

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM F-3
REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933

GRUMA, S.A. de C.V.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

United Mexican States
*(State or other jurisdiction
of incorporation or organization)*

2099
*(Primary Standard Industrial
Classification Code Number)*

None
(I.R.S. Employer Identification No.)

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Colonia del Valle
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*(Address, including zip code, and telephone number,
including area code, of
Registrant's principal executive offices)*

Gruma Corporation
1159 Cottonwood Lane
Irving, Texas
(972) 232-5000
*(Name, address, including zip code, and telephone number,
including area code, of agent for service)*

Copies to:
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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered (1)	Proposed Maximum Aggregate Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price (2)	Amount of Registration Fee
Series B Common Shares, without par value (3)	18,065,000	\$1.67	\$30,168,550	\$8,387

- (1) Includes Series B Common Shares that may be offered and sold to holders of Series B Common Shares in the United States and, through American Depositary Shares or otherwise, to holders of American Depositary Receipts. This amount also includes Series B Common Shares that are to be offered and sold outside the United States, but that may be resold from time to time in the United States.
- (2) Estimated solely for purpose of calculating the registration fee in accordance with Rule 457, based on an exchange rate of Ps.9.40 per U.S. dollar, the noon buying rate for pesos on August 20, 1999, as published by the Federal Reserve Bank of New York.
- (3) American Depositary Shares evidenced by American Depositary Receipts issuable upon deposit of shares registered hereby have been registered under a separate registration statement on Form F-6. Each American Depositary Share represents four Series B Common Shares.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay the effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a) may determine.

GRUMA, S.A. de C.V.

OFFERING OF UP TO 18,065,000 SERIES B COMMON SHARES

We are offering to issue and sell to the holders of our Series B Common Shares 0.2717 new Series B Common Shares for each share held of record as of 5:00 p.m., Mexico City time, on August 24, 1999 at the subscription price of Ps.15.70 per new share. We will not issue fractional new shares, so shareholders will be entitled to subscribe for one new Series B Common Share for every 3.6805299 Series B Common Shares they own. We refer to our Series B Common Shares as our "series B shares" in this prospectus.

We are extending this offer to holders of American depository receipts evidencing our American depository shares. We refer to our American depository shares as our "ADSs" in this prospectus. Each of our ADSs represents four of our series B shares. The holders of our ADSs will receive nontransferable rights entitling them to subscribe for new ADSs, which we refer to as "ADS rights." One ADS right represents the right to subscribe for one new ADS. Holders of our ADSs will receive 0.2717 ADS rights for each ADS held of record as of 5:00 p.m., New York City time, on August 27, 1999. Fractional ADSs will not be issued, and ADS rights will be allocated and may be exercised only in whole numbers. Therefore, holders of ADSs will be entitled to receive one ADS right to purchase one new ADS for every 3.6805299 ADSs they own, and the total number of new ADSs each of them is entitled to purchase will be rounded down to a whole number. The subscription price for holders of ADSs is U.S.\$7.07 per new ADS.

We are offering a total of 97,139,425 new series B shares pursuant to statutory preemptive rights granted to our shareholders under the laws of Mexico and our by-laws. The preemptive rights offering includes an offering of ADSs in the United States and elsewhere and an offering of series B shares in Mexico.

For holders of shares, the rights offering commenced at 9:30 a.m., Mexico City time, on August 25, 1999 and will expire at 5:00 p.m., Mexico City time on September 23, 1999. For holders of ADSs, the rights offering will commence at 9:30 a.m., New York City time, on August 30, 1999 and will expire at 5:00 p.m., New York City time, on September 20, 1999.

A discussion of the procedures for exercising the statutory preemptive rights begins on page 26 under "The Rights Offering" beginning with the section "The Rights Offering to Holders of ADSs."

Our series B shares are listed and traded on the Mexican Stock Exchange, under the symbol "GRUMAB." The new series B shares will be tradable on the Mexican Stock Exchange upon issuance. Our ADSs are listed on the New York Stock Exchange under the symbol "GMK." We have applied to list the new ADSs on the New York Stock Exchange under the symbol "GMK." The preemptive rights to purchase new series B shares or new ADSs will not be represented by any separate instrument. You may not sell the rights or transfer them separately from the corresponding series B shares or ADSs.

An investment in the new shares and the new ADSs involves risks which you should carefully consider before investing. See "Risk Factors" beginning on page 14.

	<u>Subscription Price</u>	<u>Proceeds to GRUMA (2)</u>
Per New Series B Share (1).....	Ps.15.70	Ps. 15.70
Per New ADS (3)	Ps.62.80	Ps. 62.80
Total for New Series B Shares (including New Shares represented by New ADSs)(4)	Ps.1,525,088,972.50	Ps.1,525,088,972.50

Amounts in the table are in Mexican pesos.

- (1) This price is the average closing price of the series B shares on the Mexican Stock Exchange for the 30 trading days ending on August 19, 1999, rounded to the nearest tenth of a peso.
- (2) Assuming all rights to subscribe for shares and ADSs are exercised and before deducting expenses payable by GRUMA in connection with the offering, estimated at U.S.\$222,000.
- (3) The subscription price for new ADSs is payable in pesos. However, to facilitate the subscription of new ADSs, we have made arrangements with Citibank, N.A., the depository for our ADSs and the rights agent for this rights offering, to have the subscription price paid to Citibank in U.S. dollars at the rate of U.S.\$7.07 per new ADS. This amount represents a convenience translation based on an exchange rate of Ps.9.3175 per dollar, the noon buying rate on August 24, 1999, which has been rounded upward to 105% of such rate in order to facilitate payment by the rights agent. The U.S. dollar amounts will be converted to pesos and paid to us on the terms set forth in "The Rights Offering." Adjustments reflecting the then current exchange rate will be made promptly following subscription by the rights agent on behalf of the subscribers remitting payment in U.S. dollars. See "The Rights Offering."
- (4) Assuming that 97,139,525 new series B shares, the maximum number that can be purchased in the rights offering, are purchased.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

August 27, 1999

ABOUT THIS PROSPECTUS

You should rely only on the information incorporated by reference or contained in this prospectus. We have not authorized any other person to provide you with different information.

You should assume that the information contained in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, results of operations, financial condition and prospects may change after that date.

We are not making an offer of the series B shares to any person in any jurisdiction except where an offer or solicitation of the series B shares is permitted.

In this prospectus, “we,” “our,” “us,” “our company,” “GRUMA” and similar expressions refer to GRUMA, S.A. de C.V. and its consolidated subsidiaries, except when the reference is specifically to GRUMA, S.A. de C.V. (parent company only) or the context otherwise requires. References to “GIMSA” are to Grupo Industrial Maseca, S.A. de C.V., our 73%-owned Mexican subsidiary.

All references to “tons” in this prospectus refer to metric tons. One metric ton equals 2,204 pounds.

Estimates of production capacity contained herein assume operation of the relevant facilities on the basis of 24 hours a day, 360 days a year on three shifts and assume only regular intervals for required maintenance.

Specific market share and similar information in this prospectus in respect of the retail corn flour and tortilla markets is based on, or derived from, studies conducted by Information Resources Incorporated, a Chicago, Illinois-based supplier of market information and A.C. Nielsen, a Stamford, Connecticut-based supplier of market information. Other market share and similar information is based on our own estimates.

FORWARD-LOOKING STATEMENTS

This prospectus and the information incorporated into this prospectus include “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, including the statements in this prospectus about GRUMA’s plans, strategies and prospects under “Prospectus Summary” in the section “GRUMA.” Some of these statements contain words such as “believe,” “expect,” “intend,” “anticipate,” “estimate,” “strategy,” “plans” and other similar words. Although we believe that our plans, intentions and expectations as reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that these plans, intentions or expectations will be achieved. Important factors that could cause actual results to differ materially from the forward-looking statements in this prospectus are set forth under “Risk Factors” in this prospectus.

PRESENTATION OF FINANCIAL INFORMATION

In this prospectus, references to “pesos” or “Ps.” are to Mexican pesos, and references to “U.S. dollars,” “U.S.\$,” “dollars” or “\$” are to United States dollars.

Our annual report on Form 20-F for the fiscal year ended December 31, 1998, which has been incorporated by reference in this prospectus, contains our audited consolidated financial statements as of December 31, 1997 and 1998 and for the years ended December 31, 1996, 1997 and 1998. All of these financial statements have been audited by PricewaterhouseCoopers, independent public accountants. Our report on Form 6-K dated June 2, 1999, which is incorporated by reference herein, contains our unaudited condensed consolidated financial statements as of and for the three months ended March 31, 1998 and 1999. Our report on Form 6-K dated August 18, 1999, which is also incorporated by reference herein, contains our unaudited condensed consolidated financial statements as of and for the three months ended June 30, 1998 and 1999.

We publish our financial statements in pesos and prepare our consolidated financial statements in accordance with accounting principles generally accepted in Mexico, commonly referred to as “Mexican GAAP.” Mexican GAAP differs in certain significant respects from accounting principles generally accepted in the United States, commonly referred to as “U.S. GAAP.” See Note 21 to our audited financial statements contained in our annual report on Form 20-F for a description of the principal differences between Mexican GAAP and U.S. GAAP

applicable to these financial statements and for a quantitative reconciliation of our consolidated net income and stockholders' equity to U.S. GAAP.

The Mexican economy has experienced high levels of inflation in recent years. We are required under Mexican GAAP to recognize the effects of inflation in our financial statements. Under Bulletin B-10, issued by the Mexican Institute of Public Accountants, we are required to present our financial information in inflation-adjusted monetary units to allow for more accurate comparisons of financial line items over time and to mitigate the distortive effects of inflation on our financial statements. Our audited financial statements and other financial information contained in our annual report on Form 20-F are stated in pesos with constant purchasing power as of December 31, 1998. The unaudited financial statements and other interim financial information contained in our Form 6-K dated June 2, 1999 are stated in pesos with constant purchasing power as of March 31, 1999. The unaudited financial statements and other interim financial information contained in our Form 6-K dated August 18, 1999 are stated in constant pesos with purchasing power as of June 30, 1999. As a result of Mexican inflation during the first three months of 1999, the purchasing power of one peso as of December 31, 1998 is equal to the purchasing power of 1.0487 pesos as of March 31, 1999. As a result of Mexican inflation during the first six months of 1999, the purchasing power of one peso as of December 31, 1998 is equal to the purchasing power of 1.0721 pesos as of June 30, 1999. As a result of Mexican inflation during the second quarter of 1999, the purchasing power of one peso as of March 31, 1999 is equal to the purchasing power of 1.0224 pesos as of June 30, 1999. Accordingly, the audited financial statements are not directly comparable to the unaudited financial statements because they are stated in constant pesos as of different dates. For the same reason, the unaudited financial statements and other interim financial information contained in the Form 6-K dated June 2, 1999 are not directly comparable to the unaudited financial statements and other interim financial information contained in the Form 6-K dated August 18, 1999. Unless otherwise indicated, all financial information contained in this prospectus has been restated in pesos with constant purchasing power as of June 30, 1999.

We are required to determine our monetary position gain/loss to reflect the effect of inflation on our monetary assets and liabilities. We determine our net monetary position by subtracting our monetary liabilities from our monetary assets and then adjusting our net monetary position by the appropriate inflation rate for the period. In so doing, we can reflect the effects of inflation on our balance sheet.

For periods prior to January 1, 1997, we translated the financial statements of our non-Mexican subsidiaries into pesos at the appropriate exchange rate and then adjusted those financial statements in accordance with Bulletin B-10 in order to recognize the effects of Mexican inflation.

In August 1997, the Mexican Institute of Public Accountants issued Bulletin B-15 which prescribed a different methodology for recognizing inflation in respect of our non-Mexican operations. Instead of translating the financial statements of our non-Mexican operations into pesos and applying the Mexican inflation rate, Bulletin B-15 requires us to apply the actual inflation rate in the relevant country of the non-Mexican subsidiary and then translate the inflation-adjusted financial statements into pesos. We adopted Bulletin B-15 effective as of January 1, 1997. Although our financial statements for fiscal 1996 were prepared under our previous methodology, we have restated them in pesos of constant purchasing power as of December 31, 1998 in our audited financial statements and in pesos of constant purchasing power as of June 30, 1999 in the summary financial data table in this prospectus with an international restatement factor in accordance with Bulletin B-15.

Gruma Corporation, our principal U.S. subsidiary, generates a significant portion of our consolidated net sales in U.S. dollars. Under Bulletin B-15, we must now use U.S. inflation rates rather than Mexican inflation rates to inflation-adjust Gruma Corporation's financial statements.

For the purposes of the quantitative reconciliation to U.S. GAAP, we have restated the data as of December 31, 1997 and for years ended December 31, 1996 and 1997 in pesos of constant purchasing power as of December 31, 1998 in our audited financial statements and in pesos of constant purchasing power as of June 30, 1999 in our unaudited financial statements using the Mexican National Consumer Price Index, rather than the international restatement factor in Bulletin B-15.

This prospectus contains translations of peso amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations that the peso amounts actually represent those U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated or any other rate. Unless otherwise indicated, the U.S. dollar amounts have been translated from pesos at an exchange rate of Ps.9.443 to U.S.\$1.00, the noon buying rate for pesos at June 30, 1999, as published by the Federal Reserve Bank of New York. We refer to this exchange rate as the "noon buying rate" in this prospectus. We provide more information about the noon buying rate under the heading "Exchange Rates."

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form F-3 under the Securities Act of 1933 covering the securities to be issued in this rights offering. We refer to the Securities and Exchange Commission as the “Commission” in this prospectus. As allowed by the Commission’s rules, this prospectus does not contain all of the information set forth in the registration statement. Our descriptions in this prospectus of the contents of any contract, agreement or documents are not necessarily complete. For those contracts, agreements or documents that we filed as exhibits to the registration statement, you should read the exhibit for a more complete understanding of the document or subject matter involved.

Because we are subject to the informational requirements of the Securities Exchange Act of 1934, we file reports and other information with the Commission. We file annual reports on Form 20-F, which include annual audited consolidated financial statements prepared in accordance with Mexican GAAP and a reconciliation of net income and total shareholders’ equity calculated under Mexican GAAP to U.S. GAAP. We also furnish to the Commission reports on Form 6-K in which we include, among other things, quarterly unaudited consolidated financial statements prepared in accordance with Mexican GAAP.

You may read and copy the registration statement, including the attached exhibits, and any reports or other information that we file, at the Commission’s public reference room in Washington, D.C., at 450 Fifth Street, N.W., 20549. You may request copies of these documents by writing to the Commission and paying a duplicating charge. Please call the Commission at 1-800-SEC-0330 for further information on the operation of its public reference rooms in other cities. In addition, you may inspect such reports and other information at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005. As a foreign private issuer, we are exempt from certain provisions of the Securities Exchange Act of 1934, including those regarding the furnishing and content of proxy and information statements and related to short-swing profits reporting and liability.

We provide Citibank, as the depository bank for our ADSs, with copies of our annual report in English, which includes a review of operations and annual audited consolidated financial statements presented in conformity with Mexican GAAP, together with a reconciliation of net income and total shareholders’ equity to U.S. GAAP. We also provide the depository with unaudited quarterly consolidated financial statements in English, presented in conformity with Mexican GAAP. The depository promptly mails such reports and statements to all record holders of our American depository receipts. We also provide the depository with notices of shareholders’ meetings and other reports and communications that we make available to our shareholders. At our request and as permitted by law, the depository makes such communications available to record holders of American depository receipts and mails to them a notice containing a summary of the information contained in any notice of a shareholders’ meeting.

The Commission allows us to “incorporate by reference” information into this prospectus, which means that we can disclose important information to you by referring you to other documents that we have furnished to or filed separately with the Commission. You should consider the incorporated information as if we reproduced it in this prospectus, except for any information directly superseded by information contained in this prospectus. You may obtain copies of these documents upon payment of the Commission’s customary fee, or you may examine them without charge at the Commission’s offices. The documents we incorporate by reference into this prospectus are our annual report on Form 20-F for the fiscal year ended December 31, 1998 and our reports on Form 6-K dated June 2, 1999 and August 18, 1999.

We may file additional documents with the Commission pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 on or after the date of this prospectus and before the expiration of this rights offering. We incorporate such documents by reference into this prospectus. You should consider any statement contained in this prospectus (or in a document incorporated into this prospectus) to be modified or superseded to the extent that a statement in a subsequently filed document modifies or supersedes such statement. We may incorporate any Form 6-K we submit to the Commission after the date of this prospectus if we indicate in the Form 6-K that it is being incorporated into this prospectus.

You may get copies of any of the incorporated documents (excluding exhibits, unless the exhibits are specifically incorporated) at no cost by contacting us at: GRUMA, S.A. de C.V., Calzada del Valle Ote. 407, Colonia del Valle, San Pedro Garza García, Nuevo León 66220 México, Attention: Investor Relations, Telephone number: 011-528-335-9900. E-mail addresses: lilia_gomez@gruma.com and rogelio_sanchez@gruma.com (Investor Relations) and jorge_sanchez@gruma.com (Corporate Finance).

PROSPECTUS SUMMARY

This summary may not contain all of the information that may be important to you. You should read the entire prospectus, including the financial statements and other financial data, before making an investment decision. You should also carefully consider the factors set forth under "Risk Factors."

