



GRUMA

Investor Relations

ir@gruma.com

Tel: 52 (81) 8399-3349

www.gruma.com

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GRUMA REPORTS FIRST QUARTER 2020 RESULTS

HIGHLIGHTS

On a consolidated basis **sales volume** rose 6%, primarily arising from a 9% surge at Gruma USA, along with strong growth at all operations other than China.

Net sales increased 16% mostly in relation to a 13% rise at Gruma USA, 8% at GIMSA, 13% at Gruma Centroamérica, and 5% at Gruma Europe, coupled with the weakness of the Mexican peso ("MXN" or "peso"), which benefited GRUMA's foreign operations when measured in peso terms. Sales from non-Mexican operations represented 75% of consolidated figures.

EBITDA rose 22%, and EBITDA margin improved 80 basis points to 16.3% from 15.5% driven by better performance at all subsidiaries, primarily at Gruma USA, and, to a lesser extent, when measuring EBITDA in absolute terms, by the benefit of peso weakness. EBITDA from non-Mexican operations represented 77% of consolidated figures.

Majority net income declined 45% to Ps.562 million due to non-cash foreign exchange losses on intercompany loans.

GRUMA's **debt** decreased US\$46 million during the quarter to US\$1.4 billion, representing a **net debt/EBITDA** ratio of 2 times.

Consolidated Financial Highlights

(Ps. millions)

	1Q20	1Q19	Var
Sales volume (thousand metric tons)	1,041	985	6%
Net sales	21,544	18,579	16%
Operating income	2,662	2,049	30%
Operating margin	12.4%	11.0%	140 bp
EBITDA	3,505	2,871	22%
EBITDA margin	16.3%	15.5%	80 bp
Majority net income	562	1,029	(45)%





1Q20 Results

CONSOLIDATED RESULTS OF OPERATIONS

1Q20 versus 1Q19

Sales volume increased 6% to 1,041 thousand metric tons, primarily reflecting a 9% surge at Gruma USA, 17% at Gruma Europe, and 3% at GIMSA.

Net sales rose 16% to Ps.21,544 million driven primarily by (1) volume growth and higher prices from better sales mix at Gruma USA; (2) price increases and volume growth at GIMSA; (3) volume growth at Gruma Centroamérica; and (4) volume growth at Gruma Europe. Net sales also significantly benefited from the weakness of the Mexican peso versus the U.S. dollar (“USD” or “dollar”) on figures for foreign operations when measured in peso terms.

Cost of sales as a percentage of net sales improved to 62.3% from 63.4% driven mostly by (1) better sales mix and absorption at Gruma USA; (2) better absorption, production efficiencies, and lower input costs at Gruma Europe; and (3) better absorption and lower input costs at Gruma Centroamérica. In absolute terms, cost of sales increased 14% to Ps.13,425 million, mostly in connection with (1) negative impact from peso weakness on foreign subsidiaries; and (2) volume growth and cost pressures, most notably at Gruma USA and GIMSA.

Selling, general and administrative expenses (“SG&A”) as a percentage of net sales increased to 26% from 25.5%, resulting primarily from Gruma Europe and GIMSA due mainly to higher freight rates and higher marketing expenses. In absolute terms, SG&A rose 18% to Ps.5,601 million primarily related to (1) impact from peso weakness on foreign subsidiaries; (2) volume growth; (3) higher sales commissions, especially at Gruma USA; and (4) higher freight and marketing expenses.

Other income, net, was Ps.144 million, a Ps.162 million improvement mostly resulting from gains on foreign exchange hedging on imported corn at GIMSA, and insurance reimbursements.

Operating income rose 30% to Ps.2,662 million. Operating margin improved to 12.4% from 11%.

EBITDA rose 22% to Ps.3,505 million, and EBITDA margin improved to 16.3% from 15.5%.

Net comprehensive financing cost was Ps.1,719 million, Ps.1,295 million higher, primarily in connection with non-cash foreign exchange losses of Ps.1,027 million on intercompany loans.





Income taxes were Ps.381 million, 36% less than in 1Q19 due mainly to lower pre-tax income arising primarily from non-cash foreign exchange losses on intercompany loans. The effective tax rate rose to 40.4% from 36.7% mostly in connection with (1) non-cash foreign exchange losses on intercompany loans which reduced consolidated pre-tax income while profitable businesses had to pay their corresponding taxes; and, to a lesser extent, (2) higher inflationary gains resulting from higher average net liabilities, higher inflation rates in Mexico, and the impact of peso weakness on dollar-denominated debt.

