SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

[ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2004

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
for the transition period from to

Commission File Number: 1-14852

GRUMA, S.A. de C.V.
(Exact name of Registrant as specified in its charter)

N/A	**United Mexican States**
(Translation of Registrant's name into English)	(Jurisdiction of incorporation or organization)

Calzada del Valle, Ote. 407
Colonia del Valle
San Pedro Garza García, Nuevo León
66220, México
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class:	**Name of exchange on which registered:**
Series B Common Shares, without par value	New York Stock Exchange*
American Depositary Shares, each representing four Series B Common Shares, without par value	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

7.625% Notes due 2007

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

452,049,643 Series B Common Shares, without par value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No __

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17__ Item 18 X

* Not for trading but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

TABLE OF CONTENTS

PRESENTATION OF FINANCIAL INFORMATION

Gruma, S.A. de C.V. is a corporation (*sociedad anónima de capital variable*) organized under the laws of the United Mexican States, or Mexico.

In this Annual Report on Form 20-F, references to "pesos" or "Ps." are to Mexican pesos, and references to "U.S. dollars," "U.S.$," "dollars" or "$" are to United States dollars. "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.

This Annual Report contains our audited consolidated financial statements as of December 31, 2003 and 2004 and for the years ended December 31, 2002, 2003 and 2004. The financial statements have been audited by PricewaterhouseCoopers, an independent registered public accounting firm.

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 of America, commonly referred to as "U.S. GAAP." See Note 21 to our audited consolidated financial statements for information relating to the nature and effect of such differences and for a quantitative reconciliation of our consolidated net income and stockholders' equity to U.S. GAAP.

As the Mexican economy has experienced significant levels of inflation in the past, 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. Unless otherwise indicated, all financial information in this Annual Report has been restated in pesos of constant purchasing power as of December 31, 2004.

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 the resulting net monetary position is multiplied by the appropriate inflation rate for the period with the resulting monetary gain or loss reflected in earnings. In so doing, we can reflect the effect inflation is having on our monetary items.

Pursuant to Bulletin B-15, we apply the actual inflation rate in the relevant country of each non-Mexican subsidiary and then translate the inflation-adjusted financial statements into pesos. The figures for subsidiaries in Central America, Venezuela and U.S. are restated to period-end constant local currencies following the provisions of Bulletin B-10 and B-15, applying the general consumer price index from the country in which the subsidiary operates. Once figures are restated, they are converted to Mexican Pesos by applying the exchange rate in effect at the end of the period.

For the purposes of the quantitative reconciliation to U.S. GAAP, we have restated the data as of December 31, 2003 and for years ended December 31, 2002 and 2003 in pesos of constant purchasing power as of December 31, 2004 using the Mexican National Consumer Price Index, or NCPI, rather than the international restatement factor in Bulletin B-15. For a more detailed discussion of Mexican GAAP inflation accounting methodologies, see "Item 5. Operating and Financial Review and Prospects—Management's Discussion and Analysis of Results of Operations—Overview of Accounting Presentation."

MARKET SHARE AND OTHER INFORMATION

The information contained in this Annual Report regarding our market positions in Mexico, Venezuela, Central America, the United States, Europe and Asia is based primarily on our own estimates and internal analysis. Market position information for the United States is also based on data from the Tortilla Industry Association. While we believe our internal research and estimates are reliable, they have not been verified by any independent source and we cannot assure you as to their accuracy.

All references to "tons" in this Annual Report refer to metric tons. One metric ton equals 2,204 pounds. Estimates of production capacity contained herein assume 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.

FORWARD LOOKING STATEMENTS

This Annual Report includes "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, including the statements about our plans, strategies and prospects under "Item 4. Information on the Company" and "Item 5. Operating and Financial Review and Prospects." 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. Actual results could differ materially from the forward-looking statements as a result of risks, uncertainties and other factors discussed in "Item 3. Key Information—Risk Factors," "Item 4. Information on the Company," "Item 5. Operating and Financial Review and Prospects" and "Item 11. Quantitative and Qualitative Disclosures About Market Risk." These risks, uncertainties and factors include: general economic and business conditions, including changes in exchange rates, and conditions that affect the price of corn and wheat; potential changes in demand for our products; price and product competition; and other factors discussed herein.

PART I

ITEM 1. Identity of Directors, Senior Management and Advisors.

Not applicable.

ITEM 2. Offer Statistics and Expected Timetable.

Not applicable.

ITEM 3. Key Information.

SELECTED FINANCIAL DATA

The following tables present our selected consolidated financial data as of and for each of the years indicated. The data as of December 31, 2003 and 2004 and for the years ended December 31, 2002, 2003 and 2004 are derived from and should be read together with our financial statements included herein and "Item 5. Operating and Financial Review and Prospects."

Our consolidated financial statements are prepared in accordance with Mexican GAAP, which differs in certain significant respects from accounting principles generally accepted in the United States of America. Note 21 to the consolidated financial statements provides information relating to the nature and effect of such differences, as they relate to us, and provides a reconciliation to U.S. GAAP of majority net income and total stockholders' equity.

Pursuant to Mexican GAAP, the consolidated financial statements and the selected consolidated financial data set forth below restate the components of stockholders' equity using the NCPI factors and record gains and losses in purchasing power from holding monetary assets or liabilities. Under Mexican GAAP, non-monetary assets, with the exception of inventories and fixed assets of non-Mexican origin, are restated using the NCPI and General Consumer Price Index, or GCPI, factors for foreign subsidiaries. Inventories are restated at current replacement costs while fixed assets of foreign origin are restated by the inflation rate of the country of origin prior to translation to pesos at the period-end exchange rate. Mexican GAAP also requires restatement of all financial statements to pesos of constant purchasing power as of the date of the most recent balance sheet presented, and accordingly all data in the consolidated financial statements and in the selected consolidated financial data set forth below have been restated in pesos of constant purchasing power as of December 31, 2004. The effects of inflation accounting under Mexican GAAP, other than for the use of a specific index for the restatement of fixed assets of foreign origin, have not been reversed in the reconciliation to U.S. GAAP. See Note 21 to our consolidated financial statements.

	2000	2001	2002	2003	2004
	(thousands of Mexican pesos of constant purchasing power as of December 31, 2004, except per share amounts)				
Income Statement Data:					
***Mexican GAAP*:**					
Net sales	Ps.21,034,456	Ps.20,648,247	Ps.20,932,695	Ps.23,311,102	Ps.24,992,482
Cost of sales	(13,410,086)	(13,021,059)	(13,091,674)	(14,843,230)	(16,034,806)
Gross profit	7,624,370	7,627,188	7,841,021	8,467,872	8,957,676
Selling, general and administrative expenses	(6,684,324)	(6,562,061)	(6,211,904)	(6,699,100)	(7,017,756)
Operating income	940,046	1,065,127	1,629,117	1,768,772	1,939,920
Net comprehensive financing income (cost):					
Interest expense	(912,568)	(731,551)	(618,612)	(538,077)	(486,716)
Interest income	169,792	101,547	62,966	65,437	228,396
Monetary position gain (loss), net	256,094	196,318	175,692	190,274	242,820
Foreign exchange gain (loss), net	(66,646)	109,117	(287,219)	(183,792)	(51,345)
Total net comprehensive financing income (cost)	(553,328)	(324,569)	(667,173)	(466,158)	(66,845)
Other (expenses) income, net	41,400	75,760	131,571	(177,062)	(286,830)
Income before income tax and Other items	428,118	816,318	1,093,515	1,125,552	1,586,245
Income tax (current and deferred)	(24,874)	(301,016)	(612,695)	(683,888)	(763,378)
Employees' statutory profit sharing (current and deferred)	515	(14,180)	(14,125)	4,755	(9,232)
Other items[1]	73,696	69,882	176,877	237,901	282,197
Minority interest	(208,301)	(208,617)	(214,324)	(185,579)	(172,652)
Majority net income	269,154	362,387	429,248	498,741	923,180
Per share data:					
Majority net income per share[2]	0.62	0.84	0.96	1.12	2.05
U.S. GAAP:					
Net sales	21,787,584	20,387,934	20,811,820	24,026,418	24,786,307
Operating income	891,596	1,328,477	1,563,497	1,870,307	1,893,164
Income before income taxes and other items	211,295	808,983	983,416	1,373,551	1,394,646
Net income	78,070	218,597	338,937	619,622	777,240
Per share data:					
Net income per share[2]	0.18	0.50	0.76	1.39	1.73

	2000	2001	2002	2003	2004
	(thousands of Mexican pesos of constant purchasing power as of December 31, 2004, except capital stock and operating data)				
Balance Sheet Data (at period end):					
Mexican GAAP:					
Property, plant and equipment, net	14,496,841	13,760,941	13,735,964	13,182,072	13,211,627
Total assets	25,121,903	23,886,906	24,173,815	23,655,246	25,208,826
Short-term debt(3)	1,477,292	388,219	863,041	505,171	521,385
Long-term debt(3)	6,746,373	7,234,965	6,607,989	6,050,238	6,015,876
Total liabilities	11,519,540	10,612,218	11,037,374	10,579,216	11,447,905
Excess of book value over cost of subsidiaries acquired, net	421,324	116,979			
Capital stock	14,737,008	14,536,493	14,520,909	14,856,068	15,181,719
Total stockholders' equity(4)	13,181,039	13,157,708	13,136,452	13,076,030	13,760,921
U.S. GAAP:					
Total assets	25,458,491	23,398,146	23,607,175	24,056,451	24,362,476
Long-term debt	7,297,096	7,424,701	6,828,245	6,483,521	6,174,808
Capital stock	14,538,361	14,546,802	14,529,555	14,856,068	15,091,883
Total stockholders' equity	10,104,350	9,708,632	9,383,470	9,722,901	9,770,760
Other Financial Information:					
Mexican GAAP:					
Capital expenditures	1,788,317	768,963	780,830	654,007	1,279,490
Depreciation and amortization	865,354	904,132	1,009,219	1,139,031	1,055,442
Resources provided by (used in):					
Operating activities	1,835,728	1,681,467	1,578,053	1,349,912	1,976,005
Financing activities	(664,920)	(1,074,282)	(883,947)	(1,067,070)	(410,480)
Investing activities	(1,504,914)	(295,151)	(648,820)	(401,276)	(1,451,012)
U.S. GAAP:					
Depreciation and amortization	1,141,941	1,249,019	1,064,729	1,069,245	1,047,790
Net cash provided by (used in):					
Operating activities	1,592,846	1,403,952	1,056,512	1,246,308	1,497,814
Investing activities	(1,695,699)	(297,475)	(592,389)	(264,859)	(1,195,593)
Financing activities	(190,694)	(782,159)	(613,822)	(883,290)	(149,365)
Operating Data:					
Sales volume (thousands of tons):					
Gruma Corporation (corn flour and tortillas)(5)	836	856	899	979	1,088
GIMSA (corn flour and tortillas)	1,520	1,451	1,397	1,406	1,448
Gruma Venezuela (corn flour, wheat flour and other products)	455	458	454	518	504
Molinera de México (wheat flour)	480	489	536	575	460
Gruma Centroamérica (corn flour and other products)(5)	137	140	139	144	154
Production capacity (thousands of tons):					
Gruma Corporation (corn flour and tortillas)	1,329	1,335	1,346	1,394	1,548
GIMSA (corn flour)(6)	2,345	2,345	2,345	2,345	2,408
Gruma Venezuela (corn flour, wheat flour and other products)(7)	780	792	792	792	786
Molinera de México (wheat flour)	717	717	717	717	717
Gruma Centroamérica (corn flour and other products)	172	181	217	217	220
Number of employees	17,208	15,585	14,887	15,104	15,727

(1) Other items include extraordinary items, equity in earnings of associated companies and gain from sale of subsidiaries and associated companies' common stock.

(2) Based upon weighted average of outstanding shares of our common stock (in thousands), as follows: 435,515 shares for the year ended December 31, 2000; 433,235 shares for the year ended December 31, 2001; 446,202 for the year ended December 31, 2002; 445,098 shares for the year ended December 31, 2003; and 450,306 shares for the year ended December 31, 2004.

(3) Short-term debt consists of bank loans and the current portion of long-term debt. Long-term debt consists of debentures and bank loans.

(4) Total stockholders' equity includes minority interests as follows: Ps.2,811 million at December 31, 2000; Ps.2,744 million at December 31, 2001; Ps.2,822 million at December 31, 2002; Ps.2,896 million at December 31, 2003; and Ps.2,916 million at December 31, 2004.

(5) Net of intercompany transactions.

(6) Includes 243,000 tons of temporarily idled production capacity.

(7) Includes 60,924 tons of temporarily idled production capacity.

Dividends

Our ability to pay dividends is limited by Mexican law, our bylaws (*estatutos sociales*) and by financial covenants contained in some of our credit agreements. Because we are a holding company with no significant operations of our own, we have distributable profits to pay dividends to the extent that we receive dividends from our subsidiaries. Accordingly, there can be no assurance that we will pay dividends or of the amount of any such dividends.

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

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

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

Holders of our American Depositary Receipts, or ADRs, on the applicable record date are entitled to receive dividends declared on the shares represented by American Depositary Shares, or ADSs, evidenced by such ADRs. The depositary will fix a record date for the holders of ADRs in respect of each dividend distribution. We pay dividends in pesos and holders of ADSs will receive dividends in U.S. dollars (after conversion by the depositary from pesos, if not then restricted under applicable law) net of the fees, expenses, taxes and governmental charges payable by holders under the laws of Mexico and the terms of the deposit agreement.

The ability of our subsidiaries to make distributions to us is limited by the laws of each country in which they were incorporated and by their constitutive documents. For example, our ability to repatriate dividends from Gruma Venezuela may be adversely affected by exchange controls and other recent events. See "Item 3. Risk Factors—Risks Related to Venezuela—Venezuela Presents Significant Economic Uncertainty and Political Risk." In the particular case of Gruma Corporation, our principal U.S. subsidiary, its ability to pay dividends is subject to financial covenants contained in some of its debt and lease agreements, including covenants which limit the amount of dividend payments. Upon the occurrence of any default or event of default under these credit and lease agreements, Gruma Corporation generally is prohibited from making any dividend or other payments. See "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Indebtedness."

We did not pay dividends in 2000, 2001 or 2002. During 2004, and 2003, we paid dividends to shareholders, in nominal terms, of Ps.315 million, and Ps.287 million, respectively. In pesos of constant purchasing power as of December 31, 2004, the dividends paid or payable to shareholders in 2004, and 2003 amounted to Ps.326 million, and Ps.309 million. During 2005, we resolved to pay dividends of Ps.361 million, stated in nominal terms, which we distributed to shareholders in May 2005.

Exchange Rate Information

Mexico has had a free market for foreign exchange since 1991. Prior to December 1994, the Mexican central bank (*Banco de México*) kept the peso-U.S. dollar exchange rate within a range prescribed by the government through intervention in the foreign exchange market. In December 1994, the government suspended intervention by *Banco de México* and allowed the peso to float freely against the U.S. dollar. The peso declined during the period from 1994 through 1998, at times in response to events outside of Mexico, but was relatively stable in 1999, 2000 and 2001. In late 2001 and early 2002, the Mexican peso appreciated considerably against the U.S. dollar and, more strongly, against other foreign currencies. From the second quarter of 2002 and until the end of 2003, the Mexican peso depreciated in value. From the beginning of 2004 to date in 2005, the foreign exchange markets have been volatile due to international developments, especially the war in the Middle East, a weaker U.S. dollar, and rising international oil prices. There can be no assurance that the government will maintain its current policies with regard to the peso or that the peso will not depreciate or appreciate in the future.

The following table sets forth, for the periods indicated, the high, low, average and period-end noon buying rate in New York City for cable transfers in pesos published by the Federal Reserve Bank of New York, expressed in pesos per U.S. dollar. The rates have not been restated in constant currency units.

Year	Noon Buying Rate (Ps. Per U.S.$) High (1)	Low (1)	Average (2)	Period End
2000	Ps. 10.0870	Ps. 9.1825	Ps. 9.4716	Ps. 9.6180
2001	9.9720	8.9460	9.3255	9.1560
2002	10.4250	9.0005	9.7458	10.4250
2003	11.4063	10.1130	10.8460	11.2420
2004	Ps. 11.6350	Ps. 10.8050	Ps. 11.2900	Ps. 11.1540
2005 (through June 15)	11.4110	10.8125	11.0495	10.8305
December 2004	11.3285	11.1150	11.2010	11.1540
January 2005	11.4110	11.1715	11.2630	11.2065
February 2005	11.2060	11.0430	11.1370	11.0885
March 2005	11.3295	10.9755	11.1550	11.1770
April 2005	11.2298	11.0360	11.112	11.0820
May 2005	11.0330	10.8850	10.9760	10.9125
June 2005(3)	10.8825	10.8125	10.8500	10.8305

(1) Rates shown are the actual low and high, on a day-by-day basis for each period.
(2) Average of month-end rates.
(3) Through June 15, 2005.

On June 15, 2005, the noon buying rate for pesos was Ps.10.8305 to U.S.$1.00.

RISK FACTORS

Risks Relating to Mexico

Our Business Operations Could Be Affected by Economic Conditions in Mexico

We are a Mexican company with a significant portion of our consolidated assets located in Mexico and 31% of our consolidated net sales derived from our Mexican operations. As a result, Mexican economic conditions could impact our sales and profitability.