GRUMA

We are the largest producer of corn flour for tortillas and related products in the world, the largest producer and distributor of tortillas in the United States, and one of the largest wheat flour producers in Mexico, in each case based upon production and sales volumes. Our corn flour is sold under the MASECA® brand name in Mexico, the United States and Central America, our tortillas are sold primarily under the MISSION® and GUERRERO® brand names in the United States, and our wheat flour is sold primarily under the SELECTA® and other regional brand names in Mexico.

We conduct our operations principally through the following subsidiaries: GIMSA, our 73%-owned Mexican subsidiary; Gruma Corporation, our wholly-owned U.S. subsidiary; Gruma Centroamérica, our wholly-owned subsidiary incorporated in Costa Rica; and Molinera de México, our 60%-owned Mexican wheat flour subsidiary. Our major subsidiaries accounted for the following percentages of our net sales for the periods indicated:

	Year ended December 31, 1998	Six months ended June 30, 1999
GIMSA.....	38%	33%
Gruma Corporation.....	47%	50%
Gruma Centroamérica.....	7%	9%
Molinera de México	6%	6%

Corn tortillas are a principal staple of the Mexican diet. Mexico's tortilla manufacturing industry is highly fragmented and characterized by small producers which use either the traditional wet corn dough or the dry corn flour method. We believe that the preparation of tortillas using the corn flour method, which we pioneered, has important advantages over the preparation of tortillas using the traditional method, including:

- higher production yields;
- reduced production costs;
- more uniform quality; and
- a longer shelf life.

We estimate that the Mexican corn flour industry has grown at an average annual rate of approximately 7% from January 1, 1990 through December 31, 1998, principally as a result of the transition from the traditional method to the corn flour method of producing tortillas. We estimate that tortillas manufactured using the traditional wet dough method now account for one-half of all tortillas produced in Mexico and that GIMSA's corn flour sales constitute approximately 70% of total corn flour sales by volume in the country. Accordingly, we believe that transition from the traditional wet dough method to the corn flour method represents our principal opportunity for corn flour sales growth in Mexico.

GIMSA's operating facilities include 18 corn flour plants and 84 distribution warehouses located throughout the country with a total annual production of approximately 2.3 million tons as of June 30, 1999. During the period from January 1, 1990 through December 31, 1998, GIMSA's corn flour sales volumes increased an average of 9% per year.

In the United States, the consumption of tortillas and related products has increased considerably in recent years. We estimate the U.S. tortilla market represented approximately U.S.\$1.9 billion in total sales in 1998. We have significantly expanded our business in the United States since commencing operations there in the late 1970s, primarily through internal growth and, to a lesser extent, through the acquisition of regional producers. In September 1996, we

strengthened our position in the U.S. corn flour market through an association with Archer-Daniels-Midland, under which we combined our U.S. corn flour operations. In the United States, Gruma Corporation owns an 80% interest in and operates five corn flour plants with a total annual production capacity of approximately 1.3 billion pounds. Gruma Corporation also owns and operates 12 tortilla plants with a total production capacity of approximately 1.5 billion pounds per year. We estimate that, during 1998, the corn flour method of producing tortillas accounted for 52% of the potential market. We estimate that in 1998, Gruma Corporation's tortilla sales in the Gruma Corporation's corn flour sales constituted approximately 83% of total corn flour sales in the United States and that the corn flour method of producing tortillas accounted for 52% of all tortillas sold in the United States and that Gruma Corporation's tortilla sales in the United States constituted approximately 24% of all U.S. tortilla sales. During the period from January 1, 1994 through December 31, 1998, Gruma Corporation's total sales volume of corn flour, tortillas and related products in the United States increased an average of approximately 10% per year.

In Central America, Gruma Centroamérica produces corn flour. In Costa Rica, Gruma Centroamérica produces tortillas, snacks and bread and also cultivates and/or sells hearts of palm and rice. Gruma Centroamérica has corn flour production operations in Costa Rica, Guatemala, Honduras, El Salvador and Venezuela, and sales activity in these five countries and in Nicaragua. We estimate that Gruma Centroamérica's corn flour sales constitute approximately 78% of total corn flour sales in Central America.

GRUMA entered the wheat flour market in Mexico in 1996 by acquiring a 60% ownership interest in Archer-Daniels-Midland's wheat flour operations, consisting of two production facilities having an aggregate estimated annual production capacity of 159,000 tons. We operate this business through our 60%-owned subsidiary Molinera de México, and Archer-Daniels-Midland holds the other 40% interest through one of its subsidiaries. Molinera de México has expanded its presence in this market by acquiring all or part of eight additional wheat flour mills since September 1997. Our total annual production capacity was 495,000 tons as of June 30, 1999. Our association with Archer-Daniels-Midland is described under "Business" in our annual report on Form 20-F.

Strategy

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

- encourage transition from traditional method to corn flour method in Mexico, the United States and Central America;
- expand in the growing retail and food service tortilla markets in the United States;
- develop the first national tortilla brand in the United States;
- add production capacity mainly in existing facilities to meet demand and improve operating efficiencies;
- expand our presence primarily in selected regions of North, Central and South America; and
- capitalize on our association with Archer-Daniels-Midland, including expanding our wheat flour operations.

SUMMARY OF THE RIGHTS OFFERING

The Rights Offering:

We are offering a total of 97,139,425 new series B shares to our existing shareholders. These new shares include series B shares represented by ADSs.

Our shareholders adopted resolutions authorizing this rights offering at a general extraordinary meeting held on August 19, 1999. At the meeting, they voted to authorize an increase in the capital stock of our company in the amount of up to Ps.1,525,088,972.50. This allows us to issue up to 97,139,425 new series B shares. Under Mexican law and under our by-laws, our existing shareholders have preemptive rights to buy these new shares. This means that, before we issue the new shares, our shareholders are entitled to purchase new shares in proportion to the number of shares they already own in order to maintain the same percentage of ownership of our total outstanding series B shares as they had before the rights offering. Three officers of our company who were appointed as delegates by our shareholders will determine the terms of the sale of any new shares that remain unsubscribed after the expiration of the rights offering, provided that the price per share may not be lower than the subscription price of this offering. In this prospectus, we refer to this offering of new shares as the "Rights Offering."

Roberto González Barrera and Archer-Daniels-Midland together hold approximately 66% of our shares. Archer-Daniels-Midland has indicated its intention to subscribe for all the new shares it is entitled to purchase in the Rights Offering. Mr. González Barrera has indicated that he intends to purchase all of the new shares which he is entitled to purchase pursuant to the Rights Offering and that he intends to do so (1) directly by exercising his rights in the Rights Offering, or (2) indirectly through affiliate entities controlled by him and jointly owned with Archer-Daniels-Midland.

The Rights Offering to Holders of Shares

Holders of Series B Shares:

Our series B shareholders are entitled to purchase 0.2717 new series B shares for each series B share owned at 5:00 p.m., Mexico City time, on August 24, 1999. We refer to the rights of our series B shareholders to purchase new shares as "Share rights." We will not issue fractional new shares. Therefore, shareholders will be entitled to purchase one new series B share for every 3.6805299 series B shares held. We refer to the new series B shares as "New Shares" in this prospectus.

Share Subscription Price:

Ps. 15.70 per New Share. This price is the average closing price of the series B shares on the Mexican Stock Exchange for the 30 trading days ending on August 19, 1999, rounded to the nearest tenth of a peso. The subscription price for the New Shares must be paid in pesos. We refer to the subscription price for the New Shares as the "New Share Subscription Price" in this prospectus.

- Record Date:** August 24, 1999 at 5:00 p.m., Mexico City time. We refer to this date as the “Share Record Date” in this prospectus.
- Transferability:** Share rights will not be represented by any document or instrument separate from the corresponding series B shares. In addition, Share rights are not negotiable or transferable separately from the corresponding series B shares.
- Exercise Period and Expiration Date:** Shareholders may exercise their rights to purchase New Shares during the period beginning at 9:30 a.m., Mexico City time, on August 25, 1999 and ending at 5:00 p.m., Mexico City time, on September 23, 1999. We refer to this termination date as the “Share Rights Expiration Date” in this prospectus.
- Procedure for Exercising Rights:** Registered holders owning series B shares registered in their name may exercise their Share rights by paying the full subscription price directly to us by the Share Rights Expiration Date at 5:00 p.m., Mexico City time, on September 23, 1999.
- Beneficial owners holding series B shares through a broker or custodian bank may exercise their rights by having the broker or custodian bank pay the full subscription price by the Share Rights Expiration Date at 5:00 p.m., Mexico City time, on September 23, 1999 to *S.D. Indeval, S.A. de C.V., Instituto para el Depósito de Valores*, which is known as “Indeval.” Indeval is a central securities depository in Mexico. Beneficial owners should contact the broker or custodian bank through which they own shares as soon as possible to arrange their purchases.
- Lapse of Rights:** Shareholders who do not deliver payment of the subscription price to us by the Share Rights Expiration Date at 5:00 p.m., Mexico City time, on September 23, 1999 will be assumed to have elected not to exercise their Share rights, and those Share rights will lapse.
- Exercise of Rights Irrevocable:** Series B shareholders cannot revoke, cancel or modify the exercise of their Share rights.

The Rights Offering to Holders of ADSs

- Holders of ADSs:** If you are a holder of our ADSs, you will receive nontransferable ADS rights entitling you to subscribe for new ADSs. One ADS right represents the right to subscribe for one new ADS. You are entitled to receive 0.2717 ADS rights for each ADS held at 5:00 p.m., New York City time, on August 27, 1999. Fractional ADSs will not be issued, and ADS rights may only be exercised in whole numbers. Therefore, each ADS holder will be entitled to receive one ADS right to purchase one new ADS for every 3.6805299 ADSs owned, and the total number of New ADSs each holder is entitled to purchase will be rounded down to a whole number. We refer to the new ADSs as “New ADSs” in this prospectus. If you are an ADS holder, you may exercise your ADS rights only to subscribe for New ADSs and your ADS rights may not be exchanged for Share rights.

ADS Subscription Price:

The subscription price for New ADSs is payable to us in pesos at the rate of Ps.62.80 per New ADS. However, to make it easier for our holders to subscribe for New ADSs, we have made arrangements with Citibank, N.A., the depository for our ADSs and the rights agent for the Rights Offering, to have the subscription price paid to Citibank in U.S. dollars at the rate of U.S.\$7.07 per New ADS. This amount represents a translation of the peso subscription price to dollars based on an exchange rate of Ps.9.3175 per dollar, the noon buying rate on August 24, 1999, which has been rounded upward to 105% of such rate to account for possible exchange rate fluctuations in order to make it likely that the rights agent will have sufficient funds to pay the subscription price. The rights agent will convert the U.S. dollar amounts to pesos and pay them to us on the terms set forth in "The Rights Offering." Holders paying in U.S. dollars will be billed for any deficiency that results from the actual exchange rate at the time of the conversion and will receive a refund for any excess payment.

We refer to the subscription price for the New ADSs in U.S. dollars as the "New ADS Subscription Price" in this prospectus.

Record Date:

August 27, 1999 at 5:00 p.m., New York City time. We refer to this date as the "ADS Record Date" in this prospectus.

Transferability:

Your ADS rights will not be represented by any document or instrument separate from the underlying series B shares. In addition, your ADS rights are not negotiable or transferable separately from the underlying series B shares.

Rights Agent:

In addition to its functions as depository, Citibank is assisting us by serving as the rights agent for the Rights Offering. We refer to Citibank in this capacity as the "Rights Agent" in this prospectus.

Exercise Period and Expiration Date:

Holders of our ADSs can exercise part or all of their rights to purchase New ADSs during the period beginning at 9:30 a.m., New York City time, on August 30, 1999 and ending at 5:00 p.m., New York City time, on September 20, 1999. ADS holders are required to exercise their ADS rights at an earlier date than holders of series B shares to allow the Rights Agent sufficient time to arrange to have their rights exercised on their behalf, to convert the ADS Subscription Price into pesos and to forward the payment to us by the termination of the Rights Offering.

Procedure for Exercising Rights:

If you own ADSs on the ADS Record Date, you may exercise your rights to subscribe for New ADSs as follows:

- If you hold ADSs in your own name, by the ADS Rights Expiration Date at 5:00 p.m., New York City time on September 20, 1999, you must deliver to the Rights Agent
 - * a properly completed ADS rights exercise form;
 - * any other necessary documents the Rights Agent may ask you to provide; and
 - * full payment of the ADS Subscription Price.
- If you hold ADSs in book-entry form through The Depository Trust Company, which we refer to as "DTC," or its participants, by the ADS Rights Expiration Date you must

- * deliver subscription instructions to the Rights Agent through DTC's automated subscription procedures; and
 - * deliver full payment of the ADS Subscription Price through DTC, and DTC will then credit the Rights Agent's account with DTC.
- If you are an ADS holder, you may exercise part or all of your ADS rights, provided that you exercise them only in whole numbers. The Rights Agent will only accept subscriptions for whole ADS rights representing whole numbers of ADSs. No fractional rights will be distributed.

The Rights Agent will send ADS rights exercise forms to ADS holders together with this prospectus. By providing a completed exercise form and any additional documents to the Rights Agent during the exercise period for the purchase of New ADSs, you are agreeing to exercise your rights to purchase New ADSs as you have indicated. The Rights Agent will subscribe for New ADSs on your behalf by the termination of the Rights Offering.

Payment of ADS Subscription Price:

If you are a registered holder holding ADSs in your own name, you must deliver the ADS Subscription Price together with your completed exercise form, to the Rights Agent by the ADS Rights Expiration Date at 5:00 p.m., New York City time, on September 20, 1999.

If you are a beneficial owner holding ADSs through a broker or custodian bank you must have the broker or custodian bank pay the full subscription price to the Rights Agent by the ADS Rights Expiration Date. You should contact the broker or custodian bank through which you own your ADSs as soon as possible to arrange your purchase.

Lapse of Rights:

If the Rights Agent does not receive a completed exercise form and full payment of the ADS Subscription Price from you by the ADS Rights Expiration Date, we will assume that that you have elected not to exercise any part of your ADS rights, and all of your ADS rights will lapse and will have no value. Because the ADS rights are not transferable, the Rights Agent will not be able to sell them on your behalf.

Exercise of Rights Irrevocable:

Holders of ADSs may not revoke, cancel or modify the exercise of their ADS rights.

Delivery of New ADS:

The Rights Agent will deliver American depositary receipts representing New ADSs to each holder who purchased New ADSs as soon as practicable after the underlying New Shares are delivered to the Rights Agent. We expect New Shares to be delivered as soon as practicable after September 24, 1999.

Who to Contact if You Have Questions about the Rights Offering

If you are a holder of series B shares and have questions about the Rights Offering, please contact us at:

GRUMA, S.A. de C.V.
Calzada del Valle Ote. 407
Colonia del Valle
San Pedro Garza García, Nuevo León
66220 México
Attention: Investor Relations

Telephone number: 011-528-335-9900

E-mail addresses:

- Investor Relations
lilia_gomez@gruma.com
rogerio_sanchez@gruma.com

- Corporate Finance:
jorge_sanchez@gruma.com

If you are a holder of ADSs and have questions about the Rights Offering or need assistance concerning the procedure for exercising your ADS rights, you should contact the Rights Agent at its ADR Shareholder Services at 1-877-CITI-ADR (1-877-248-4237). If you would like additional copies of the prospectus, you should contact Hill and Knowlton, Inc. at (212) 885-0555.

SUMMARY FINANCIAL DATA

The following summary consolidated financial and operating data of GRUMA have been derived from our audited consolidated financial statements contained in our annual report on Form 20-F, which have been audited by PricewaterhouseCoopers, independent public accountants, and our unaudited condensed consolidated financial statements contained in our reports on Form 6-K dated June 2, 1999 and August 18, 1999. In the opinion of the management of GRUMA, the unaudited financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our financial results for the periods which they cover. The summary financial data should be read together with, and are qualified in their entirety by reference to, our financial statements and the information under the heading "Presentation of Financial Information" in this prospectus.

Our audited financial statements are stated in constant pesos with purchasing power as of December 31, 1998. The unaudited financial statements contained in our Form 6-K dated June 2, 1999 are stated in constant pesos with purchasing power as of March 31, 1999. The unaudited financial statements contained in our Form 6-K dated August 18, 1999 are stated in constant pesos with purchasing power as of June 30, 1999. All of the information contained in the summary financial data table set forth below has been restated in constant pesos with purchasing power as of June 30, 1999. Accordingly, the financial data set forth below is not directly comparable to the audited financial statements or the unaudited financial statements contained in the Form 6-K dated June 2, 1999 because they are stated in constant pesos as of different dates.