Majority net income declined 45% to Ps.562 million due mainly to non-cash foreign exchange losses on intercompany loans.

FINANCIAL POSITION

March 2020 versus December 2019

Balance Sheet Highlights

Total assets surged 20% to Ps.79,952 million principally from the benefit of a weaker peso on foreign assets.

Total liabilities increased 23% to Ps.50,513 million mostly from peso weakness.

Majority shareholders' equity rose 13% to 29,453 million.

Debt Profile

GRUMA's debt was US\$1.4 billion, US\$46 million less than at December 2019. Approximately 79% of GRUMA's debt was USD denominated. In peso terms, GRUMA's debt increased 21% to Ps.32,208 million in connection with peso weakness.





Debt
(USD millions)

Mar'20	Mar'19	Var vs Mar'19		Dec'19	Var vs Dec'19	
		(\$)	(%)		(\$)	(%)
1,374	1,365	9	1	1,420	(46)	(3)

Debt Maturity Profile ⁽¹⁾
(USD millions)

	Rate	2020	2021	2022	2023	2024	2025	2026	TOTAL
Senior Notes 2024 (USD)	Fixed 4.875%					400.0			400.0
Scotiabank Term Loan (USD \$250)	Fixed 2.79%						250.0		250.0
Rabobank Syndicated Term Loan (USD \$150)	LIBOR + 1%	22.5	26.3	82.5					131.3
Scotiabank Revolving Facility (USD \$120)	LIBOR + 0.75%			40.0					40.0
Cebures 2023 (MXN \$3,000)	Fixed 8.52%				127.6				127.6
Club Loan (MXN \$2,000)	TIIE + 0.55%		85.1						85.1
Other:									
USD	2.47%	12.0							12.0
EUR	1.06%	3.4	2.3	12.0	11.8	11.8	9.9	9.9	61.1
TOTAL	4.45% (avg.)	37.9	113.6	134.5	139.4	411.8	259.9	9.9	1,107.0

(1) The US\$267 million related to leases are not included on the above debt figures.

CAPITAL EXPENDITURE PROGRAM

GRUMA's capital expenditures totaled US\$26 million in 1Q20. During the quarter, capital expenditures were mostly allocated to the following projects: (1) tortilla capacity expansions in the U.K.; (2) capacity expansions at the tortilla plant in Dallas; (3) expansion of the tortilla plant in Spain; and (4) maintenance and general technology upgrades.





SUBSIDIARY RESULTS OF OPERATIONS

1Q20 versus 1Q19

Gruma USA

Sales volume rose 9% to 376 thousand metric tons. Corn flour sales volume surged 12% and tortilla sales volume increased 8% mostly driven by consumer demand at supermarkets and grocery stores due to the COVID-19 issue, especially during March. Growth in the tortilla business was also driven by (1) healthier consumer trends favoring carb balance and gluten-free tortillas; (2) the recently launched protein tortillas; as well as (3) super soft wheat flour tortillas.



Net sales increased 13% to Ps.14,103 million driven by (1) sales volume growth; (2) better sales mix at the tortilla retail channel favoring higher-priced SKUs, especially carb-balance, gluten-free, protein, and super soft wheat flour tortillas; and (3) better sales mix between channels in the tortilla business favoring retail over foodservice. The sales volume mix favoring corn flour partially offset the benefit from higher average prices at the tortilla business.

Cost of sales as a percentage of net sales improved to 57% from 58.1%. The better sales mix at the tortilla business and better absorption offset (1) cost pressures, especially from labor; and (2) the negative impact from the sales volume mix favoring corn flour, which generates lower gross margins than tortillas. In absolute terms, cost of sales rose 11% to Ps.8,041 million, due mainly to (1) sales volume growth; (2) the cost pressures arising mostly from labor; and (3) the change in the sales mix favoring healthier and value-added products, which have higher material costs.

SG&A as a percentage of net sales improved to 28.6% from 29.2% due to better absorption. In absolute terms, SG&A increased 10% to Ps.4,029 million as freights and sales commissions rose in connection with sales volume growth and higher average prices.

Operating income surged 28% to Ps.2,022 million, and operating margin improved 160 basis points to 14%.

EBITDA rose 18% to Ps.2,632 million due to strong sales volume as well as the better sales mix in retail, and better overall mix between channels favoring retail. EBITDA margin improved 90 basis points to 18.7% from 17.8%.





