and changes in inventory (Note 8).....	Ps. 27,935,125	Ps. 27,020,966
Employee benefit expenses (Note 23).....	20,101,084	19,324,419
Depreciation.....	3,139,109	2,279,808
Amortization (Note 12).....	40,441	32,575
Lease expenses	375,309	1,270,466
Research and development expenses (Note 12).....	167,968	168,979
Allowance for doubtful accounts (Note 7).....	63,464	34,650

22. OTHER (EXPENSES), NET

Other expenses, net comprised the following:

	<u>2019</u>	<u>2018</u>
Current employees' statutory profit sharing.....	Ps. (62,044)	Ps. (62,611)
Net gain (loss) income from sale of fixed assets.....	20,497	(13,939)
Impairment loss on long-lived assets.....	(66,259)	(3,403)
Income (expense) from recovery of insurance claims for damaged assets, net ⁽¹⁾	34,192	(1,672)
Result from derivative financial instruments.....	(49,717)	55,337
Surcharges received from the authority in relation to the asset tax refund for the year 2007	102,385	
Total.....	<u>Ps. (20,946)</u>	<u>Ps. (26,288)</u>

(1) Includes the effect of the fire that occurred during the year 2019 at the plant located in the Netherlands, for which fixed assets and damaged inventory were derecognized for the amount of Ps. 313,940 and Ps. 51,230, respectively, and an income from insurance recovery of Ps.390,885 was recognized, of which Ps.282,323 was collected in 2020.

23. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses are comprised of the following:

	<u>2019</u>	<u>2018</u>
Salaries, wages and benefits (including termination benefits).....	Ps. 18,720,273	Ps. 18,022,025
Social security contributions.....	1,099,234	1,058,380
Employment benefits (Note 18).....	281,577	244,014
Total.....	<u>Ps. 20,101,084</u>	<u>Ps. 19,324,419</u>

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24. COMPREHENSIVE FINANCING COST

Comprehensive financing cost, net is comprised by:

	<u>2019</u>	<u>2018</u>
Bank financial expenses and others (Note 14).....	Ps. (1,727,537)	Ps. (1,346,805)
Financial lease expenses (Note 11)	(274,937)	
Financial products	106,833	81,874
Result from derivative financial instruments (Note 20).....	19,928	(66,560)
Result from foreign exchange differences, net.....	153,527	(233,335)
Comprehensive financing cost, net.....	<u>Ps. (1,722,186)</u>	<u>Ps. (1,564,826)</u>

25. INCOME TAX EXPENSE

A) INCOME BEFORE INCOME TAX

The domestic and foreign components of income before income tax are the following:

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Domestic.....	Ps. 968,738	Ps. 1,651,171
Foreign.....	6,591,081	6,209,485
	<u>Ps. 7,559,819</u>	<u>Ps. 7,860,656</u>

B) COMPONENTS OF INCOME TAX EXPENSE

The components of income tax expense are the following:

	<u>2019</u>	<u>2018</u>
Current tax:		
Current tax on profits for the year.....	Ps. (2,676,830)	Ps. (2,360,466)
Adjustments in respect of prior years.....	(4,954)	-
Total current tax.....	<u>(2,681,784)</u>	<u>(2,360,466)</u>
Deferred tax:		
Origin and reversal of temporary differences.....	(29,285)	(447,492)
Total deferred tax.....	<u>(29,285)</u>	<u>(447,492)</u>
Total income tax expense.....	<u>Ps. (2,711,069)</u>	<u>Ps. (2,807,958)</u>

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Domestic federal, foreign federal and state income taxes in the consolidated statements of income consisted of the following components:

	For the year ended December 31,	
	2019	2018
Current:		
Domestic federal.....	Ps. (955,941)	Ps. (754,065)
Foreign federal.....	(1,477,947)	(1,359,379)
Foreign state.....	(247,896)	(247,022)
	<u>(2,681,784)</u>	<u>(2,360,466)</u>
Deferred:		
Domestic federal.....	(15,878)	(406,694)
Foreign federal.....	7,827	(19,638)
Foreign state.....	(21,234)	(21,160)
	<u>(29,285)</u>	<u>(447,492)</u>
Total income taxes.....	<u>Ps.(2,711,069)</u>	<u>Ps.(2,807,958)</u>

C) RECONCILIATION OF FINANCIAL AND TAXABLE INCOME

For the years ended December 31, 2019 and 2018, the reconciliation between statutory income tax amounts and the effective income tax amounts is summarized as follows:

	2019	2018
Statutory federal income tax (30% for 2019 and 2018).....	Ps. (2,267,946)	Ps. (2,358,197)
Benefit due to subsidiaries' tax losses.....	-	-
Inflation effects on tax values.....	(138,965)	(236,639)
Foreign income tax rate differences (*).....	(126,740)	(185,406)
Tax credit derived from foreign dividends.....	47,024	64,896
Unrecognized tax loss carryforwards of the year.....	(201,077)	(167,864)
Nondeductible expenses and others.....	(23,365)	75,252
Effective income tax (35.86% and 35.72% for 2019 and 2018, respectively).....	<u>Ps. (2,711,069)</u>	<u>Ps. (2,807,958)</u>

26. COMMITMENTS

A) OPERATING LEASES

The Company is leasing certain facilities and equipment under long-term lease agreements in effect through 2032, which include an option for renewal. Until December 31, 2018, these agreements were recognized as operating leases. Starting January 1, 2019, the Company recognized right-of-use assets for these leases, except for short-term lease contracts and low-value assets. See Notes 3-L, 11 and 31 for further detail.

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Future minimum lease payments under operating lease agreements are as follows:

	<u>2018</u>
No later than 1 year.....	Ps. 976,829
Later than 1 year and no later than 5 years.....	2,573,255
Later than 5 years.....	1,977,267
Total.....	<u>Ps. 5,527,351</u>

Rental expense was approximately Ps.1,270,466 for the year ended December 31, 2018.

B) OTHER COMMITMENTS

At December 31, 2019 and 2018, the Company had various outstanding commitments to purchase commodities and raw materials in the United States for approximately Ps. 5,050,514 and Ps. 4,094,043, respectively (U.S. \$268 million and U.S. \$208 million, respectively), which will be delivered during 2020 and in Mexico for approximately Ps. 4,560,538 and Ps. 5,452,163, respectively (U.S. \$ 242 million and U.S. \$277 million, respectively), which will be delivered during 2020. The Company has concluded that there are not embedded derivatives resulting from these contracts.

At December 31, 2019 and 2018, the Company had outstanding commitments to purchase machinery and equipment in the United States amounting to approximately Ps.141,339 and Ps.314,926, respectively (U.S.\$7,500 million and U.S.\$16 million, respectively).

27. INVESTMENT IN VENEZUELA

Expropriation Proceedings and other measures by the Bolivarian Republic of Venezuela Government.- On May 12, 2010, the Bolivarian Republic of Venezuela (the “Republic”) published the Decree number 7.394 in the Official Gazette of Venezuela (the “Expropriation Decree”), ordering the forced acquisition of all assets, property and real estate of the Company’s indirect subsidiary in Venezuela, Molinos Nacionales, C.A. (“MONACA”), through an expropriation proceeding to be initiated and processed with the participation of several agencies of the Republic. The Republic stated that the Expropriation Decree also extends to the Company’s indirect subsidiary, Derivados de Maíz Seleccionado, DEMASECA, C.A. (“DEMASECA”). The Republic took initial steps to carry out an administrative expropriation procedure in accordance with the Expropriation Decree, but then suspended said procedure indefinitely, which is still suspended to this date, therefore the expropriation has not been carried out.