	Year Ended December 31,					
	1994	1995	1996	1997	1998	1998
	(thousands of Mexican pesos of constant purchasing power as of June 30, 1999, except per share amounts)					(thousands of dollars, except per share amounts)
Income Statement Data:						
Mexican GAAP:						
Net sales(1).....	Ps. 10,168,897	Ps. 12,146,377	Ps. 16,034,902	Ps. 13,401,690	Ps. 13,959,765	U.S.\$1,477,224
Cost of sales.....	(6,550,388)	(7,678,813)	(10,933,801)	(8,824,054)	(8,863,581)	(937,945)
Gross profit.....	3,618,529	4,467,564	5,101,101	4,577,636	5,096,184	539,279
Net income	<u>Ps. 507,047</u>	<u>Ps. 1,687,938</u>	<u>Ps. 1,366,427</u>	<u>Ps. 449,186</u>	<u>Ps. 422,918</u>	<u>U.S. \$ 44,755</u>
Net income per share(2)	Ps. 1.83	Ps. 6.00	Ps. 4.47	Ps. 1.25	Ps. 1.17	U.S. \$ 0.12
Net income per ADS (3).....	Ps. 7.32	Ps. 24.01	Ps. 17.89	Ps. 4.98	Ps. 4.70	U.S. \$ 0.50
U.S. GAAP:						
Net sales		Ps. 14,390,089	Ps. 17,272,342	Ps. 13,807,131	Ps. 14,767,289	U.S. \$1,562,676
Operating income		760,384	1,079,927	829,362	812,298	85,957
Net income		1,929,164	1,594,951	434,543	119,196	12,613
Net income per share(2)		Ps. 6.86	Ps. 5.21	Ps. 1.20	Ps. 0.33	U.S.\$ 0.04
Net income per ADS(3).....		Ps. 27.45	Ps. 20.85	Ps. 4.82	Ps. 1.32	U.S.\$ 0.14
Balance Sheet Data (at period end):						
Mexican GAAP:						
Property, plant and equipment, net.....	Ps. 8,135,322	Ps. 7,979,933	Ps. 8,203,221	Ps. 8,639,126	Ps. 9,478,181	U.S.\$1,002,982
Total assets	14,835,195	13,371,982	15,536,771	16,912,741	17,404,356	1,841,731
Long-term debt(4).....	5,150,249	5,466,380	3,308,620	4,662,192	5,395,624	570,966
Total stockholders' equity(5).....	6,813,982	5,674,665	10,068,610	10,478,160	10,228,526	1,082,384
U.S. GAAP:						
Total assets		Ps. 15,337,031	Ps. 16,689,828	Ps. 17,343,836	Ps. 18,202,180	U.S.\$1,926,157
Long-term debt		6,476,145	3,841,302	3,759,073	5,946,722	629,283
Total stockholders' equity		4,492,445	8,173,555	8,074,581	7,751,273	820,241

Six Months Ended June 30,

	1998	1999	1999
	(thousands of Mexican pesos of constant purchasing power as of June 30, 1999, except per share amounts)		(thousands of dollars, except per share amounts)
Income Statement Data:			
Mexican GAAP:			
Net sales (1)	Ps. 6,841,204	Ps. 7,044,388	U.S.\$ 745,438
Cost of sales	(4,409,889)	(4,565,597)	(483,132)
Gross profit	2,431,315	2,478,791	262,306
Net income (loss)	Ps. 104,916	Ps. (33,856)	U.S.\$ 3,583
Net income (loss) per share (2).....	Ps. 0.29	Ps. (0.09)	U.S.\$ (0.01)
Net income (loss) per ADS (3).....	Ps. 1.16	Ps. (0.38)	U.S.\$ (0.04)
Balance Sheet Data (at period end):			
Mexican GAAP:			
Property, plant and equipment, net	Ps. 8,889,741	Ps. 10,052,984	U.S.\$ 1,063,808
Total assets	16,157,872	18,822,962	1,991,819
Long-term debt (4)	4,352,133	6,613,020	699,790
Total stockholders' equity (5).....	10,024,388	10,312,193	1,091,237

- (1) Net sales include complementary revenues received from the Mexican government in connection with a government program relating to price supports for price-controlled tortillas. Complementary revenues amounted to Ps.2,635 million in 1994, Ps.3,173 million in 1995, Ps.4,257 million in 1996, Ps.1,846 million in 1997, Ps.664 million in 1998, and Ps.643 million for the six months ended June 30, 1998. The complementary revenue program was terminated on December 31, 1998 and, therefore, the six months ended June 30, 1999 do not include any complementary revenues. See Note 14 to our audited financial statements contained in our annual report on Form 20-F.
- (2) Based upon weighted average of outstanding shares of our common stock (in thousands), giving retroactive effect to the stock dividend declared in April 1999, as follows: 277,048 shares for 1994; 281,150 shares for 1995; 305,951 shares for 1996; 360,623 shares for 1997; 359,942 shares for 1998; 360,229 shares for the six months ended June 30, 1998; and 358,896 for the six months ended June 30, 1999.
- (3) Calculated for all periods based upon the ratio of four series B shares per ADS.
- (4) Long-term debt consists of debentures and bank loans.
- (5) Total stockholders' equity includes minority interests as follows: Ps.1,584 million at December 31, 1994; Ps.1,529 million at December 31, 1995; Ps.2,167 million at December 31, 1996; Ps.2,416 million at December 31, 1997; Ps.2,422 million at December 31, 1998; Ps.2,292 million at June 30, 1998; and Ps.2,544 million at June 30, 1999.

RISK FACTORS

You should carefully consider the following risk factors before exercising your rights and investing in the New Shares or New ADSs. You should understand that investing in securities of an issuer, such as our company, that is based in Mexico or another emerging market country involves a higher degree of risk than investing in securities of U.S. issuers.

Risks Relating to Mexico

Our Business Operations Can Be Affected by Economic Conditions and Government Policies in Mexico

We are a Mexican company with a significant portion of our consolidated assets located in Mexico and a substantial portion of our consolidated net sales derived from our Mexican operations. The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican governmental actions concerning the economy could have a significant effect on Mexican private sector entities, including GRUMA, as well as on market conditions, prices and returns on securities of Mexican issuers, including our securities. Our business, financial condition, results of operations and prospects may, in particular, be affected by:

- currency fluctuations;
- inflation and price instability;
- domestic interest rates and liquidity;
- regulation;
- slow or negative economic growth;
- taxation; and
- other political, social and economic developments in or affecting Mexico.

In December 1994, Mexico experienced an economic crisis caused in part by a series of internal disruptions and political and economic events that affected the Mexican economy and undermined the confidence of investors in Mexico. These events included the existence of a large current account deficit, an increase in international interest rates, civil unrest in the southern state of Chiapas and the assassinations of two prominent political figures. Exchange rate instability and significant devaluation of the peso, increased inflation, high domestic interest rates, a substantial outflow of capital, negative economic growth, reduced consumer purchasing power and high unemployment characterized the economic crisis.

Financial crises in 1998 and early 1999 in Asia, Russia and Latin America resulted in instability in the foreign exchange markets and international financial markets. These events resulted in limited liquidity for governments of emerging market countries, such as Mexico, and companies incorporated in those countries, as well as an increase in interest rates in Mexico and other emerging market countries.

Mexico will hold presidential and national legislative elections in the third quarter of 2000. Potential political instability surrounding the elections may cause lenders and investors to restrict credit and investments in Mexico pending the outcome of the elections. Any new governmental administration could adopt policies or seek to take actions that could adversely affect our business, financial condition, results of operations and prospects.

Devaluations of the Mexican Peso Affect Our Financial Performance

The peso has been subject to significant devaluations and depreciation with respect to the U.S. dollar in the past several years. The value of the peso declined by 218% against the U.S. dollar from Ps.3.11 at December 31, 1993 to Ps.9.88 at December 31, 1998. At times during this period, the value of the peso has decreased extremely rapidly over a very short period of time. The peso could be subject to significant fluctuations in the future that may affect our ability to exchange pesos into foreign currencies.

Devaluations in the peso and currency instability could make it difficult for us to purchase or otherwise obtain dollars in order to service our dollar-denominated debt and other obligations. Peso devaluations relative to

the U.S. dollar also increase our interest costs in peso terms and result in foreign exchange losses on our dollar-denominated obligations, to the extent these losses are not charged directly to stockholders' equity.

The peso devaluation from 1994 to 1996 resulted, for example, in our incurring an aggregate net foreign exchange loss of Ps.241.3 million over this three-year period. While we posted net foreign exchange gains in 1997 and 1998, future devaluations or depreciation of the peso may cause us to suffer substantial net foreign exchange losses.

Any Exchange Controls in Mexico Could Impair Our Ability to Meet Our Obligations

The Mexican government currently does not restrict the ability of Mexican or foreign persons or entities to convert pesos to dollars. However, the Mexican government has instituted restrictive exchange control policies in the past and could do so again in the future. Any restrictive exchange control policy may adversely affect the depository's ability to convert any dividends received in pesos into dollars for purposes of making distributions to holders of ADSs. In addition, any exchange controls could have a material adverse effect on our business, financial condition, results of operations and prospects, including our overall ability to service our U.S. dollar-denominated liabilities. The depository will convert pesos into U.S. dollars (to the extent that U.S. dollars are available) pursuant to the terms of the Deposit Agreement. See "Description of American Depositary Shares—Dividends, Other Distributions and Rights" in this prospectus.

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

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

Risks Relating to Our Company

Recent Regulatory Changes in Mexico May Adversely Affect Our Mexican Operations

Until December 31, 1998, the Mexican government regulated the price of corn flour and, in order to maintain such price at a level lower than its actual cost, it paid to corn flour producers the difference between the free market prices of corn and the artificially low prices of corn sold by the Mexican government to traditional tortilla producers. These subsidy payments from the Mexican government, which were called "complementary revenues," accounted for a substantial portion of GIMSA's net sales. Effective as of January 1, 1999, the Mexican government deregulated the tortilla and corn flour industry and ceased making complementary revenue payments to GIMSA and other corn flour producers in Mexico.

The Mexican government had provided corn to corn millers and traditional tortilla producers at a fixed, and below market, price and, in effect, absorbed their transportation, insurance, storage and related costs. Some large corn millers and tortilla manufacturers, in anticipation of higher prices and corn shortages resulting from deregulation, bought large inventories of corn in the fourth quarter of 1998. In connection with deregulation, the Mexican government accelerated the sale of its remaining corn inventories, creating a surplus of corn in the Mexican market. In addition, in order to ensure adequate corn supply for tortilla manufacturing during the transition to a competitive market, the Mexican government issued import permits for over 400,000 tons of corn for tortilla production in the first half of 1999. As a result of the resulting over-supply of corn, domestic corn prices were depressed in the first half of 1999. GIMSA had built large corn inventories at the end of 1998, consistent with its past practice. During the first half of 1999, GIMSA was unable to increase its corn flour prices to accurately reflect the cost of corn acquired at the end of 1998, because many of its current and potential customers substituted raw corn for corn flour in making tortillas. As a result of the deregulation of the tortilla and corn flour industry, we will

no longer receive complementary revenues from the Mexican government. For a more detailed discussion of the complementary revenue program and the effects of its termination, see “Description of Business—Mexican Operations—Program of Complementary Revenues and Regulation of Corn and Tortilla Prices” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Effects of Recent Deregulation of the Mexican Tortilla and Corn Flour Industry” in our annual report on Form 20-F.

We believe that the deregulation of the tortilla and corn flour industry in Mexico should enable GIMSA over the long term to use its economies of scale and expertise to convert tortilla manufacturers from the traditional method to the corn flour method. However, we anticipate that the effects of the transition from a regulated to a competitive environment will adversely affect our financial performance through at least the third quarter of 1999 and, possibly, in subsequent financial periods.

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

Our financial performance depends upon the price and availability of corn. Mexican and world markets have experienced periods of over-supply and shortage of corn, some of which have caused adverse effects on our results of operations. We cannot always predict whether or when shortages or over-supply of corn will occur. In addition, future Mexican or other governmental actions could affect the price and availability of corn. Any adverse developments in domestic and international corn markets could have a material adverse effect upon our business, financial condition, results of operations and prospects.

Our Controlling Shareholder Can Exert Substantial Control Over Our Company

As of June 30, 1999, Mr. Roberto González Barrera and some members of his family collectively owned or controlled approximately 56.2% of our outstanding shares. Consequently, Mr. González Barrera and those family members have the power to elect a majority of our directors and to determine the outcome of most actions requiring approval of our stockholders. Mr. González Barrera’s holdings in GRUMA are described under “Description of Capital Stock” in this prospectus and “Control of the Registrant” in our annual report on Form 20-F.

Mr. González Barrera has pledged part of his shares in our company to secure some of his bank borrowings. If the lenders seek to enforce their rights against any or all of Mr. González Barrera’s pledged shares, there could be an effect on the control of GRUMA. For more information about this pledge, see “Control of the Registrant” in our annual report on Form 20-F.

Archer-Daniels-Midland, Our Strategic Partner, Has Influence Over Major Corporate Decisions

Archer-Daniels-Midland owns approximately 22.1% of our outstanding shares. In addition, Archer-Daniels-Midland has the right to nominate two members of our board of directors, which currently has 11 members. As a result, Archer-Daniels-Midland may have influence on the outcome of actions requiring the approval of our shareholders or our board of directors. Mr. González Barrera and Archer-Daniels-Midland have also granted each other rights of first refusal in respect of their shares in our company, subject to specified conditions. These agreements are described under “Control of the Registrant” in our annual report on Form 20-F.

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

We are a holding company with no significant assets other than the shares of our subsidiaries. As a result, our ability to meet our debt service obligations depends primarily upon our receiving sufficient funds from our subsidiaries. Under Mexican law, our Mexican subsidiaries 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;
- after funds for a mandatory legal reserve have been set aside; and
- after shareholders have approved the payment of the relevant dividends at a duly convened meeting.

Some of our subsidiaries, including Gruma Corporation, are subject to covenants in some of their loan agreements which partially restrict the payment of dividends, limit advances or loans to GRUMA, and require the maintenance of specified financial ratios and balances. For additional information concerning these restrictions on inter-company transfers, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” in our annual report on Form 20-F.

We own approximately 73% of the outstanding shares of GIMSA and 60% of Molinera de México and own a majority of the shares of some of our other subsidiaries. Accordingly, we are entitled to receive only our *pro rata* share of any of these subsidiaries’ dividends.

We Could Be Required to Pay U.S. Tax on Dividends From Gruma Corporation

Our receipt of dividends from Gruma Corporation could be affected if we were to be treated as a personal holding company for U.S. federal income purposes. A personal holding company is taxed on portions of its U.S. source income to the extent that amounts at least equal to that income are not distributed to shareholders. A non-U.S. corporation generally will be classified as a personal holding company if the following two tests are met:

- five or fewer individuals own or are deemed to own more than 50% of the stock of the corporation; and
- the non-U.S. corporation receives 60% or more of its U.S. related gross income from passive sources, such as dividend payments.

We presently satisfy the ownership test, and we may satisfy the income test to the extent that we receive dividends from Gruma Corporation. The personal holding company tax would be imposed on the amount of dividends that we receive, reduced by the amount of dividends that we pay. Any imposition of the personal holding company tax may reduce the net amount of dividends that we receive and, therefore, could adversely affect our liquidity and capital resources.

We Could Experience Business Disruptions Due to Year 2000 Risks

Many computer software programs and electronic components that incorporate computer programs use only two-digit year references for dates and date-dependent functions and could therefore require upgrading or replacement prior to the year 2000 to function properly beginning in the year 2000. We believe that we will not be materially adversely affected by any Year 2000 problem in our equipment, systems and processes. However, we may not be able to detect and remedy all potential Year 2000 problems in our equipment, systems and processes. In addition, while we are monitoring our current and potential vendors and customers for Year 2000 compliance, their programs and components, or any systems which are under the control of third parties, may be susceptible to the Year 2000 problem. Any Year 2000-related failure, whether in our systems or those of third parties, may have an adverse effect on our business, financial condition, results of operations and prospects.

We Have Presented Our Own U.S. Market Share Estimates for This Prospectus

The U.S. Tortilla Industry Association, a trade association, estimated that the size of the total U.S. tortilla market, including both the retail and food service sectors, was approximately \$2.9 billion in 1996, the most recent year for which this information is available. We regularly conduct our own analyses of the U.S. tortilla market, and we estimated that the size of the U.S. tortilla market in 1996 was approximately \$1.8 billion. We estimate that the size of the U.S. tortilla market increased to \$1.9 billion in 1998. We believe that our estimates reflect more accurately the size of this market. Our U.S. market share estimates included in this prospectus are based upon our own market size estimates. We cannot assure you, however, that the market share and similar information included in this prospectus is accurate.

Adverse Developments in Other Emerging Market Countries May Affect the Price of Our Securities

We are a Mexican company with substantial operations in Mexico and elsewhere in Latin America. The prices of securities issued or guaranteed by Mexican companies have been, to varying degrees, influenced by economic and market conditions in other emerging market countries, particularly in Latin America. Although economic, political and other conditions are different in each country, investors’ reactions to developments in one country may affect the securities of issuers or guarantors in other countries, including Mexico. The market value of the series B shares and ADSs may be adversely affected by events in other countries.

USE OF PROCEEDS

Assuming all of the Share rights and ADS rights are exercised, the net proceeds from the Rights Offering will be approximately U.S.\$162,000,000 after payment of expenses estimated to be U.S.\$222,000.

We will use the net proceeds of this Rights Offering primarily for general corporate purposes, including to fund possible acquisitions, to make capital expenditures or to support our working capital.

CAPITALIZATION

The following table sets forth information concerning the short-term debt and capitalization of GRUMA as of June 30, 1999 in accordance with Mexican GAAP and as adjusted to give effect to the Rights Offering, assuming that all of the New Shares are sold. No assurances can be given, however, that all the New Shares will be sold. You should refer to Note 22 to our audited financial statements contained in our annual report on Form 20-F for a description of the principal differences between Mexican GAAP and U.S. GAAP and a quantitative reconciliation of consolidated net income and stockholders' equity for GRUMA. Except as adjusted below, there has been no material change in GRUMA's capitalization since June 30, 1999.