GIMSA

Sales volume rose 3% to 503 thousand metric tons mostly due to (1) consumer demand at supermarkets and grocery stores amid the COVID-19 issue, especially during March; (2) higher sales to the Mexican government; (3) higher sales to tortilla makers; and (4) higher export sales to Gruma USA.



Net sales increased 8% to Ps.5,517 million in connection with sales volume growth and price increases at the end of 2019.

Cost of sales as a percentage of net sales rose to 71.8% from 71.3% driven mostly by (1) sales mix favoring the retail channel; (2) higher cost of corn and other input costs; and (3) price increases at some retail customers that were not fully implemented. In absolute terms, cost of sales rose 9% to Ps.3,962 million due primarily to sales volume growth, as well as the aforementioned cost increases.

SG&A as a percentage of net sales rose to 17.8% from 16.8% due mainly to (1) higher freight expenses in connection with higher rates and increased retail sales; and (2) higher marketing expenses. In absolute terms, SG&A rose 14% to Ps.980 million resulting from sales volume growth and the aforementioned expense increases.

Other income, net, was Ps.89 million, a Ps.104 million improvement resulting from gains on foreign exchange hedging on imported corn.

Operating income rose 12% to Ps.664 million, and operating margin improved to 12% from 11.6% driven by other income.

EBITDA increased 11% to Ps.935 million. EBITDA margin improved to 16.9% from 16.4%.

Gruma Europe



Sales volume surged 17% to 105 thousand metric tons. In the **corn milling** business, sales volume soared 26%, resulting mostly from higher sales to snack producers, including to new customers, and higher sales of byproducts. The **tortilla** business was flat as consumers' buying amid the COVID-19 issue at the retail channel offset reductions at food service. In addition, the retail tortilla business benefited from new customers, especially in the U.K.

Net sales increased 5% to Ps.1,700 million resulting from sales volume growth. Average prices declined mostly from sales mix favoring the corn milling business and byproducts.





Cost of sales as a percentage of net sales improved to 73.3% from 76.7% primarily in connection with (1) better absorption; (2) lower costs for energy and packaging; and (3) efficiencies from packaging automation at tortilla plants. In absolute terms, cost of sales was flat at Ps.1,246 million as the cost reductions and efficiencies offset the higher cost associated with volume growth.

SG&A as a percentage of net sales increased to 26.9% from 21.4% driven by (1) higher marketing expenses at the retail tortilla business; (2) higher freight rates amid the COVID-19 issue; and (3) provisions for doubtful accounts. In absolute terms, SG&A rose 32% to Ps.458 million resulting from sales volume growth, and the increase in expenses.

Other income, net, rose Ps.66 million to Ps.67 million in connection with insurance reimbursements.

Operating income rose 99% to Ps.63 million, and operating margin improved 170 basis points to 3.7% driven by other income.

EBITDA increased 31% to Ps.138 million, and EBITDA margin rose to 8.1% from 6.5%.

Gruma Centroamérica

Sales volume rose 5% to 56 thousand metric tons driven mainly by demand from consumers amid the COVID-19 issue.

Net sales increased 13% to Ps.1,277 million driven by sales volume, and the benefit from peso weakness.

Cost of sales as a percentage of net sales improved to 65.8% from 67.5% driven mostly by (1) better absorption; and (2) lower costs for corn, energy and packaging. In absolute terms, cost of sales rose 10% to Ps.840 million in connection with volume growth and, more importantly, peso weakness.

SG&A as a percentage of net sales rose to 25.8% from 24.3% due mainly to (1) higher promotion and advertising expenses at the tortilla and snack businesses in Costa Rica; (2) higher marketing expenses to support the MASECA brand; and (3) provisions for doubtful accounts in 1Q20 as opposed to cancellation of provisions for doubtful accounts and variable compensation in 1Q19. In absolute terms, SG&A increased 20% to Ps.330 million resulting from the increase in expenses and the negative impact of peso weakness.

Operating income rose 16% to Ps.107 million, and operating margin improved 30 basis points to 8.4%.

EBITDA increased 12% to Ps.151 million, and EBITDA margin was flat at 11.8%.





1Q20 Results

Other Subsidiaries and Eliminations

Operating income declined Ps.32 million to Ps.26 million due to low activity at the technology division and weak sales in China due to the COVID-19 issue. EBITDA was a negative Ps.62million, Ps.57 million more than last year.