GRUMA’s interests in MONACA and DEMASECA are held through two Spanish companies, Valores Mundiales, S.L. (“Valores Mundiales”), and Consorcio Andino, S.L. (“Consorcio Andino”). In 2010, Valores Mundiales and Consorcio Andino (jointly, the “Investors” or the “Claimants”) commenced conversations with the Republic regarding the Expropriation Decree and other measures related to the same, affecting MONACA and DEMASECA. Through the Investors, GRUMA participated in these conversations, in order to resolve the controversy caused by the Expropriation Decree and other measures imposed by the Republic. These conversations ceased without resulting in an agreement with the Republic.

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Venezuela and the Kingdom of Spain are parties to a Treaty on Reciprocal Promotion and Protection of Investments, dated November 2, 1995 (the "Investment Treaty"), under which the Investors may settle investment disputes by means of arbitration before the International Centre for Settlement of Investment Disputes ("ICSID"). On November 9, 2011, the Investors, MONACA and DEMASECA formally notified the Republic about the dispute and their agreement to submit said dispute to ICSID arbitration if the parties were unable to reach an amicable agreement.

On January 22, 2013, as part of a criminal proceeding unrelated to MONACA and DEMASECA against a third party where precautionary measures were issued for the insurance of the assets of said third party which, in an extra-limited way, included MONACA and DEMASECA, the Republic published the Administrative Providence number 004-13 dated January 21 of the same year (the "Providence") appointing special administrators for MONACA and DEMASECA granting them the broadest powers to execute actions for the continuity and non-interruption of the operation of companies and the broadest powers of administration to guarantee the safekeeping, custody, use and conservation of company assets. See section B) of this Note 27.

Consequently, in accordance with the provisions set forth in IFRS, the Company determined that as of January 22, 2013, it had lost the power to affect the variable returns of its subsidiaries in Venezuela and concluded that the appointment of special administrators with broad powers under the Providence had the effect of taking away its control over MONACA and DEMASECA and as a result, the Company proceeded to deconsolidate both subsidiaries and recognize its investment in Venezuela as a financial asset. Following the provisions set forth in IFRS, GRUMA performed impairment tests on the financial asset related to MONACA and DEMASECA and as of December 31, 2015, recognized an impairment of \$4,362,108 corresponding to the total value of said asset.

On May 10, 2013, Valores Mundiales and Consorcio Andino submitted a Request for Arbitration to ICSID, which was registered on June 11, 2013 under case No. ARB/13/11. The purpose of the arbitration was to seek compensation for the damages caused by Venezuela's violation of the Investment Treaty. The tribunal that presided over this arbitration proceeding was constituted in January 2014.

On July 25, 2017, the tribunal decided the arbitration in favor of Valores Mundiales and Consorcio Andino, by dismissing the jurisdictional objections raised by the Republic and concluding that the Republic had violated provisions of the Investment Treaty. According to the Award issued by the arbitration tribunal, the Republic must pay US\$430.4 million to Valores Mundiales and Consorcio Andino as damages resulting from its violation of certain provisions of the Investment Treaty, plus compound interest at Libor +2% since January 22, 2013 and until the Award's effective payment date. As of December 31, 2019, the award plus interest amounts to approximately US\$537.5 million. The arbitration tribunal also ordered the Republic to pay US\$5.9 million for legal expenses incurred by the Claimants during the arbitration. Both, the amount of the award plus interest and the legal expenses incurred by the Claimants, were not recorded since they are considered a contingent asset under IAS 37.

In the Award, the arbitration tribunal granted most of the Claimants' claims and concluded that the Republic had violated the Investment Treaty by (i) not granting a fair and equitable treatment to the Claimants' investments; (ii) adopting arbitrary measures that hindered the management and evolution of the Claimants' investments; and (iii) preventing the free transfer of funds related to the Claimants' investments. The arbitration tribunal dismissed the indirect expropriation claim submitted by the Claimants, since the tribunal considered, amongst other reasons, that the administrative expropriation

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procedure ordered by the Expropriation Decree had not been concluded and the special administrators appointed by the Republic did not exercised control over the companies in a substantial way. The Claimants retain their right to commence a new claim against the Republic if the latter continues with the enforcement of the Expropriation Decree and materializes the transfer of the right of ownership of the assets subject to the Expropriation Decree.

On November 22, 2017, the Republic filed before the ICSID a request for annulment of the Award issued by the arbitration tribunal and the stay of enforcement of the same while said action is pending resolution. On December 7, 2017, ICSID registered the Republic's annulment request and provisionally stayed the enforcement of the Award. The Committee that will decide on the Award's annulment proceedings was finally constituted on May 23, 2018 ("Annulment Committee").

On June 4, 2018, the Republic formally requested that the Annulment Committee kept suspended the enforcement of the Award during the course of the annulment proceeding. After considering the arguments presented by the parties, on September 6, 2018, the Annulment Committee ordered the lifting of the provisional suspension of the enforcement of the Award, which allows the Investors to begin legal actions to recognize and enforce the Award in different jurisdictions.

In accordance with the procedural calendar governing the annulment proceeding, the Republic filed its Memorial on Annulment on August 23, 2018 and the Investors submitted their Counter Memorial on Annulment on November 16, 2018. The Republic submitted its Reply on January 15, 2019 and the Investors submitted their Rejoinder on March 15, 2019. The written phase of the annulment proceeding has concluded and only the Oral Hearing is pending, after which the Annulment Committee would be in a position to issue its decision months later.

The annulment proceeding Hearing was originally scheduled on May 20, 2019. However, on April 4, 2019, the Annulment Committee decided to suspend the Hearing due to a dispute between representatives of the Republic over who has the power to represent the interests of the Republic in the annulment procedure. On August 29, 2019, the Committee resolved the aforementioned dispute and invited the parties to propose a new date for the Hearing. Nevertheless, a new date for the Hearing was not established, since on October 29, 2019, the ICSID General Secretary formally proposed to the Annulment Committee to suspend the annulment procedure pursuant to ICSID rules for non-payment of the advance cost by the Republic. Consequently, on November 11, 2019, the Annulment Committee notified the parties its decision to suspend the procedure in accordance with ICSID rules, clarifying that, if the procedure was resumed, the Annulment Committee would set new dates for the Hearing in consultation with the parties. The Committee noted that, if the cancellation procedure is suspended for a period longer than six consecutive months, the Secretary General may, after notifying the parties and, if possible, consulting with them, propose that the Committee end the procedure. At this time, it is not possible to predict whether the annulment procedure filed by the Republic will eventually be terminated or if it will resume and, if resumed it is also not possible to predict the outcome of said procedure nor the period within which it will be solved.

On January 8, 2019, the Investors filed a complaint with the Federal District Court in Washington, D.C. requesting recognition of the Award. The complaint for recognition of the Award was notified to the Republic by consular means on July 26, 2019, granting a period to answer until September 24, 2019 without Venezuela responding. Consequently, on October 21, 2019, the Investors requested the Judge to issue a judgment recognizing the Award considering the Republic's contempt. As of this date, this request is still pending to be resolved.

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Nevertheless, even though future discussions with the Republic could take place from time to time, the Company cannot assure that such discussions will be successful or will result in the Investors receiving adequate compensation, if any, for the violation to the Investment Treaty in the terms dictated in the Award or for the eventual enforcement of the Expropriation Decree by the Republic. Additionally, the Company cannot predict the results of the Award annulment proceeding, or the proceedings for the recognition and enforcement of the Award that the Investors commenced or may commence or the ramifications that costly and prolonged legal disputes could have on its results of operations or financial position, or the likelihood of collecting the Award.