In December 1994, Mexico experienced an economic crisis characterized by 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. In addition, the 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 the Mexican government and for local corporations as well as an increase in interest rates in Mexico. Civil and political unrest in Venezuela or elsewhere could produce similar results. See "—Adverse Developments in Other Emerging Market Countries May Affect Mexico or the Price of Our Securities." Although the Mexican economy declined by 0.3% in 2001, the Mexican economy grew by 0.9% in 2002, by 1.3% in 2003, by 4.4% in 2004, and by an annualized rate of 2.4% in the first quarter of 2005.

Our Business Operations Could Be Affected by Government Policies in Mexico

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, as well as on market conditions, prices and returns on securities of Mexican issuers, including our securities.

On December 1, 2000, Vicente Fox of the *Partido Acción Nacional* (National Action Party, or PAN) was inaugurated as president of Mexico, ending more than 70 years of presidential rule by the *Partido Revolucionario Institucional* (Institutional Revolutionary Party, or PRI). Neither the PRI nor the PAN succeeded in securing a majority in the Congress or Senate. In elections held in July 2003 the PAN lost additional seats in the Congress and state governorships. The resulting gridlock, which is expected to continue at least until the Mexican presidential elections in 2006, has impeded the process of structural reform in Mexico which may adversely affect economic conditions in Mexico, and consequently, our business, results of operations and financial condition. It is not clear what effect the presidential elections of 2006 and their outcome will have on economic conditions in Mexico and on our business, results of operations or financial condition.

In the case of our sales of corn flour, governmental policies have affected us negatively in the past and may continue to do so in the future. The elimination of the tortilla subsidy for consumers, coupled with certain government's decisions reduced sales and hurt profits in 1999. Currently, the Mexican government issues corn import permits to various parties, including corn traders, typically based upon the availability of domestic corn, which contributes to the stability of domestic corn prices. However, in the past, particularly during election years, the Mexican government has increased the number of corn import permits, which had the effect of driving down the price of domestic corn, and consequently, reducing sales of corn flour. We currently depend on corn import permits to ensure an adequate supply of corn in non-corn producing regions of the country. We believe that a shortage of corn imports would currently have a greater adverse impact on our results of operations than an increase in the number of corn imports. In the past, we have been able to obtain sufficient corn import permits to satisfy our corn requirements. Nevertheless, we cannot assure you that the Mexican government will not take actions that could adversely affect us. See "Item 4. Information on the Company—Regulations."

The level of environmental regulation and enforcement in Mexico has increased in recent years. The *Comisión Nacional del Agua* ("National Water Commission" or "CNA"), has brought enforcement proceedings against us for fees arising from our alleged water discharges from five of our facilities in Mexico. While we are vigorously defending this action, we cannot assure you that we will succeed or that further actions of this type will not be brought against us. We expect the trend toward greater environmental regulation and enforcement to continue and to be accelerated by international agreements between Mexico and the United States. The promulgation of new environmental regulations or higher levels of enforcement may adversely affect us. See "Item 8. Financial Information—Legal Proceedings".

Devaluations of the Mexican Peso Affect our Financial Performance

As of December 31, 2004, 93% of our debt obligations were denominated in U.S. dollars. We generate 48% of our revenues in U.S. dollars which in 2004 represented 184% of our then outstanding debt obligations. While the dollar revenues we earn may act as a natural hedge for part of our dollar-denominated debt obligations, we have not entered into derivative contracts to hedge our foreign currency risk with respect to the outstanding principal amounts of our debt. As of June 15, 2005 we had exchange rate forward contracts for only the interest payments due in 2005, 2006 and 2007 on our US$300 million 7.75% perpetual bond, for an aggregate notional amount of U.S.$27.7 million at an average exchange rate of Ps.11.5797 per U.S. dollar. Therefore, we remain exposed to foreign exchange risks that could affect our ability to meet our obligations and result in foreign exchange losses on our dollar-denominated obligations.

We posted net foreign exchange losses of Ps.287 million in 2002, net foreign exchange losses of Ps.184 million in 2003, and net foreign exchange losses of Ps.51 million in 2004. Any significant decrease in the value of the peso relative to the U.S. dollar in the near term may have an adverse effect on our liquidity and on our ability to meet our dollar-denominated debt obligations.

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

Mexico has experienced high levels of inflation in the past. The annual rate of inflation, as measured by changes in the National Consumer Price Index, was 5.70% for 2002, 3.98% for 2003 and 5.19% for 2004. From January through May 2005, the inflation rate was 0.89%. On June 15, 2005, the 28-day CETES rate was 9.62%. While the substantial part of our debt is dollar-denominated at this time, high interest rates in Mexico may adversely affect the business climate in Mexico generally and our financing costs in the future and thus our financial condition and results of operations.

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

The Mexican economy may be, to varying degrees, affected by economic and market conditions in other countries. Although economic conditions in other countries may differ significantly from economic conditions in Mexico, investors' reactions to adverse developments in other countries may have an adverse effect on the market value of securities of Mexican issuers. In recent years, economic conditions in Mexico have become increasingly correlated to economic conditions in the United States. Therefore, adverse economic conditions in the United States could have a significant adverse effect on the Mexican economy. In addition, in the past, economic crises in Asia, Russia, Brazil, Argentina and other emerging market countries adversely affected the Mexican economy.

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

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 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 and in enforcing 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 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.

Differences Between Mexican GAAP and U.S. GAAP May Have an Impact on the Presentation of Our Financial Information

Our annual audited consolidated financial statements are prepared in accordance with Mexican GAAP, which differ in some significant respects from U.S. GAAP. Financial results reported using Mexican GAAP may differ substantially from those results that would have been obtained using U.S. GAAP. We are required, however, to file an annual report on Form 20-F containing financial statements reconciled to U.S. GAAP, although this filing only contains year-end financial statements reconciled to U.S. GAAP for our three most recent fiscal years. See Note 21 to our audited consolidated financial statements.

Risks Relating to Our Company

Fluctuations in the Cost and Availability of Corn and, to a Lesser Extent, Wheat May Affect Our Financial Performance

Our financial performance may be affected by the price and availability of corn and, to a lesser extent, wheat and wheat flour as each raw material represented 31%, 12% and 6% of our cost of sales in 2004, respectively. Mexican and world markets have experienced periods of either over-supply or shortage of corn and wheat, some of which have caused adverse effects on our results of operations. Because of this volatility, we may not always be able to pass along our increased costs to our customers in the form of price increases. We cannot always predict whether or when shortages or over-supply of corn and wheat will occur. In addition, as described above, future Mexican or other governmental actions could affect the price and availability of corn and wheat. Any adverse developments in domestic and international corn and wheat markets could have a material adverse effect upon our business, financial condition, results of operations and prospects.

The Presence of Genetically Altered Corn and Wheat in Our Products May Have a Negative Impact on Our Sales, Profits or Stock Price

As we do not grow our own corn or wheat, we are required to buy these items from various producers in the United States, Mexico and elsewhere. Although we only buy corn and wheat from farmers and grain elevators who agree to supply us with approved varieties of grain and we have developed a protocol to test and monitor our grain for certain strains of bacteria and chemicals that have not been approved for human consumption, we may unwittingly buy genetically modified corn and wheat that is not approved for human consumption. This may result in costly recalls and subject us to lawsuits which may have a negative impact on our sales, profits or stock price.

In recent years, various claims have been alleged, mostly in the United States and the European Union, that genetically modified foods are unsafe for human consumption, pose risks of damage to the environment and create legal, social and ethical dilemmas. Some countries, particularly in the European Union, have instituted a de facto moratorium on the import of grain produced from genetically modified seeds. Some countries have imposed labeling requirements on genetically modified agricultural and food products, which may affect the acceptance of these products. To the extent that we may be perceived to be a seller of genetically modified foods, this may have a significant negative impact on our sales, profits or stock price or may force us to pay a premium for non-genetically modified foods.

Downgrades of Our Debt May Increase Our Financing Costs or Otherwise Adversely Effect Us or Our Stock Price

We are currently rated BBB- by Standard & Poor's and by Fitch and Ba1 by Moody's. Any downgrade or changes in outlook could cause our costs with respect to new debt to increase which could ultimately affect our stock price.

Regulatory Developments May Adversely Affect Our Business

We are subject to regulation in each of the territories in which we operate. The principal areas in which we are subject to regulation are environment, labor, taxation and antitrust. The adoption of new laws or regulations in the countries in which we operate may increase our operating costs or impose restrictions on our operations which, in turn, may adversely affect our financial condition, business and results of operations. Further changes in current regulations may result in an increase in compliance costs, which may have an adverse effect on our future results of operations or financial condition.

Risks Related to Venezuela

Venezuela Presents Significant Economic Uncertainty and Political Risk, Which May in the Future Have an Adverse Impact on Our Operations and Financial Performance

Our operations in Venezuela accounted for approximately 13% of our net sales in 2004. The current president, Hugo Chávez, was elected in December 1998. The new constitution, brought into force in December 1999, required new elections, which were held on July 20, 2000. Chávez was re-elected for a six-year term. His election, as a candidate of the Movimiento Quinta República, or MRV, represents a radical disenfranchisement of the Venezuelan population from traditional political parties. Subsequent congressional elections failed to result in the MRV gaining decisive control of the legislative body. Therefore, it is difficult to determine the nature of new policies this administration will continue to adopt. Our financial condition and results of operations may be adversely affected by such policies.

In recent years, political instability and civil unrest have plagued Venezuela. The severe civil and political unrest in Venezuela presents a risk to our business that we cannot control and that cannot be accurately measured or estimated. As a result of the nation-wide general strike that took place from early December 2002 to February 2003, Gruma Venezuela temporarily suspended operations for a total of approximately 14 days during such period. In response to such strike and in an effort to shore up the economy and control inflation, Venezuelan authorities imposed foreign exchange and price controls in early 2003. Foreign exchange controls could limit our ability to convert bolívars (the Venezuelan currency) into other currencies and transfer funds out of Venezuela. On February 6, 2003, the Venezuelan government set a single fixed exchange rate for the bolívar against the U.S. dollar of 1,600.00 bolívars to U.S.$1.00. Thereafter, on February 2004, the Venezuelan government set a new single fixed exchange rate for the bolívar against the U.S. dollar of 1,920.00 bolívars to U.S.$1.00. On February 11, 2003, the Venezuelan government established price controls on products such as corn flour and wheat flour, which could limit our ability to raise prices to offset higher raw material costs. In March 2005, the Venezuelan government set a new single fixed exchange rate for the bolívar against the U.S. dollar of 2,150.00 bolívars to U.S.$1.00. Our financial condition and results of operations could be adversely affected due to the fact that (i) a portion of our sales are denominated in bolívars, (ii) Gruma Venezuela produces products that are subject to price controls and (iii) we may have difficulties repatriating dividends from Gruma Venezuela and importing some of our raw material requirements because of the foreign exchange controls.

Risks Related to the United States

We May Be Unable to Maintain Our U.S. Profit Margin in the Face of a Consolidated Retail Environment

Net sales in the U.S. constituted 48% of our total sales in 2004. As the retail grocery trade continues to consolidate and our retail customers grow larger and become more sophisticated, our retail customers demand lower pricing and increased promotional programs. There is a risk that we will not be able to maintain our U.S. profit margin in this environment.

Risks Related to Our Controlling Shareholders and Capital Structure

Holders of ADSs May Not Be Able to Vote at our Shareholders' Meetings

Our shares are traded on the New York Stock Exchange in the form of ADSs. There can be no assurance that holders of our shares through ADSs will receive notices of shareholder meetings from our ADS depositary with sufficient time to enable such holders to return voting instructions to our ADS depositary in a timely manner. Under certain circumstances, a person designated by us may receive a proxy to vote the shares underlying the ADSs at our discretion at a shareholder meeting.

Holders of ADSs Are Not Entitled to Attend Shareholder Meetings, and They May Only Vote Through the Depositary

Under Mexican law, a shareholder is required to deposit its shares with a Mexican custodian in order to attend a shareholders' meeting. A holder of ADSs will not be able to meet this requirement, and accordingly is not entitled to attend shareholders' meetings. A holder of ADSs is entitled to instruct the depositary as to how to vote the shares represented by ADSs, in accordance with procedures provided for in the deposit agreement, but a holder of ADSs will not be able to vote its shares directly at a shareholders' meeting or to appoint a proxy to do so. In addition, such voting instructions may be limited to matters enumerated in the agenda contained in the notice to shareholders and with respect to which information is available prior to the shareholders' meeting.

Holders of ADSs May Not Be Able to Participate in Any Future Preemptive Rights Offering and as a Result May Be Subject to a Dilution of Equity Interest

Under Mexican law, if we issue new shares for cash as a part of a capital increase, we must generally grant our shareholders the right to purchase a sufficient number of shares to maintain their existing ownership percentage. Rights to purchase shares in these circumstances are known as preemptive rights. We may not legally be permitted to allow holders of our shares through ADSs in the United States to exercise any preemptive rights in any future capital increases unless (i) we file a registration statement with the U.S. Securities and Exchange Commission, or SEC, with respect to that future issuance of shares or (ii) the offering qualifies for an exemption from the registration requirements of the Securities Act. At the time of any future capital increase, we will evaluate the costs and potential liabilities associated with filing a registration statement with the SEC, as well as the benefits of preemptive rights to holders of our shares through ADSs in the United States and any other factors that we consider important in determining whether to file a registration statement.

We are under no obligation to, and there can be no assurance that we will, file a registration statement with the SEC to allow holders of our shares through ADSs in the United States to participate in a preemptive rights offering. In addition, under current Mexican law, sales by the ADS depositary of preemptive rights and distribution of the proceeds from such sales to the holders of our shares through ADSs is not possible. As a result, the equity interest of holders of our shares through ADSs would be diluted proportionately and such holders may not receive any economic compensation. See "Item 10. Additional Information—Bylaws—Preemptive Rights."

The Protections Afforded to Minority Shareholders in Mexico Are Different From Those in the United States

Under Mexican law, the protections afforded to minority shareholders are different from those in the United States. In particular, the law concerning fiduciary duties of directors and controlling shareholders is not well developed and there are different procedural requirements for bringing shareholder lawsuits. As a result, in practice it may be more difficult for our minority shareholders to enforce their rights against us or our directors or controlling shareholders than it would be for shareholders of a U.S. company.

We Have Significant Transactions With Affiliates That Could Create Potential Conflicts of Interest

We hold approximately 10.9% of the capital stock of Grupo Financiero Banorte, S.A. de C.V., a Mexican financial institution. In the normal course of business, we may obtain financing from GFNorte's subsidiaries at market rates and terms. For the past three and a half years, the highest outstanding loan amount was Ps.162 million (in nominal terms) with an average interest rate of 8.9%. As of June 15, 2005, we did not owe any amounts to GFNorte or its subsidiaries however, we may in the future enter into such transactions. We purchase some of our inventory ingredients from our shareholder and associate Archer-Daniels-Midland Company, or Archer-Daniels-Midland. During 2002, 2003 and 2004, we purchased U.S.$84 million, U.S. $111 million and U.S.$103 million of inventory ingredients, respectively, from Archer-Daniels-Midland. Transactions with affiliates may create the potential for conflicts of interest. See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions."

Exchange Rate Fluctuations May Affect the Value of Our Shares

Fluctuations in the exchange rate between the Peso and the U.S. Dollar will affect the U.S. Dollar value of an investment in our shares and of dividend and other distribution payments on those shares. See "Item 3. Key Information—Exchange Rate Information."

Our Bylaws Restrict the Ability of Non-Mexican Shareholders to Invoke the Protection of Their Governments With Respect to Their Rights as Shareholders

As required by Mexican law, our bylaws provide that non-Mexican shareholders shall be considered as Mexican in respect of their ownership interests in Gruma, S.A. de C.V. and shall be deemed to have agreed not to invoke the protection of their governments in certain circumstances. Under this provision, a non-Mexican shareholder is deemed to have agreed not to invoke the protection of its own government by asking such government to interpose a diplomatic claim against the Mexican government with respect to the shareholder's rights as a shareholder, but is not deemed to have waived any other rights it may have, including any rights under the U.S. securities laws, with respect to its investment in Gruma, S.A. de C.V. If you invoke such governmental protection in violation of this agreement, your shares could be forfeited to the Mexican government.

Our Controlling Shareholder Exerts Substantial Control Over Our Company

As of April 29, 2005, Roberto González Barrera controlled directly or indirectly approximately 52.4% of our outstanding shares. Consequently, Mr. González Barrera has the power to elect the majority of our directors and to determine the outcome of most actions requiring approval of our stockholders, including the declaration of dividends. The interests of Mr. González Barrera may differ from those of our other shareholders. Mr. González Barrera's holdings are described under "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders."

Mr. González Barrera has pledged part of his shares in our company to secure some of his borrowings. If there is a default and the lenders enforce their rights against any or all of these shares, Mr. González Barrera could lose control over us and a change of control could result. In addition, this could trigger a default in one of our credit agreements and have a material adverse effect upon our business, financial condition, results of operations and prospects. For more information about this pledge, see "Item 7. Major Shareholders and Related Party Transactions."