As of June 30, 1999,				
	(millions of pesos of constant purchasing power as of June 30, 1999)		(millions of U.S. dollars)	
	Actual	As Adjusted	Actual	As Adjusted
Short-term debt:				
GRUMA:				
Peso-denominated.....	Ps. —	Ps. —	U.S.\$ —	U.S.\$ —
U.S. dollar-denominated	11.8	11.8	1.3	1.3
Subsidiaries:				
Peso-denominated.....	—	—	—	—
U.S. dollar-denominated	295.3	295.3	31.3	31.3
Total short-term debt	<u>Ps. 307.1</u>	<u>Ps. 307.1</u>	<u>U.S.\$ 32.5</u>	<u>U.S.\$ 32.5</u>
Long-term debt:				
GRUMA:				
Peso-denominated.....	Ps. —	Ps. —	U.S.\$ —	U.S.\$ —
U.S. dollar-denominated 7.625% Notes Due 2007	2,362.5	2,362.5	250.0	250.0
Other U.S. dollar-denominated	2,772.7	2,772.7	293.4	293.4
Subsidiaries:				
Peso-denominated.....	—	—	—	—
U.S. dollar-denominated	1,477.8	1,477.8	156.4	156.4
Total long-term debt	<u>Ps. 6,613.0</u>	<u>Ps. 6,613.0</u>	<u>U.S.\$ 699.8</u>	<u>U.S.\$ 699.8</u>
Stockholders' equity:				
Capital stock	Ps. 6,923.6	Ps. 7,721.1	U.S.\$ 732.7	U.S.\$ 817.0
Additional paid-in capital	2,553.4	3,281.0	270.2	347.2
Deficit from restatement	(7,895.2)	(7,895.2)	(835.5)	(835.5)
Retained earnings:				
Prior years	5,860.2	5,860.2	620.1	620.1
Net income	(33.9)	(33.9)	(3.6)	(3.6)
Foreign currency translation adjustments.....	359.7	359.7	38.1	38.1
Majority interest	<u>Ps. 7,767.9</u>	<u>Ps. 9,293.0</u>	<u>U.S.\$ 822.0</u>	<u>U.S.\$ 983.4</u>
Minority interest	2,544.3	2,544.3	269.2	269.2
Total stockholders' equity	<u>Ps. 10,312.2</u>	<u>Ps. 11,837.3</u>	<u>U.S.\$ 1,091.2</u>	<u>U.S.\$ 1,252.6</u>
Total capitalization (total long-term debt and stockholders' equity).....	<u>Ps. 16,925.2</u>	<u>Ps. 18,450.3</u>	<u>U.S.\$ 1,791.0</u>	<u>U.S.\$ 1,952.4</u>

For the purposes of the above table, short-term debt includes the current portion of long-term debt.

RECENT DEVELOPMENTS

In August 1999, we acquired substantially all of Molinos Nacionales, C.A. ("Monaca"), the wholly owned Venezuelan subsidiary of International Multifoods Corp. The total consideration we paid was approximately U.S. \$77 million. We financed the purchase price primarily with cash generated from operations and funds from our sources of credit. Monaca is a leading manufacturer and marketer of grain-based products in Venezuela. Monaca manufactures pre-cooked corn flour and wheat flour, processes rice and oats and supplies flour and commercial baking mixes to food service operators and in-store bakeries. Monaca owns 16 production facilities and 11 warehouses throughout Venezuela. We believe that our acquisition of Monaca will enable us to strengthen our position in the Venezuelan corn flour market and establish an important position in the Venezuelan wheat flour market.

On August 17, 1999, we obtained a loan in the amount of U.S. \$200 million from an international syndicate of banks represented by The Chase Manhattan Bank to refinance some of our existing debt and for other general corporate purposes. We used a portion of the proceeds of this loan to repay certain debt assumed in connection with the acquisition of Monaca.

MARKET INFORMATION

The series B shares are listed on the Mexican Stock Exchange.

In October 1996, GRUMA offered 3,600,000 ADSs, each representing four series B shares. These ADSs were offered under Rule 144A under the Securities Act of 1933, as amended. This means that the sale of these ADSs was restricted. In October 1998, we began an exchange offer in which Citibank, as the depository, issued our existing ADSs in exchange for the restricted ADSs. Our existing ADSs began trading on the New York Stock Exchange in November 1998. On August 19, 1999, there were 357,577,736 outstanding series B shares, of which 60,463,436 series B shares were represented by 15,115,859 ADSs.

The following table sets forth, for the periods indicated, the high and low closing sale prices and daily average trading volume for the series B shares and the ADSs as reported by the Mexican Stock Exchange and the New York Stock Exchange, respectively.

	Mexican Stock Exchange		
	Series B Common Shares		
	<u>High</u> Price Per Share (Pesos)	<u>Low</u>	<u>Average Daily Trading Volume</u> (000)
Year ended December 31, 1994(1)			
Second Quarter (commencing April 29).....	22.65	20.35	565.3
Third Quarter.....	29.00	22.00	90.6
Fourth Quarter.....	26.75	19.38	72.5
Year ended December 31, 1995			
First Quarter.....	23.00	17.00	56.7
Second Quarter.....	21.30	17.10	52.0
Third Quarter.....	24.30	17.80	376.8
Fourth Quarter.....	23.10	19.60	713.7
Year ended December 31, 1996			
First Quarter.....	27.00	21.90	162.7
Second Quarter.....	37.10	26.10	91.2
Third Quarter.....	50.70	34.40	153.1
Fourth Quarter.....	48.00	38.60	241.3
Year ended December 1997			
First Quarter.....	49.00	36.00	317.7
Second Quarter.....	39.10	36.50	198.6
Third Quarter.....	41.40	33.60	307.6
Fourth Quarter.....	38.40	30.00	177.1
Year ended December 31, 1998			
First Quarter.....	31.90	21.10	205.0
Second Quarter.....	22.50	15.80	221.5
Third Quarter.....	24.45	15.80	156.7
Fourth Quarter.....	26.50	23.20	188.9
1999			
First Quarter.....	25.18	20.36	198.8
Second Quarter	21.30	15.50	215.8
Third Quarter (Through August 23, 1999).....	16.50	15.48	144.2

On August 23, 1999, the reported last sale price of the series B shares on the Mexican Stock Exchange was Ps.15.50 per series B share.

**New York
Stock Exchange**

	ADSs		Average Daily Trading Volume (000)
	<u>High</u> Price Per (Dollars)	<u>Low</u> ADS	
Year ended December 31, 1998(1)			
Fourth Quarter (commencing November 6, 1998)	10.14	9.22	7.24
1999			
First Quarter	10.33	8.61	9.29
Second Quarter	8.73	6.61	12.70
Third Quarter (Through August 23, 1999)	7.00	6.50	18.86 19.33

(1) In October 1998, we commenced an exchange offer pursuant to which the ADSs were issued in exchange for the Rule 144A ADSs, and in November 1998, the ADSs began trading on the New York Stock Exchange.

Trading on the Mexican Stock Exchange

The Mexican Stock Exchange, located in Mexico City, is the only stock exchange in Mexico. Founded in 1884, it ceased operations in the early 1900s and was reestablished in 1907. The Mexican Stock Exchange is organized as a limited liability company with variable capital whose shares are held by 32 authorized brokerage firms. These firms are exclusively authorized to trade on the floor of the Mexican Stock Exchange. Trading of securities registered in Subsection “A” of the *Registro Nacional de Valores e Intermediarios*, the Mexican National Registry of Securities and Intermediaries, known as the “RNVI” is effected on the Mexican Stock Exchange each business day between the hours of 8:30a.m. and 3:00p.m., Mexico City time. Each trading day is divided into six trading sessions with ten-minute periods separating each session. Trades in securities listed on the Mexican Stock Exchange can, subject to certain requirements, also be effected off the Mexican Stock Exchange. Due primarily to Mexican tax considerations, however, most transactions in listed securities are effected through the Mexican Stock Exchange. The Mexican Stock Exchange operates a system of automatic suspension of trading in shares of a particular issuer as a means of controlling excessive price volatility, but under current regulations this system does not apply to securities that are directly or indirectly (for example, through American Depositary Shares) quoted on a stock exchange or quotation system outside Mexico.

Settlement is effected two business days after a share transaction on the Mexican Stock Exchange. Deferred settlement, even by mutual agreement, is not permitted without the approval of the CNBV, which we have defined under “—Market Regulation” below. All securities traded on the Mexican Stock Exchange are on deposit with Indeval, a privately owned central securities depository that acts as a clearing house, depository, custodian, settlement, transfer and registration institution for Mexican Stock Exchange transactions, eliminating the need for physical transfers of securities.

The Mexican Stock Exchange is Latin America’s second largest exchange in terms of market capitalization, but it remains relatively small and illiquid compared to major world stock markets. As of December 31, 1998, 200 Mexican companies were listed on the Mexican Stock Exchange, excluding mutual funds. During the first six months of 1998, the ten most actively traded equity issues represented approximately 55% of the total value and 29% of the total volume of shares traded on the Mexican Stock Exchange, not including public offerings. Although there is substantial participation by the public in the trading of securities on the Mexican Stock Exchange, a major part of such activity reflects transactions of institutional investors. There is no formal over-the counter market for securities in Mexico.

Market Regulation

The *Comisión Nacional de Valores* (the National Securities Commission, or “CNV”) was established in 1946 to regulate stock market activity. On May 1, 1995, a new law was enacted merging the *Comisión Nacional de Valores* with the *Comisión Nacional Bancaria*, or “National Banking Commission,” and creating a new Commission, the *Comisión Nacional Bancaria y de Valores* (the National Banking and Securities Commission, or “CNBV”). The *Ley del Mercado de Valores*, or “Securities Market Law,” of 1975, as amended, regulates the securities markets and brokerage houses and sets standards for the registration of brokers in the Intermediaries Section of the *Registro Nacional de Valores e Intermediarios*, known as the “RNVI,” a prerequisite to becoming a member of the Mexican Stock Exchange. The Securities Market Law also empowers the CNBV to regulate the public offering and trading of securities. The governing committee of the CNBV is composed of representatives of the Ministry of Finance, *Banco de México* (Bank of Mexico or the Central Bank), the *Comisión Nacional de Seguros y Fianzas*, (National Insurance and Bonding Commission), the *Comisión Nacional del Sistema de Ahorro para el Retiro* (the National Commission for the Retirement Savings Fund) and the CNBV.

In order to offer securities to the public in Mexico, an issuer must meet certain qualitative and quantitative requirements regarding assets, operating history, management and other matters, and only securities for which a listing application has been approved by the CNBV may be listed on the Mexican Stock Exchange. Issuers of listed securities are required to file unaudited quarterly financial statements and audited financial statements with the CNBV and the Mexican Stock Exchange.

EXCHANGE RATES

From late 1982 until November 10, 1991, Mexico maintained a dual foreign exchange rate system, with a controlled rate and a free market rate. The controlled rate applied to certain imports and exports of goods, advances and payments of registered foreign debt, funds used in connection with the in-bond industry and payments of royalties and technical assistance under registered agreements. The free market rate was applicable to all other transactions. Following the abolition of the controlled rate of November 10, 1991, Mexico has only a free market rate.

After a five-year period of gradual devaluation of the peso, on December 19, 1994, the value of the peso dropped sharply as a result of pressure against the currency. As of December 31, 1996, the interbank quotation of the peso closed at Ps.7.854 per dollar or 3% lower than the previous year. Since that time, the peso has freely floated and its price has been subject to extreme volatility. As of December 31, 1998, the noon buying rate as published by the Federal Reserve Bank of New York was Ps.9.901 per dollar. The noon buying rate at August 20, 1999 was Ps.9.40 per dollar.

Effective January 1, 1993, the Mexican Congress approved the establishment of a new currency unit, the "new peso", to replace the peso at a rate of one new peso per one thousand pesos. The new peso was phased into use over a period of time, starting January 1, 1993. On January 1, 1996, the "new peso" was renamed the "peso."

The following table sets forth, for the periods indicated, the high, low, average and period-end noon buying rate for the purchase of U.S. dollars, expressed in nominal pesos per U.S. dollar.

<u>Year Ended December 31,</u>	<u>High</u>	<u>Low</u>	<u>Month-end Average</u>	<u>Period End</u>
1994	5.750	3.105	3.478	5.000
1995	8.050	5.270	6.447	7.740
1996	8.010	7.325	7.635	7.881
1997	8.410	7.717	7.967	8.070
1998	10.630	8.040	9.246	9.901
1999 (through July 30, 1999).....	10.60	9.24	9.64	9.40

Source: Federal Reserve Bank of New York.

THE RIGHTS OFFERING

The Rights Offering

In this Rights Offering, our series B shareholders are entitled to purchase 0.2717 new series B shares for each series B share owned on the Share Record Date at 5:00 p.m., Mexico City time, on August 24, 1999. We will not issue fractional New Shares. Therefore, shareholders will be entitled to purchase one new series B share for every 3.6805299 series B shares they own on the Share Record Date. The subscription price per New Share is Ps.15.70, which is the average closing price of the series B shares on the Mexican Stock Exchange for the 30 trading days ending on August 19, 1999, rounded to the nearest tenth of a peso.

If you are a holder of our ADSs, you will receive ADS rights, which are nontransferable rights entitling you to subscribe for New ADSs. Each ADS right represents the right to subscribe for one New ADS. You are entitled to receive 0.2717 ADS rights for each ADS owned on the ADS Record Date, which is at 5:00 p.m., New York City time, on August 27, 1999. Fractional ADSs will not be issued, and ADS rights will be allocated and may only be exercised in whole numbers. Therefore, you will receive one ADS right to purchase one New ADS for every 3.6805299 ADSs you own. The total number of New ADSs each ADS holder is entitled to purchase will be rounded down to a whole number. The New ADS Subscription Price is U.S.\$7.07 per New ADS. Our calculation of the New ADS Subscription Price is explained below.

This is a Preemptive Rights Offering Under Mexican Law. At an extraordinary general meeting held on August 19, 1999, our shareholders voted to authorize an increase in the capital stock of our company in the amount of up to Ps. 1,525,088,972.50. This allows us to issue up to 97,139,425 new series B shares. We are offering these New Shares to our existing shareholders in this Rights Offering pursuant to their preemptive rights under Mexican law and our by-laws. Any New Shares that remain unsubscribed upon the expiration of the Rights Offering will be sold on the terms determined by the delegates appointed by our shareholders for this purpose.

On August 24, 1999, a notice announcing the rights offering to shareholders was published in the *Diario Oficial de la Federación*, the Official Gazette of the Federation, and in newspapers of general circulation in Mexico City and Monterrey.

The New Shares will be registered in the securities section of the RNVI. The RNVI is maintained by the CNBV.

Our Principal Shareholders. Roberto González Barrera, certain members of his family and Archer-Daniels-Midland together hold nearly 80% of our shares. Mr. González Barrera directly owns approximately 44% of our outstanding shares. Together with members of his family, he owns approximately 56% of our outstanding shares. Archer-Daniels-Midland owns approximately 22% of our shares.

Archer-Daniels-Midland has indicated its intention to subscribe for all the New Shares it is entitled to purchase in the Rights Offering. Mr. González Barrera has indicated that he intends to purchase all of the New Shares which he is entitled to purchase pursuant to the Rights Offering and that he intends to do so (1) directly by exercising his rights in the Rights Offering, or (2) indirectly through affiliate entities controlled by him and jointly owned by him and Archer-Daniels-Midland.

Mr. González Barrera and Archer-Daniels-Midland have indicated that they intend to purchase, either directly or indirectly through jointly owned affiliates controlled by Mr. González Barrera, any additional New Shares that remain unsubscribed after the expiration of the Rights Offering, subject to the discretion of the delegates appointed at the shareholders' meeting approving the capital increase and preemptive rights offering.

The following table shows the shareholding structure of GRUMA before the Rights Offering and after the Rights Offering, assuming that all of our shareholders, including Mr. González Barrera, his family and Archer-Daniels-Midland, subscribe for all the New Shares they are entitled to purchase.

Name	<u>Before the Rights Offering</u>		<u>After the Rights Offering</u>	
	Number of Shares	Percentage of Outstanding Shares	Number of Shares	Percentage of Outstanding Shares
Roberto González Barrera	157,613,020	44.1	200,430,110 (1)	44.1
Roberto González Barrera family...	43,447,083	12.1	55,249,900	12.1
Archer-Daniels-Midland (2).....	79,493,293	22.2	101,088,409 (1)	22.2
GRUMA Directors and Officers as a Group	2,263,651	0.6	2,878,594	0.6
GRUMA Stock Purchase Plans	3,320,511	0.9	4,222,560	0.9
Other Shareholders.....	71,440,178	20.0	90,847,588	20.0
Total.....	<u>357,577,736</u>	<u>100%</u>	<u>454,717,161</u>	<u>100%</u>

- (1) After the Rights Offering, a portion of these shares may be held indirectly through affiliate entities controlled by Mr. González Barrera and jointly owned by him and Archer-Daniels-Midland.
- (2) A portion of the shares Archer-Daniels-Midland beneficially owns is held through its Mexican subsidiary.