On the other hand, the special administrators appointed through the Providence have been resigning their chargers, the last of them resigning at the end of 2018, without the Republic having appointed new special administrators, and since that moment there has been no direct or indirect participation by representatives of the Republic in the decision-making and management of the administration and operation of MONACA and DEMASECA. These administration activities are only carried out by MONACA and DEMASECA's management team, which is directed by its local Directive Committee in Venezuela. Although it could be concluded that some of the factual assumptions that were taken in account for the determination under IFRS regarding the loss of control no longer exist or have been mitigated, this does not change the previous conclusions following the IFRS guidelines. Likewise, the macroeconomic indicators used to determine the devaluation of the investment in Venezuela have continued deteriorating due to the economic and social situation in that country that has been negatively impacted by hyperinflation and significant currency devaluation.

Given that the enforcement of the Award may present material challenges, the impact of the Award in the Company cannot be reasonably assessed at this time. The Investors, jointly with its legal counsel, will adopt appropriate measures to preserve and defend their legal interests.

Intervention Proceedings by the Republic.- Due to a criminal proceeding, not related with MONACA and DEMASECA, initiated in Venezuela by the Republic against Mr. Ricardo Fernández Barruecos, on December 4, 2009, the Eleventh Investigations Court for Criminal Affairs of Caracas issued an order authorizing the precautionary seizure of Mr. Fernández Barrueco's assets, including assets in which he had any kind of interest. Based on the purported indirect minority interest that ROTCH ENERGY HOLDINGS, N.V., (company supposedly linked to Mr. Fernández Barrueco), previously had in MONACA and DEMASECA. MONACA and DEMASECA were included by the Republic amongst the assets of Mr. Fernández Barruecos to be seized and therefore were subject to the aforementioned precautionary measure. Between 2009 and 2012, the Ministry of Finance of Venezuela, pursuant to the precautionary measures ordered by the court and, for the purposes of enforcing them, appointed several special administrators regarding the assets of Mr. Fernandez Barrueco, including the indirect minority interest that Mr. Fernández Barrueco allegedly owned in MONACA and DEMASECA. On January 21, 2013, the Ministry of Justice and Internal Relations revoked the prior appointments made by the Ministry of Finance of Venezuela and made a new designation of special administrators in particular for MONACA and DEMASECA through the publication of the Providence, granting them the "broadest powers to execute actions for the continuity and non-interruption of the operation of companies and the broadest powers of administration to guarantee the safekeeping, custody, use and conservation of the companies' assets.

As a result of the foregoing, MONACA and DEMASECA, as well as Consorcio Andino and Valores Mundiales, as direct shareholders of said companies, filed a petition as aggrieved third-parties to the criminal proceeding the Republic carried against Mr. Fernández Barrueco and that was not related to MONACA and DEMASECA, in order to revert the precautionary measures and all related actions,

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given that MONACA and DEMASECA were not and are not property of Mr. Fernández Barruecos and therefore should not have been affected by the precautionary measures established in the criminal proceeding against said person. On November 19, 2010, the Eleventh Investigations Court for Criminal Affairs of Caracas ruled that MONACA and DEMASECA are companies wholly owned and controlled by Valores Mundiales and Consorcio Andino, respectively. However, the court kept the precautionary measures issued on December 4, 2009 in effect, without substantiating their decision. An appeal has been filed, which has not been admitted and is pending resolution as of this date despite the multiple requests for pronouncement.

On July 30, 2014, the Twenty-Eighth Court in Trial Functions ordered the dismissal of the criminal case initiated by the Republic against Mr. Fernández Barrueco and ordered the lifting of all securing measures regarding his assets. This decision became final on July 18, 2017 by decision of the Chamber 1 of the Court of Appeals and its clarification of August 4, 2017, which ratifies the lifting of the measures for securing his assets. This decree of dismissal and the lifting of the securing measures regarding the assets of Mr. Fernández Barruecos, by firm decision, led to the decaying of the securing measures that were established against MONACA and DEMASECA, including the Providence, without as of this date existing any legal basis for such measures to remain in force. Therefore, in addition and regardless of the incident that had been promoted in the aforementioned criminal proceeding as injured third parties, on August 13, 2018, MONACA and DEMASECA requested that the Twenty-Eighth Trial Judge terminate and lift all precautionary measures decreed in the aforementioned criminal proceeding that affect these companies, including the Providence in which special administrators were appointed. MONACA and DEMASECA, have orally ratified this request on several occasions before the Judge and in written on October 29, 2018 and October 3, 2019, however, the Court has not issued a ruling.

The Company and its subsidiaries intend to exhaust all legal remedies available in order to safeguard and protect their legitimate interests.

28. CONTINGENCIES

Additionally to the situation mentioned in Note 27, the Company is subject to litigation arising during the normal course of business. It is the Company's policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable. In the opinion of management, the resolution of these matters will not have a material adverse effect on the Company's consolidated financial statements.

29. RELATED PARTIES

A) TRANSACTIONS WITH RELATED PARTIES

For the year ended December 31, 2019 and 2018, the Company did not perform transactions with related parties.

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B) KEY MANAGEMENT PERSONNEL COMPENSATION

Key management includes Board members, alternate Board members, officers and members of the Audit Committee and Corporate Practice Committee. The compensation paid to key management for employee services is shown below:

	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits.....	Ps. 186,395	Ps. 177,093
Termination benefits.....	-	39,674
Total.....	<u>Ps. 186,395</u>	<u>Ps. 216,767</u>

At December 31, 2019 and 2018, the reserve for deferred compensation amounted to Ps.46,570 and Ps.46,309, respectively.

C) BALANCES WITH RELATED PARTIES

At December 31, 2019 and 2018, the Company had no balances with related parties.

30. FINANCIAL STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards have been issued by the IASB, which are not effective for reporting periods as of December 31, 2019, and the Company has not early adopted them. The Company has assessed the effects of these new standards and are described below:

Materiality definition – Amendments to IAS-1 and IAS-8

The IASB has proposed amendments to IAS-1, Presentation of Financial Statements and to IAS-8, Accounting Policies, Changes in Accounting Estimates and Errors, to use a consistent definition of materiality in all International Financial Reporting Standards, to clarify the moment in which the information is considered material and to incorporate certain guides in IAS-1 on intangible information. Particularly, the amendments clarify: (a) that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and (b) the meaning of ‘primary users of general purpose financial statements’ to whom those financial statements are directed, by defining them as ‘existing and potential investors, lenders and other creditors’ that must rely on general purpose financial statements for much of the financial information they need. These amendments are effective starting January 1, 2020. The Company's management estimates that these modifications will not have significant effects on its financial statements.

Business Definition - amendments to IFRS-3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term ‘outputs’ is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. These changes are effective starting January 1, 2020. The Company's management estimates that these modifications will not have significant effects on its financial statements.

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Conceptual framework for financial reporting

The IASB has issued a modified Conceptual Framework to be used in standard-setting decisions with immediate effect. The key changes are: (a) increasing the prominence of stewardship in the objective of financial reporting; (b) reinstating prudence as a component of neutrality; (c) defining a reporting entity, which may be a legal entity, or a portion of an entity; (d) revising the definitions of an asset and a liability; (e) removing the probability threshold for recognition and adding guidance on derecognition; (f) adding guidance on different measurement basis, and (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. These changes are effective starting January 1, 2020. The Company's management estimates that these modifications will not have significant effects on its financial statements.