CONFERENCE CALL

The first quarter conference call will be held on Thursday, April 23, 2020 at 11:30 am Eastern Time (10:30 am Central/ Mexico City Time). To access the call, please dial: domestic US +1 (877) 407 0784, international +1 (201) 689 8560.

ACCOUNTING PROCEDURES

The consolidated figures have been prepared in accordance with the International Financial Reporting Standards (IFRS). Results for foreign subsidiaries are translated into Mexican pesos applying the historical exchange rate. Nevertheless, under the section “Subsidiary Results of Operations” and the table “Financial Highlights by Subsidiary” of this report, figures for Gruma USA and Gruma Europe were translated into Mexican pesos using a convenience translation at the exchange rate of Ps.23.5122/dollar as of March 31, 2020. The differences between the use of convenience translation and the historical exchange rate are recorded under the line “Convenience Translation Effect” of the same table.





ABOUT GRUMA

Since 1949, GRUMA, S.A.B. de C.V., is one of the world's leading tortilla and corn flour producers. With leading brands in most of its markets, GRUMA has operations in the United States, Mexico, Central America, Europe, Asia and Oceania. GRUMA is headquartered in San Pedro Garza García, Mexico, and has approximately 21,000 employees and 73 plants. In 2019, GRUMA had net sales of US\$4.1 billion, of which 73% came from non-Mexican operations. For further information, please visit www.gruma.com.

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GRUMA, S.A.B. DE C.V., AND SUBSIDIARIES
FINANCIAL HIGHLIGHTS
(MILLIONS OF MEXICAN PESOS)

INCOME STATEMENT SUMMARY	QUARTERS		
	1Q20	1Q19	VAR (%)
NET SALES	21,544	18,579	16
COST OF SALES	13,425	11,780	14
GROSS PROFIT	8,119	6,799	19
GROSS MARGIN (%)	37.7%	36.6%	
SELLING AND ADMINISTRATIVE EXPENSES	5,601	4,732	
OTHER EXPENSE (INCOME) , NET	(144)	18	
OPERATING INCOME	2,662	2,049	30
OPERATING MARGIN (%)	12.4%	11.0%	
NET COMPREHENSIVE FINANCING COST	1,719	424	
INTEREST EXPENSE	430	465	
INTEREST INCOME	(20)	(28)	
(GAIN) LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS	203	(13)	
FOREIGN EXCHANGE LOSS (GAIN)	1,106	(0)	
INCOME TAXES	381	596	
NET INCOME	562	1,029	(45)
MAJORITY NET INCOME	562	1,029	(45)
EARNINGS PER SHARE ¹	1.38	2.44	(43)
DEPRECIATION AND AMORTIZATION	843	822	
EBITDA ²	3,505	2,871	22
EBITDA MARGIN (%)	16.3%	15.5%	
CAPITAL EXPENDITURES (MILLION US\$)	26	30	

BALANCE SHEET SUMMARY	Mar-20	Mar-19	VAR (%)	Dec-19	VAR (%)
CASH AND CASH EQUIVALENTS	5,823	3,885	50	3,944	48
TRADE ACCOUNTS RECEIVABLE	9,858	7,544	31	7,818	26
OTHER ACCOUNTS RECEIVABLE	2,945	2,673	10	3,106	(5)
INVENTORIES	12,962	11,755	10	11,238	15
CURRENT ASSETS	32,739	26,483	24	26,700	23
PROPERTY, PLANT, AND EQUIPMENT, NET	38,432	34,235	12	33,395	15
TOTAL ASSETS	79,952	67,283	19	66,883	20
SHORT-TERM DEBT	1,568	7,119	(78)	1,200	31
CURRENT LIABILITIES	16,265	18,913	(14)	12,299	32
LONG-TERM DEBT	30,640	19,156	60	25,442	20
TOTAL LIABILITIES	50,513	40,887	24	40,905	23
MAJORITY SHAREHOLDERS' EQUITY	29,453	26,407	12	25,989	13
SHAREHOLDERS' EQUITY	29,440	26,396	12	25,978	13
CURRENT ASSETS/CURRENT LIABILITIES	2.01	1.40		2.17	
TOTAL LIABILITIES/SHAREHOLDERS' EQUITY	1.72	1.55		1.57	
DEBT/EBITDA ³	2.45	2.20		2.13	
EBITDA/INTERES EXPENSE ³	6.69	7.60		6.26	
BOOK VALUE PER SHARE ¹	72.63	62.73		62.91	

¹ On the basis of 405'491,056 shares as of March 31, 2020, 413'143,708 shares as of December 31, 2019, and 420'957,493 shares as of March 31, 2019.