The Rights Offering to Holders of ADSs

The summary timetable below lists some important dates relating to the Rights Offering to holders of ADSs. All the times listed are New York City time on the applicable date.

Record Date for Rights Offering to ADS holders	5:00 p.m. August 27, 1999
Commencement Date of Rights Offering to ADS holders	August 30, 1999
Expiration Date of Rights Offering to ADS holders	5:00 p.m. September 20, 1999
Delivery of New ADRs representing New ADSs.....	As soon as practicable after delivery of New Shares.

Record Date. Only holders of our ADSs on the ADS Record Date will have the right to purchase New ADSs.

The New ADSs Will be Identical to the ADSs You Hold. The New ADSs and your rights in them and in the underlying series B shares will be identical in all respects to all our ADSs, including the ADSs you already hold and your rights in them and in the underlying series B shares. Your rights in the ADSs you already hold and the New ADSs are set forth in a Deposit Agreement, dated as of September 18, 1998 (the “Deposit Agreement”), among us, Citibank, as depositary, and the holders of the ADSs issued under the Deposit Agreement. Since Citibank is the depositary under the Deposit Agreement, Citibank will be the depositary for the New ADSs. To understand the terms of the New ADSs, you should carefully read the section in this prospectus entitled “Description of American Depositary Shares” beginning on page 36. We also encourage you to read the Deposit Agreement, which is incorporated by reference as an exhibit to the registration statement of which this prospectus is a part.

Citibank is Serving as the Rights Agent. In addition to its functions as depositary, Citibank is assisting us by serving as the Rights Agent for this Rights Offering. As the Rights Agent, Citibank is helping us to send this prospectus and related subscription materials to ADS holders and is accepting subscription notices and payment for New ADSs on the terms described in this prospectus. Only holders of our ADSs on the ADS Record Date will have the right to purchase New ADSs. Under the terms of the Deposit Agreement, holders of ADSs will be required to

pay up to U.S.\$2.00 for every 100 New ADSs issued in connection with the exercise of their ADS rights in this Rights Offering.

Rights Exercise Period. If you are a holder of our ADSs on the ADS Record Date, you may exercise your rights to purchase New ADSs only during the period beginning at 9:30 a.m., New York City time, on August 30, 1999 and ending at 5:00 p.m., New York City time, on September 20, 1999.

Fractional Entitlements. If you hold our ADSs, you may exercise part or all of your ADS rights at your discretion, provided that you exercise them only in whole numbers. The Rights Agent will only accept subscriptions for whole numbers of ADS rights representing whole numbers of New ADSs. No fractional rights will be allocated nor may be exercised.

ADS Rights Expiration Date. Your ADS rights will expire on the ADS Rights Expiration Date at 5:00 p.m., New York City time, on September 20, 1999. If you do not exercise your ADS rights by this expiration date, your rights will lapse and will have no value. ADS holders are required to exercise their rights at an earlier date than holders of series B shares to allow the Rights Agent sufficient time to have the underlying rights exercised for the New Shares underlying the New ADSs you subscribe for, to convert the ADS Subscription Price into pesos and to forward the payment to us by the termination of the Rights Offering.

Rights Not Transferable. Under Mexican law, preemptive rights to acquire capital stock of a limited liability company with variable capital such as GRUMA are not represented by a separate instrument. These rights are also not transferable or otherwise negotiable separately from the shares from which the rights are derived. This means that the ADS rights are not transferable, and only holders of ADSs on the ADS Record Date will be entitled to purchase New ADSs in the Rights Offering.

Rights Not Exchangeable. If you are an ADS holder, you may exercise your ADS rights only to subscribe for New ADSs and your ADS rights may not be exchanged for rights to subscribe for New Shares.

How to Subscribe for New ADSs and Make Payment. If you are an ADS holder, you may exercise your rights to purchase New ADSs in the following ways:

- ***Subscription and Payment by DTC Participants.*** If you hold ADSs on the ADS Record Date through DTC
 - * You must promptly deliver to the Rights Agent complete subscription instructions through DTC's automated subscription procedures, which are known as the "ASOP Function" on the "agent subscriptions over PTS" procedure, or the "ASOP." We refer to these instructions as the "Subscription Instructions" in this prospectus. You should enter Subscription Instructions for New ADSs using the ASOP Function on the ASOP.
 - * You should make payments for the New ADS Subscription Price through DTC. You must instruct DTC to charge to your DTC account the New ADS Subscription Price for each New ADS you purchase and to deliver this amount to the Rights Agent. The Rights Agent will accept payment in U.S. dollars only.
 - * DTC must receive all Subscription Instructions and full payment of the New ADS Subscription Price by the ADS Rights Expiration Date.
- ***Subscription and Payment by Registered ADS Holders.*** If you hold our ADSs on the ADS Record Date through ADRs registered in your name, you can exercise your rights only by
 - * promptly delivering a properly completed ADS rights exercise form, together with any other necessary documents related to the exercise of your ADS rights that the Rights Agent may ask you to provide, all of which we refer to collectively as the ADS rights "exercise form" in this prospectus; and
 - * paying the amount required to cover the full New ADS Subscription Price for the New ADSs to be purchased upon the exercise of the ADS rights.
 - * The exercise form, together with a full payment of the New ADS Subscription Price, must be delivered to the Rights Agent before the ADS Rights Expiration Date.

- *Subscription by Beneficial Owners.* If you are a beneficial owner of our ADSs, and are neither a registered holder of ADSs nor a DTC participant, but you wish to purchase New ADSs by exercising your ADS rights, you must contact the broker or custodian bank through which you own the ADSs and request that the broker or custodian bank subscribe and make payment for New ADSs on your behalf in accordance with the above instructions.

You should send a completed ADS rights exercise form, together with full payment of the New ADS Subscription Price, to the Rights Agent

- by hand delivery at: Citibank, N.A., c/o Securities Transfer and Reporting Services, Inc., Attention: Corporate Actions, 100 William Street—GALLERIA, New York, New York 10038;
- by express mail at: Citibank, N.A.—Corporate Actions, P.O. Box 2544, Jersey City, New Jersey 07303-2544; or
- by overnight courier at: Citibank, N.A.—Corporate Actions, Suite 4660, 525 Washington Boulevard, Jersey City, New Jersey 07303.

The Rights Agent may refuse any ADS rights exercise form that is not signed or is not properly completed or delivered, and we have ultimate discretion as to whether any such ADS rights exercise form is accepted. You must deliver the ADS rights exercise form, accompanied by payment of the complete New ADS Subscription Price for the applicable number of New ADSs, to the Rights Agent by the ADS Rights Expiration Date at 5:00 p.m., New York City time, on September 20, 1999.

Your ADS rights will be exercised only if the Rights Agent actually receives your ADS rights exercise form and full payment of the ADS Subscription Price before the expiration of the exercise period for the ADS rights. Even if you place the exercise form or payment in the mail or show a postmark before the ADS Rights Expiration Date, if the Rights Agent does not receive the ADS rights exercise form and payment before 5:00 p.m., New York City time, on September 20, 1999, you will not be allowed to exercise your ADS rights. Accordingly, you should make arrangements to submit your ADS rights exercise form and pay the ADS Subscription Price to the Rights Agent as far in advance of the expiration date as practicable. The Rights Agent will not honor subscriptions received after 5:00 p.m., New York City time, on September 20, 1999, and the associated ADS rights will lapse and will have no value. Because the ADS rights are not transferable, the Rights Agent will not be able to sell them on your behalf.

You may direct questions regarding these procedures to Citibank, 111 Wall Street, 5th Floor, New York, New York 10043, Attention: ADR Shareholder Services, telephone number 1-877-CITI-ADR (1-877-248-4237).

The ADS Subscription Price. The subscription price for New ADSs is payable to us in pesos at the rate of Ps.62.80 per New ADS. However, to make it easier for our holders to subscribe for New ADSs, we have arranged for the Rights Agent to receive payments for New ADSs in dollars at the rate of US\$7.07 per New ADS. The Rights Agent will not accept any foreign currency, including pesos, in payment of the New ADS Subscription Price. The Rights Agent will convert payments made in dollars into pesos and pay the appropriate purchase price in pesos to us through Indeval. You may pay in the following ways:

- If you hold ADSs other than through DTC or DTC participants, you may pay by check, bank draft or postal or express money order, payable to “Citibank, N.A.—GRUMA.”
- If you hold ADSs through DTC or DTC participants, you must pay DTC, and DTC will then credit the Rights Agent’s account with DTC.

Calculation of the New ADS Subscription Price. We calculated the New ADS Subscription Price by

- multiplying the New Share Subscription Price by four;
- converting the resulting peso amount into dollars at an exchange rate of Ps. 9.3175 per U.S. dollar, which is the noon buying rate on August 24, 1999; and
- rounding the resulting dollar amount upward to 105%.

The 5% was added to the New ADS Subscription Price to make it likely that the Rights Agent will have sufficient funds to pay the actual New ADS Subscription price to us in pesos at the expiration of the subscription period for ADS holders even if the peso-dollar exchange rate fluctuates during the subscription period.

Adjustment of ADS Subscription Price. The Rights Agent will convert payments of the New ADS Subscription Price made in dollars into pesos and pay us in pesos as soon as practicable after the ADS Rights Expiration Date on September 20, 1999 at the actual exchange rate on that date. If there is any excess in dollars between the amount you paid and the amount resulting after the conversion into pesos, the Rights Agent will promptly refund to you the amount of any excess, without interest, in dollars. We and the Rights Agent anticipate that the Rights Agent will be able to refund all or a portion of the additional 5% you pay, but we cannot guarantee this. If there is a deficiency between the two amounts, the Rights Agent will bill you for the amount of any deficiency. You will be charged interest from the expiration date of the Rights Offering until the date of payment.

You will not receive New ADSs until you have paid the full amount owed to the Rights Agent. If the Rights Agent does not receive your payment of the shortfall by the close of business on September 27, 1999, the Rights Agent may sell the New ADSs purchased by you to cover the amount of the shortfall, including the Rights Agent's expenses in connection with its attempts to collect the shortfall, its sale of the New ADSs and its distribution of any proceeds from the sale. After that, the Rights Agent will send you the New ADRs representing your remaining New ADSs, together with a check for the amount of the excess proceeds, if any, from the sale of the New ADSs to cover the shortfall.

Delivery of ADRs Representing New ADSs. ADRs representing New ADSs purchased by you in the Rights Offering will be delivered as soon as practicable after the Rights Agent has had your rights exercised on your behalf, and we have delivered the New Shares underlying the New ADSs you subscribed for. We expect this to occur as soon as practicable after September 24, 1999. The New ADRs will be delivered to you in the manner you have indicated in your ADS rights exercise form.

Additional Information. The method that you choose to exercise your ADS rights, to pay the ADS Subscription Price and to have the New ADSs delivered to you will be at your risk. If you send the ADS rights exercise form and payment for the New ADSs by mail, we urge you to send the materials by registered mail, properly addressed, return receipt requested, and to allow a sufficient number of days to ensure delivery to the Rights Agent and clearance of payment prior to the expiration date.

If you fail to comply with any of the requirements described in this prospectus in connection with the exercise of ADS rights by the expiration date of the Rights Offering, your ADS rights will lapse and will have no value. The exercise of your ADS rights is irrevocable and may not be canceled or modified once made.

Subscription by Beneficial Owners. If you are a beneficial owner of our ADSs, and are neither a registered holder of ADSs nor a DTC participant, but you wish to purchase New ADSs by exercising your ADS rights, you must contact the broker or custodian bank through which you own the ADSs and request that the broker or custodian bank subscribe for New ADSs on your behalf in accordance with the procedures described above.

We have sole discretion to decide all issues regarding the timeliness, validity, form, compliance and eligibility of any purchase in the Rights Offering. Our decisions will be conclusive and binding on us, on holders and on the Rights Agent. We will not accept Subscription Notices until any irregularities in the ADS rights exercise forms have been waived by us and the Rights Agent or corrected within a time period that we will decide. Neither we nor the Rights Agent has a duty to notify you of any defect or irregularity in your submission of ADS rights exercise forms, and neither the Rights Agent nor we will be liable for failure to give such notification.

If you are an ADS holder and have any questions about the Rights Offering, you should call the Rights Agent at ADR Shareholder Services at 1-877-CITI-ADR (1-877-248-4237).

Subscription by Holders of Series B Shares

The summary timetable below lists certain important dates relating to the Rights Offering to holders of series B shares. All times are Mexico City time on the applicable date.

Record Date for Rights Offering to holders of Series B Shares	5:00 p.m. August 24, 1999
Commencement Date of Rights Offering to holders of Series B Shares	August 25, 1999
Expiration Date of Rights Offering to holders of Series B Shares	5:00 p.m. September 23, 1999
Delivery of Certificates representing New Shares	As soon as practicable after September 24, 1999.

Rights Exercise Period. Holders of series B shares will be entitled to exercise their Share rights only during the period beginning at 9:30 a.m., Mexico City time, on August 25, 1999 and ending at 5:00 p.m., Mexico City time, on September 23, 1999.

Fractional Entitlements. Holders of series B share may exercise all or part of their Share rights at their discretion. However, we will accept subscriptions for whole New Shares only. We will not issue any fractional New Shares. Subscriptions submitted for fractional New Shares will be rounded down to the nearest whole number of New Shares. You must own at least 3.6805299 series B shares to subscribe for one New Share.

Rights Expiration Date. The Rights Offering to holders of series B shares will expire at 5:00 p.m., Mexico City time on September 23, 1999. Unexercised Share rights will lapse on the expiration date and will have no value. We expect that the delegates appointed at the extraordinary shareholders' meeting for this purpose will offer and sell all the New Shares corresponding to unexercised rights after the expiration of the Rights Offering.

Transfer of Rights. Under Mexican law, preemptive rights to acquire capital stock of a limited liability company with variable capital such as GRUMA are not represented by a separate instrument, and are not transferable or negotiable apart from the shares to which they relate. Accordingly, the Share rights are not transferable, and only holders of series B shares on the Share Record Date will be entitled to purchase New Shares in the Rights Offering.

Method of Subscription and Payment. In general, series B shares are held through accounts of eligible account holders at Indeval, or Indeval participants. These Indeval participants, principally Mexican banks and brokerage firms, are typically the holders of record of series B shares.

Beneficial owners of series B shares wanting to purchase New Shares will have New Shares delivered by the book-entry services of Indeval. Beneficial owners should contact the Indeval participant through which they own their shares as soon as possible to arrange for their purchases. Registered holders of series B shares other than Indeval must exercise their Share rights by sending directly to us the subscription materials and the applicable amount of the subscription price per New Share subscribed.

Holders of series B shares will have from 9:30 a.m., Mexico City time on August 25, 1999 until 5:00 p.m., Mexico City time on September 23, 1999 to fully pay for the New Shares. By that time, purchasers of New Shares should have sent to Indeval the full subscription price for each New Share subscribed.

The procedures of Indeval, its account holders and any other intermediaries through which series B shares are held will determine the manner in which shareholders will

- give instructions that New Shares are to be purchased for their account in the Rights Offering;
- pay the purchase price of the New Shares that they subscribe for; and
- receive confirmation of the delivery of series B shares for their account.

At the close of business on the expiration date, we will deliver to Indeval a global certificate for each of the New Shares purchased in the Rights Offering, including New Shares represented by New ADSs, against payment of the total purchase price for all such New Shares.

Registered holders other than Indeval must exercise their Share rights by delivering directly to us the subscription materials and the applicable amount of the subscription price per New Share subscribed by the Share Rights Expiration Date at 5:00 p.m., Mexico City time on September 23, 1999.

Additional Information. The exercise of Share rights is irrevocable and may not be cancelled or modified by you once made.

Any beneficial owner of series B shares who wishes to purchase New Shares is advised to contact the broker or custodian bank through which the series B shares are held to arrange for the purchase.

TAXATION

General

The following summary describes the principal U.S. federal income tax and Mexican federal tax consequences of the Rights Offering and investment in the New Shares and New ADSs to:

- U.S. holders, in the case of U.S. federal income tax consequences; and
- holders that are not residents of Mexico for Mexican federal tax purposes, in the case of Mexican federal tax consequences.

The summary is based on the advice of Curtis, Mallet-Prevost, Colt & Mosle LLP, New York, with respect to U.S. federal income taxes, and the advice of Salvador Vargas Guajardo, Esq. with respect to Mexican federal taxes. The advice of Curtis, Mallet-Prevost, Colt & Mosle LLP is based on the U.S. Internal Revenue Code, treasury regulations (including proposed regulations and temporary regulations) promulgated under that code, rulings, official pronouncements and judicial decisions, all as in effect on the date of this prospectus. The advice of Salvador Vargas Guajardo, Esq. is based on Mexican federal tax law and regulations applicable on the date of this prospectus. All of these things are subject to change, possibly with retroactive effect, and to different interpretations. This summary does not address all of the tax consequences that may be applicable to holders of New ADSs and New Shares.

The summary of the U.S. federal income and Mexican federal tax laws set forth below is based on the laws in force as of the date of this prospectus and is subject to any changes in applicable United States or Mexican tax laws. The governments of the United States and Mexico ratified an income tax treaty and a protocol which came into effect on January 1, 1994. The U.S.-Mexico tax treaty incorporates by reference the agreement between the two countries that was in force prior to 1994 which called for the exchange of tax information.