31. CHANGES IN ACCOUNTING POLICIES

The Company has initially applied the guidelines from IFRS 16, Leases, starting January 1, 2019. Comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, as allowed by the transitory provisions of the new standard, therefore reclassifications and adjustments derived from the new lease guidelines are recognized in the balance sheet at adoption date.

As part of the implementation of IFRS 16, liabilities were recognized for leases that, until December 31, 2018, had been classified as “operating leases” under IAS 17, Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental rate on the date of the initial application. The weighted average incremental interest rate of the lessee applied to lease liabilities as of January 1, 2019 was 5.19%.

Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review. There were no onerous contracts at January 1, 2019.
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- Exclusion in the lease liability from the lease contracts register with a term of less than one year and contracts relating to low-value assets.

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Lease liability measurement

At December 31, 2018, future minimum lease payments under operating leases of the Company was Ps.5,527,351. As of January 1, 2019, the lease liability recognized was Ps.5,569,135. The difference between the two amounts corresponds to lease contracts whose term is of less than 1 year, or refers to contracts related to low-value assets, which were not recognized as part of the liability. The Company considered the extension option for certain lease contracts and was recognized as part of the lease liability. Additionally, for contracts with variable lease payments, changes in indexes that affect the lease rent as of January 1, 2019 were also considered and were recognized as part of the lease liability.

Adjustments recognized in the balance sheet on January 1, 2019

The change in accounting policy affected the following items in the balance sheet on January 1, 2019: (a) increase in the right-of-use asset of Ps.5,383,880, and (b) increase in the lease liability of Ps. 5,569,135. The right-of-use asset was recognized for the same amount as the lease liability, however, at December 31, 2018, the Company recognized an accrued rents liability amounting to Ps.185,255, referring to contracts with variable payments that were recorded using the straight-line method in accordance with IAS-17. With the adoption of IFRS-16, this liability was recognized as a decrease in the right-of-use asset.

32. Subsequent event

The Company is monitoring the recent outbreak of COVID-19 originated in the Wuhan region of China, which has spread globally during the first quarter of 2020. In March 2020, the World Health Organization formally declared COVID -19 like a pandemic. As of the date of issuance of the financial statements, although no relevant impact on operations has been identified, the administration will continue to monitor this situation constantly.

[ENGLISH TRANSLATION FOR INFORMATION PURPOSES ONLY]

Audit Committee
C.P. Thomas S. Heather Rodriguez
Chairman of the Audit Committee
Gruma, S.A.B. de C.V.
Rio de la Plata, No 407
Col. Del Valle
66260 Garza Garcia, N.L.

Monterrey, N.L., April 8, 2020

Dear Mr. Heather,

In compliance with the General Provisions Applicable to Entities and Issuers Supervised by the National Banking and Securities Commission (Commission) that hire External Auditing for Basic Financial Statements Services (Provisions) issued on April 26, 2018, as amended, I hereby declare in accordance with article 37 of said Provisions, the following, in connection with the consolidated financial statements of Gruma, S.A.B. de C.V. (Issuer) for the year ended on December 31, 2019:

- I. I am a certified public accountant with the valid registration number 18803 in the General Administration Federal Tax Audit (*Administración General de Auditoría Fiscal Federal*) (AGAFF), of the Tax Administration Service, issued on June 27, 2019. Additionally, the Firm I work in has the valid registration number 06839 in the AGAFF. Additionally, I comply with the other requirements indicated in articles 4 and 5 of the Provisions. To this date, both registrations are currently in force.
- II. From the date on which I provide my External Audit services, during the development of the same and until the issuance of the corresponding External Audit report, as well as the required communications and opinions in accordance with those indicated in Article 15 of the Provisions, as applicable, I comply with the requirements referred to in articles 4 and 5 of the Provisions. I also state that the Firm complies with the provisions of articles 6, 9 and 10, in relation to article 14 of the Provisions.
- III. That the Firm has documentary evidence of the implemented quality control system referred to in Article 9 of the Provisions and participates in a quality evaluation program that conforms to the requirements contemplated in Article 12 of the Provisions.
- IV. I grant my express consent to provide the Commission with the information it requires in order to verify compliance with the requirements described above.
- V. The Firm I work in, is obligated to keep physically or through digital images, or optical or electromagnetic means and for a period of not less than 5 years from the conclusion of the audit, all the documentation, information and other elements of judgment that cover the compliance of the previous requirements.
- VI. I have audited the basic financial statements of the Entity for 3 years; also, the Firm in which I work has provided the external audit service for approximately 30 years.

/S/
C.P.A. Víctor Gabriel Vecchi
Audit Partner

[ENGLISH TRANSLATION FOR INFORMATION PURPOSES ONLY]

Audit Committee

C.P. Thomas S. Heather Rodriguez
Chairman of the Audit Committee
Gruma, S.A.B. de C.V.
Calzada del Valle 407 Ote.
Col. Del Valle, 66220, Garza Garcia, N.L.

Monterrey, N.L., April 29, 2020

Dear Mr. Heather,

In relation to the consolidated financial statements of Gruma, S.A.B. de C.V. (Issuer) for the year ended on December 31, 2019, 2018 and 2017 and in compliance with the General Provisions Applicable to Entities and Issuers Supervised by the National Banking and Securities Commission that Hire External Auditing for Basic Financial Statements Services (Provisions), issued on April 26, 2018, as amended, I hereby grant my consent for the Issuer to include in the annual information referred to in articles 33, section I, subparagraph b), number 1. of the General Provisions Applicable to Securities' Issuers and other Securities Market's Participants, the audit report on the financial statements issued by me.

The above, in the understanding that I previously ensured that the information contained in the basic financial statements included in the corresponding annual report, as well as any other financial information contained in said document which derive from the referred financial statements or the audit report presented by me, corresponds to the audited information, in order for said information to become of public knowledge.

/S/

C.P.A. Víctor Gabriel Vecchi
Audit Partner



REPORT BY THE AUDIT COMMITTEE FOR THE FISCAL YEAR 2021

April 20, 2022

To the Board of Directors of GRUMA, S.A.B. DE C.V. (“GRUMA”)

In compliance with article 43 of the Mexican Securities Law (*Ley del Mercado de Valores*), article 34 of the General Provisions Applicable to Entities and Issuers Supervised by the National Banking and Securities Commission that Hire External Auditing for Basic Financial Statement Services (*Disposiciones de Carácter General Aplicables a las Entidades y Emisoras Supervisadas por la Comisión Nacional Bancaria y de Valores que Contraten Servicios de Auditoría Externa de Estados Financieros Básicos*) and article Twenty Sixth of the Company’s ByLaws, I hereby submit the report of activities carried out during the fiscal year ended in December 31, 2021. While establishing its work program, the Committee has considered the recommendations set forth in the Best Corporate Practices Code, applicable laws and regulations.

1. Internal Audit.

We held periodical meetings with the head of the Company’s Corporate Internal Audit Department, in order to ensure the implementation of our internal control general guidelines, and the processes required for their execution and enforcement pursuant to our Internal Audit Evaluation Policy.

Work plans and quarterly reports from the Internal Audit Department of the Company were reviewed, including areas of opportunity, incidents, operating risks and a follow-up to the standardization of the internal control and self-evaluation processes of the Company. Furthermore, we were presented with follow-up reports on the observations found, with no material findings to disclose.

2. Ethics Code.

We monitored the compliance with the Ethics Code regulating the actions of directors, officers and employees, with no relevant cases to report up to this date.

The operation of the communication channel between officers and employees with the Audit Committee was supervised. We periodically verified that Management efficiently addressed any observations that required so. Furthermore, the scope of the aforementioned channel continued to expand.