Archer-Daniels-Midland, Our Strategic Partner, Has Influence Over Some Corporate Decisions; Our Relationship With Archer-Daniels-Midland Could Become Adverse and Hurt Our Performance

Archer-Daniels-Midland owns, directly or indirectly, approximately 29% of our outstanding shares. However, a portion of such interest is held through a Mexican corporation jointly owned with Mr. González Barrera, who has the sole authority to determine how those shares are voted. Thus, Archer-Daniels-Midland only has the right to vote 23.6% of our outstanding shares. In addition, Archer-Daniels-Midland has the right to nominate two of the 15 members of our board of directors and their corresponding alternates. Subject to certain requirements under

Mexican law, Archer-Daniels-Midland may also: initiate civil lawsuits against members of the board of directors, members of the audit committee, and statutory auditors for breach of duty; appoint a statutory auditor; judicially oppose resolutions adopted at shareholder meetings; request the deferral of any vote regarding an issue about which it does not believe it has been sufficiently informed. As a result, Archer-Daniels-Midland may influence 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.

Archer-Daniels-Midland owns, directly or indirectly, an interest of 5.0% in Molinos Nacionales, C.A., or MONACA, 40.0% in Molinera de México, S.A. de C.V., or Molinera de México, and 20.0% in Azteca Milling, L.P., or Azteca Milling. These subsidiaries account for 33% of our revenue. Although we own a majority ownership interest in these subsidiaries, in each of Azteca Milling and Molinera de México we are required to obtain the consent and cooperation of Archer-Daniels-Midland with respect to certain matters in order to increase our capital expenditures and to implement and expand upon our business strategies.

We cannot assure you that our relationships with Archer-Daniels-Midland will be harmonious and successful. Disagreements with Archer-Daniels-Midland could affect the execution of our strategy and, as a result, we may be placed at a competitive disadvantage.

Our Antitakeover Protections May Deter Potential Acquirors

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

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

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

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

In addition, Gruma Corporation is subject to covenants in some of its debt and lease agreements which partially restrict the amount of dividends that can be paid, limit advances or loans to us, and require the maintenance of specified financial ratios and balances. For additional information concerning these restrictions on inter-company transfers, see “Item 3. Key Information—Dividends” and “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources.”

We own approximately 83.2% of the outstanding shares of Grupo Industrial Maseca, S.A. de C.V., or GIMSA, 95% of MONACA, 50% of Derivados de Maíz Seleccionado, S.A. or DEMASECA, 80% of Azteca Milling (through Gruma Corporation) and 60% of Molinera de México. Accordingly, we are entitled to receive only our *pro rata* share of any of these subsidiaries’ dividends.

Our ability to repatriate dividends from Gruma Venezuela may be adversely affected by exchange controls and other recent events. See "Item 3. Risk Factors—Risks Related to Venezuela—Venezuela Presents Significant Economic Uncertainty and Political Risk."

ITEM 4. Information on the Company.

HISTORY AND DEVELOPMENT

Gruma, S.A. de C.V. is a corporation (*sociedad anónima de capital variable)* registered in Monterrey, Mexico under the *Ley General de Sociedades Mercantiles*, or the Mexican Companies Law on December 24, 1971 with a corporate life of 99 years. Our full legal name is Gruma, S.A. de C.V., but we are also known by our commercial names: Gruma and Maseca. The address of our principal executive office is Calzada del Valle Ote. 407, Colonia del Valle, San Pedro Garza García, Nuevo León, 66220 México and our telephone number is (52) 81-83-99-33-00. Our legal domicile is Monterrey, Nuevo León, México.

We were founded in 1949, when Roberto González Barrera, the Chairman of our board of directors and Chief Executive Officer, started producing and selling corn flour in Northeastern Mexico as an alternative ingredient in producing tortillas. Prior to our founding, all corn tortillas were made using a rudimentary process. We believe that the preparation of tortillas using the corn flour method presents major advantages, including greater efficiency and higher quality, which make tortillas consistent and readily available.The corn flour process has been a significant impetus for growth, resulting in expanding corn flour and tortilla production and sales throughout Mexico, the United States, Central America, Venezuela and Europe. In addition, we have diversified our product mix to include wheat flour in Mexico and Venezuela.

One of our most important competitive advantages is our proprietary state-of-the art technology for the manufacturing of corn flour and tortillas and some other related products. We have developed our own technology since the founding of our company. Throughout the years we have been able to achieve vertical integration which is an important part of our competitive advantage.

The following are some significant historical highlights:

- **In 1949**, we founded GIMSA, which is engaged principally in the production, distribution and sale of corn flour in Mexico. GIMSA's corn flour is used mainly in the preparation of tortillas and other related products. GIMSA pioneered the dry corn flour method of producing tortillas, which results in greater efficiency and product consistency in contrast to the centuries-old wet corn dough method. We believe we are one of the largest corn flour producers in Mexico.
- **In 1972**, we entered the Central American market with our first operation in Costa Rica. Today, we produce and sell corn flour in Costa Rica, Guatemala, Honduras and El Salvador, and export corn flour to Nicaragua. To a lesser extent, we now produce tortillas in Costa Rica and Nicaragua. In Costa Rica we also produce snacks and cultivate hearts of palm and process rice.
- **In 1977**, we entered the U.S. market. Our operations have grown to include products such as tortillas, corn flour and other tortilla related products. We are one of the largest producers and distributors of corn flour and packaged tortillas in the United States.
- **From 1989 to 1994**, Gruma Corporation significantly increased its installed capacity to meet the increasing demand for tortillas through the construction of several plants in different regions within the U.S.
- **From 1990 to 1995,** GIMSA significantly increased its installed corn flour manufacturing capacity to meet the expected growth potential in Mexico.
- **In 1993**, we entered the Venezuelan corn flour market through an investment in DEMASECA, a Venezuelan corporation producing corn flour. We have held a 50% beneficial ownership in DEMASECA since 1998. In August 1999, with the acquisition of MONACA, one of the largest

corn flour and wheat flour producers in Venezuela, we significantly strengthened our presence in the Venezuelan market.

- **In 1994**, we began our packaged tortilla operations in Mexico as part of our strategy to broaden our product lines in Mexico, achieve vertical integration of our corn flour operations and capitalize upon our experience in producing and distributing packaged tortillas in the United States. We are currently only focused in northern part of Mexico.
- **In 1996**, we strengthened our position in the U.S. corn flour market through an association with Archer-Daniels-Midland, which currently owns approximately 29% of our shares. Through this association we combined our existing U.S. corn flour operations and strengthened our position in the U.S. corn flour market. This association also allowed us to enter the Mexican wheat flour market by acquiring a 60% ownership interest in Archer-Daniels-Midland's Mexican wheat flour operations. As part of this association, we also received U.S.$258.0 million in cash and gained exclusivity rights from Archer-Daniels-Midland in specified corn flour and wheat flour markets.
- **From 1997 through 2000**, we initiated a significant plant expansion program. During this period, we acquired MONACA in Venezuela (as described above) and several wheat flour plants in Mexico. We also expanded two existing corn flour plants and built a bread plant in Mexico. We acquired two existing tortilla plants and built three tortilla plants in the United States. We also expanded a corn flour plant in Honduras, built a corn flour plant in El Salvador and built a frozen bread plant in Costa Rica. We also completed construction of a tortilla plant in Coventry, England.
- **From 2001 to 2003**, as a result of our comprehensive review of our business portfolio and our focus on our core business, we discontinued our bread operations in Mexico. In November 2001, we sold our bread business in Central America and the bread manufacturing equipment of our Mexican operations. In 2002, we sold certain assets of our bread operations in the United States. We rationalized our capital expenditures and most of them were oriented to capacity expansions and technology upgrades in our U.S. operations, where we have experienced significant growth.
- **In 2004**, we concluded two acquisitions in Europe in an effort to strengthen our presence in that region. On July 2, we acquired Ovis Boske, a wheat flour tortilla company based in Holland. On July 12, we acquired 51% of Nuova De Franceschi & Figli, a corn flour company based in Italy. We continued to expand capacity and upgrade several of our U.S. operations, the most relevant of which was the expansion of a corn mill in Indiana. This expansion is expected to be completed during the second half of 2005. Additionally, we entered into a lease agreement for a facility in Ecuador to process hearts of palm. We have an option to purchase that facility after the sixth year of the lease agreement.
- **In 2005**, we began the construction of a tortilla plant in Pennsylvania, which is expected to be operational by July 2005. In addition, Gruma Corporation acquired part of the manufacturing assets of the Mexican food division of Cenex Harvest States. These assets consist of three tortilla plants located in New Brighton, Minnesota; Railhead, Texas; and Phoenix, Arizona. We expect these plants to help us to increase production capacity and take advantage of synergies by complementing our customer base and distribution network.

We are continuously considering potential acquisitions which could improve our market share, profitability and fit into our overall strategy.

.

ORGANIZATIONAL STRUCTURE

We are a holding company and conduct our operations through subsidiaries. The table below sets forth our principal subsidiaries.

Name of Company	Principal Markets	Jurisdiction of Incorporation	Percentage Owned[1]	Products/ Services
Mexican Operations				
Grupo Industrial Maseca, S.A. de C.V. ("GIMSA")	Mexico	Mexico	83%	Corn flour, tortillas
Molinera de México, S.A. de C.V. ("Molinera de México")	Mexico	Mexico	60%	Wheat flour
U.S. and European Operations				
Gruma Corporation	United States Europe	Nevada	100%	Packaged tortillas, Other tortilla related products
Azteca Milling[2]	United States	Texas	80%	Corn flour
Central American Operation				
Gruma Centroamérica, LLC.	Costa Rica, Honduras, Guatemala, El Salvador, Nicaragua, Ecuador	Nevada	100%	Corn flour, Packaged tortillas, Snacks, Hearts of Palm, Rice
Gruma Venezuela[3]				
Molinos Nacionales, C.A. ("MONACA")	Venezuela	Venezuela	95%	Corn flour, Wheat flour, Other products
Derivados de Maíz Seleccionado, C.A. ("DEMASECA")	Venezuela	Venezuela	50%	Corn flour
Other Subsidiaries				
Productos y Distribuidora Azteca, S.A. de C.V. ("PRODISA")	Mexico	Mexico	100%	Packaged tortillas, Other related products
Investigación de Tecnología Avanzada, S.A. de C.V. ("INTASA")	Mexico	Mexico	100%	Construction, Technology and Equipment operations

(1) Percentage of equity capital owned by us directly or indirectly through subsidiaries.
(2) A limited partnership between Gruma Corporation (80%) and Archer-Daniels-Midland (20%).
(3) Together these subsidiaries are referred to as "Gruma Venezuela."

Our subsidiaries accounted for the following percentages and amount of our net sales in millions of pesos of constant purchasing power as of December 31, 2004 for the years ended December 31, 2002, 2003 and 2004.

	Year ended December 31,					
	2002		2003		2004	
	In Millions of Pesos	Percentage of Net Sales	In Millions of Pesos	Percentage of Net Sales	In Millions of Pesos	Percentage of Net Sales
Gruma Corporation............	Ps. 9,907	47%	Ps.11,127	48%	Ps.12,683	51%
GIMSA	5,209	25	5,471	23	5,787	23
Gruma Venezuela	2,637	13	3,308	14	3,300	13
Molinera de México...........	1,882	9	2,095	9	1,885	8
Gruma Centroamérica..........	1,152	5	1,138	5	1,226	5
Others (and eliminations)....	146	1	172	1	111	0

Association with Archer-Daniels-Midland

We entered into an association with Archer-Daniels-Midland in September 1996. Archer-Daniels-Midland is one of the world's largest corn refiners, oil seed processors and flour millers and produces, processes, transports and exports agricultural products worldwide. Through our partnership we have improved our position in the U.S. corn flour market and gained an immediate presence in the Mexican wheat flour market.

As a result of this association, we and Archer-Daniels-Midland combined our U.S. corn flour operations to form Azteca Milling, L.P., a limited partnership in which we hold; indirectly, 80% and Archer-Daniels-Midland holds indirectly, 20%. We and Archer-Daniels-Midland agreed to produce and distribute corn flour in the United States exclusively through Azteca Milling. In addition, we acquired 60% of the capital stock of Archer-Daniels-Midland's wholly-owned Mexican wheat milling operations, Molinera de México, S.A. de C.V. Archer-Daniels-Midland retained the remaining 40%. We and Archer-Daniels-Midland agreed to, produce and distribute wheat flour in Mexico exclusively through Molinera de México. As part of this agreement, we also received U.S.$258.0 million in cash and gained exclusivity rights from Archer-Daniels-Midland in specified corn flour and wheat flour markets. In return, Archer-Daniels-Midland received 74,696,314 of our newly issued shares, which represented at that time approximately 22% of our total outstanding shares and the right to designate two of the 15 members of our board of directors and their corresponding alternates. Currently, Archer-Daniels-Midland owns, directly and indirectly, approximately 29% of our outstanding shares. See "Item 3. Key Information—Risk Factors—Risks Relating to Our Controlling Shareholders and Capital Structure—Archer-Daniels-Midland, Our Strategic Partner, Has Influence Over Some Corporate Decisions." and "Item 10. Additional Information—Material Contracts—Archer-Daniels-Midland."

Capital Expenditures

Our capital expenditures for 2002, 2003 and 2004 were U.S.$70 million, U.S.$58 million and U.S.$115 million, respectively. Our capital expenditures include investments in property, plant and equipment, acquisitions of new plants and brands and investments in common stock. In 2000, we completed our four-year expansion program that required a capital expenditure of approximately U.S.$709 million. This large expansion program was financed primarily through borrowed funds and capital contributions. Since these expenditures allowed us to expand our production capacity, in 2001 and 2002 we focused on more moderate growth, thereby significantly lowering our capital expenditures. Investments of approximately U.S.$72 million in 2001 (including a U.S.$17 million early lease buyout option on certain of Gruma Corporation's production equipment), U.S.$70 million in 2002 and U.S.$58 million in 2003 were significantly lower than the annual averages during the period 1997-2000 and were mainly applied to capacity expansions in the United States and technology upgrades in all subsidiaries. Investments in 2004 were mainly applied to Gruma Corporation for the expansion of corn flour and tortilla capacity, including two European acquisitions, the acquisition of a tortilla plant in Las Vegas and general facilities upgrades at our U.S. plants. These investments were made to accommodate the continuous growth in our business. We have budgeted approximately U.S.$150 to 160 million for capital expenditures in 2005. We anticipate financing these expenditures through our own cash flows and, to a lesser extent, our bank lines of credit. This capital expenditures budget does not include any potential acquisitions.

A significant portion of the capital expenditures budgeted for 2005 is intended to be used for additional corn flour and tortilla capacity in the United States. One of the most important projects included in this capital expenditure budget is the construction of a new tortilla plant in Pennsylvania, which began in January 2005 and which is expected to be operational by July 2005. We expect our expansions in the U.S. tortilla business, including the acquisition of part of the manufacturing assets of the Mexican food division of Cenex Harvest States, which occurred in May 2005, to increase U.S. production capacity by approximately 16%. In addition, the expansion of the Gruma Corporation corn flour mill located in Evansville, Indiana is expected to be completed during the second half of 2005. The expected additional production capacity will be approximately 10% of Gruma Corporation's existing U.S. corn flour capacity.

During the first quarter of 2005, we spent approximately U.S.$23 million on capital expenditures. For more information on capital expenditures please refer to the discussion of the specific subsidiary.

We continue to analyze the Asian markets, but our current expectation is that our investment in our first plant in China will be approximately U.S.$15 million and the expected production capacity of such plant will be sufficient to support the current level of sales of our products. We expect this plant to be operational during 2006.

The following table sets forth the aggregate amount of our capital expenditures during the periods indicated.

	Year ended December 31,		
	2002	**2003**	**2004**
		(in millions of U.S. dollars[1])	
Gruma Corporation	$47.0	$38.2	$93.2
GIMSA	2.9	7.2	5.4
Gruma Venezuela	0.0	3.5	7.9
Molinera de México	3.4	3.6	5.4
Gruma Centroamérica	0.7	0.0	0.0
Others and eliminations	15.5	5	2.9
Total consolidated	$69.5	$57.5	$114.8

(1) Amounts in respect of some of the capital expenditures were paid for in currencies other than the U.S. dollar. These amounts were translated into U.S. dollars at the exchange rate in effect at the end of each year on which a given capital expenditure was made. As a result, U.S. dollar amounts presented in the table above may not be comparable to data contained elsewhere in this Annual Report.

For more information on capital expenditures for each subsidiary, please see the sections entitled "Operation and Capital Expenditures" under the relevant sections below.

BUSINESS OVERVIEW

We believe we are one of the largest corn flour and tortilla producers and distributors in the world based upon revenue and sales volume. We also believe we are one of the leading producers and distributors of corn flour and tortillas in the United States, one of the leading producers of corn flour and wheat flour in Mexico and one of the leading producers of corn flour and wheat flour in Venezuela, based upon revenue and sales volumes. We believe that we are also one of the largest producers of corn flour and tortillas in Central America, and one of the largest tortilla producers in Europe based upon revenue and sales volume.