Mexican Federal Tax Considerations

Taxation of Dividends

Dividends, either in cash or in any other form, paid with respect to the series B shares or the series B shares represented by ADSs will be subject to 5% Mexican withholding tax based on the amount of the distributed dividend, multiplied by a factor of 1.5385, which produces a net effect of approximately 7.7%. In accordance with rules issued by the Ministry of Finance and Public Credit, the applicable factor is 1.515 for profits resulting from the previously taxed net earnings account (*cuenta de utilidad fiscal neta* or *CUFIN*) at December 31, 1999. U.S. holders are urged to consult their U.S. tax advisors regarding the availability of the foreign tax credit with respect to Mexican withholding taxes. A Mexican corporation will not be subject to any tax if the amount maintained in its previously reinvested taxed net earnings account (*cuenta de utilidad fiscal neta reinvertida* or *CUFINRE*, required for corporations that have elected to defer a portion of their income taxes) and *CUFIN* exceeds the dividend payment to be made. However, corporations that have elected to defer their income taxes are required to pay such deferred taxes by applying the rate of 5% (3% during 1999) to the amount of the dividend multiplied by a factor of 1.5385. Mexican corporations must first exhaust the balance in their *CUFINRE* before they can utilize *CUFIN* balances.

If the dividend payment is in an amount greater than the Mexican corporation's *CUFINRE* and *CUFIN* balance (which may occur in a year when net profits exceed the balance in such accounts), then the issuer will be required to pay a 35% income tax on an amount equal to the product of (i) the portion of the grossed-up amount which exceeds such balance times (ii) 1.5385. Such amounts will generally not constitute creditable foreign taxes with respect to a U.S. holder. If GRUMA were required to pay such income tax, the profits of GRUMA would be reduced.

Taxation of Capital Gains

Gains on the sale or other disposition of ADSs by holders who are not residents of Mexico (as defined below) will not be subject to Mexican tax. Deposits of series B shares in exchange for ADSs and withdrawals of series B shares in exchange for ADSs will not give rise to Mexican tax.

Gains on the sale of series B shares by holders who are not residents of Mexico (as defined below) will not be subject to any Mexican tax if the transaction is carried out through a recognized stock exchange. Gains on the sale or other disposition of series B shares made in other circumstances may be subject to Mexican tax.

Under the U.S.-Mexico tax treaty, a U.S. holder that is eligible to claim the benefits of the tax treaty will be exempt from Mexican tax on gains on the sale of series B shares in transactions that are not carried out through the Mexican Stock Exchange, so long as the U.S. holder did not own, directly or indirectly, 25% or more of the series B shares within the 12-month period preceding the sale.

For purposes of Mexican taxation, an individual is a resident of Mexico if he or she has established his or her home in Mexico, unless he or she has resided in another country for more than 183 days, whether consecutive or not, during a calendar year and can demonstrate that he or she has become a resident of that country for tax purposes. A legal entity is a resident of Mexico if it (i) was established under Mexican law or (ii) has its principal administrative office in Mexico. If a legal entity is deemed to have a permanent establishment or fixed base in Mexico for tax purposes, all income attributable to such permanent establishment or fixed base will be subject to Mexican taxes, in accordance with applicable tax laws.

Other Mexican Taxes

There are no Mexican inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of ADSs or series B shares, provided, however, that gratuitous transfers of series B shares may in certain circumstances cause a Mexican federal tax to be imposed on the recipient. There are no Mexican stamp, issue, registration or similar taxes or duties payable by holders of ADSs or series B shares.

U.S. Federal Tax Considerations

The following discussion is a summary of the principal U.S. federal income tax consequences of the rights offering, and is based on the advice of Curtis, Mallett-Prevost, Colt & Mosle LLP, U.S. counsel to GRUMA.

General

The following summary of United States federal income tax consequences is limited to holders who hold New Shares as “capital assets,” within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the “Code”), and whose “functional currency,” within the meaning of Code Section 985, is the dollar. Certain holders (including, but not limited to, insurance companies, tax-exempt organizations, financial institutions, persons subject to the alternative minimum tax, holders that are not U.S. Holders, broker-dealers and beneficial holders of five percent or more of the voting power or value of the shares of the company) may be subject to special rules not discussed below. The discussion below also does not address the effect of any United States state or local tax law on a holder. As used herein, the term “U.S. Holder” means any beneficial or record holder who is either an individual who is a citizen or resident of the United States, a partnership, corporation or other entity organized in or under the laws of the United States or any state thereof, an estate that is subject to United States federal income taxation without regard to the source of its income or a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

Grant, Exercise and Lapse of Rights

In general, U.S. Holders of series B shares and ADSs who receive rights to acquire New Shares or New ADSs will not be subject to any United States income tax consequences as a result of the grant, exercise or lapse of the rights. Moreover, for United States federal income tax purposes, U.S. Holders of ADSs and New ADSs will be treated as the owners of the series B Shares and the New Shares represented by those ADSs and New ADSs.

Ownership and Sale of New Shares and New ADSs

If a U.S. Holder purchases New Shares or New ADSs pursuant to the Rights Offering, and the fair market value of the Share rights or ADS rights on the first date a U.S. Holder is entitled to purchase the New Shares or New ADSs at the New Share Subscription Price or the New ADS Subscription Price, respectively (the “Commencement Date”), is less than 15% of the fair market value of the underlying series B shares or ADSs to which the rights relate, the tax basis of the rights will be zero unless the U.S. Holder elects (in such holder’s U.S. federal income tax return

for the year of the Rights Offering) to allocate its tax basis in the underlying series B shares or ADSs and the rights in proportion to the relative fair market value of each on the Commencement Date. Such election must be made in respect of all rights to purchase New Shares or New ADSs pursuant to the Rights Offering and, once made, is irrevocable. In the event that the fair market value of the rights is equal to or greater 15% than the fair market value of the underlying series B shares or ADSs to which the rights relate, a U.S. Holder that purchases New Shares or New ADSs pursuant to the Rights Offering would be required to allocate its tax basis in the underlying series B shares or ADSs between such underlying series B shares or ADSs and the rights in proportion to the relative fair market value of each on the Commencement Date.

The tax basis of each New Share or New ADS acquired pursuant to the Rights Offering will equal the sum of the U.S. dollar value of the New Share Subscription Price or the New ADS Subscription Price, as the case may be, and the basis, if any, attributable to Share rights or ADS rights (as described in the preceding paragraph), and the holding period of any such New Share or New ADS purchased pursuant to the Rights Offering will begin with and include the date the New Share or New ADS is purchased.

Taxation of Dividends and Stock Distributions

Dividends paid out of current or accumulated earnings and profits with respect to the New Shares will be includible in the gross income of a U.S. Holder as ordinary income when the dividends are received by the custodian and generally, unless other special rules are met, will not be eligible for any dividends received deduction otherwise allowable to corporations under Code Section 243. Such dividends paid in pesos will be includible in the income of a U.S. Holder in a dollar amount calculated by reference to the exchange rate in effect on the day the pesos are received by the custodian. U.S. Holders should consult their own tax advisors regarding the treatment of any foreign currency gain or loss on any pesos received which are not converted into dollars on the day the pesos are received by the custodian.

Dividends generally will constitute foreign source “passive income” (or in the case of certain holders, “financial services income”) for United States foreign tax credit purposes. If Mexican withholding taxes are imposed on a U.S. Holder with respect to a dividend, such U.S. Holder generally will be treated as having actually received the amount of such taxes and as having paid such amount to the Mexican taxing authorities. As a result, the amount of dividend income included in gross income by a U.S. Holder will be greater than the amount of cash actually received by the U.S. Holder with respect to such dividend income. A U.S. Holder may be able, subject to certain generally applicable limitations, to claim a foreign tax credit or deduction for Mexican withholding taxes imposed on dividend payments. The rules relating to the determination of the U.S. foreign tax credit are complex. The calculation of U.S. foreign tax credits, and in the case of a U.S. Holder that elects to deduct foreign taxes the availability of deductions, involve the application of rules that depend on a U.S. Holder’s particular circumstances. U.S. Holders should, therefore, consult their own tax advisors regarding the application of the U.S. foreign tax credit rules to dividend income on the New Shares or New ADSs.

Distributions of additional shares to U.S. Holders with respect to the New Shares (and accompanying distributions with respect to New ADSs) that are made as part of a *pro rata* distribution to all shareholders of GRUMA and for which there is no option to receive other property, generally will not be subject to United States federal income tax.

A holder of New Shares or New ADSs that is, with respect to the United States, not a U.S. Holder (a “Non-U.S. Holder”) will not be subject to United States federal income or withholding tax on dividends paid with respect to the New Shares (or with respect to New ADSs), unless such income is effectively connected with the conduct by the holder of a trade or business in the United States.

Taxation of Capital Gains

Gain or loss realized by a U.S. Holder on the sale or other taxable disposition of New Shares or New ADSs will be subject to United States federal income taxation as gain or loss in an amount equal to the difference between such holder’s basis in the New Shares or New ADSs and the amount realized on the sale or other disposition. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the New Shares or New ADSs have been held for more than one year on the date of the sale or other disposition. Capital gains and losses recognized on a sale or other disposition of New Shares or New ADSs by a U.S. Holder generally will be treated as United States source income. Deposits and withdrawals of New Shares for New ADSs by U.S. Holders will not be subject to United States federal income tax.

A Non-U.S. Holder of New Shares or New ADSs will not be subject to United States federal income or withholding tax on gains realized on the sale of New Shares or New ADSs unless (i) such gain is effectively connected with the conduct by the holder of a trade or business in the United States or (ii) in the case of gain realized by an individual holder, the holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

THE UNITED STATES FEDERAL INCOME TAX DISCUSSION AND MEXICAN FEDERAL TAX DISCUSSION SET FORTH ABOVE ARE FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE TO CERTAIN HOLDERS DEPENDING ON SUCH HOLDER'S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF THE NEW SHARES AND NEW ADS, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN THE UNITED STATES FEDERAL, MEXICAN FEDERAL OR OTHER TAX LAWS.

DESCRIPTION OF THE AMERICAN DEPOSITARY SHARES

Citibank is the depositary bank with respect to all our ADSs, including the New ADSs. Citibank's depositary offices are located at 111 Wall Street, New York, New York 10005. American depositary shares are frequently referred to as "ADSs" and represent ownership interests in securities that are on deposit with the depositary. ADSs are normally evidenced by certificates that are commonly known as "American depositary receipts" or "ADRs." The depositary typically appoints a custodian to safekeep the securities on deposit. In this case, the custodian is Citibank, S.A., located at Paseo de la Reforma 390, 06695 Mexico, D.F., Mexico.

GRUMA has appointed Citibank as depositary bank pursuant to the Deposit Agreement. The depositary will make available for inspection by holders at its office and at the office of Citibank S.A. copies of documents, reports and communications in respect of ADSs, including the Deposit Agreement and GRUMA's by-laws. A copy of the Deposit Agreement is also on file with the Securities and Exchange Commission under cover of a Registration Statement on Form F-6. You may obtain a copy of the Deposit Agreement from the Commission's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please refer to Registration Number 333-9282 when retrieving a copy of the Deposit Agreement.

GRUMA is providing you with a summary description of the ADSs and your rights as an owner of ADSs. Please remember that summaries by their nature lack the precision of the information summarized and that your rights and obligations as an owner of ADSs will be determined by the Deposit Agreement and your ADRs and not by this summary. GRUMA urges you to review the Deposit Agreement in its entirety as well as the form of ADR attached to the Deposit Agreement.

Each ADS represents four series B shares or the right to receive four series B shares on deposit with the custodian bank. An ADS will also represent any other property received by the depositary or the custodian on behalf of the owner of the ADS but that has not been distributed to the owners of ADSs because of legal restrictions or practical considerations.

If you become an owner of ADSs, you will become a party to the Deposit Agreement and therefore will be bound to its terms and to the terms of the ADR that represents your ADSs. The Deposit Agreement and the ADR specify GRUMA's rights and obligations as well as your rights and obligations as owner of ADSs and those of the depositary. As an ADS holder you appoint the depositary to act on your behalf in certain circumstances. The Deposit Agreement and the ADRs are governed by New York law. However, GRUMA's obligations to the holders of shares will continue to be governed by the laws of Mexico, which may be different from the laws of the United States.

As an owner of ADSs, you may hold your ADSs either by means of an ADR registered in your name or through a brokerage or safekeeping account. If you decide to hold your ADSs through your brokerage or safekeeping account, you must rely on the procedures of your broker or bank to assert your rights as an ADSs owner. Please consult with your broker or bank to determine what those procedures are. This summary description assumes you have opted to own the ADSs directly by means of an ADR registered in your name and, as such, it will refer to you as the "holder." When this summary refers to "you," it is on the assumption that the reader owns ADSs and will own ADSs at the relevant time.

Dividends, Other Distributions and Rights

Dividends and Distributions

As a holder, you generally have the right to receive the distributions GRUMA makes on the securities deposited with the custodian bank. Your receipt of these distributions may be limited, however, by practical considerations and legal limitations. Holders will receive the distributions under the terms of the Deposit Agreement in proportion to the number of ADSs held on a specified record date.

Distributions of Cash

Whenever GRUMA makes a cash distribution for the securities on deposit with the custodian, it will notify the depositary. Subject to any restrictions imposed by applicable laws or regulations, and if the depositary considers the cash distribution to be convertible on a reasonable basis and transferable to the United States, upon receipt of this notice, the depositary will arrange for the funds to be converted into U.S. dollars and for the distribution of the

U.S. dollars to the holders. See “Foreign Currency Conversion” below for a more detailed description of the circumstances in which funds received in foreign currency will be converted to U.S. dollars.

The amounts distributed to holders will be net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreement. The depositary will apply the same method for distributing the proceeds of the sale of any property (such as undistributed rights) held by the custodian in respect of securities on deposit.

Distributions of Shares

Whenever GRUMA makes a free distribution of shares for the securities on deposit with the custodian, it will notify the depositary. Upon receipt of the notice, the depositary will either distribute to holders new ADSs representing the shares deposited or, upon the written consent of GRUMA, modify the ratio of ADS to shares, in which case each ADS you hold will represent rights and interests in the additional shares so deposited. Only whole new ADSs will be distributed. Fractional entitlements will be sold and the proceeds of the sale will be distributed as in the case of a cash distribution.

The distribution of new ADSs or the modification of the ADS-to-share ratio upon a distribution of shares will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreement. To pay the taxes or governmental charges, the depositary may sell all or a portion of the new shares so distributed.

No distribution of new ADSs will be made if it would violate a law (e.g., the U.S. securities laws) or if it is not operationally practicable. If the depositary does not distribute new ADSs as described above, it may use its best efforts to sell the shares received and may distribute the proceeds of the sale as in the case of a distribution of cash.

Distributions of Rights

Whenever GRUMA intends to distribute rights to purchase additional shares, it will give prior notice to the depositary and will assist the depositary in determining whether it is lawful and feasible to distribute rights to purchase additional ADSs to holders.

The depositary will establish procedures to distribute rights to purchase additional ADSs to holders and to enable holders to exercise their rights if it is lawful and feasible to make the rights available to holders of ADSs, and if GRUMA provides any documentation contemplated in the Deposit Agreement. You may have to pay fees, expenses, taxes and other governmental charges to subscribe for the ADSs upon the exercise of your rights. The depositary is not obligated to establish procedures to facilitate the distribution and exercise by holders of rights to purchase new shares directly rather than new ADSs.

The depositary will not distribute the rights to you if:

- GRUMA does not request that the rights be distributed to you or if it asks that the rights not be distributed to you: or
- GRUMA fails to deliver satisfactory documents to the depositary under the terms of the Deposit Agreement;
- it is not lawful or feasible to distribute the rights.

The depositary will sell the rights that are not exercised or not distributed if the sale is lawful and reasonably practicable. The proceeds of the sale will be distributed to holders as in the case of a cash distribution. If the depositary is unable to sell the rights, it will allow the rights to lapse.

At the present time, under Mexican law, preemptive rights may not be represented by a negotiable instrument and may not be sold or transferred. Therefore, it is unlikely that the depositary would be able to sell any such rights offered by GRUMA. Under Mexican law, GRUMA is not required to offer rights for subscription of new shares outside Mexico.

Other Distributions

Whenever GRUMA intends to distribute property other than cash, shares or rights to purchase additional shares, it will notify the depositary in advance and will indicate whether it wishes the distribution to be made to you. If so, GRUMA will assist the depositary in determining whether the distribution to holders is lawful and feasible.

If it is lawful and feasible to distribute the property to you and if GRUMA provides any documentation contemplated in the Deposit Agreement, the depositary will distribute the property to the holders in a manner it deems equitable and practicable.

The depositary will make the distribution net of fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreement. In order to pay the taxes and governmental charges, the depositary may sell all or a portion of the property received.

The depositary will not distribute the property to you and will sell the property if:

- GRUMA does not request that the property be distributed to you or if it asks that the property not be distributed to you; or
- GRUMA fails to deliver satisfactory documents to the depositary under the terms of the Deposit Agreement; or
- The depositary determines that the distribution of all or a portion of the property to you is not lawful or feasible.

The depositary will distribute the proceeds of the sale to holders as in the case of a cash distribution.

Changes Affecting Shares

The shares held on deposit for your ADSs may change from time to time. For example, there may be a change in nominal or par value, a split-up, cancellation, consolidation or classification of the shares or a recapitalization, reorganization, merger, consolidation or sale of assets.