3. External Audit.

We recommend to the Board of Directors the ratification of the appointment of PricewaterhouseCoopers S.C., as the external auditors of the Company for the 2021 fiscal year, as well as the appointment of Mr. Felipe Córdova Otero as the new Partner in charge of the external audit, since Mr. Víctor Gabriel Vecchi has completed the maximum period of five consecutive years with this assignment. In connection to the above, we verified their independence and their compliance with the requirements established in the Mexican Securities Law and in the General Provisions Applicable to the Entities and Issuers Supervised by the National Banking and Securities Commission that Hire External Auditing for Basic Financial Statement Services. We jointly analyzed their scope and work program, as well as their coordination with the Internal Audit Department.

We periodically met with the external auditors and with the Company's management, who we thoroughly interviewed and all of our concerns were satisfactorily solved; therefore, we consider that the internal control and internal audit systems satisfactorily comply with their main purposes.

We reviewed the 2021 fiscal year external auditors work plan and their coordination with the Internal Audit Department, and continued to follow-up on its implementation progress.

In our interviews and meetings of the Audit Committee with the auditors, we ensured compliance with rotation and independence requirements regarding their personnel. We also reviewed with them and with management, the observations that were issued on internal control, as well as the objectives, procedures and scope of the external audit for the 2021 fiscal year. In our opinion, the external audit services adequately comply with applicable requirements.

We approve the basic financial statements external audit service fee proposal for the 2021 fiscal year, as well as the rendering of services other than the basic financial statements external audit services provided by PricewaterhouseCoopers S.C., for the period from May 1, 2021 to April 30, 2022. We consider that the approved services other than the external audit services, do not affect the independence of the external audit firm towards the Company.

We recommend the Board of Directors to authorize the amount of fees for the basic financial statements external audit service for the 2021 fiscal year, to be rendered by the external audit firm PricewaterhouseCoopers S.C.

We recommend the Board of Directors to authorize the procurement of the services other than the basic financial statements external audit services for the period from



May 1, 2021 to April 30, 2022, to be rendered by PricewaterhouseCoopers S.C., as well as the total payable amount for those services. These services mainly included the review of transfer pricing studies, review of federal and state taxes, general tax consultation, the revision of the G-PLUS project, service of validation of the Labor Reform joint and several obligation as well as its analysis and evaluation, IMSS and INFONAVIT opinions for the fiscal years 2021 and 2022, revision of the factor procedure for VAT revenue, support consignment note complement and digital tax receipts, among others. In our opinion, the services, other than external audit services, received up to this date, adequately comply with applicable requirements.

We validated that the external audit firm, PricewaterhouseCoopers S.C. and its responsible partner, dully complied with personnel, professional and independency requirements.

We evaluated the external audit firm's performance, as well as the performance of their responsible officer, in accordance with the External Audit Performance Evaluation Policy. Furthermore, it was determined that the content of their audit opinions, communications, opinions, and reports are of good quality and useful to this Committee. It is noted that these do not differ with Management, and that no observations arose regarding the Company's financial statements, nor were there any material internal control deficiencies.

No material observations were received from shareholders, directors, senior management, employees or third parties, in relation to the accounting, internal controls or internal and external auditing, during the fiscal year.

4. Financial Information.

We reviewed the quarterly financial information of the Company regarding the 2021 fiscal year, prior to the analysis of the information of each quarter and we concluded that such information was prepared in compliance with applicable financial information regulations. We did not identify any irregularities or omissions in the above information, and, consequently, agreed to its presentation to the Board of Directors and its publication.

Support was provided to the Board of Directors in relation to the preparation of the opinions and reports referred to in article 28, section IV, subsections "c", "d" and "e" in relation to the 2020 fiscal year. Additionally, the annual report of the activities carried out by this Committee during the 2020 fiscal year was prepared and presented to the Board of Directors and the Shareholders' Meeting.



We monitored the reports on exchange rate, corn purchases and interest rate hedges on a quarterly basis, ensuring that the policies established by the Company for such purpose were complied with.

After reviewing the audited financial statements of the Company as of December 31, 2021, the external auditors' report, the communications issued by the external auditor and the accounting policies used in the process, we advise the Board of Directors their approval to be presented to the consideration of the Shareholders' Meeting.

The financial statements were prepared in accordance with the International Financing Reporting Standards (IFRS), which also include the current International Accounting Standards (IAS), the related interpretations that are issued by the International Financial Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC), which were audited by the independent firm of public accountants PricewaterhouseCooper S.C.

5. Internal Controls and Legal issues.

We ensured the existence and trustworthiness of the internal controls established by GRUMA to fully comply with the different contractual obligations and legal provisions to which it is bound. Regarding information technologies, the progress, application systems and implementation of the G+ Project were reviewed, as well as the internal control material aspects associated with the implementations made.

We reviewed with the Corporate Legal Department the status of the main legal matters where the Company is involved, including the international arbitration claim filed by GRUMA's Spanish subsidiaries, Valores Mundiales S.L. and Consorcio Andino S.L., against the Republic of Venezuela that was conducted at the International Centre for Settlement of Investment Disputes (ICSID) due to the expropriation of Molinos Nacionales C.A. and Derivados de Maíz Seleccionado, Demaseca, C.A., entities that as of January 2013 composed GRUMA's Venezuela Division, as well as in relation to the compliance with laws and regulations applicable to GRUMA and its subsidiaries.

6. In support of the Board of Directors.

The Auditing Committee granted its favorable opinion regarding the arrangement of exchange rate and corn grain hedging instruments, in relation with the Company's corn purchases required for its operations during the 2021 fiscal year. Additionally, the Committee overviewed the management's compliance of the authorizations granted by the Board of Directors. In our opinion, we concluded that these



arrangements fully comply with the Company's intention to mitigate business risks to which it is exposed.

Furthermore, the Committee analyzed and granted its favorable opinion to the Board of Directors of GRUMA, S.A.B. DE C.V., regarding its plan to refinance existing credit facilities of GRUMA, through certain transactions, which, until now, has resulted in (i) Debt Securities (*Certificados Bursátiles*) issuance in the local market authorized by the National Securities and Banking Commission on September 25, 2018 for Ps. 2 billion with a 7 year maturity and a fixed rate of 7%, and (2) contracting a long-term credit facility for U.S.\$200 million of dollars, granted jointly and equally by The Bank of Nova Scotia and Bank of America Mexico, S.A. Institución de Banca Múltiple, with a 5 year maturity, payable in a single exhibition upon maturity and quarterly interest payments at a rate of LIBOR plus a spread of 100 basis points, which allows GRUMA to improve its cost of debt conditions, as well as its maturity profile. The refinancing of GRUMA's existing credit facilities will continued to be monitored.

The Committee also analyzed and gave its favorable opinion to the Board of Directors of GRUMA, S.A.B. DE C.V., regarding the exchange of currency of presentation of the Mexican Peso to the U.S. Dollar for the consolidated financial statements as of January 1, 2022. The foregoing, considering that: a) the accounting rules allow choosing the presentation currency, based on the measure used by management to control and monitor the financial position and performance of the Company, b) the Company operates internationally, with the U.S. Dollar being the main currency in the markets in which it participates (in 2021 the Company generated around 74% of its revenues outside of Mexico), and (c) greater ease of analysis is expected for the different users of the consolidated financial information, including comparability with the financial reports of other global entities .

Additionally, the Committee monitored all the protocols and various measures implemented by GRUMA in all its divisions due to the COVID-19 pandemic, to ensure the continuity of its operations, which, until now, have all had an adequate effectiveness to mitigate the impact of this pandemic. This situation will continue to be constantly monitored.