Our focus has been and continues to be the efficient and profitable expansion of our core business—corn flour, tortilla, and wheat flour production. We pioneered the dry corn flour method of tortilla production, which offers several advantages over the centuries-old traditional wet corn dough method. These advantages include higher production yields, reduced production costs, more uniform quality and longer shelf life. The corn flour method of production offers significant opportunities for growth. Using our technology and know-how, we expect to encourage tortilla and tortilla chip producers in the United States, Mexico, Central America,, and elsewhere to convert to the corn flour method of tortilla and tortilla chip production. Additionally, we expect to increase the presence of our other core businesses, including packaged tortillas in the United States, Mexico, Central America, Europe, and Asia, and wheat flour in Mexico and Venezuela.

The following table sets forth our revenues by geographic market for years ended December 31, 2002, 2003 and 2004.

	Year ended December 31,		
	2002	**2003**	**2004**
	(in millions of Pesos of constant purchasing power as of December 31, 2004)		
United States (includes European operations)	Ps. 9,907	Ps. 11,127	Ps. 12,683
Mexico	7,237	7,738	7,784
Venezuela	2,637	3,308	3,300
Central America	1,152	1,138	1,226
Total	Ps. 20,933	Ps. 23,311	Ps. 24,993

Strategy

Our strategy for growth is to focus on our core business—the manufacturing of tortillas, corn flour and wheat flour—and to capitalize upon our leading positions in the corn flour and tortilla industries. We have taken advantage of the increasing popularity of Mexican food and, more importantly, tortillas in the U.S., Europe and Asia. We are continuously considering potential acquisitions which could improve our market share, profitability and fit into our overall strategy. Our strategy includes the following key elements:

Expand in the Growing Retail and Food Service Tortilla Markets in New Regions in the United States: We believe that the size and growth of the U.S. retail and food service tortilla markets offer significant opportunities for expansion.

Expand in the Growing Tortilla Markets in Europe and Asia: We believe that new markets in other continents such as Europe and Asia, offer us significant opportunities. In Asia, we have established a presence by exporting our products to major customers in the region and are investing in our first plant in China which is expected to be operational during 2006. We believe our recent acquisitions in Europe will enable us to better serve markets in Europe and in the Middle East through stronger vertical integration, improvements in logistical efficiencies, and enhanced knowledge of our local markets. We will continue to evaluate ways to profitably expand into these rapidly growing markets.

Continue the Process of Establishing Gruma Corporation's MISSION® and Guerrero Tortilla Brands as the First and Second National Brands in the United States: We intend to achieve this by increasing our efforts at building brand name recognition and by further expanding and utilizing Gruma Corporation's distribution network, first in Gruma Corporation's existing markets, where we believe there is potential for further growth, and second, in regions where Gruma Corporation currently does not have a significant presence but where we believe strong demand for tortillas already exists.

Encourage Transition from Traditional Cooked-Corn Method to Corn Flour Method: We pioneered the dry corn flour method of tortilla production, which offers several advantages over the centuries-old traditional wet corn dough method. We continue to view the transition from the traditional method to the corn flour method of making tortillas and tortilla chips as the primary opportunity for increased corn flour sales. We will continue to encourage this transition through improving customer service, advertising and promoting our MASECA® brand corn flour, as well as leveraging off of our manufacturing capacity and distribution networks in Mexico, the United States, Central America and Venezuela.

Continually Improve Service and Quality of Our Products to Customers and Consumers: We continue to develop customer relationships by ensuring that our customer-service and sales representatives develop an intimate knowledge of their clients' businesses and by working with clients to help them improve their products, services, and sales to their consumers. We continuously work to improve service and the quality of our products to consumers, raise consumer awareness of our products, and stay informed of our consumers' preferences.

Improve Operating Efficiencies: We have cost and expense reduction opportunities in our administrative areas that should allow us to continue improving margins and cash flow in the mid-term. One of the ways in which we are accomplishing this is by implementing shared services within our operations in order to achieve greater efficiencies through synergies in information technology, accounting, cash management and supply chain management systems. We expect that these efforts will enable us to achieve significant savings and greater profitability. We also intend to continue our research and development efforts in order to further improve the efficiency of our proprietary corn flour and tortilla production technology, which we believe provides us a significant advantage over our competitors.

U.S. and European Operations

Overview

We conduct our United States and European operations principally through our subsidiary Gruma Corporation, which manufactures and distributes corn flour, packaged tortillas, corn chips and related products. Gruma Corporation commenced operations in the United States in 1977, initially developing a presence in certain major tortilla consumption markets by acquiring small tortilla manufacturers and converting their production processes from the traditional "wet corn dough" method to our dry corn flour method. Eventually, we began to build our own state-of-the-art tortilla plants in certain major tortilla consumption markets. We have vertically integrated our operations by (1) building corn flour and tortilla manufacturing facilities in the United States, (2) establishing corn purchasing operations, (3) launching marketing and advertising campaigns to develop brand name recognition, (4) expanding distribution networks for corn flour and tortilla products, and (5) using our technology to design and build proprietary corn flour, tortilla and tortilla chip manufacturing machinery for use in our U.S. and European operations.

In September 1996, we combined our U.S. corn flour milling operations with Archer-Daniels-Midland's corn flour milling operations into a newly formed limited partnership, known as Azteca Milling, L.P., in which Gruma Corporation holds an 80% interest.

During 2000, Gruma Corporation opened its first European tortilla plant in Coventry, England, initiating our entry into the European market. During July 2004 Gruma Corporation concluded two acquisitions in Europe, a tortilla plant in Holland and a 51% ownership of a corn flour plant in Italy in an effort to strengthen our presence in that region.

Gruma Corporation

Gruma Corporation operates primarily through its Mission Foods division , which produces tortillas and related products, and Azteca Milling, L.P., a limited partnership between Gruma Corporation (80%) and Archer-Daniels-Midland (20%) which produces corn flour. We believe Gruma Corporation is one of the leading manufacturers and distributors of packaged tortillas and related products throughout the United States, Europe and Asia through its Mission Foods division. We believe Gruma Corporation is also one of the leading producers of corn flour in the United States through its Azteca Milling divison.

Principal Products. Mission Foods manufactures and distributes packaged corn and wheat tortillas and related products (which include tortilla chips) under the MISSION® and GUERRERO® brand names in the United States, as well as other minor regional brands. By continuing to build MISSION® into a strong national brand and GUERRERO® into a strong Hispanic focused brand, Mission Foods expects to increase market penetration, brand awareness and profitability. Azteca Milling manufactures and distributes corn flour in the United States under the MASECA® brand.

Sales and Marketing. Mission Foods serves both retail and food service customers. Retail customers, which represent most of our business, include supermarkets, mass merchandisers and smaller independent stores, while food service customers include major chain restaurants, food service distributors, schools, hospitals and the military.

In the tortilla market, Mission Foods' current marketing strategy is to increase market penetration by increasing consumer awareness of tortilla products in general, to expand into new regions and to focus on product innovation and consumer and customer needs. Mission Foods promotes its products primarily through cooperative advertising programs with supermarkets as well as radio and television advertising, targeting both Hispanic and non-Hispanic populations, although advertising on non-Hispanic television is more limited. We believe these efforts have contributed to greater consumer awareness. Mission Foods also targets food service companies and works with restaurants, institutions and distributors to address their individual needs and provide them with a full line of products. Mission Foods continuously attempts to identify new customers and markets for its tortillas and related products in the United States, and more recently Europe and Asia.

Azteca Milling distributes approximately 38% of the corn flour it produces to Mission Foods' plants throughout the United States and Europe. Azteca Milling's third-party customers consist largely of other tortilla manufacturers, corn chip producers, and retail customers. Azteca Milling sells corn flour in various quantities, ranging from four-pound retail packages to bulk railcar loads.

We anticipate continued growth in the U.S. market for corn flour, tortillas, and related products. In dollar terms, Gruma Corporation's net sales have increased at a compounded annual rate of 9.0% between 2000 and 2004. We believe that the growing consumption of Mexican-style foods by non-Hispanics in the United States, Europe and Asia will continue to increase demand for tortillas and tortilla related products. Also influential is the fact that tortillas are no longer solely used as Mexican food, for example, the use of tortillas for wraps, which will continue to increase demand for tortillas. Growth in recent years in the corn flour market is attributable to this increase of corn tortilla and tortilla chip consumption in the U.S. market as well as the conversion of tortilla and tortilla chip producers from the wet corn dough process to our dry corn flour method, the increase of Hispanic population, higher retail sales, and stronger and increased distribution.

Competition and Market Position. We believe the tortilla market is highly fragmented, regional in nature and extremely competitive. Mission Foods' main competitors are hundreds of tortilla producers, who manufacture locally or regionally and tend to be sole proprietorships. In addition, a few large companies have tortilla manufacturing divisions that compete with Mission Foods, for example, Tyson, Bimbo, and General Mills. We believe Mission Foods was one of the leading manufacturers and distributors of packaged tortillas and related products throughout the United States and Europe in 2004.

Competitors within the corn flour milling industry include corn flour milling divisions of large companies, such as Cargill and Minsa. Azteca Milling competes with these corn flour manufacturers in the United States primarily on the basis of superior quality, technical support, customer service and brand recognition. However, we believe there is great potential for growth by converting tortilla and tortilla chip manufacturers that still use the traditional method to our corn flour method. We believe Azteca Milling was one of the leading producers of corn flour in the United States in 2004.

We believe there is a significant growth potential for tortillas in Europe. For now most of our production is limited to private label. We believe we are one of the largest tortilla producers in Europe, and our main competitor is General Mills.

Operation and Capital Expenditures. Annual total production capacity for Azteca Milling and Mission Foods is estimated at 1,548,000 tons as of December 31, 2004, with an average utilization of 86% in 2004. The average size of our plants measured in square meters is approximately 9,200 (about 99,000 square feet) as of December 31, 2004. Capital expenditures for the past three years were U.S.$178.4 million, mostly for expansion and upgrades of existing facilities, as well as our two acquisitions in Europe and one in Las Vegas. Gruma

Corporation's capital expenditures projected for 2005 include the construction of a tortilla plant in Pennsylvania, capacity expansions at other existing facilities in the U.S. in addition to certain manufacturing and technology upgrades. We expect our expansions in the U.S. tortilla business, including the acquisition of part of the manufacturing assets of the Mexican food division of Cenex Harvest States which occurred in May 2005, to increase U.S. production capacity by approximately 16%. The expansion of the corn flour business includes one new production unit at the plant located in Evansville, Indiana. The expected additional production capacity will be approximately 10% of the existing U.S. corn flour capacity of Gruma Corporation. These budgeted capital expenditures do not include any potential acquisition.

Mission Foods produces its packaged tortillas and other related products at 20 manufacturing facilities located primarily in large population centers in the western and southwestern United States, one plant in Coventry, England, and one plant in Roermond, Holland. Food safety for all of Mission Foods' plants in the United States are graded by the American Institute of Baking or, AIB. During 2004, the AIB awarded Mission's U.S. plants its highest certification, AIB-HAACP, with the exception of the newly acquired plants in Nevada, Texas, Arizona and Minnesota. These recently acquired plants should start their AIB certification process during 2006. Food safety for both tortilla plants in England and Holland is graded by several different certifications, such as the International Food Standards (IFS), as required by different European countries, and the British Retail Consortium.

Azteca Milling produces corn flour at six plants located in Amarillo, Edinburg and Plainview, Texas; Evansville, Indiana; Henderson, Kentucky; and Madera, California. Gruma Corporation also has a 51% ownership of a corn flour plant in Ceggia, Italy. All plants are located within important corn growing areas. Due to Azteca Milling's manufacturing practices and processes, we are the only corn milling company to achieve ISO 9002 certification as well as certification by the American Institute of Baking. All six facilities located in the U.S. have achieved ISO 9002 certification.

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

Raw Materials. Corn is the principal raw material used in the production of corn flour, which is purchased from local producers or, if market conditions require, U.S. or international spot markets. Azteca Milling buys corn only from farmers and grain elevators that agree to supply varieties of corn approved for human consumption. Azteca Milling tests and monitors the raw materials for certain strains of bacteria and chemicals not approved for human consumption. In addition, Azteca Milling has implemented certain testing protocols to identify genetically modified proteins in raw materials it purchases.

Because corn prices tend to be somewhat volatile, Azteca Milling engages in a variety of non-speculative hedging activities in connection with the purchase of its corn supplies, including the purchase of corn futures contracts. In so doing, Azteca Milling attempts to assure corn availability approximately 12 months in advance of harvest time and guard against price volatility approximately 6 months in advance. The Texas Panhandle currently is the single largest source of food-grade corn. Azteca Milling is also involved in short-term contracts for corn procurement with many corn suppliers. Where suppliers fail to deliver, Azteca Milling can easily access the spot markets. Azteca Milling does not anticipate any difficulties in securing adequate corn supplies in the future.

Corn flour for Mission Foods' products is supplied by Azteca Milling and, to a much lesser extent, GIMSA. Wheat flour for the production of wheat tortillas is purchased from third party producers at prices prevailing in the commodities markets. Because wheat flour prices tend to be somewhat volatile, Mission Foods engages in a variety of non-speculative hedging activities in connection with the purchase of wheat flour, including the purchase of wheat futures contracts. Mission Foods believes the market for wheat flour in the United States is sufficiently large and competitive to ensure that wheat flour will be available at competitive prices to supply Mission Foods' needs.

Wheat flour for the production of wheat tortillas in Europe is purchased from third party producers at prices prevailing in the commodities markets. In order to reduce supply and price fluctuations, contracts are placed for periods of twelve months or longer. Mission Foods believes the market for wheat flour in Europe is sufficiently large and competitive to ensure that wheat flour will be available at competitive prices to supply Mission Foods' needs.

Most of the corn for the corn flour operations in Italy is purchased domestically, at prices prevailing in the commodities markets.

Distribution. An important element of Mission Foods' sales growth has been the expansion and improvement of its tortilla distribution network, including a direct-store-delivery system to distribute most of its products. Tortillas and other freshly made products are generally delivered daily to customers, especially in retail sales and in regions where we have plants. In regions where we do not have plants, there is no daily distribution and tortillas are sometimes sold refrigerated. In keeping with industry practice, Mission Foods generally does not have written sales agreements with its customers. Nevertheless, from time to time, Mission Foods enters into consumer marketing agreements with retailers, in which certain terms on how to market our products are agreed. Mission Foods has also developed a food service distribution network on the west and east coasts of the United States, and in certain areas of the midwestern United States.

The vast majority of corn flour produced by Azteca Milling is sold to tortilla and tortilla chip manufacturers and is delivered directly from the plants to the customer. Azteca Milling's retail customers are primarily serviced by a network of distributors, although a few large retail customers have their corn flour delivered directly to them from the plants.

Mexican Operations

Overview

Our largest business in Mexico is the manufacture and sale of corn flour, which we conduct through our subsidiary GIMSA. Through our association with Archer-Daniels-Midland, we have also entered the wheat milling business in Mexico through Molinera de México. Our other subsidiaries engage in the manufacturing and distribution of packaged tortillas and other related products in northern Mexico, conduct research and development regarding corn flour and tortilla manufacturing equipment, produce machinery for corn flour and tortilla production and construct our corn flour manufacturing facilities.

GIMSA—Corn Flour Operation

Principal Products. GIMSA produces, distributes and sells corn flour in Mexico, which is then used in the preparation of tortillas and other related products. In 2004, GIMSA had net sales of Ps.5,787 million. We believe GIMSA is one of the largest corn flour producers in Mexico. GIMSA estimates that its corn flour is used in one third of the corn tortillas consumed in Mexico. It sells corn flour in Mexico under the brand name MASECA®. MASECA® flour is a ready-mixed corn flour that becomes a dough when water is added. This corn dough can then be pressed to an appropriate thickness, cut to shape and cooked to produce tortillas and similar food products.

GIMSA produces over 40 varieties of corn flour for the manufacture of different food products. It sells corn flour to tortilla and tortilla chip manufacturers as well as in the retail market. GIMSA's principal corn flour product is a standard fine-textured, white flour used to manufacture tortillas.

GIMSA also produces and sells tortillas through several small tortilla shops mainly located in central Mexico. GIMSA's tortilla sales represent approximately 1% of its total sales volume and approximately 2% of its net sales.

Sales and Marketing. GIMSA sells packaged corn flour in bulk principally to thousands of tortilla and tortilla chip manufacturers who purchase in 20-kilogram sacks and in the retail market which purchases in one-kilogram packages. To a lesser extent, GIMSA also produces and sells tortillas to the end consumer.

The following table sets forth GIMSA's bulk and retail sales volumes of corn flour in Mexico and tortilla sales volume for the periods indicated.

	Year Ended December 31,					
	2002		2003		2004	
	Tons	%	Tons	%	Tons	%
Corn Flour						
Bulk....................	1,167,037	84	1,182,875	84	1,223,585	85
Retail.................	206,344	15	204,730	15	207,858	14
Tortillas..................	23,856	2	18,460	1	16,400	1
Total........................	1,397,237	100	1,406,065	100	1,447,843	100

GIMSA's corn flour customer base is comprised primarily of bulk sales to small tortilla producers, or *tortillerías*, which purchase corn flour in 20-kilogram sacks and produce tortillas on their premises, which are then sold locally. Retail sales of corn flour are channeled to two distinct markets: urban centers and rural areas. Sales to urban consumers are made mostly through supermarket chains that use their own distribution networks to distribute MASECA® flour or through wholesalers who sell the product to smaller grocery stores throughout Mexico. Sales to rural consumers are made principally through the Mexican government's social and distribution program *Distribuidora Conasupo, S.A.*, or DICONSA, which consists of a network of small government-owned stores and which supplies rural areas with basic food products. GIMSA's sales representatives are mainly concerned with promoting the dry corn flour method to tortilla producers.