If any such change were to occur, your ADSs would, to the extent permitted by law, represent the right to receive the property received or exchanged in respect of the shares held on deposit. The depositary may in such circumstances, with GRUMA's approval, deliver new ADSs to you or call for the exchange of your existing ADSs for new ADSs. If the depositary may not lawfully distribute the property to you, the depositary may sell the property and distribute the net proceeds to you as in the case of a cash distribution.

Issuance of ADSs upon Deposit of Shares

The depositary may create ADSs on your behalf if you or your broker deposit shares with the custodian. The depositary will deliver these ADSs to the person you indicate only after you pay any applicable issuance fees and any charges and taxes for the transfer of the shares to the custodian.

The depositary may delay the issuance of ADSs until the depositary or the custodian receives confirmation that all required approvals have been given and that the shares have been duly transferred to the custodian. The depositary will only issue ADSs in whole numbers.

When you deposit shares, you will be responsible for transferring good and valid title to the depositary. You will be thus be deemed to represent and warrant the following:

- The shares are duly authorized, validly issued, fully paid, non-assessable and legally obtained.
- All preemptive (and similar) rights, if any, with respect to the shares have been validly waived or exercised.
- You are authorized to deposit the shares.
- The shares presented for deposit are free and clear of any encumbrance, security interest, or other adverse claim, and are not, and the ADSs issuable upon the deposit are not subject to any other restriction on sale, transfer or deposit under the laws of the United States, Mexico, or under a

shareholders' agreement, or GRUMA's by-laws, or any applicable regulations of any securities exchange.

- The shares presented for deposit have not been stripped of any rights or entitlements.

If any of the representations or warranties are incorrect in any way, GRUMA and the depositary may, at your cost and expense, take any and all actions necessary to correct the consequences of the misrepresentations.

Withdrawal of Shares upon Cancellation of ADSs

As a holder, you will be entitled to present your ADSs to the depositary for cancellation and then receive the underlying shares at the custodian's offices. To withdraw the shares represented by your ADSs, you will be required to pay to the depositary the fees for cancellation of ADSs and any charges and taxes payable upon the transfer of the shares being withdrawn. You assume the risk for delivery of all funds and securities upon withdrawal. Once cancelled, the ADSs will not have any rights under the Deposit Agreement.

If you hold an ADR registered in your name, the depositary may ask you to provide proof of identity and genuineness of any signature and certain other documents as the depositary may deem appropriate before it will cancel your ADSs. The depositary may delay the withdrawal of the shares represented by your ADSs until it receives satisfactory evidence of compliance with all applicable laws and regulations. Please keep in mind that the depositary will only accept ADSs for cancellation that represent a whole number of securities on deposit.

You will have the right to withdraw the securities represented by your ADSs at any time except in the following cases:

- Upon a good faith determination by GRUMA or the depositary that suspending withdrawal is necessary or advisable, including for the purpose of facilitating orderly voting of the shares on deposit.
- Outstanding obligations to pay fees, taxes and similar charges related to the securities being withdrawn.
- Restrictions imposed because of laws or regulations applicable to ADSs or the withdrawal of securities on deposit.

The Deposit Agreement may not be modified to impair your right to withdraw the securities represented by your ADSs except to comply with mandatory provisions of law.

Voting Rights

As a holder, you generally have the right under the Deposit Agreement to instruct the depositary to exercise the voting rights for the shares underlying your ADSs. At GRUMA's request, the depositary will mail to you any notice of shareholders' meeting received from GRUMA together with information explaining how to instruct the depositary to exercise the voting rights of the securities represented by ADSs. If the depositary receives your voting instructions on or before the date specified, the depositary will try to vote or have its agents vote the shares underlying your ADSs as you instruct. If the depositary does not receive your voting instructions on time, it will be assumed that you have instructed the depositary to give a discretionary proxy to a person designated by us to vote the shares underlying your ADSs.

The depositary will give a discretionary proxy to a person designated by us to vote on a particular matter except in certain cases, including the following:

- The depositary will not give such a proxy if we inform the depositary that
 - * we do not want such a proxy to be given;
 - * there is substantial shareholder opposition to the matter to be voted on; or
 - * the rights of shareholders will be materially and adversely affected.
- The depositary will not be obligated to give such a proxy if we do not provide the depositary with the necessary materials and the documentation required by the Deposit Agreement in the time period required.

Please note that the ability of the depository to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit (including GRUMA's by-laws). GRUMA and the depository cannot assure you that you will receive voting materials in time to enable you to return voting instructions to the depository in a timely manner.

Fees and Charges

As an ADS holder, you will be required to pay the following service fees to the depository:

<u>Service</u>	<u>Fees</u>
Issuance of ADSs.....	Up to U.S.\$5.00 per 100 ADSs (or fraction thereof) issued
Cancellation of ADSs	Up to U.S.\$5.00 per 100 ADSs (or fraction thereof) canceled
Exercise of rights to purchase additional ADSs.....	Up to U.S.\$2.00 per 100 ADSs issued

As an ADS holder you will also be responsible to pay certain fees and expenses incurred by the depository and taxes and governmental charges including:

- Fees for the transfer and registration of shares (i.e., upon deposit and withdrawal of shares).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex and fax transmissions and for delivery of securities.
- Taxes and duties upon the transfer of securities (i.e., when shares are deposited or withdrawn from deposit).

GRUMA has agreed to pay certain other charges and expenses of the depository. Note that the fees and charges you may be required to pay may vary over time and may be changed by GRUMA and by the depository. You will receive prior notice of any changes.

Amendments and Termination

GRUMA may agree with the depository to modify the Deposit Agreement at any time without your consent. GRUMA agrees to give holders 30 days' prior notice of any modifications that would add or increase fees or charges or prejudice any important right of ADS holders under the Deposit Agreement, except in very limited circumstances described in the Deposit Agreement.

You will be bound by the modifications to the Deposit Agreement if you continue to hold your ADSs after the modifications to the Deposit Agreement become effective. The Deposit Agreement cannot be amended to prevent you from withdrawing the shares represented by your ADSs, except as permitted by law.

GRUMA has the right to direct the depository to terminate the Deposit Agreement. Similarly, the depository may in certain circumstances on its own initiative terminate the Deposit Agreement. In either case, the depository must give notice to the holders at least 30 days before termination.

Upon termination, the following will occur under the Deposit Agreement:

- For a period of six months after termination, you will be able to request the cancellation of your ADSs and the withdrawal of the shares represented by your ADSs and the delivery of all other property held by the depository in respect of those shares on the same terms as prior to the termination. During the six-month period the depository will continue to collect all distributions received on the shares on deposit (i.e., dividends) but will not distribute the property to you until you request the cancellation of your ADSs.
- After the expiration of the six-month period, the depository may sell the securities held on deposit. The depository will hold the proceeds from the sale and any other funds then held for the holders of

ADSs in a non-interest bearing account. At that point, the depositary will have no further obligations to holders other than to account for the funds then held for the holders of ADSs still outstanding.

Books of Depositary

The depositary will maintain ADS holder records at its depositary office. You may inspect the records at the office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the ADSs and the Deposit Agreement.

The depositary will maintain in New York facilities to record and process the issuance, cancellation, combination, split-up and transfer of ADRs. These facilities may be closed from time to time, to the extent not prohibited by law.

Limitations on Obligations and Liabilities

The Deposit Agreement limits GRUMA's obligations and the depositary's obligations to you. Please note the following:

- GRUMA and the depositary are obligated only to take the actions specifically stated in the Deposit Agreement without negligence or bad faith and according to their best judgement.
- The depositary disclaims any liability for any failure to carry out voting instructions, for the manner in which a vote is cast or for the effect of any vote, provided it acts in good faith and in accordance with the terms of the Deposit Agreement.
- GRUMA and the depositary will not be obligated to perform any act that is inconsistent with the terms of the Deposit Agreement.
- GRUMA and the depositary disclaim any liability if GRUMA or the depositary is prevented or forbidden from acting on account of any law or regulation, any provision of its by-laws, any provision of any securities or ADSs on deposit or by reason of any act of God or war or other circumstances beyond GRUMA's or the depositary's control.
- GRUMA and the depositary disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement or in GRUMA's by-laws or in any provisions of securities on deposit.
- GRUMA and the depositary further disclaim any liability for any action or inaction in reliance on the advice or information received from legal counsel, accountants, any person presenting shares for deposit, any holder of ADSs or authorized representative thereof, or any other person believed by either GRUMA or the depositary in good faith to be competent to give the advice or information.
- GRUMA and the depositary also disclaim any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADSs, unless indemnity satisfactory to it against expense and liability is furnished in each circumstance.
- GRUMA and the depositary may rely without any liability upon any written notice, request or other document believed to be genuine and to have been signed or presented by the proper parties.

Pre-Release Transactions

The depositary may, in certain circumstances, issue ADSs before receiving a deposit of shares or release shares before receiving ADSs. These transactions are commonly referred to as "pre-release transactions." The Deposit Agreement limits the aggregate size of pre-release transactions and imposes a number of conditions on the transactions (such as the need to receive collateral, the type of collateral required and the representations required from brokers). The depositary may retain the compensation received from the pre-release transactions. Full collateralization is a precondition to the pre-release of ADSs or underlying shares.

Taxes

You will be responsible for all taxes and other governmental charges payable on the ADSs and the securities represented by the ADSs. GRUMA, the depositary and the custodian may deduct from any distribution the taxes and governmental charges payable by holders and may sell any and all property on deposit to pay the taxes and governmental charges payable by holders. You will be liable for any deficiency if the sale proceeds do not cover the taxes that are due.

The depositary may refuse to issue ADSs, to deliver transfer, split and combine ADRs or to release securities on deposit until all taxes and charges are paid by the applicable holder. The depositary and the custodian may take reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on your behalf. However, you may be required to provide to the depositary and to the custodian proof of taxpayer status and residence and the other information as the depositary and the custodian may require to fulfill legal obligations. You may be required to indemnify GRUMA, the depositary and the custodian for any claims with respect to taxes based on any tax benefit obtained for you.

Foreign Currency Conversion

The depositary will arrange to convert to U.S. dollars any foreign currency it receives if it can do so on a lawful and reasonable basis and can transfer the U.S. dollars to the United States and distribute them to the holders who are entitled to receive them. If that is not possible, or if any government approval that is needed is denied or cannot be obtained at a reasonable cost or within a reasonable time, the depositary may take the following actions in its discretion:

- Convert the foreign currency to the extent practical and lawful and distribute the U.S. dollars only to the holders for whom the conversion and distribution is lawful and practical.
- Distribute the foreign currency only to holders for whom the distribution is lawful and practical.
- Hold the foreign currency, without liability for interest, for the applicable holders.

DESCRIPTION OF CAPITAL STOCK

We provide information below concerning GRUMA's capital stock and significant provisions of its bylaws and of applicable Mexican law. This description does not purport to be complete and is qualified in its entirety by reference to GRUMA's bylaws and the provisions of applicable Mexican law.

General

GRUMA was incorporated on December 24, 1971, as a variable capital corporation (*sociedad anónima de capital variable*) established under the laws of Mexico.

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. Class II shares are the variable portion of our capital stock. The shares being offered in this Rights Offering are Class I shares. No Class II shares are outstanding at the present time. As of August 19, 1999, our outstanding capital stock consisted of 357,577,736 series B shares. A total of 60,463,436 series B shares, or 16.9% of our outstanding shares, were held in the form of ADSs, for a total of 15,115,859 ADSs, as of August 19, 1999.

The series B shares have been listed on the Mexican Stock Exchange since 1994.

Mr. González Barrera and his family own more than 50% of our capital stock. Therefore, they have the power to elect a majority of our 11 directors. Under our by-laws and the terms of our association with Archer-Daniels-Midland, Archer-Daniels-Midland will have the right to appoint two of our directors as long as it owns at least 20% of our capital stock. Under Mexican law, any holder or group of holders owning 10% or more of our capital stock may elect one director.

Changes in Capital Stock

We can increase the fixed portion of our capital stock only upon authorization by the shareholders at a general extraordinary meeting and an amendment to our by-laws. No resolution by the shareholders is required for decreases or increases in capital stock based on our repurchases or sales of our own shares. We can increase the variable portion of our capital stock after authorization by the shareholders at an ordinary general meeting. See "—Variable Capital and Withdrawal Rights" below.

We can increase our capital stock in the following ways:

- by issuing new shares for payment in cash or in kind; or
- by capitalization of indebtedness or by capitalization of certain items of shareholders' equity.

All previously issued shares must be fully paid before the capital stock may be increased. We can reduce our capital stock to absorb losses, to redeem shares, to repurchase shares in the open market or to relieve shareholders from their obligations to make additional contributions with respect to partially paid-in shares.

Preemptive Rights and Redemption

In the event of a capital increase through the issuance of new shares for payment in cash or in kind, a holder of existing shares of a given series 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 the bylaws, the exercise period may not be less than 15 days following the publication of notice of the capital increase in the Official Gazette of the Federation or following the date of the shareholders' meeting at which the capital increase was approved if all shareholders were represented; otherwise such rights will lapse.

Shareholders will not have preemptive rights to subscribe for common stock issued in the following circumstances:

- in connection with mergers;
- upon the conversion of convertible debentures;

- in a public offering, if the majority of shareholders at a general extraordinary meeting approve the issuance of shares and waive their preemptive rights in accordance with the Mexican securities market law and our by-laws; or
- in a resale of common stock held in GRUMA's treasury as a result of repurchases on the Mexican Stock Exchange.

Under Mexican law, preemptive rights may not be waived in advance by a shareholder, and cannot be represented by an instrument that is negotiable separately from the corresponding share. Holders of ADRs that are U.S. persons or are located in the United States may be restricted in their ability to participate in the exercise of preemptive rights. See "Description of American Depositary Shares—Dividends, Other Distributions and Rights."

Variable Capital and Withdrawal Rights

Under our by-laws and Mexican law, our capital stock can include a variable portion which cannot be greater than 10 times the minimum fixed portion of our company's capital stock specified in the by-laws. Currently, our outstanding capital stock consists only of fixed capital. The fixed portion of our company's capital stock cannot be withdrawn.

Our shareholders may fully or partially withdraw the outstanding variable portion of our capital stock. Shareholders who wish to do this must notify us in writing. If we receive the notice of withdrawal prior to the last quarter of the fiscal year, the withdrawal becomes effective at the end of the fiscal year in which the shareholder gives notice. Otherwise, the withdrawal becomes effective at the end of the following fiscal year.

We will reimburse shareholders who withdraw their shares at the rate which is the lower of:

- 95% of the average price per common share quoted on the Mexican Stock Exchange during the 30 business days before the effective date of the withdrawal; or
- the book value per common share as calculated from our company's financial statements (as approved by the shareholders at the annual general ordinary shareholders' meeting) for the fiscal year at the end of which the withdrawal becomes effective.

Shareholders that have exercised their withdrawal rights can request that we reimburse them on the day after the general ordinary shareholders' meeting at which the financial statements referred to above are approved.

Because the fixed portion of our capital cannot be withdrawn, we will honor requests for withdrawals only to the extent that variable capital is available and in the order in which we receive the requests. If we receive requests at the same time, we will honor them on a pro rata basis to the extent that variable capital is available.

Registration and Transfer

The series B shares are represented by share certificates in registered form. Shareholders of our company may hold their shares directly in the form of physical certificates or indirectly, in book-entry form, with institutions that have accounts with Indeval. Indeval is the holder of record of book-entry series B shares. Brokers, banks and other entities approved by the CNBV have accounts at Indeval and are known as Indeval participants. We maintain a stock registry and, in accordance with Mexican law, only those persons whose names appear on the stock registry, those holding certificates indicating ownership issued by Indeval and any relevant Indeval participant, are recognized as owners of the series B shares.

Shareholders' Meetings and Voting Rights

Shareholders' general meetings may be ordinary or extraordinary. Each common share entitles its holder to one vote at every general shareholders' meeting. Shareholders may vote by proxy.

General extraordinary shareholders' meetings are called to consider matters specified in Article 182 of the Mexican Companies Law (*Ley General de Sociedades Mercantiles*), including:

- changes in the authorized fixed share capital and other amendments to the by-laws;
- the issuance of preferred stock;

- liquidation, mergers and spin-offs; and
- transformation of the company from one corporate form to another.

All other matters may be considered at ordinary general shareholders' meetings. Ordinary general shareholders' meetings must be called to consider and approve matters specified in Article 181 of the Mexican Companies Law, including:

- the appointment of the members of the board of directors and the statutory auditor;
- the compensation paid to the directors and statutory auditor;
- the distribution of our profits for the previous year; and
- the annual reports presented by the board of directors and the statutory auditor for GRUMA and for each subsidiary in which we either hold a majority of the outstanding capital stock, or hold capital stock which in the aggregate exceeds 20% of GRUMA's stockholders' equity recorded in its most recent balance sheet.

A general ordinary shareholders' meeting must be held during the first four months after the end of each fiscal year of the company.

In order to attend a general shareholders' meeting, the day before the meeting shareholders must deposit the certificates representing their common stock or other appropriate evidence of ownership either with the secretary of our board of directors, with a credit institution, or with Indeval. The secretary, credit institution or Indeval will hold the certificates until after the general shareholders' meeting has taken place.