Finally, it is worth noting that we reviewed with the Management, the requirements from the CNBV and the report on non-recurring operations greater than 5% of the value of the Company's assets.

All the work carried out by the Committee was dully documented in each corresponding meeting minutes, which were reviewed and approved in a timely manner by the members of the Committee.



On behalf of the Audit Committee of GRUMA, S.A.B. DE C.V.

[Illegible Signature]

THOMAS S. HEATHER
Chairman



REPORT BY THE CORPORATE GOVERNANCE COMMITTEE FOR THE FISCAL YEAR 2021

April 20, 2022

To the Board of Directors of GRUMA, S.A.B. DE C.V. (“GRUMA”):

In compliance with article 43 of the Mexican Securities Law (*Ley del Mercado de Valores*), as well as with article Twenty Sixth of the Company’s ByLaws, I hereby submit the report of activities carried out by the Corporate Governance Committee during the period from 1 January to 31 December 2021.

- 1. Performance of Senior Management.-** Evaluation of the performance of Senior Management was based on the financial results and compliance with their personal objectives set out within their responsibilities with the Company. Based on the evaluations carried out by the Human Resources department, it was confirmed that the performance of the Senior Management was satisfactory. Consequently, they received a performance bonus (variable compensation), in accordance with the Policies established by the Company.
- 2. Compensation of Senior Management.-** The aggregate compensation paid to the Chief Executive Officer and other Senior Managers of the Company during 2021 was reviewed and is within market value, compared to similar companies, and is in accordance with the Compensation Policies set forth by the Company, which were reviewed and updated.
- 3. Policies.-** Several policies and their implementation were reviewed regarding the use and enjoyment of GRUMA’s property by related persons, the policy of transactions with related persons and relevant operations.
- 4. Waivers.-** During the reported period, the Board of Directors did not grant any waiver to any Director, Senior Manager, or any other person with authority, to benefit from business opportunities for themselves or in favor of third parties, that correspond to the Company or its subsidiaries.
- 5. Material Operations.-** The Committee has been informed by management and the independent auditors of material related-party operations, which have been disclosed in financial statements notes of Company for the reported period.
- 6. Sustainability.-** The Committee noted and reviewed the progress and strategies related to the sustainability report project being prepared by the Company (i.e., environmental, social and corporate governance initiatives).



On behalf of the Corporate Governance Committee.

[Illegible Signature]

THOMAS S. HEATHER
Chairman



REPORT BY THE AUDIT COMMITTEE FOR THE FISCAL YEAR 2020

April 21, 2021

To the Board of Directors of GRUMA, S.A.B. DE C.V. (“GRUMA”)

In compliance with article 43 of the Mexican Securities Law (*Ley del Mercado de Valores*), article 34 of the General Provisions Applicable to Entities and Issuers Supervised by the National Banking and Securities Commission that Hire External Auditing for Basic Financial Statement Services (*Disposiciones de Carácter General Aplicables a las Entidades y Emisoras Supervisadas por la Comisión Nacional Bancaria y de Valores que Contraten Servicios de Auditoría Externa de Estados Financieros Básicos*) and article Twenty Sixth of the Company’s ByLaws, I hereby submit the report of activities carried out during the fiscal year ended in December 31, 2020. While establishing its work program, the Committee has considered the recommendations set forth in the Best Corporate Practices Code, applicable laws and regulations.

1. Internal Audit.

We held periodical meetings with the head of the Company’s Corporate Internal Audit Department, in order to ensure the implementation of our internal control general guidelines, and the processes required for their execution and enforcement pursuant to our Internal Audit Evaluation Policy.

Work plans and quarterly reports from the Internal Audit Department of the Company were reviewed, including areas of opportunity, incidents, operating risks and a follow-up to the standardization of the internal control and self-evaluation processes of the Company. Furthermore, we were presented with follow-up reports on the observations found, with no material findings to disclose.

2. Ethics Code.

We monitored the compliance with the Ethics Code regulating the actions of directors, officers and employees, with no relevant cases to report up to this date.

The operation of the communication channel between officers and employees with the Audit Committee was supervised. We periodically verified that Management efficiently addressed any observations that required so. Furthermore, the scope of the aforementioned channel continued to expand.

3. External Audit.



We recommend to the Board of Directors the ratification of the appointment of PricewaterhouseCoopers S.C., as the external auditors of the Company for the 2020 fiscal year. In connection to the above, we verified their independence and their compliance with the requirements established in the Mexican Securities Law and in the General Provisions Applicable to the Entities and Issuers Supervised by the National Banking and Securities Commission that Hire External Auditing for Basic Financial Statement Services. We jointly analyzed their scope and work program, as well as their coordination with the Internal Audit Department.

We periodically met with the external auditors and with the Company's management, who we thoroughly interviewed and all of our concerns were satisfactorily solved; therefore, we consider that the internal control and internal audit systems satisfactorily comply with their main purposes.

We reviewed the 2020 fiscal year external auditors work plan and their coordination with the Internal Audit Department, and continued to follow-up on its implementation progress.

In our interviews and meetings of the Audit Committee with the auditors, we ensured compliance with rotation and independence requirements regarding their personnel. We also reviewed with them and with management, the observations that were issued on internal control, as well as the objectives, procedures and scope of the external audit for the 2020 fiscal year. In our opinion, the external audit services adequately comply with applicable requirements.

We approve the basic financial statements external audit service fee proposal for the 2020 fiscal year, as well as the rendering of services other than the basic financial statements external audit services provided by PricewaterhouseCoopers S.C., for the period from May 1, 2020 to April 30, 2021. We consider that the approved services other than the external audit services, do not affect the independence of the external audit firm towards the Company.

We recommend the Board of Directors to authorize the amount of fees for the basic financial statements external audit service for the 2020 fiscal year, to be rendered by the external audit firm PricewaterhouseCoopers S.C.

We recommend the Board of Directors to authorize the procurement of the services other than the basic financial statements external audit services for the period from May 1, 2020 to April 30, 2021, to be rendered by PricewaterhouseCoopers S.C., as well as the total payable amount for those services. These services mainly included the review of transfer pricing studies, general tax consultation, scenario construction for 2020 portfolio recovery, among others. In our opinion, the services, other than



external audit services, received up to this date, adequately comply with applicable requirements.

We validated that the external audit firm, PricewaterhouseCoopers S.C. and its responsible partner, dully complied with personnel, professional and independency requirements.

We evaluated the external audit firm's performance, as well as the performance of their responsible officer, in accordance with the External Audit Performance Evaluation Policy. Furthermore, it was determined that the content of their audit opinions, communications, opinions, and reports are of good quality and useful to this Committee. It is noted that these do not differ with Management, and that no observations arose regarding the Company's financial statements, nor were there any material internal control deficiencies. Furthermore, an adequate monitoring of the implementation of preventive and corrective measures in relation to the minor observations made by the external auditors, PricewaterhouseCoopers S.C., regarding certain internal control issues of the Company, was performed.

No material observations were received from shareholders, directors, senior management, employees or third parties, in relation to the accounting, internal controls or internal and external auditing, during the fiscal year.

4. Financial Information.

We reviewed the quarterly financial information of the Company regarding the 2020 fiscal year, prior to the analysis of the information of each quarter and we concluded that such information was prepared in compliance with applicable financial information regulations. We did not identify any irregularities or omissions in the above information, and, consequently, agreed to its presentation to the Board of Directors and its publication.

Support was provided to the Board of Directors in relation to the preparation of the opinions and reports referred to in article 28, section IV, subsections "c", "d" and "e" in relation to the 2019 fiscal year. Additionally, the annual report of the activities carried out by this Committee during the 2019 fiscal year was prepared and presented to the Board of Directors and the Shareholders' Meeting.