Mexico's tortilla industry is highly fragmented, consisting mostly of *tortillerías*, many of which continue to utilize, what is in our opinion, the relatively inefficient wet corn dough method of tortilla production. We estimate that the traditional wet corn dough method accounts for approximately half of all tortillas produced in Mexico. Tortilla producers that do not utilize corn flour buy the wet dough from dough producers or buy and mill their own corn and produce tortillas themselves.

This traditional method is a rudimentary practice requiring more energy, time and labor because it involves cooking the corn in water and with lime, milling the cooked corn, creating and shaping the dough, and then making tortillas from that dough. We pioneered the dry corn flour method in which we mill the raw corn in our facilities into corn flour. Tortilla producers and consumers, once they acquire the corn flour, may then simply add water to transform the flour into wet dough to produce tortillas. We believe the preparation of tortillas using the dry corn flour method possesses several advantages over the traditional method. Our internal studies show that the dry corn flour method consumes less water, electricity, fuel and labor. We estimate that one kilogram of corn processed through the corn flour method yields more tortillas on average than a similar amount of corn processed using the traditional method. Corn flour is also transported more easily than wet corn dough and has a shelf life of approximately three months, compared with one or two days for wet corn dough. The market for wet corn dough is limited due to the perishable nature of the product, restricting sales of most wet corn dough producers to their immediate geographic areas. Additionally, the corn flour's longer shelf life makes it easier for consumers in rural areas, where *tortillerías* are relatively scarce, to produce their own tortillas.

We believe in the benefits of our dry corn flour method and, thus also, believe that we have substantial opportunities for growth by encouraging a transition to our method. Corn flour is primarily used to produce corn tortillas, a principal staple of the Mexican diet. The tortilla industry is one of the largest industries in Mexico as tortillas constitute the single largest component of Mexico's food industry. However, there is still reluctance to abandon traditional practice, particularly in central and southern Mexico, because corn dough producers and/or tortilla producers using the traditional method incur lower expenses by working in an underground economy. Additionally, generally such producers are not required to comply with environmental regulations, which also represent savings for them. To the extent regulations in Mexico are enforced and we and our competitors are on the same footing, we expect to benefit from these developments.

GIMSA has embarked on several programs to promote corn flour sales to tortilla producers and consumers. GIMSA offers incentives to potential customers, such as small independent *tortillerías*, to convert to the corn flour method from the traditional wet corn dough method. The incentives GIMSA offers include new, easy to use equipment designed specifically for small-volume users, financing, and individualized training. For example, in order to assist traditional tortilla producers in making the transition to corn flour, GIMSA also sells specially designed mixers made by Tecnomaíz, S.A. de C.V., or Tecnomaíz, one of our research and development subsidiaries. For more information about our research and development department, see "—Miscellaneous—INTASA—Technology and Equipment Operations." GIMSA also helps its *tortillería* customers to improve sales by directing consumer promotions to heighten the desirability of their products and increase consumption, which, in turn, should increase corn flour sales. These efforts to improve sales include prime time advertising on television as well as radio, magazine and billboard advertising. In 2005, we intend to have GIMSA's specialized sales teams continue their efforts to provide better and more individualized service to different types of customers.

During 2004, GIMSA implemented initiatives focused on developing a successful business model for its customers to increase the consumption of corn-flour based products generally and its products specifically. GIMSA's strategy was based on a comprehensive business proposal that included the following product, service and marketing objectives:

- development of new types of corn flour for its customers;
- design of individualized support regarding the type of machinery required for their business, financial advisory and training;
- assistance to customers in the development of new profitable distribution methods to increase their market penetration and sales;
- development of tailored marketing promotions to increase consumption in certain customer segments; and
- assistance to customers in the development of new higher margin products such as tortilla chips, taco shells and enchilada tortillas, reflecting current consumption trends.

During 2004 GIMSA implemented a national marketing campaign in Mexico to emphasize the benefits and nutritional value of tortillas made with 100% MASECA® corn flour. This campaign targeted both consumption of tortillas made by GIMSA's customers and consumption of its retail corn flour packages sold directly to consumers by repositioning the use of corn flour not only for making tortillas but for a wide variety of foods which are part of the Mexican diet. We believe this campaign has helped to increase the recognition of the MASECA® brand, created a greater awareness about tortillas made with 100% MASECA® corn flour and created a greater awareness of the nutritional value of tortillas made of natural ingredients. We believe this campaign has also helped us to position MASECA® corn flour as a nutritional product which can be used in the production of tortillas and other foods. In addition, we believe that this campaign has also helped contribute to the perception that tortillas are a healthy alternative to other food products.

Competition and Market Share. GIMSA faces competition on three levels—from other corn flour producers, from sellers of wet corn dough and from the many *tortillerías* that produce their own wet corn dough on their premises. Our estimates indicate that about half of tortilla producers continue to use the traditional wet corn dough method.

GIMSA's biggest challenge in increasing market share is the prevalence of the traditional method (cooked-corn method). In the corn flour industry, GIMSA's principal competitors are Grupo Minsa, S.A. de C.V. and regional corn flour producers. We compete against other corn flour manufacturers on the basis of quality, brand recognition, technology, customer service and nationwide coverage. We believe that GIMSA has certain competitive advantages resulting from its proprietary technology, greater economies of scale and broad geographic coverage, which may afford it opportunities to more effectively source raw materials and reduce transportation costs.

Operations and Capital Expenditures. GIMSA currently owns 17 corn flour mills, all of which are located throughout Mexico, typically within corn growing regions and those of large tortilla consumption. One of the plants (Chalco) is temporarily closed. The Chalco plant has been inactive since October 1999. GIMSA has temporarily shifted production to other plants to achieve savings in overhead costs. These idled assets are not being depreciated since the carrying value is expected to be recovered and the remaining useful life is maintained. During 2004 GIMSA decided to delay the use of these assets, which was planned for the fourth quarter of 2004, and instead increased the utilization of existing capacity at our other plants as part of our programs for production efficiency.

In recent years, GIMSA's capital expenditures for its plants were primarily used to update technology and corn flour production process. GIMSA spent U.S.$2.9 million, U.S.$7.2 million and U.S.$5.4 million for these purposes in 2002, 2003 and 2004, respectively. Although no assurances can be given as to future levels of capital expenditures, during the first quarter of 2005 GIMSA spent U.S.$1.7 million on investments in its fixed assets in 2005, and currently projects total investments in fixed assets during 2005 of approximately U.S.$10.0 million, which will be used primarily for upgrading production equipment, acquisition of transportation equipment and information technology upgrades. As of December 31, 2004, on average, the size of our plants measured in square meters was approximately 20,360 (approximately 219,200 square feet).

To enhance our presence in particular geographic areas, we have transferred a minority interest in certain GIMSA subsidiaries to local investors, unions and development agencies. Pursuant to an agreement between GIMSA and *Investigación de Tecnología Avanzada*, or INTASA, our wholly-owned subsidiary, INTASA provides technical assistance to each of GIMSA's operating subsidiaries for which each pays to INTASA a fee equal to 0.5% of its consolidated net sales. Each of GIMSA's corn flour facilities uses proprietary technology developed by our technology and equipment operations. For more information about our in-house technology and design initiatives, see "—Miscellaneous—INTASA—Technology and Equipment Operations."

Seasonality. The demand for corn flour varies slightly with the seasons. After the May/June and December harvests, when corn is more abundant and thus less expensive, tortilla producers are more inclined to purchase corn and use the traditional method. In the months immediately preceding such harvests, corn is more costly and in shorter supply and more tortilla producers then employ the corn flour method of production.

Raw Materials. Corn is the principal raw material required for the production of corn flour, and constituted approximately 68% of GIMSA's cost of sales for 2004. We believe GIMSA has the most extensive nationwide corn purchasing capabilities of any corn flour producer in Mexico, providing us with a competitive advantage. We purchase corn primarily from Mexican growers and grain elevators, and from world markets at international prices under import permits granted by the Mexican government. All of our domestic corn purchases are made on a spot basis pursuant to short-term contractual arrangements, some of which are in the form of oral agreements entered into at the beginning of the harvest. Compañía Nacional Almacenadora, S.A. de C.V., a subsidiary of GIMSA, contracts for and purchases the corn, and also monitors, selects, handles and ships the corn.

We believe that the diverse geographic locations of GIMSA's production facilities in Mexico enables GIMSA to achieve savings in raw material transportation and handling. In addition, by sourcing corn locally for its plants, GIMSA is better able to communicate with local growers concerning the size and quality of the corn crop and is better able to maintain quality control. In Mexico, GIMSA purchases corn on delivery in order to strengthen its ability to obtain the highest quality corn on the best terms.

Traditionally, domestic corn prices in Mexico tend to be higher than those abroad, and typically follow trends in the international market only when corn prices are increasing. During most periods, the price at which GIMSA purchases corn depends on the international corn market. As a result, corn prices are sometimes unstable and volatile. For more information regarding the government's effect on corn prices, see "Item 4. Information on the Company—Regulations."

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

Distribution. GIMSA's products are distributed through independent transport firms contracted by GIMSA. Most of GIMSA's sales are made free-on-board at GIMSA's plants, in particular those to tortilla manufacturers. With respect to other sales, in particular retail sales (one-kilogram packages) to the Mexican government and sales to large supermarket chains, GIMSA pays the freight cost.

Molinera de México—Wheat Flour Operation

Principal Products. In 1996, in connection with our association with Archer-Daniels-Midland, we entered the wheat milling market in Mexico by acquiring a 60% ownership interest in Archer-Daniels-Midland's wheat flour operation, Molinera de México. Molinera's main product is wheat flour, although it also sells wheat bran and other byproducts. Our wheat flour brands are REPOSADA®, PODEROSA® and SELECTA®, among others.

Sales and Marketing. In 2004, approximately 90% of Molinera's wheat flour production was sold in bulk and 10% was sold for the retail segment. Most of the bulk sales are made to thousands of bakeries and, to a lesser extent, to cookie and pasta manufacturers. Most of the retail sales are made to large supermarkets and wholesalers throughout Mexico. Through wholesalers, our products are distributed to small grocery stores.

Our marketing strategy depends on the type of customer and region. Overall, our aim is to offer products according to customers' specifications as well as technical support. We are trying to increase our market share in bakeries by offering products with consistent quality. In the retail segment we target small grocery stores through wholesalers, and supermarkets through centralized and national level negotiations. We are focusing on improving customer service, continuing to increase our distribution of products to supermarkets' in-store bakeries, and developing new types of pre-mixed flours for the supermarket in-store bakery segment. We provide direct delivery to supermarkets, supermarkets' in-store bakeries, wholesalers, industrial customers and some large bakeries. Most small bakeries and small grocery stores are served by wholesalers.

Competition and Market Share. We believe that we are one of Mexico's largest wheat flour producers based on revenues and sales volume. Molinera de México competes with many small wheat flour producers. We believe the wheat flour industry is highly fragmented and estimate that there are about 90 participants. Our main competitors are Munsa, Trimex, Tablex, La Espiga and Elizondo.

Operations and Capital Expenditures. At the time we acquired our interest in Molinera, the operation consisted of two production facilities having an aggregate estimated annual production capacity of 157,000 tons. From September 1997 through January 2000, we increased our production capacity by 357% from 157,000 to 717,000 tons through acquisitions of wheat flour mills and companies operating in the wheat flour and related products market. Today we own and operate nine wheat flour plants, in one of which we hold only a 40% ownership interest. The facilities' average extent of utilization is estimated at 84% for 2004. On average, the size of our plants measured in square meters is approximately 12,800 (approximately 137,800 square feet) as of December 31, 2004.

Capital expenditures from 2002 through 2004 amounted to U.S.$12 million. Molinera de México's capital expenditures in 2005 will be used for transportation equipment, a new production line for premixed flour and general manufacturing upgrades.

Seasonality. Molinera's sales are seasonal in that higher sales volumes are achieved in the fourth and first quarters during the winter, when we believe per capita consumption of wheat-based products, especially bread and cookies, increases due in part to the celebration of holidays occurring during these quarters.

Raw Materials. Wheat is the principal raw material required for the production of wheat flour. Molinera de México purchases approximately 19% of its wheat from Mexican growers, and 81% from world markets. Molinera de México purchases from local farmers, farmers associations and trading companies. In the case of domestic wheat, purchases are made pursuant to short-term oral arrangements, the terms of which are negotiated at the time of execution. These arrangements are usually made approximately two months in advance of the beginning of the harvest. In the case of imported wheat, which we import from the United States and Canada through several trading companies, purchases are made based on short-term requirements, with the aim of maintaining low levels of inventories.

In recent years the price of wheat domestically and abroad has been volatile. Volatility is due to the availability of wheat, which depends on various factors including the size of the harvest (which depends in large part on the weather).

Central American Operations

Overview

In 1972, we entered the Costa Rican market. Our operations since then have expanded into Guatemala, Honduras, El Salvador, and Nicaragua.

Gruma Centroamérica

Principal Products. Gruma Centroamérica produces corn flour, and to a lesser extent tortillas and snacks. We also cultivate and sell hearts of palm and process and sell rice. We believe we are one of the largest corn flour producer in the region. We sell corn flour under the MASECA®, TORTIMASA® and MASARICA® brands. In Costa Rica, we sell packaged tortillas under the TORTI RICA® brand. We operate a Costa Rican snack operation which manufactures tortilla chips, potato chips and similar products under the TOSTY® brand. Hearts of palm are exported to numerous European countries as well as the United States and Canada.

Sales and Marketing. The largest portion, 119,128 tons or 77%, of Gruma Centroamérica's sales volume in 2004 derived from the sale of corn flour.

Gruma Centroamérica corn flour bulk sales are oriented predominantly to small tortilla manufacturers through direct delivery and wholesalers. Supermarkets make up the customer base for retail corn flour. Bulk sales volume represented 70% and retail sales represented 30% of Gruma Centroamérica's corn flour sales volume during 2004.

Competition and Market Share. We believe that we are one the largest corn flour producers in Central America based on revenues and sales volume. We believe that there is significant potential for growth in Central America as corn flour is used in only approximately 24% of all tortilla production; the majority of tortilla manufacturers use the wet corn dough method. Additionally, we believe we are one of the largest producers of tortillas, and snacks, and one of the largest processors of rice.

Within the corn flour industry, our main competitors are Minsa, Del Comal and Instamasa. However, one of our main growth potentials is to convert tortilla manufacturers that still use the traditional method to our corn flour method.

Operations and Capital Expenditures. We have an annual installed production capacity of 220,000 tons for corn flour and other products as of December 31, 2004, with an average utilization of 70% during 2004. We operate a corn flour plant in each of Costa Rica, Honduras, Guatemala and El Salvador for a total of four plants throughout the region. In Costa Rica, we also have one plant producing tortillas, one plant producing snacks, one plant processing hearts of palm and one plant processing rice. In Nicaragua we have one small tortilla plant. Additionally, during 2004 we entered into a lease agreement for a facility in Ecuador to process hearts of palm. On average, the size of our plants measured in square meters is approximately 3,800 (approximately 40,900 square feet) as of December 31, 2004.

During 2002, 2003 and 2004, most of our capital expenditures were oriented to technology upgrades, the construction of a tortilla plant, a distribution center and administrative offices in Costa Rica. Total capital expenditures for the past three years was approximately U.S.$0.7 million. Capital expenditures for 2005 will be mostly oriented to manufacturing upgrades.

Seasonality. Typically, corn flour sales volume is lower during the second quarter of the year due to higher availability and lower prices of corn.

Raw Materials. Corn is the most important raw material needed in our operations and is obtained primarily from local growers. However, when domestic supply is insufficient, we turn to the international markets through import permits granted by the governments of countries in which we have corn flour plants. Price fluctuation and volatility are subject to domestic conditions, such as annual crop results, and to a lesser extent, international conditions.

Gruma Venezuela

Overview

In 1993, we entered the Venezuelan corn flour industry through a participation in DEMASECA, a corn flour company in Venezuela. We have held a 50% beneficial ownership in DEMASECA since 1998. Local investors own the remaining 50% interest. In August 1999, we acquired 95% of DAMCA International Corporation, a Delaware corporation which owned 100% of MONACA, Venezuela's second largest corn and wheat flour producer at that time, for approximately U.S.$94 million. Archer-Daniels-Midland acquired 5% of DAMCA International Corporation. We believe this acquisition enhanced our existing grain-based products business in Venezuela. DEMASECA and MONACA are collectively referred to as "Gruma Venezuela."

In recent years, Venezuela has experienced considerable volatility and depreciation of its currency, high interest rates, political instability and declining asset values. In 2003, in response to the general strike and in an effort to shore up the economy and control inflation, the Venezuelan authorities imposed foreign exchange and price controls. Further economic stagnation is expected to result as a consequence of these market distortions. These developments have had and may continue to have an adverse effect on us.