Our shareholders establish the number of members that will serve on our board of directors at the general ordinary shareholders' meeting. Under the by-laws, the board of directors must have between four and eleven members, and there must be an uneven number of directors. At the general ordinary shareholders' meeting, any shareholder or group of shareholders representing 10% or more of the outstanding common stock has the right to appoint one regular and one alternate director, with the remaining directors being elected by majority vote.

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

Shareholders' meetings may be called by the board of directors, the statutory auditor or a court. The board of directors or the statutory auditor may be required to call a shareholders' meeting in the following circumstances:

- if holders of at least 33% of our outstanding share capital request a meeting in writing;
- at the written request of any shareholder if no shareholders' meeting has been held for two consecutive years; and
- if, during a period of two consecutive years, the board of directors' annual report for the previous year and the company's financial statements were not presented to the shareholders, or if the shareholders did not elect directors and the statutory auditor.

Notice of shareholders' meetings must be published in the Official Gazette of the Federation or in a newspaper of general circulation in Mexico City. Shareholders' meetings must be held in Mexico City.

Holders of series B shares do not have cumulative voting rights.

Purchase of shares by GRUMA

We may repurchase our common stock on the Mexican Stock Exchange at any time at the prevailing market price. Repurchases must be previously approved by the board of directors. When we repurchase our

common stock, our share capital is reduced automatically in an amount equal to the theoretical value of each common share repurchased. The theoretical value is calculated by dividing our outstanding capital stock immediately prior to the repurchase by the number of outstanding common shares at that time. If the purchase price of the common stock exceeds the theoretical value, the difference will be paid for from a special reserve fund established to repurchase common stock. This special reserve is funded by allocations from the company's net earnings. At the general ordinary shareholders' meeting, shareholders determine the amount of the company's capital stock and the amount of the allocations to the special reserve fund.

Repurchased common stock will be kept in our treasury for future sales on the Mexican Stock Exchange. When these treasury shares are resold, our share capital will be automatically increased by an amount equal to their theoretical value. If the sale price exceeds the theoretical value, the excess amount is allocated to the special reserve for the repurchase of common stock. While these repurchased shares are kept in the company's treasury, their corporate and economic rights may not be exercised, and they will not be considered to be outstanding for purposes of calculating any quorum or vote at a shareholders' meeting. The decrease or increase of the capital stock as a consequence of the repurchase and sale by the company of its shares does not require the approval of a shareholders' meeting or of the board of directors.

Under Mexican law, our directors, officers, examiners, the secretary of the board of directors and holders of 10% or more of our company's outstanding common stock may not sell common stock to, or purchase repurchased common stock from, us, unless we repurchase shares from them through a tender offer. Regulations under the Mexican Securities Market Law require that if we decide to repurchase common stock representing 3% or more of our share capital in any 20 trading-day period, these repurchases must be conducted by means of a public tender offer.

Dividends

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 general ordinary shareholders' meeting. At that time, 5% of our company's net earnings must be allocated to a legal reserve fund until such fund reaches an amount equal to at least 20% of the capital stock. As of the last application of earnings in April 1999, Ps. 419.9 million remained to be allocated to this reserve. Shareholders may determine to allocate additional amounts to other reserve funds, including the special reserve fund for the repurchase of shares. Shareholders may decide to distribute the remaining balance, if any, as dividends. Cash dividends on the shares held through Indeval will be distributed by us through Indeval. Cash dividends on the shares evidenced by physical certificates will be paid when the relevant dividend coupon registered in the name of its holder is delivered to us.

Liquidation

If the company were to be liquidated, one or more liquidators might be appointed to wind up its affairs. All fully paid and outstanding common stock would be entitled to participate equally in any distribution upon liquidation after the payment of the company's debts, taxes and the expenses of the liquidation. Common stock that has not been paid in full would be entitled to these proceeds in proportion to the paid-in amount.

Other Provisions

Duration. Under the by-laws, the company's existence continues until December 24, 2070.

Purchase of Common Stock by Subsidiaries of our Company. Companies or other entities controlled by our company may not purchase, directly or indirectly, common stock or shares of our company, or companies or entities that are shareholders of our company.

Shareholders' Conflicts of Interest. Under the Mexican Companies Law, any shareholder that has a direct or indirect conflict of interest with respect to a transaction must abstain from voting on that transaction at the relevant shareholders' meeting. A shareholder that votes on a transaction in which its interest conflicts with that of the company may be liable for damages in the event the relevant transaction would not have been approved without the shareholder's vote.

Board Member Conflicts of Interest. Under Mexican law, any member of the board of directors who has a conflict of interest with the company in any transaction must disclose the conflict to the other members of the board of directors and abstain from voting on that transaction. Any member of the board of directors who violates this

provision may be liable for the resulting damages incurred by the company. Members of the board of directors and the statutory auditors may not represent shareholders at any shareholders' meeting.

Actions against Directors and Statutory Auditors. Shareholders can initiate actions for civil liabilities against directors or statutory auditors by resolution passed at a general ordinary shareholders' meeting. In the event the shareholders decide to bring such an action, the directors or the statutory auditors against whom such action is to be brought will immediately cease to be directors or statutory auditors. Additionally, shareholders representing not less than 33% of the outstanding common stock may directly bring such an action against directors or the statutory auditors if:

- the shareholders did not vote to abstain from the action at the relevant shareholders' meeting; and
- the claim covers all damages allegedly suffered by the company and not only by the shareholders. Any recovery of damages in the action will be for the benefit of the company and not the shareholders bringing the action.
- Under Mexican law, any resolution adopted at a shareholders' meeting may be suspended if shareholders who together hold 33% of the company's outstanding common shares file a complaint with a court of law within 15 days after adjournment of the shareholders' meeting. The complaint must show that the resolution violates Mexican law or the company's by-laws, and a bond must be posted to cover potential damages. In addition, any shareholder may bring a lawsuit challenging any action taken by the company's shareholders within five years of the time the action was taken. Relief under these provisions is only available to holders who
 - * were entitled to vote on the challenged shareholder action, or whose rights as shareholders were adversely affected by it, and
 - * who did not attend the relevant shareholders' meeting or, if they attended, voted against the challenged resolution.

Under certain circumstances, the depository may cause ADSs to be voted in favor of a proposed action without having received voting instructions from the holder. In that case, the holder will be barred from challenging the action. See "Description of American Depositary Shares—Voting Rights."

Right of Dissenting Shareholders to Tender Their Shares. Under Mexican law, if a company changes its business purpose or nationality or changes from one corporate form to another as a result of a resolution adopted by the shareholders at a general extraordinary shareholders' meeting, the dissenting shareholders have the right to withdraw from the company and to compel the company to "reimburse" them for their shares, provided the shareholders fulfill certain conditions. The amount of the reimbursement is determined based on the proportion of the number of shares to be withdrawn by the dissenting shareholders to the company's shareholders' equity as set forth in the financial statements approved at the most recent shareholders' meeting. The reimbursement may have certain tax consequences.

The dissenting shareholders must make their request to withdraw within 15 days after the adjournment of the extraordinary meeting.

Forfeiture of Shares. As required by Mexican law, the company's by-laws provide that any non-Mexicans who acquire an interest or participation in the capital of the company at any time will be treated as having Mexican nationality for purposes of their interest in the company, and will be deemed to have agreed not to invoke the protection of their own government.

In the opinion of Salvador Vargas Guajardo, General Counsel to our company, under this provision, non-Mexican shareholders are deemed to have agreed not to ask their own government to make a diplomatic claim against the Mexican government with respect to their rights as shareholders, but are not deemed to have waived any other rights they may have, including any rights under the U.S. securities laws, with respect to their investment in our company. If a shareholder invokes governmental protection in violation of this provision, its shares could be forfeited to the Mexican government. Mexican law requires that this provision be included in the corporate charter of all Mexican companies unless the charter prohibits ownership of shares by non-Mexicans.

Repurchase in the Event of Delisting. If the registration of our common shares in the Securities Section of the RNVI is canceled, whether at our request or by the CNBV, under our by-laws and CNBV regulations, our

controlling shareholders must make a public offer to purchase the shares owned by minority shareholders before the cancellation takes effect. Unless a different price is approved by the CNBV, the common shares must be purchased by the controlling shareholders at the higher of

- the average closing sale price for the common shares during the 30 days before the offer; or
- the book value of the common shares, as reflected in the company's last quarterly report filed with the CNBV and the Mexican Stock Exchange before the date of the offer.

Under the by-laws, holders of the majority of the common shares are not obligated to make a public offer to purchase the common shares owned by minority holders if the holders of all the outstanding common shares of the company approve the cancellation of the registration of the common shares with the RNVF. This provision in the by-laws may not be amended without the consent of holders of at least 95% of the outstanding common shares and the prior approval of the CNBV.

Restrictions on Foreign Investment

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 Commerce and Industrial Development and the National Commission on Foreign Investment are responsible for the administration of the Foreign Investment Law and the Foreign Investment Regulations.

The Foreign Investment Law sets aside certain economic activities exclusively for the Mexican state and certain other activities exclusively for Mexican individuals or Mexican corporations. The by-laws of these corporations prohibit ownership by non-Mexicans of the corporation's voting securities and limit the participation of non-Mexican investors to certain percentages with respect to enterprises engaged in specific activities. The Foreign Investment Law also requires prior authorization from the Foreign Investment Commission to allow foreign investors to own more than 49% of the capital of certain Mexican enterprises that are not specifically excluded from this requirement, if their total assets exceed an amount fixed by the Foreign Investment Commission. The by-laws of GRUMA allow the ownership by non-Mexicans of 100% of its capital stock.

DIVIDENDS

The following list sets out stock dividends we have distributed since 1994:

- 1994 - 12,447,363 shares in connection with the capitalization of retained earnings of Ps. 226.4 million.
- 1995 - 4,923,534 shares in connection with the capitalization of retained earnings of Ps. 213.8 million.
- 1996 - 12,555,777 shares in connection with the capitalization of retained earnings of Ps. 643.7 million.
- May 8, 1997 - 6,840,537 series B shares (one series B share for each 50 outstanding series B shares) in connection with the capitalization of retained earnings of Ps. 368.7 million.
- May 12, 1998 - 5,809,656 series B shares (one series B share for each 60 outstanding series B shares) in connection with the capitalization of retained earnings of Ps. 130.0 million.
- May 12, 1999 - 5,882,717 series B shares (one series B share for each 60 outstanding series B shares) in connection with the capitalization of retained earnings of Ps. 107.6 million

The Mexican General Law of Commercial Companies requires us to allocate at least 5% of our net income each year to a legal reserve fund until this fund reaches an amount equal to at least 20% of our historical capital stock (before the effect of restatement under Mexican GAAP). Mexican companies generally pay dividends out of earnings (including retained earnings) after making an allocation to the legal reserve and subject to shareholder approval at a general shareholders' meeting.

The payment of future dividends, if any, will depend upon a variety of factors, including:

- our future operating results;
- our financial condition and capital requirements;
- compliance with covenants contained in our credit facilities; and
- our ability to obtain funds from our subsidiaries.

You should not view the dividends paid in respect of the series B shares in the past as indicative of the amount of dividends, if any, that we might declare and pay in the future. A vote of the shareholders determines the declaration, amount and payment of dividends, generally upon the recommendation of the board of directors. Roberto González Barrera, together with certain members of his family, owns 56.2% of the outstanding series B shares and has the power to control the amount and timing of payment of any dividends. See "Control of the Registrant" in our annual report on Form 20-F. We reserve the right to change our dividend policy in future periods.

The taxation of dividends under Mexican law is described in the section "Taxation" under "Mexican Federal Tax Considerations—Taxation of Dividends" on page 32.

To the extent that we declare and pay dividends on any shares, owners of the ADSs on the relevant record date will be entitled to receive any dividends payable in respect of the shares underlying the ADSs, subject to the terms of the Deposit Agreement. We will pay cash dividends to the depositary in pesos and, except as otherwise described under "Description of the American Depositary Shares—Dividends, Other Distributions and Rights," the depositary will convert the pesos into U.S. dollars and pay you, after deducting currency conversion expenses.

The Mexican economy has suffered balance of payment deficits and recent shortages in foreign exchange reserves. While the Mexican government does not currently restrict the ability of Mexican or foreign persons or entities to convert pesos to U.S. dollars, we cannot assure you that the Mexican government will not institute a restrictive exchange control policy in the future. Any such restrictive exchange control policy would adversely affect the depositary's ability to convert dividends received in pesos into U.S. dollars in order to pay dividends to holders of ADSs. See "Risk Factors— Any Exchange Controls in Mexico Could Impair Our Ability to Meet Our Obligations."

Several of our credit facilities contain financial covenants which, if we fail to comply with them, would prevent us from paying dividends. We are currently in compliance with all these covenants. For additional information concerning these covenants, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” in our annual report on Form 20-F.

PLAN OF DISTRIBUTION

The distribution of New Shares and New ADSs pursuant to the Rights Offering is described under “The Rights Offering” above. We have not entered into any contractual arrangements with any underwriters with respect to the New Shares and New ADSs offered hereby.

VALIDITY OF SECURITIES

The validity of the New ADSs will be passed upon for GRUMA by Curtis, Mallet-Prevost, Colt & Mosle LLP, New York, New York. The validity of the New Shares underlying such New ADSs will be passed upon for GRUMA by Salvador Vargas Guajardo, Esq., General Counsel of our company. Curtis, Mallet-Prevost, Colt & Mosle LLP will rely, without independent investigation, upon the opinion of Mr. Vargas Guajardo with respect to matters governed by Mexican law.

EXPERTS

The consolidated financial statements of GRUMA, S.A. de C.V. as of December 31, 1997 and 1998 and for each of the three years in the period ended December 31, 1998 incorporated in this prospectus by reference to our annual report on Form 20-F have been so included in reliance on the report of PricewaterhouseCoopers, independent public accountants, given upon the authority of said firm as experts in auditing and accounting.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution

Expenses in connection with the issuance and distribution of the securities being registered hereby are estimated as follows:

Securities and Exchange Commission registration fee	\$ 8,500
Accounting fees and expenses*	\$ 40,000
Depository/Subscription Agent's fees and expenses*	\$ 25,000
Legal fees and expenses*	\$125,000
Listing fees*	\$ 16,000
Printing expenses*	\$ 5,000
Miscellaneous*	\$ 2,500
Total.....	<u>\$222,000</u>

* The amount is estimated.

Item 15. Indemnification of Directors and Officers

Under Mexican law, when an officer or director of a corporation acts within the scope of his authority, the corporation will answer for any resulting liabilities or expenses. In addition, our board of directors has adopted resolutions pursuant to which we will indemnify and hold harmless each of our directors and officers against liabilities incurred in connection with the distribution of the securities registered under this registration statement.

Item 16. Exhibits

Exhibit Number

- 4.1 — Deposit Agreement by and among GRUMA, S.A. de C.V, Citibank, N.A. as Depository and the Holders and Beneficial Owners of American Depositary Shares Evidenced by American Depositary Receipts Issued Thereunder (including form of American Depositary Receipt)(incorporated by reference to Exhibit (a) to the registrant's Registration Statement on Form F-6, Registration No. 333-9282).
- 4.2 — Specimen of series B shares of GRUMA, together with an English translation (incorporated by reference to the registrant's Registration Statement on Form F-4, Registration No. 333-8266).
- 5.1 — Opinion of Salvador Vargas Guajardo, Esq., General Counsel of GRUMA, S.A. de C.V., as to the validity of the series B shares and certain tax matters.
- 10.1 — Credit Agreement dated as of August 17, 1999 among GRUMA, S.A. de C.V., the Lenders party thereto and The Chase Manhattan Bank as Administrative Agent.
- 23.1 — Consent of PricewaterhouseCoopers.
- 23.2 — Consent of Salvador Vargas Guajardo, Esq., General Counsel of GRUMA, S.A. de C.V., (included in Exhibit 5.1).

Item 18. Undertakings

(1) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed

to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(2) Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers and controlling persons of GRUMA pursuant to the foregoing provisions, or otherwise, GRUMA has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by GRUMA of expenses incurred or paid by a director, officer or controlling person of GRUMA in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, GRUMA will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, as amended, and will be governed by the final adjudication of such issue.

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EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>	<u>Sequentially Numbered Page</u>
4.1	Deposit Agreement by and among GRUMA, S.A. de C.V, Citibank, N.A. as Depositary and the Holders and Beneficial Owners of American Depositary Shares Evidenced by American Depositary Receipts Issued Thereunder (including form of American Depositary Receipt) (incorporated by reference to the registrant's Registration Statement on Form F-6, Registration No. 333-9282).	
4.2	Specimen of series B shares of GRUMA, together with an English translation (incorporated by reference to the registrant's Registration Statement on Form F-4, Registration No. 333-8266).	
5.1	Opinion of Salvador Vargas Guajardo, Esq., General Counsel of GRUMA, S.A. de C.V., as to the validity of the series B shares and certain tax matters.	
10.1	Credit Agreement dated as of August 17, 1999 among GRUMA, S.A. de C.V., the Lenders party thereto and The Chase Manhattan Bank as Administrative Agent.	
23.1	Consent of Pricewaterhouse Coopers.	
25.2	Consent of Salvador Vargas Guajardo, Esq., General Counsel of GRUMA, S.A. de C.V., (included in Exhibit 5.1).	