We monitored the reports on exchange rate, corn purchases and interest rate hedges on a quarterly basis, ensuring that the policies established by the Company for such purpose were complied with.

After reviewing the audited financial statements of the Company as of December 31, 2020, the external auditors' report, the communications issued by the external



auditor and the accounting policies used in the process, we advise the Board of Directors their approval to be presented to the consideration of the Shareholders' Meeting.

The financial statements were prepared in accordance with the International Financing Reporting Standards (IFRS), which also include the current International Accounting Standards (IAS), the related interpretations that are issued by the International Financial Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC), which were audited by the independent firm of public accountants PricewaterhouseCooper S.C.

5. Internal Controls and Legal issues.

We ensured the existence and trustworthiness of the internal controls established by GRUMA to fully comply with the different contractual obligations and legal provisions to which it is bound. Regarding information technologies, the progress, application systems and implementation of the G+ Project were reviewed, as well as the internal control material aspects associated with the implementations made.

We reviewed with the Corporate Legal Department the status of the main legal matters where the Company is involved, including the international arbitration claim filed by GRUMA's Spanish subsidiaries, Valores Mundiales S.L. and Consorcio Andino S.L., against the Republic of Venezuela that is conducted at the International Centre for Settlement of Investment Disputes (ICSID) due to the expropriation of Molinos Nacionales C.A. and Derivados de Maíz Seleccionado, Demaseca, C.A., entities that as of January 2013 composed GRUMA's Venezuela Division, as well as in relation to the compliance with laws and regulations applicable to GRUMA and its subsidiaries.

6. In support of the Board of Directors.

The Auditing Committee granted its favorable opinion regarding the arrangement of exchange rate and corn grain hedging instruments, in relation with the Company's corn purchases required for its operations during the 2020 fiscal year. Additionally, the Committee overviewed the management's compliance of the authorizations granted by the Board of Directors. In our opinion, we concluded that these arrangements fully comply with the Company's intention to mitigate business risks to which it is exposed.

Furthermore, the Committee analyzed and granted its favorable opinion to the Board of Directors of GRUMA, S.A.B. DE C.V., regarding its plan to refinance existing credit facilities of GRUMA, through certain transactions, which, until now, has resulted in



contracting a long-term credit facility for U.S.\$200 million of dollars, granted jointly and equally by The Bank of Nova Scotia and Bank of America Mexico, S.A. Institución de Banca Múltiple, with a 5 year maturity, payable in a single exhibition upon maturity and quarterly interest payments at a rate of LIBOR plus a spread of 100 basis points, which allows GRUMA to improve its cost of debt conditions, as well as its maturity profile. The refinancing of GRUMA's existing credit facilities will continued to be monitored.

Additionally, the Committee monitored all the protocols and various measures implemented by GRUMA in all its divisions due to the COVID-19 pandemic, to ensure the continuity of its operations, which, until now, have all had an adequate effectiveness to mitigate the impact of this pandemic. This situation will continue to be constantly monitored.

Finally, it is worth noting that we reviewed with the Management, the requirements from the CNBV and the report on non-recurring operations greater than 5% of the value of the Company's assets.

All the work carried out by the Committee was dully documented in each corresponding meeting minutes, which were reviewed and approved in a timely manner by the members of the Committee.

On behalf of the Audit Committee of GRUMA, S.A.B. DE C.V.

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THOMAS S. HEATHER
Chairman



REPORT BY THE AUDIT COMMITTEE FOR THE FISCAL YEAR 2020

April 21, 2021

To the Board of Directors of GRUMA, S.A.B. DE C.V. (“GRUMA”)

In compliance with article 43 of the Mexican Securities Law (*Ley del Mercado de Valores*), article 34 of the General Provisions Applicable to Entities and Issuers Supervised by the National Banking and Securities Commission that Hire External Auditing for Basic Financial Statement Services (*Disposiciones de Carácter General Aplicables a las Entidades y Emisoras Supervisadas por la Comisión Nacional Bancaria y de Valores que Contraten Servicios de Auditoría Externa de Estados Financieros Básicos*) and article Twenty Sixth of the Company’s ByLaws, I hereby submit the report of activities carried out during the fiscal year ended in December 31, 2020. While establishing its work program, the Committee has considered the recommendations set forth in the Best Corporate Practices Code, applicable laws and regulations.

1. Internal Audit.

We held periodical meetings with the head of the Company’s Corporate Internal Audit Department, in order to ensure the implementation of our internal control general guidelines, and the processes required for their execution and enforcement pursuant to our Internal Audit Evaluation Policy.

Work plans and quarterly reports from the Internal Audit Department of the Company were reviewed, including areas of opportunity, incidents, operating risks and a follow-up to the standardization of the internal control and self-evaluation processes of the Company. Furthermore, we were presented with follow-up reports on the observations found, with no material findings to disclose.

2. Ethics Code.

We monitored the compliance with the Ethics Code regulating the actions of directors, officers and employees, with no relevant cases to report up to this date.

The operation of the communication channel between officers and employees with the Audit Committee was supervised. We periodically verified that Management efficiently addressed any observations that required so. Furthermore, the scope of the aforementioned channel continued to expand.

3. External Audit.



On behalf of the Corporate Governance Committee.

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THOMAS S. HEATHER
Chairman



REPORT BY THE AUDIT COMMITTEE FOR THE 2019 YEAR

April 22, 2020

To the Board of Directors of GRUMA, S.A.B. de C.V. (“GRUMA”)

In compliance with article 43 of the Mexican Securities Law (*Ley del Mercado de Valores*), article 34 of the General Provisions Applicable to the Entities and Issuers Supervised by the National Banking and Securities Commission that Hire External Auditing for Basic Financial Statement Services (*Disposiciones de Carácter General Aplicables a las Entidades y Emisoras Supervisadas por la Comisión Nacional Bancaria y de Valores que Contraten Servicios de Auditoría Externa de Estados Financieros Básicos*) and article Twenty Sixth of the Company's Bylaws, I submit to you the report of activities carried out during the year ended December 31, 2019. While establishing its work program, the Committee has been mindful of the recommendations set forth on the Best Corporate Practices Code, as well as what is set forth in the applicable laws and norms.

1. Internal Audit

We regularly meet with the person entrusted with the Corporate Internal Audit area of the Company, ensuring the establishment of the general standards in internal control matters, as well as the necessary processes for their implementation and enforcement, including the revision and approval of the Policy for Evaluating the Internal Audit Area.

Work plans and quarterly reports from the Internal Audit area of the Company were reviewed, as well as the areas of opportunity, incidents, operating risks and the follow-up to the standardization of the internal control processes and self-evaluation of the Company. Also, follow-up reports on the found observations were presented to us, without having to mention any relevant findings.

2. Ethics Code

Compliance with the Ethics Code, which regulates the actions of its directors, officers and employees, was monitored, not having to this date any relevant cases to report.

The operation of the communication channel between officers and employees with the Audit Committee was supervised. It was periodically verified that the Management catered to the observations that warranted it in an effective and timely manner. Also, the scope of the aforementioned channel continued to expand.

3. External Audit

We recommend to the Board of Directors the ratification of the appointment of PricewaterhouseCoopers S.C., as the external auditors of the Company for the 2019 fiscal year.

In connection with the aforementioned, we verified their independence and their compliance with the requirements established in the Law and the General Provisions Applicable to the Entities and Issuers Supervised by the National Banking and Securities Commission that Hire External Auditing for Basic Financial Statement Services. Jointly, we analyzed their scope and work program, as well as their coordination with the Corporate Internal Audit area.