DEMASECA and MONACA

Principal Products. Gruma Venezuela produces and distributes corn flour as well as wheat flour, rice, oats and other products. We sell corn flour under the brand names JUANA®, TIA BERTA® and DECASA®. We sell wheat flour under the ROBIN HOOD® and POLAR® brand, rice under the MONICA® brand and oats under the LASSIE® brand.

Sales and Marketing. Venezuelans use corn flour to produce and consume arepas, which are made at home or in restaurants for household consumption rather than manufactured by specialty shops or other large manufacturers. In 2004, we sold corn flour only in the retail market in one and two kilogram bags to independent distributors, supermarkets, wholesalers, and government channels. We sell wheat flour both in bulk and retailer, distributing in 45 kilogram bags and in one kilogram bags, respectively. During 2004, sales volumes for Gruma Venezuela were 219,313 tons of corn flour, 228,463 tons of wheat flour and approximately 56,663 tons of other products. Bulk sales to customers such as bakeries made up 77% of our total wheat flour sales volume in 2004. The remaining 23% of sales in 2004 were in the retail market, which includes independent distributors, supermarkets and wholesalers.

Competition and Market Share. With the MONACA acquisition in 1999, we significantly increased our share of the corn flour market and entered the wheat flour market. We believe we are one of the largest corn flour and wheat flour producers in Venezuela.

In corn flour, our main competitor is Alimentos Polar, C.A.. In wheat flour, our principal competitor is Cargill.

Operation and Capital Expenditures. We operate five corn flour plants, four wheat flour plants, two rice plants, and two plants that produce oats and spices in Venezuela with a total annual production capacity of 786,000 tons as of December 31, 2004 and an average utilization of approximately 64% during 2004. However, one corn flour plant, representing 33,708 tons, and one rice plant, representing 22,216 tons, are temporarily idle. On average, the size of our plants measured in square meters is approximately 9,200 (approximately 99,000 square feet) as of December 31, 2004.

Capital expenditures for the past three years were U.S.$11.4 million. Capital expenditures for 2005 are expected to be focused on acquisition of distribution equipment and upgrades for manufacturing and information technologies which are expected to be financed with internal cash generation.

Seasonality. Sales fluctuate seasonally as demand for flour-based products is lower during those months when most schools are closed for vacation. In addition, sales are higher in November as customers build inventory to satisfy increased demand during the holiday season in December.

Raw Materials. Corn and, to a lesser extent, wheat are our most important raw materials. Corn is purchased in Venezuela and is subject to the corn market's volatility. All wheat is purchased from the U.S. and Canada with its availability and price volatility dependent upon those markets. We do not engage in any type of hedging activity for our supplies since country risk for Venezuela greatly increases the cost of these instruments.

Miscellaneous—INTASA—Technology and Equipment Operations

We have had our own technology operations since the founding of the company. Since 1976 our technology and equipment operations have been conducted principally through INTASA, which has two subsidiaries: Tecnomaíz, S.A. de C.V., or Tecnomaíz, and Constructora Industrial Agropecuaria, S.A. de C.V., or CIASA. The principal activity of these subsidiaries is to provide research and development, equipment, and construction services to us and small equipment to third parties. Through Tecnomaíz, we also engage in the design, manufacture and sale of machines for the production of tortillas and tortilla chips. The machinery for the tortilla industry includes a range of capacities, from machines that make 50 to 300 corn tortillas per minute to dough mixers. The equipment is sold under the TORTEC® and BATITEC® trademarks in Mexico. Tecnomaíz also manufactures high volume energy efficient corn and wheat tortilla systems that can produce up to 1,200 corn tortillas and 400 wheat tortillas per minute.

We carry out proprietary technological research and development for corn milling and tortilla production as well as all engineering, plant design and construction through INTASA and CIASA. These companies administer and supervise the design and construction of our new plants and also provide advisory services and training to employees of our corn flour and tortilla manufacturing facilities. We manufacture corn tortilla-making machines for sale to tortilla manufacturers and for use in "in-store *tortillerías*," as well as high-capacity corn and flour tortilla-makers that are supplied only to us.

Banorte Investment

As of December 31, 2004, we hold approximately 10.9% of the outstanding shares of GFNorte, a Mexican finance services holding company and parent of Banco Mercantil del Norte, S.A., or Banorte, a Mexican bank. As of the same date, our investment in GFNorte represented approximately 7% or Ps.1,682 million of our total assets. In accordance with Mexican GAAP, GFNorte's results of operations are accounted for in our consolidated results of operations using the equity method of accounting.

REGULATION

Mexican Regulation

Corn Commercialization Program

Since December 1996, ASERCA, a Mexican government agency, has administered a program designed to promote the purchase of corn in certain regions of Mexico. This program supports Mexican corn growers exclusively. The ASERCA program has the following general guidelines:

- Support corn growers by setting a target price and paying the difference versus market price.
- Support corn growers by providing economic support to reduce the cost of raw materials required for its corn crops.
- Support a portion of the freight expenses related to the distribution of excess corn to regions far from the corn growing area in seasons when there is excess corn. This support for freight expenses applies to any corn buyer that can prove that the purchased corn will be consumed in regions where there is no corn available and that are distant to the regions where corn is grown. In the case of the corn flour industry, the distance must be at least 740 km outside the corn growing area, excluding the central zone of Mexico.

Environmental Regulations

Our Mexican operations are subject to Mexican federal, state and municipal laws and regulations relating to the protection of the environment. The principal federal environmental laws are the *Ley General de Equilibrio Ecológico y Protección al Ambiente* (the General Law of Ecological Equilibrium and Protection of the Environment, or the Mexican Environmental Law), which is enforced by the *Secretaría de Medio Ambiente y Recursos Naturales* (the Ministry of the Environment and Natural Resources, or SEMARNAT) and the *Ley Federal de Derechos* (the Mexican Federal Law of Governmental Fees). Under the Mexican Environmental Law, each of our facilities engaged in the production of corn flour, wheat flour, and packaged tortillas is required to obtain an operating license from SEMARNAT upon initiating operations, and then annually submit a certificate of operation to maintain the operating license. Furthermore, the Mexican Federal Law of Governmental Fees requires that Mexican manufacturing plants pay a fee for the discharge of residual waste water to drainage. Rules have been promulgated concerning hazardous substances and water, air and noise pollution. In particular, Mexican environmental laws and regulations require that Mexican companies file periodic reports with respect to air and water emissions and hazardous wastes. They establish standards for waste water discharge. We must also comply with zoning regulations as well and rules regarding health, working conditions and commercial matters. SEMARNAT and the Federal Bureau of Environmental Protection can bring administrative and criminal proceedings against companies that violate environmental laws, as well as close non-complying facilities.

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

Competition Regulations

The *Ley Federal de Competencia Económica* (the Federal Economic Competition Law or the Mexican Competition Law), was approved by the Mexican Congress and published in the *Diario Oficial de la Federación* on December 24, 1992 and became effective on June 22, 1993. The Mexican Competition Law and the *Reglamento de la Ley Federal de Competencia Económica* (the Regulations of the Mexican Competition Law), effective as of March 5, 1998, regulate monopolies and monopolistic practices and require Mexican government approval of certain mergers and acquisitions. The Mexican Competition Law grants government the authority to establish price controls for products and services of national interest qualified as such by Presidential decree, and established the *Comisión Federal de Competencia*, or Federal Competition Commission, to enforce the law. Mergers and acquisitions and other transactions that may restrain trade or that may result in monopolistic or anti-competitive practices or combinations must be approved by the Federal Competition Commission. The Mexican Competition Law may potentially limit our business combinations, mergers and acquisitions and may subject us to greater scrutiny in the future in light of our market presence, although it has had little effect on our operations, and we do not believe that this legislation will have a material adverse effect on our existing or developing business operations.

U.S. Federal and State Regulations

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

European Regulation

We are subject to regulation in each country in which we operate in Europe. We believe that we are currently in compliance with all applicable legal requirements in all material respects.

Central America and Venezuela

Gruma Centroamérica and Gruma Venezuela are subject to regulation in each country in which they operate. We believe that Gruma Centroamérica and Gruma Venezuela are currently in compliance with all applicable legal requirements in all material respects.

ITEM 5. Operating and Financial Review and Prospects.

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

You should read the following discussion in conjunction with our financial statements and the notes thereto contained elsewhere herein. Our financial statements have been prepared in accordance with Mexican GAAP, which differ in some significant respects from U.S. GAAP. See Note 21 to our financial statements for information related to the nature and effect of such differences and a quantitative reconciliation to U.S. GAAP of our majority net income and stockholders' equity. For more information about our financial statements in general, see "Presentation of Financial Information."

Overview of Accounting Presentation

Effects of Inflation

Mexican GAAP requires that financial statements recognize the effects of inflation in accordance with Bulletins B-10 and B-15 issued by the Mexican Institute of Public Accountants. The purpose of this methodology is to present all information in comparable monetary units and thereby mitigate the distortive effect of inflation in the financial statements. Unless otherwise stated herein, the financial statements and other financial data in this Annual Report have been restated in pesos of constant purchasing power as of December 31, 2004.

We restate all non-monetary assets using the Mexican National Consumer Price Index, except inventories, which are restated using actual replacement costs, and fixed assets of non-Mexican origin, which may be restated using a specified index which considers the consumer price index of the relevant foreign country and the fluctuations of the exchange rate between the Mexican peso and the currency of such foreign country.

Bulletin B-15 prescribes the methodology for restating and translating the financial statements of a Mexican company's non-Mexican subsidiaries into Mexican GAAP for purposes of recognizing the effects of inflation in such financial statements. Bulletin B-15 requires, among other things, that local currency-based financial statements of a non-Mexican subsidiary of a Mexican company for a particular period be (1) restated by using the relevant inflation rate in the relevant foreign country and (2) then translated into pesos.

Bulletin B-15 also requires that inflation rates in foreign countries be used in calculating monetary position gains or losses on a consolidated basis. In addition, Bulletin B-15 provides that the consolidated financial statements of a Mexican company for all periods prior to the most recent period are to be restated in pesos of constant purchasing power. This restatement may be accomplished by using an "international restatement factor," which takes into account the inflation rates, exchange rate movements and relative net sales in Mexico and the other countries in which the company and its subsidiaries operate, rather than using the inflation rate in Mexico.

For comparison purposes, the following table sets forth, for each of the three years ended December 31, 2002, 2003 and 2004:

- the international restatement factor used to restate the financial statements data for each of these periods to pesos of constant purchasing power as of December 31, 2004;
- the cumulative Mexican National Consumer Price Index for each period which, in the absence of Bulletin B-15, would have been used to restate the financial statements to pesos of constant purchasing power as of December 31, 2004; and
- the comparison factor for each period which represents the index that must be applied to the financial statements for each period (which have been restated using the international restatement factor) in order to restate the financial statements and financial data in December 31, 2004 pesos of constant purchasing power using the cumulative Mexican National Consumer Price Index.

Financial data in Mexican pesos as of December 31,	**Cumulative International Restatement Factor**	**Cumulative Mexican National Consumer Price Index**	**Comparison Factor**
2002	9.17	9.37	1.0019
2003	1.17	5.19	1.0397
2004…………………………………..	-	-	1

In future periods, the application of U.S. inflation rates could have a substantial effect on our reported results of operations and financial condition if such rates are lower than inflation rates in Mexico, assuming that we maintain significant U.S. dollar-denominated debt and other liabilities and assuming that all other relevant variables, such as foreign exchange rates, remain constant. In addition, because Gruma Corporation, our principal U.S. subsidiary, generates a significant portion of our consolidated net sales in U.S. dollars, Bulletin B-15 could result in decreased net sales in peso terms, again relative to prior periods. By contrast, if U.S. and other non-Mexican inflation rates exceed inflation rates in Mexico in future periods, then our monetary position gain and net sales as they relate to foreign subsidiaries would tend to increase in comparison to prior periods.

Effects of Devaluation

Because a significant portion of our net sales are generated in U.S. dollars, changes in the peso/dollar exchange rate can have a significant effect upon our results of operations as reported in pesos. When the peso depreciates against the U.S. dollar, Gruma Corporation's net sales in U.S. dollars represent a larger portion of our net sales in peso terms than when the peso appreciates against the U.S. dollar. And when the peso appreciates against the dollar, Gruma Corporation's net sales in U.S. dollars represent a smaller portion of our net sales in peso terms than when the peso depreciates against the dollar. For a description of the peso/U.S. dollar exchange rate see "Item 3. Key Information—Exchange Rate Information."

In addition to the above, our net income may be affected by changes in our foreign exchange gain or loss, which may be impacted by significant variations in the peso/dollar exchange rate. During 2002, we recorded a net foreign exchange loss of Ps.287 million. In 2003, we recorded a net foreign exchange loss of Ps.184 million. During 2004, we recorded a net foreign exchange loss of Ps.51 million.

Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with Mexican GAAP as promulgated by the Mexican Institute of Public Accountants. A reconciliation from Mexican GAAP to U.S. GAAP of majority net income and total stockholders' equity is included in Note 21 to our consolidated financial statements. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period.

We have identified below the most critical accounting principles that involve a higher degree of judgment and complexity and that management believes are important to a more complete understanding of our financial position and results of operations. These policies are outlined below.

Additional accounting policies that are also used in the preparation of our financial statements are outlined in the notes to our consolidated financial statements included in this Annual Report.

Property, Plant and Equipment

We depreciate our property, plant and equipment over their respective estimated useful lives. Useful lives are based on management's estimates of the period that the assets will continue to support production requirements or generate sales of our products and are adjusted when those estimates change. Estimates are based on the nature of the asset, historical usage with consideration given to technological changes, our current strategy, as well as internal engineering studies. To the extent that our estimates are incorrect, our periodic depreciation expense or carrying value of our assets may be impacted.

We evaluate, at least annually, any event or change in circumstances that indicate that the book value of our property, plant and equipment will not be recovered. When applicable, we perform impairment tests as follows:

Fair value of assets held for use is determined using the higher between the discounted net cash flows expected from the assets and the market price; an impairment loss is recorded to the extent that the net book value exceeds the fair value of the assets. Market price is determined using market values or transactions with similar assets less costs to sell and can be based on third-party valuations. Fair value of assets held for use that are temporarily idle is also based on market price less costs to sell.

Fair value of assets to be disposed of is determined using the lower between book value and market price; an impairment loss is recognized for the excess of book value over market price. These assets are subsequently restated using NCPI factors and are no longer depreciated or amortized.

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

Primarily as a result of plant rationalization, certain facilities and equipment are not currently in use in operations. We have recorded impairment losses related to certain unused assets and additional losses may potentially occur in the future if our estimates are not accurate.

Goodwill and Other Intangible Assets

Until December 31, 2003, goodwill was amortized on a straight-line basis over estimated useful lives. Starting January 1, 2004 we adopted the provisions of Bulletin B-7 “Business Acquisitions” and consequently, ceased the amortization of goodwill and started to perform annual impairment tests.

Intangible assets with definite lives are amortized on a straight-line basis over estimated useful lives. Indefinite-lived intangible assets are no longer amortized, as of January 1, 2003, upon the application of Bulletin C-8, “Intangible Assets”, but are subject to annual impairment tests.

The identification and measure of goodwill and unamortized intangible assets impairment involves the estimation of fair value of the reporting units. A reporting unit is constituted by a group of one or more cash generating units. Estimates of fair value are primarily determined using discounted cash flows. Cash flows are discounted at present value and an impairment loss is recognized if such discounted cash flows are lower than the net book value of the reporting unit.

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

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

Deferred Income Taxes

Under both Mexican and U.S. GAAP, we record deferred income tax assets and liabilities using enacted tax rates for the effect of temporary differences between the book and tax basis of assets and liabilities. If enacted tax rates change, we adjust the deferred tax assets and liabilities through the provision for income taxes in the period of change, to reflect the enacted tax rate expected to be in effect when the deferred tax items reverse. We also record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event we were to determine that we would be able to realize our deferred tax assets in the future in excess of the net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Should we determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

Derivative Financial Instruments

We use derivatives in the normal course of business to manage our exposure to fluctuations in commodity prices and interest and foreign currency rates. We account for derivatives on our consolidated balance sheets as assets or liabilities at fair value. Such accounting is complex and requires significant judgments and estimates involved in the estimating of fair values.

Factors Affecting Financial Condition and Results of Operations

In recent years, our financial condition and results of operations have been significantly influenced by some or all of the following factors:

- the level of demand for tortillas, corn flour and wheat flour;
- the effects of government polices on imported corn and corn prices, especially in Mexico and Venezuela;

- the cost of corn and wheat;
- the cost of energy;
- our acquisitions, plant expansions and divestitures;
- the effect of Venezuela government initiatives and policies; and
- the effect from variations on interest rates and exchange rates.

RESULTS OF OPERATIONS

The following table sets forth our consolidated income statement data on a Mexican GAAP basis for the years ended December 31, 2002, 2003 and 2004, expressed as a percentage of net sales. All financial information has been prepared under the Bulletin B-15 methodology. For a description of the method, see "Presentation of Financial Information" and "—Overview of Accounting Presentation."