² EBITDA = operating income + depreciation, amortization and impairment of long lived assets +(-) other expenses (income) unrelated to core business operations.

³ Last twelve months.

GRUMA, S.A.B. DE C.V., AND SUBSIDIARIES
FINANCIAL HIGHLIGHTS BY SUBSIDIARY
(MILLIONS OF MEXICAN PESOS)

		QUARTERS					
		1Q20	%	1Q19	%	VAR (\$)	VAR (%)
GRUMA USA ¹ Corn flour, tortillas, and other	SALES VOLUME ²	376		343		32	9
	NET SALES	14,103		12,485		1,618	13
	COST OF SALES	8,041	57.0	7,251	58.1	790	11
	GROSS PROFIT	6,062	43.0	5,234	41.9	828	16
	SG&A	4,029	28.6	3,648	29.2	381	10
	OPERATING INCOME	2,022	14.3	1,580	12.7	441	28
	EBITDA	2,632	18.7	2,228	17.8	404	18
GIMSA Corn flour and other	SALES VOLUME	503		487		15	3
	NET SALES	5,517		5,110		407	8
	COST OF SALES	3,962	71.8	3,644	71.3	318	9
	GROSS PROFIT	1,555	28.2	1,466	28.7	89	6
	SG&A	980	17.8	860	16.8	120	14
	OPERATING INCOME	664	12.0	591	11.6	72	12
	EBITDA	935	16.9	838	16.4	96	11
GRUMA EUROPE ¹ Corn flour, tortillas, and other	SALES VOLUME ²	105		90		16	17
	NET SALES	1,700		1,621		79	5
	COST OF SALES	1,246	73.3	1,243	76.7	3	0
	GROSS PROFIT	454	26.7	378	23.3	75	20
	SG&A	458	26.9	347	21.4	110	32
	OPERATING INCOME	63	3.7	32	2.0	32	99
	EBITDA	138	8.1	105	6.5	32	31
GRUMA CENTROAMÉRICA Corn flour and other	SALES VOLUME	56		53		3	5
	NET SALES	1,277		1,133		144	13
	COST OF SALES	840	65.8	765	67.5	75	10
	GROSS PROFIT	437	34.2	368	32.5	69	19
	SG&A	330	25.8	276	24.3	54	20
	OPERATING INCOME	107	8.4	92	8.1	15	16
	EBITDA	151	11.8	134	11.8	17	12
OTHER SUBSIDIARIES & ELIMINATIONS	SALES VOLUME	1		11		(10)	(89)
	NET SALES	712		832		(120)	(14)
	COST OF SALES	373	52.4	435	52.3	(62)	(14)
	GROSS PROFIT	339	47.6	397	47.7	(58)	(15)
	SG&A	312	43.8	339	40.7	(27)	(8)
	OPERATING INCOME	26	3.7	58	7.0	(32)	(55)
	EBITDA	(62)	(8.7)	(5)	(0.6)	(57)	(1,140)
CONVENIENCE TRANSLATION EFFECT ³	NET SALES	(1,764)		(2,603)		839	32
	COST OF SALES	(1,037)		(1,559)		522	33
	GROSS PROFIT	(727)		(1,044)		317	30
	SG&A	(507)		(738)		231	31
	OPERATING INCOME	(220)		(305)		85	28
	EBITDA	(288)		(430)		142	33
CONSOLIDATED	SALES VOLUME	1,041		985		56	6
	NET SALES	21,544		18,579		2,966	16
	COST OF SALES	13,425	62.3	11,780	63.4	1,646	14
	GROSS PROFIT	8,119	37.7	6,799	36.6	1,320	19
	SG&A	5,601	26.0	4,732	25.5	869	18
	OTHER EXP. (INC.), NET	(144)		18		(162)	(899)
	OPERATING INCOME	2,662	12.4	2,049	11.0	613	30
	EBITDA	3,505	16.3	2,871	15.5	634	22

¹ Convenience translation at the exchange rate of Ps. 23.5122/dollar as of March 31, 2020. For further details see "Accounting Procedures".

² All sales volume figures are expressed in thousand metric tons.

³ The difference between the use of convenience translation and the historical exchange rate on figures for Gruma USA and Gruma Europe is recorded under "Convenience Translation Effect".