Periodically we meet with the external auditors and with the management of the Company, who we interviewed thoroughly, and our concerns were satisfactorily solved, therefore we consider that the internal control and internal audit systems satisfactorily comply with their main purposes.

We reviewed the 2019 fiscal year work plan of the external auditors of the Company and its coordination with the internal audit area, we also followed up its implementation progress.

In our interviews and meetings of the Audit Committee with the auditors, we ensured the compliance with the rotation and independence requirements of its personnel. We also reviewed with them and with the management, the observations that were issued on internal control, as well as the objectives, proceedings and scope of the external audit for the 2019 fiscal year. Our assessment is that the external audit services duly comply with what is required.

We approve the basic financial statement external audit service fee proposal for the 2019 fiscal year, as well as the rendering of services other than the basic financial statement external audit services by PricewaterhouseCoopers S.C. for the period from May 1, 2019 to April 30, 2020. We consider that the approved other services than those related with the external audit, do not affect the independence of the external audit firm with the Company.

We recommended to the Board of Directors authorize the amount of fees for the basic financial statement external audit services for the fiscal year 2019 to be rendered by the auditing firm PricewaterhouseCoopers S.C.

We recommended to the Board of Directors to authorize the contracting of services other than the basic financial statement external audit services for the period from May 1, 2019 to April 30, 2020, to be rendered by PricewaterhouseCoopers S.C., as well as the total payable amount for those services. These services mainly included the review of transfer price studies, general tax consults and the review of the G-PLUS project, among others. In our opinion, the services other than the external audit services received to this date, fully comply with the requirements.

It was validated that the firm PricewaterhouseCoopers S.C. and the responsible partner complied with all of the personal, professional and independency requirements.

The performance of the external audit firm was evaluated, as well as the performance of the person responsible of the same in accordance with the External Audit Performance Evaluation Policy. Additionally, it was determined that the content of its audit opinions, communications, opinions and reports are of good quality and therefore useful to this Committee. Furthermore, it is noted that the aforementioned do not differ with the Administration and there were no additional comments regarding the financial statements of the company nor any material internal control differences. Additionally, an adequate monitoring of the implantation plan of the preventive and corrective measures was performed in relation with the minor observations made by the audit firm PricewaterhouseCoopers S.C., regarding certain aspects of the Company's internal control.

No relevant observations were received by the shareholders, directors, officers, employees nor any third party, regarding the accounting, internal controls or internal and external auditing, during the past fiscal year.

4. Financial Information

We reviewed the quarterly financial information of the Company regarding the 2019 year, prior analysis of the information of each quarter, we concluded that said information was prepared in compliance with the applicable financial information regulations, we did not identify irregularities or omissions in said information and, consequently, we agreed on its presentation to the Board of Directors and its publication.

Support was provided to the Board of Directors in the preparation of the reports and opinions referred to in article 28, section IV, letters “c”, “d” and “e” in relation with financial year 2018. Additionally, the annual report of the activities carried out by this Committee for financial year 2018 was prepared and presented before the Board of Directors and the Shareholders’ Meeting.

Each quarter we monitored the exchange rate, corn purchases and interest rate’s hedges reports, ensuring that the policies established by the Company for such purpose were complied with.

Follow-up to the proper implementation of the new accounting rule “IFRS-16 Leases”, which was implemented by the Company since January 1, 2019, was made.

We reviewed the Company’s audited financial statements as of December 31, 2019, the auditors’ report and the accounting policies used for its preparation, therefore we advise the Board of Directors its approval in order to be presented to the consideration of the Shareholders’ Meeting.

The financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), which also include the current International Accounting Standards (IAS), the related interpretations that are issued by the International Financial Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC), which were audited by the independent firm of public accountants PricewaterhouseCoopers, S.C. We ensured that the administration complies with the application of “IFRS 16- Leases as from the 2019 fiscal year.

5. Internal Controls and Legal Issues

We ensured the existence and trustworthiness of the internal controls established by GRUMA to fully comply with the different contractual obligations and legal provisions to which it is bound. Regarding information technologies, the progress, application systems and implementation of the G+ Project were reviewed, as well as the internal control material aspects related to the implementations made.

The status of the main legal matters where the Company is involved were reviewed with the members of the Corporate Legal Department, including the international arbitration claim filed by GRUMA’s Spanish subsidiaries, Valores Mundiales, S.L. and Consorcio Andino, S.L., against the Republic of Venezuela that is conducted at the International Centre for Settlement of Investment Disputes (ICSID) due to the expropriation of Molinos Nacionales, C.A. and Derivados de Maíz Seleccionado, Demaseca, C.A., entities that as of January 2013 composed GRUMA’s Venezuela

Division, as well as in respect to the compliance with the laws applicable to GRUMA and its subsidiaries.

6. In support of the Board of Directors

The Auditing Committee granted its favorable opinion regarding the arrangement of interest rate and corn grain hedging instruments, with respect to the Company's corn procurement for its operations during the 2019 fiscal year. Additionally, the Committee overviewed the management's compliance of the authorizations granted by the Board of Directors. According to our observations, we concluded that the contracted hedges fully comply with the Company's intention to mitigate the business risks.

Furthermore, the Committee analyzed and granted its favorable opinion to the Board of Directors of GRUMA, S.A.B. de C.V., regarding the plan to refinance short-term unsecured credits for GRUMA, which resulted in the establishment of a long-term credit for U.S.\$250 millions with The Bank of Nova Scotia for a 6 year term and a fixed rate of 2.789%, payable in a single exhibition on the maturity date and extendable for an additional year upon agreement by the parties. This refinancing has allowed GRUMA to improve its cost of debt conditions, as well as its maturity profile.

Finally, it is important to mention that we reviewed with the Management, the requirements from the CNBV and the report on non-recurring operations greater than 5% of the value of the company's assets.

The work carried out by the Committee was duly documented in each meeting's corresponding minutes, which were reviewed and approved in a timely manner by the members of the Committee.

On behalf of the Audit Committee of GRUMA, S.A.B. de C.V.

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THOMAS S. HEATHER
Chairman



REPORT BY THE CORPORATE GOVERNANCE COMMITTEE FOR THE 2019 YEAR

April 22, 2020

To the Board of Directors of GRUMA, S.A.B. de C.V. (“GRUMA”):

In compliance with article 43 of the Mexican Securities Law (*Ley del Mercado de Valores*) and article Twenty Sixth of the Company’s Bylaws, I submit to you the report of activities carried out by the Corporate Governance Committee during the year ended December 31, 2019.

1. **Performance of the Senior Management.**- The performance was evaluated based on the financial results and compliance with the personal objectives set within their responsibilities with the Company. Based on the evaluations carried out by the Human Resources department, it was evidenced that the Senior Management’s performance was satisfactory. Consequently, they received a performance bonus (variable compensation) according to the Policies set forth by the own Company.
2. **Compensation of Senior Management.**- The aggregate compensation paid to the Chief Executive Officer and other Executive Officers during the year 2019 was reviewed and is within the market value, compared to similar companies, and is in line with the Compensation Policies set forth by the Company.
3. **Waivers.**- During the reporting term, the Board of Directors did not grant any waiver for any Director, Executive Officer or other person in a position of command to benefit from business opportunities which correspond to the Company or its subsidiaries for themselves or for third parties.
4. **Material Operations.**- The Committee has been informed by the management and independent auditors of the material operations with related parties, same which have been disclosed in the notes of the financial statements of the Company for the reporting term.

On behalf of the Corporate Governance Committee,

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THOMAS S. HEATHER
Chairman