	Year Ended December 31,		
	2002	**2003**	**2004**
Income Statement Data			
Net sales	100.0%	100.0%	100%
Cost of sales	62.5	63.7	64.2
Gross profit	37.5	36.3	35.8
Selling, general and administrative expenses	29.7	28.7	28.1
Operating income	7.8	7.6	7.8
Net comprehensive financing cost	(3.2)	(2.0)	(0.3)
Other income (expenses), net	0.6	(0.8)	(1.1)
Income taxes (current and deferred)	2.9	2.9	3.1
Employee's statutory profit sharing (current and deferred)	0.1	0.0	0.0
Other items	0.8	1.0	1.1
Minority interest	1.0	0.8	0.7
Majority net (loss) income	2.1	2.1	3.7

The following table sets forth our net sales and operating income as represented by our principal subsidiaries for 2002, 2003 and 2004. Net sales and operating income of our subsidiary PRODISA are part of "others and eliminations". Financial information with respect to GIMSA includes sales of Ps.32 million, Ps.41 million and Ps.181 million in 2002, 2003 and 2004, respectively, in corn flour to Gruma Corporation and PRODISA; financial information with respect to Molinera de México includes sales of Ps.5 million, Ps.14 million and Ps.20 million in 2002, 2003 and 2004, respectively, to PRODISA; financial information with respect to PRODISA includes sales of Ps.42 million, Ps.46 million and Ps.47 million in 2002, 2003 and 2004, respectively, in tortilla related products to Gruma Corporation; and financial information with respect to INTASA includes sales of Ps.319 million, Ps.394 million and Ps.363 million in 2002, 2003 and 2004, respectively, in technological support to certain subsidiaries of Gruma, S.A. de C.V. In the process of consolidation, all the aforementioned intercompany transactions are eliminated from the financial statements.

	Year Ended December 31,					
	2002		**2003**		**2004**	
	Net Sales	**Operating Income**	**Net Sales**	**Operating Income**	**Net Sales**	**Operating Income**
	(in millions of pesos of constant purchasing power as of December 31, 2004)					
Gruma Corporation	Ps. 9,907	Ps. 851	Ps. 11,127	Ps. 1,029	Ps. 12,683	Ps. 1,257
GIMSA	5,209	555	5,471	414	5,787	451
Gruma Venezuela	2,637	285	3,308	429	3,300	184
Molinera de México	1,882	20	2,095	(24)	1,885	(19)
Gruma Centroamérica	1,152	34	1,138	(3)	1,226	19

Others and eliminations	146	(116)	172	(76)	111	48
Total	Ps. 20,933	Ps. 1,629	Ps. 23,311	Ps. 1,769	Ps. 24,992	Ps. 1,940

Year Ended December 31, 2004 Compared with Year Ended December 31, 2003

Net Sales

Overview: Our total net sales increased by 7% to Ps.24,992 million in 2004 compared to Ps.23,311 million in 2003. Total net sales increased due to higher average prices resulting from a change in the mix toward higher-priced products and price increases on some products implemented to offset cost increases. Most of the increase in total net sales came from Gruma Corporation and, to a lesser extent, GIMSA and Gruma Centroamérica.

Net Sales by Subsidiary: By major subsidiary, the percentages of consolidated net sales in 2004 and 2003 were as follows:

Subsidiary	Percentage of Consolidated Net Sales	
	2004	2003
Gruma Corporation	50.7%	47.7%
GIMSA	23.2	23.5
Gruma Venezuela	13.2	14.2
Molinera de México	7.5	9.0
Gruma Centroamérica	4.9	4.9
Others and eliminations	.5	.7

Gruma Corporation's net sales increased 14% to Ps.12,683 million in 2004 compared to Ps.11,127 million in 2003. The increase was due to an 11% rise in sales volume coupled with (1) a change in the product mix toward the tortilla business, characterized by higher-priced products than corn flour products; (2) a change in the mix within the tortilla business toward value-added products (*e.g.*, low-carb wheat flour tortillas), which are higher priced than regular wheat flour tortillas; and (3) a continued increase in retail corn flour sales. In the United States, sales volume increased due to continuing strong demand and increased geographic coverage in the tortilla business and, to a lesser extent, in the corn flour operation. The two European acquisitions concluded during July 2004 also contributed to the rise in Gruma Corporation's overall sales volume.

Gruma Corporation's combined corn flour and tortilla sales volume increased by 11% to 1,088,000 tons in 2004 from 979,000 tons in 2003. Corn flour sales volume increased 5% while tortilla sales volume increased 15%.

Three primary factors which drove volume growth in the US tortilla business are:

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

GIMSA's net sales increased by 6% to Ps.5,787 million in 2004 compared with Ps.5,471 million in 2003. The increase in net sales resulted from higher sales volume and higher corn flour prices. GIMSA selectively and gradually implemented price increases throughout 2004, especially during the fourth quarter, to offset higher energy and corn costs. In constant peso terms, the average price of corn flour increased 3% in 2004 compared to 2003. GIMSA's sales volume increased 3% in 2004 to 1,447,843 tons from 1,406,065 tons in 2003 due to (1) the development of new types of corn flour, which prompted some corporate customers to use GIMSA as their preferred supplier, (2) sales volume growth to supermarket clients, and (3) export sales to Gruma Corporation.

Net sales from Gruma Venezuela were flat at Ps.3,300 million in 2004 million due to higher prices in connection with higher raw-material costs. The difficult competitive environment, together with price controls, limited the company's ability to raise prices sufficiently to offset higher raw-material costs (specifically those of corn, wheat, rice, oat, and oil). In addition, the 3% decline in sales volume negatively affected fixed-cost absorption.

Sales volume from Gruma Venezuela decreased by 3% in 2004 to 504,000 tons from 518,000 tons in 2003. Two primary factors contributed to the 3% decrease in sales volume in 2004. The first was the entry into the market of a new competitor focused on supplying the government. The second was that our main competitor within the corn flour business increased operations to a normal level in 2004, having regained part of the business it lost in 2003.

Molinera de México's net sales decreased 10% to Ps.1,885 million in 2004 from Ps.2,095 million in 2003, while sales volume decreased 20% to 460,000 in 2004 from 575,000 in 2003. This was due primarily to a change in its service contract with its largest customer, pursuant to which Molinera de México stopped selling wheat flour to this customer and instead processed wheat flour for this customer using wheat provided by the customer. In return Molinera de México retains the by-product of this process, wheat bran, as its only payment for this processing service. As a result of this change, Molinera de México records profits realized under the contract as a deduction from overall cost of sales and not as a component of both net sales and cost of sales, as had been the case in 2003. The rate of decrease in net sales was lower than that of sales volume due primarily to higher wheat flour prices charged by Molinera de México and to a lesser extent is a result of the change in the new service contract which removed the sales and sales volume figures associated with Molinera de México's largest customer as discussed above, which resulted in a greater difference between the net sales and the related sales volume figures which are associated with its remaining customers.

Gruma Centroamérica's net sales increased 8% to Ps.1,226 million in 2004 from Ps.1,138 million in 2003 reflecting the increase in sales volume and, to a lesser extent, higher prices, especially in the corn flour segment. Gruma Centroamérica's sales volume increased 7% in 2004 to 154,000 tons from 144,000 tons in 2003 as a result of the increased distribution to customers that had been underserved by wholesalers, especially in rural areas, and by the low corn supplies which favored corn flour consumption.

Cost of Sales

Overview: Our total cost of sales increased 8%, to Ps.16,035 million in 2004 from Ps.14,843 million in 2003, due primarily to higher raw-material costs and, to a lesser extent, higher energy, packaging, and other costs. This increase was driven mainly by Gruma Corporation and, to a lesser extent, GIMSA and Gruma Venezuela. As a percentage of net sales, our total cost of sales increased to 64.2% from 63.7%. Gruma Corporation and Gruma Venezuela were the primary drivers of this increase, which was due to the fact that prices were insufficient to completely offset cost increases, especially for raw materials, and a change in the mix toward lower-margin products.

Cost of Sales by Subsidiary: Cost of sales of Gruma Corporation as a percentage of net sales increased to 55.4% from 53.5% due to a combination of factors, including (1) higher raw-material and packaging costs, (2) the consolidation of the European acquisitions; (3) a change in the sales mix toward lower-margin products, such as our low-carb and Guerrero brand tortillas; and (4) stronger distribution of lower-margin products not manufactured by Gruma Corporation, such as sauces and dips. Gruma Corporation's cost of sales increased 18% to Ps.7,020 million in 2004 compared to 5,950 million in 2003, due to the cost increases mentioned above, as well as volume growth and the use of more expensive raw materials in new value-added products.

GIMSA's cost of sales as a percentage of net sales decreased slightly to 73.7% in 2004 from 73.8% in 2003 as a result of the above-mentioned price increases which more than offset cost increases. In constant peso terms, GIMSA's cost of sales increased 6% to Ps.4,264 million in 2004 from Ps.4,039 million in 2003 in connection with sales volume growth and cost increases, especially with regard to energy and corn.

Cost of sales of Gruma Venezuela increased 8% to Ps.2,578 million in 2004 from Ps.2,383 million in 2003, due to higher raw-material costs. Cost of sales as a percentage of net sales increased to 78.1% from 72.0%, because the difficult competitive environment, together with price controls, limited Gruma Venezuela's ability to raise prices sufficiently to offset higher raw-material costs (specifically those of corn, wheat, rice, oat, and oil). In addition, the 3% decline in sales volume negatively affected fixed-cost absorption.

Cost of sales of Molinera de México decreased 13% to Ps.1,526 million in 2004 compared to Ps.1,749 million in 2003 primarily due to the new service contract mentioned above. Cost of sales as a percentage of net sales decreased to 81.0% from 83.5% reflecting a change in connection with the new service contract.

Gruma Centroamérica's cost of sales increased 8% to Ps.852 million in 2004 compared to Ps.786 million in 2003 primarily as a result of the 8% growth in corn flour sales volume. Cost of sales as a percentage of net sales increased to 69.5% in 2004 from 69.1% in 2003 as prices did not fully reflect the higher cost of raw materials.

Gross Profit

As a result of the above factors, our gross profit increased by 6% to Ps.8,958 million in 2004 compared with Ps.8,468 million in 2003 and our gross margin decreased to 35.8% in 2004 from 36.3% in 2003.

Selling, General and Administrative Expenses

Overview: Our total selling, general and administrative expenses, or SG&A expenses, increased 5% to Ps.7,018 million in 2004 from Ps.6,699 million in 2003, mostly as a result of higher sales volume in Gruma Corporation. Total SG&A expenses as a percentage of net total sales improved to 28.1% in 2004 from 28.7% in 2003 due primarily to better expense absorption in Gruma Corporation.

SG&A Expenses by Subsidiary: SG&A expenses of Gruma Corporation increased 6% to Ps.4,406 million in 2004 from Ps.4,148 million in 2003 due to increases in distribution and transportation expenses. These increases came from (1) sales volume growth, (2) higher tariffs due to increased energy costs, (3) sales in new regions, and (4) the need to move products among tortilla plants due to capacity constraints at certain plants. We expect that the capacity expansions to be completed in 2005, will ease these constraints. SG&A as a percentage of net sales decreased to 34.7% from 37.3% due to better absorption of expenses.

GIMSA's SG&A expenses as a percentage of net sales decreased slightly to 18.5% in 2004 from 18.6% in 2003 due to better expense absorption reflecting higher net sales. In constant peso terms, SG&A expenses increased 5% to Ps.1,072 million in 2004 from Ps.1,018 million in 2003 as a result of higher selling expenses stemming from the nationwide marketing campaign launched at the end of 2003.

SG&A expenses of Gruma Venezuela increased 8% to Ps.538 million in 2004 compared to Ps.496 million in 2003. SG&A expenses as a percentage of net sales increased to 16.3% in 2004 from 15.0% in 2003. The increase comes mainly from the transportation industry's implementation of higher freight tariffs because of higher maintenance costs and increased demand for transportation services from industries such as construction and the government's social welfare and distribution programs.

SG&A expenses of Molinera de México increased 2% to Ps.378 million in 2004 from Ps.371 million in 2003 due to the strengthening of the sales force and higher promotion and advertising expenses related to the launch of premixed flour products for retail sale, as well as other initiatives. SG&A expenses as a percentage of net sales increased to 20.1% in 2004 from 17.7% in 2003 due mainly to the new service contract mentioned above and, to a lesser extent, the above-mentioned increase in SG&A expenses.

SG&A expenses of Gruma Centroamérica remained flat at Ps.356 million. SG&A as a percentage of net sales decreased to 29.0% from 31.2% due to better expense absorption.

Operating Income

Total operating income increased 10% to Ps.1,940 million in 2004 compared to Ps.1,769 million in 2003. Our consolidated operating margin improved to 7.8% in 2004 from 7.6% in 2003. Both were driven mainly by higher sales volume in Gruma Corporation and increased business in INTASA (our technology and equipment operations), mostly in connection with capacity expansions in Gruma Corporation. The technology division is reported under the "other" segment in Note 17 to our financial statements.

Net Comprehensive Financing Cost

Total net comprehensive financing cost decreased 86% to Ps.67 million in 2004 compared to Ps.466 million in 2003, due to (1) gains in connection with equity swaps of GRUMA shares, (2) lower foreign-exchange losses due to lower average peso depreciation, (3) lower interest expense due to lower average debt level, and (4) higher monetary gains due to higher net monetary liability position in Venezuela and higher U.S. inflation, which is applied to our dollar denominated debt.

Other Expenses, Net

Other expenses, net increased to Ps.287 million in 2004 from Ps.177 million in 2003. This is primarily due to write-downs of some fixed assets at GIMSA's Chalco plant and at PRODISA and, to a lesser extent, write-offs of goodwill and preoperating expenses and brands. These impairment adjustments resulted from the application of Bulletin C-15, "Impairment in the Value of Long-Lived Assets and their Disposal."

Taxes and Employees' Profit Sharing

Provisions for income taxes and employee profit sharing increased to Ps.773 million in 2004 from Ps.679 million in 2003 in connection with higher pretax income. Our effective tax rate (income tax and employees profit sharing) for 2004 was 49% as compared to 60% in 2003. For additional information, please refer to the reconciliation of effective tax rates in Note 15 of our financial statements.

Equity in Earnings of Associated Companies, Net

Our share of net income from unconsolidated associated companies increased to Ps.282 million in 2004 from Ps.238 million in 2003 reflecting primarily higher income from our ownership interest in GFBanorte.

Majority Net Income

As a result of the above factors, our income before minority interest was Ps.1,096 million in 2004 compared to Ps.684 million in 2003 and our majority net income was Ps.923 million in 2004 compared to Ps.499 million in 2003.

Year Ended December 31, 2003 Compared with Year Ended December 31, 2002

Net Sales

Overview: Our total net sales increased by 11% to Ps.23,311 million in 2003 compared to Ps.20,933 million in 2002. The increase in total net sales resulted primarily from volume growth of 6%. Total sales volume rose in all of our subsidiaries in 2003, with the main drivers of volume growth being Gruma Corporation and Gruma Venezuela. Higher average prices in connection with higher corn and wheat costs also contributed to the rise in total net sales in 2003.

Net Sales by Subsidiary: By major subsidiary, the percentages of consolidated net sales in 2003 and 2002 were as follows:

Subsidiary	**Percentage of Consolidated Net Sales**	
	2003	**2002**
Gruma Corporation	47.7%	47.3%
GIMSA	23.5	24.9
Gruma Venezuela	14.2	12.6
Molinera de México	9.0	9.0
Gruma Centroamérica	4.9	5.5
Others and eliminations	1.8	1.7

Gruma Corporation's net sales increased 12% to Ps.11,127 million in 2003 compared to Ps.9,907 million in 2002 primarily reflecting higher sales volume and, to a lesser extent, price increases for corn flour and tortillas, which were implemented during the first quarter of 2003 to offset higher corn and energy costs. Gruma Corporation's combined corn flour and tortilla sales volume increased by 9% to 979,000 tons in 2003 from 899,000 tons in 2002. Corn flour sales volume increased 7% while tortilla sales volume increased 10%.

Factors causing Gruma Corporation's tortilla sales volume to increase included:

- an 18% increase in corn tortilla sales volume due to the successful rollout at the end of the third quarter of 2002 of the "Great New Taste" formulation for corn tortillas for retail sale;
- significant growth in corn tortilla sales volume in the food service sector as a result of promotional activities aimed at increasing penetration in all domestic markets; and
- a 4% increase in wheat tortilla sales volume resulting from:
    - several major restaurant chain customers creating new recipes and promoting menu items featuring wheat tortillas; and
    - a full year of sales to two restaurant chains based in the Midwest, which began during the third quarter of 2002.

Factors causing Gruma Corporation's corn flour sales volume to increase included:

- increased demand from current customers due to their increasing tortilla production and converting from the traditional cooked-corn method to the corn flour method; and
- improved retail sales due to various factors including:
    - continued focus on specific customer markets in the United States;
    - strengthening of the MASECA® brand through promotions and advertising; and
    - growth of its distribution network.

GIMSA's net sales increased by 5% to Ps.5,471 million in 2003 compared with Ps.5,209 million in 2002. The increase in net sales resulted primarily from corn flour price increases related to higher corn costs and was also due to higher sales volume. GIMSA gradually implemented price increases throughout 2003 to offset higher corn costs, although GIMSA was not able to do so to an extent to fully reflect the higher corn costs. In constant peso terms, the average price of corn flour increased 4% in 2003 compared to 2002. GIMSA's sales volume increased 0.6% in 2003 to 1,406,065 tons from 1,397,237 tons in 2002 due to higher sales volume to DICONSA resulting from a modification in GIMSA's sales structure.

Net sales from Gruma Venezuela increased 25% to Ps.3,308 million in 2003 compared to Ps.2,637 million in 2002, reflecting an increase in sales volume and higher prices due to:

- the implementation of price increases related to the devaluation of the bolívar and higher raw material costs; and
- the marketing of products not subject to price controls, including new value-added products launched in 2003.

Sales volume from Gruma Venezuela increased by 14% in 2003 to 518,000 tons from 454,000 tons in 2002. This increase in sales volume was driven mainly by higher sales volume in most products, particularly wheat flour, as a result of:

- the ability of Gruma Venezuela to secure product supplies in a difficult business environment, thereby boosting customer confidence and enabling it to attract new customers;
- improved coverage and increased distribution;
- the development of new value-added products; and
- increased product promotion.

Molinera de México's net sales increased 11% to Ps.2,095 million in 2003 from Ps.1,882 million in 2002 reflecting a 7% increase in sales volume and, to a lesser extent, an increase in wheat flour prices implemented in connection with an increase in the cost of wheat. The increase in sales volume to 575,000 tons in 2003 from 536,000 tons in 2002 was a result of:

- increased sales to Mexico's largest cookie maker;
- continuing initiatives designed to enhance sales to supermarket in-store bakeries; and
- improved retail sales resulting from stronger wholesaler coverage in northern Mexico.

Gruma Centroamérica's net sales decreased 1% to Ps.1,138 million in 2003 from Ps.1,152 million in 2002 reflecting lower corn flour prices that resulted from corn flour price discounts implemented to meet intensified competition from the traditional cooked-corn method and other corn flour producers, and a shift in the corn flour product mix to cheaper brands and bulk sales. Gruma Centroamérica's sales volume increased 4% in 2003 to 144,000 tons from 139,000 tons in 2002 as a result of higher corn flour sales volume due to:

- Gruma Centroamérica's reduction of corn flour prices to meet intensified competition;
- improved coverage in rural areas of Guatemala; and
- increased promotion of less expensive brands

Cost of Sales

Overview: Our total cost of sales increased 13% to Ps.14,843 million in 2003 from Ps.13,092 million in 2002, primarily due to an increase in sales volume as well as higher corn and wheat costs. As a percentage of total net sales, our total cost of sales increased to 63.7% from 62.5%, primarily as a result of GIMSA and Molinera de México not raising prices to sufficiently offset higher corn and wheat costs due to the competitive pricing environment in these markets.

Cost of Sales by Subsidiary: Gruma Corporation's cost of sales increased 11% to Ps.5,950 million in 2003 compared to 5,356 million in 2002, commensurate with the 9% increase in sales volume. Cost of sales as a percentage of net sales decreased to 53.5% from 54.1%, mainly as a result of improved manufacturing efficiencies and better absorption of fixed costs related to higher sales volume, which largely offset higher corn and natural gas costs and the increasing cost of new products.

GIMSA's cost of sales as a percentage of net sales increased to 73.8% in 2003 from 70.4% in 2002 due primarily to higher corn costs and, to a lesser extent, higher fuel, electricity and additive costs which were only partially offset by our gradual price increases during that year. In constant peso terms, GIMSA's cost of sales increased 10% to Ps.4,039 million in 2003 from Ps.3,666 million in 2002.

Cost of sales of Gruma Venezuela increased 27% to Ps.2,383 million in 2003 from Ps.1,875 million in 2002, as a result of sales volume growth and significant increases in raw material costs. Cost of sales as a percentage of net sales increased to 72.0% from 71.1%. The significant increases in the cost of raw materials (especially corn and wheat) were partially offset by improved manufacturing efficiencies, better absorption of fixed costs, a temporary reduction in the number of products presentations sold and lower overhead expenses.

Cost of sales of Molinera de México increased 16% to Ps.1,749 million in 2003 compared to Ps.1,506 million in 2002 due to sales volume growth and an increase in the cost of wheat. Cost of sales as a percentage of net sales increased to 83.5% from 80.0% due to a change in the sales mix favoring bulk presentation and a more competitive market environment that prevented Molinera de México from raising the price of its bulk packages of wheat flour to fully reflect higher wheat costs.

Gruma Centroamérica's cost of sales increased 6% to Ps.786 million in 2003 compared to Ps.743 million in 2002 as a result of the 4% increase in sales volume and the increased cost of raw materials. Cost of sales as a percentage of net sales increased to 69.1% in 2003 from 64.5% in 2002 primarily due to Gruma Centroamérica's decision not to raise corn flour prices to fully offset higher corn costs because of intensified competition from the traditional cooked-corn method and from other corn flour producers and, to a lesser extent:

- a shift in the corn flour product mix toward cheaper and lower-margin products; and

- higher costs in Gruma Centroamérica's hearts of palm business due to local shortages of heart-of-palm stems, and lower prices due to strong competition and a change in the sales mix.

Gross Profit

As a result of the above factors, our gross profit increased by 8% to Ps.8,468 million in 2003 compared with Ps.7,841 million in 2002 and our gross margin decreased to 36.3% from 37.5%.

Selling, General and Administrative Expenses

Overview: Our total selling, general and administrative expenses, or SG&A expenses, increased 8% to Ps.6,699 million in 2003 from Ps.6,212 million in 2002 primarily due to the higher sales volume of Gruma Corporation. Total SG&A expenses as a percentage of net sales decreased to 28.7% in 2003 from 29.7% in 2002. The decrease in total SG&A expenses as a percentage of net sales was driven by better expense absorption, especially in Gruma Venezuela.

SG&A Expenses by Subsidiary: SG&A expenses of Gruma Corporation increased 12% to Ps.4,148 million in 2003 from Ps.3,700 million in 2002 as a result of the 9% increase in sales volume. SG&A expenses as a percentage of net sales remained at 37.3% in 2003. The increase in net sales allowed Gruma Corporation to improve its absorption of fixed selling expenses, which were offset by legal expenses related to the Company's antitrust litigation.

GIMSA's SG&A expenses as a percentage of net sales decreased to 18.6% in 2003 from 19.0% in 2002 due to better expense absorption related to higher corn flour prices. In absolute terms, SG&A expenses increased 3% to Ps.1,018 million in 2003 from Ps.988 million in 2002, mainly as a result of higher selling expenses due to improvements in the commercialization and customer-service infrastructure.

SG&A expenses of Gruma Venezuela increased 4% to Ps.496 million in 2003 compared to Ps.477 million in 2002 as a result of the 14% increase in sales volume. SG&A expenses as a percentage of net sales decreased to

15.0% in 2003 from 18.1% in 2002 due to better absorption of fixed expenses and favorable advertising contracts secured by Gruma Venezuela.

SG&A expenses of Molinera de México increased 4% to Ps.371 million in 2003 from Ps.356 million in 2002 due to an increase in shipping costs in connection with the increase in sales volume. SG&A expenses as a percentage of net sales decreased to 17.7% in 2003 from 18.9% in 2002 as a result of higher net sales, which allowed for better expense absorption.

SG&A expenses of Gruma Centroamérica decreased 5% to Ps.355 million in 2003 from Ps.375 million in 2002 due mainly to Gruma Centroamérica's initiatives designed to optimize operating expenses. Those initiatives included, among other things, a restructuring of the sales and marketing departments, resulting in lower salary and administrative expenses, fewer distribution routes and logistical efficiencies. For the same reason, along with better expense absorption related to higher sales volume, SG&A expenses as a percentage of net sales decreased to 31.2% in 2003 compared to 32.5% in 2002.

Operating Income

Total operating income increased 9% to Ps.1,769 million in 2003 compared to Ps.1,629 million in 2002. The improvement was driven by increases in operating income in Gruma Corporation and Gruma Venezuela of 21% (Ps. 178 million) and 50% (Ps. 144 million), respectively, resulting from higher sales volume, improved manufacturing and transportation efficiencies and better pricing. Our consolidated operating margin decreased to 7.6% in 2003 from 7.8% in 2002, however, due mainly to GIMSA's higher corn costs not being fully reflected in its corn flour prices throughout the year and, to a lesser extent, Molinera de México's competitive pricing environment.

Net Comprehensive Financing Cost

Total net comprehensive financing cost decreased 30% to Ps.466 million in 2003 compared to Ps.667 million in 2002, as a result of lower foreign exchange losses and lower interest expenses related mostly to reduced debt. The components of comprehensive financing cost, together with explanations of significant changes, are detailed below.

Items	2002	2003	Change	Comments
	(in millions of pesos of constant purchasing power as of December 31, 2004)			
Interest Expense	Ps. 619	Ps. 538	Ps. (81)	• Lower debt and, to a lesser extent, lower interest rates
Interest Income	(63)	(65)	(2)	
Foreign Exchange Loss (Gain)	287	183	(104)	• Lower peso and bolivar devaluation in 2003; lower debt
Monetary Position Loss (Gain)	(176)	(190)	(14)	
Total	Ps. 667	Ps. 466	Ps. (201)	

Other Expenses, Net

Other expenses, net was Ps.177 million in 2003 compared to income of Ps.132 million in 2002. This is a result of a gain in 2002 from the sale of nonproductive assets and the amortization of negative goodwill related to the acquisition of MONACA being completed in June 2002. For a detailed description of items included in other expenses, net, see Note 14 to our consolidated financial statements.

Taxes and Employees' Profit Sharing

Provisions for income taxes and employee profit sharing increased to Ps.679 million in 2003 from Ps.627 million in 2002. This increase corresponds to higher taxable income in 2003 compared to 2002. Our effective tax rate (income tax and employees profit sharing) for 2003 was 60% as compared to 57% in 2002. For additional information, please refer to the reconciliation of effective tax rates in Note 15 of our financial statements.

Equity in Earnings of Associated Companies, Net

Our share of net income in unconsolidated associated companies represented Ps.238 million in 2003, Ps.61 million more than in 2002, due mainly to the completion in June 2002 of the amortization of the excess of cost of the acquisition over book value of Banorte.

Majority Net Income

As a result of the above factors, our income before minority interest was Ps.684 million in 2003 compared to Ps.644 million in 2002 and our majority net income was Ps.499 million in 2003 compared to Ps.429 million in 2002.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity and capital resource requirements from 1999 to 2001 reflected a high level of capital expenditures in connection with the construction and acquisition of additional facilities in Mexico, the United States, Central America and Venezuela, as well as significant working capital requirements. During 2002, 2003 and 2004, we decreased capital expenditures compared to prior years and focused on improving operating efficiencies. In 2004, most of our capital expenditures were mainly applied to Gruma Corporation for the expansion of corn flour and tortilla capacity, including the two European acquisitions, the acquisition of a tortilla plant in Las Vegas and general facilities upgrades at our U.S. plants. These investments were made to accommodate the continuous growth of our business.

We fund our liquidity and capital resource requirements through a variety of sources, including:

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

We believe that our overall sources of liquidity will continue to be sufficient during the next 12 months to satisfy our foreseeable financial obligations and operational requirements. The principal factors that could decrease our sources of liquidity are a significant decrease in the demand for, or price of, our products, each of which could limit the amount of cash generated from operations, and a lowering of our corporate credit rating or any other downgrade, which could increase our costs with respect to new debt and cause our stock price to suffer. Our liquidity is also affected by factors such as the depreciation or appreciation of the peso and changes in interest rates. As discussed below, Gruma, S.A. de C.V. is subject to financial covenants contained in some of its debt agreements which require it to maintain certain financial ratios and balances on a consolidated basis and Gruma Corporation is subject to financial covenants contained in some of its debt and lease agreements which require it to maintain certain financial ratios and balances on a consolidated basis. Additionally, a subsidiary of Gruma Centroamérica is subject to financial covenants contained in some of its debt agreements which require it to maintain certain financial ratios and balances on a consolidated basis. However, Gruma Centroamérica's debt is only 1% of our consolidated debt. The interest that Gruma Corporation pays on a portion of its debt may increase if overall leverage increases above specific levels, or if it fails to comply with certain financial covenants. An increase in the interest that Gruma Corporation pays on its debt could limit Gruma Corporation's ability to help support our liquidity and capital resource requirements.

Mr. González Barrera has pledged part of his shares in our company to secure some of his borrowings. If there is a default and the lenders enforce their rights against any or all of these shares, Mr. González Barrera could lose control over us and a change of control could result. This could trigger a default in one of our credit agreements and have a material adverse effect upon our business, financial condition, results of operations and prospects. For more information about this pledge, see "Item 7. Major Shareholders and Related Party Transactions."

We intend to mitigate liquidity risks by increasing revenues through capitalizing on our existing infrastructure and production capacity and pursuing moderate growth, but we cannot assure you that we will succeed in this regard.

Working Capital

We define working capital as current assets, excluding restricted cash, minus current liabilities, excluding short-term bank loans and current portion of long-term debt. Our working capital as of the dates indicated was as follows:

December 31, 2003	Ps.4,274 million
December 31, 2004………………	Ps.4,957 million

Indebtedness

Our indebtedness bears interest at fixed and floating rates. As of June 15, 2005, approximately 70% of our outstanding indebtedness bore interest at fixed rates and approximately 30% bore interest at floating rates, with almost all floating-rate indebtedness bearing interest based on LIBOR. We hedge both our interest rate exposure and our foreign exchange rate exposure as discussed below. For more information about our interest rate and foreign exchange rate exposures, see "Item 11. Quantative and Qualitative Disclosures About Market Risk."

Standard & Poor's upgraded Gruma, S.A. de C.V. to BBB- from BB+ with a stable outlook in June 2004. In September 2004, Fitch Ratings assigned Gruma, S.A. de C.V. a new senior unsecured foreign currency and local currency rating of "BBB-" with an outlook of "Stable." The foreign currency debt rating is also applicable to Gruma, S.A. de C.V.'s 7.625% Notes Due 2007. On November 24, 2004, Standard & Poor's Ratings Services assigned its 'BBB-' rating to Gruma S.A. de C.V.'s proposed U.S.$250 million perpetual bond. In addition, in November 2004, Moody's Investors Service upgraded Gruma, S.A. de C.V.'s senior unsercured notes to Ba1 from Ba2 and its senior implied rating to Ba1 from Ba2, with an outlook of "Positive." Any downgrades or changes in outlook with negative implications could cause our debt costs to fluctuate which could ultimately affect our stock price.

On November 16, 2004 Gruma S.A. de C.V. commenced a tender offer to purchase its outstanding U.S.$250,000,000 aggregate principal amount of 7.625% Notes Due 2007. Upon completion of the tender offer approximately U.S.$200,000,000 aggregate principal amount of the 7.625% Notes Due 2007 had been tendered and approximately U.S.$50,000,000 in aggregate principal amount of the 7.625% Notes Due 2007 remain outstanding. In April 2001, we entered into an interest rate swap converting the interest payments on the U.S.$250,000,000 debt from a fixed rate (7.625%) to a variable rate (LIBOR plus 2.035%). We immediately entered into a further swap agreement with respect to the interest payments on the same U.S.$250,000,000 debt whereby we receive a fixed interest rate of 5.485% and will pay a LIBOR rate. These swaps agreements remain in place with respect to interest payments on the U.S.$250,000,000 principal amount. These swap agreements offset each other effectively leaving us with the original fixed interest rate payment of 7.625% on the approximately U.S.$50,000,000 in aggregate principal amount which remains outstanding after the tender offer.

On October 4, 2004, we obtained a US$250 million, five-year syndicated senior credit facility, which we refer to as the 2004 Facility, from a syndicate of banks, which consists of a US$150 million senior term loan facility and a US$100 million senior revolving credit facility, both with a five-year tenor. Total proceeds were used to refinance the outstanding balance of US$230 million under our now-terminated US$300 million loan facility. As of June 15, 2005, there was US$150 million outstanding under the 2004 Facility with US$100 million of revolving credit available.

The interest rate for the 2004 Facility is LIBOR plus 55 basis points for the first three years and LIBOR plus 65 basis points for the fourth and fifth years. However, on November 2, 2004, we entered into an interest rate swap transaction with five banks with an aggregate notional amount of U.S.$150 million maturing on April 5, 2008, whereby we fixed the 6-month LIBOR rate associated with the term portion of the 2004 Facility at an average rate of 3.2725%. The swap transaction provides that the counterparty pay us unless 6-month LIBOR reaches 6%, in which case the parties have no obligation to pay any amount for the applicable period.

The repayment schedule for the US$150 million term facility is as follows:

Principal Payment Date	% of the Outstanding Principal Amount
April 5, 2008	5%
October 5, 2008	15%
April 5, 2009	35%
October 5, 2009	Remaining balance

The US$100 million revolving facility will be permanently reduced as follows:

Commitment Reduction Date	% of the Outstanding Revolving Commitments
April 5, 2008	5%
October 5, 2008	15%
April 5, 2009	35%
October 5, 2009	Remaining balance

On December 3, 2004, Gruma S.A. de C.V. issued U.S.$300 million 7.75% senior, unsecured perpetual bonds which were graded BBB- by Standard & Poor's Ratings and by Fitch Ratings. The bonds which have no fixed final maturity date, have a call option exercisable by GRUMA at any time beginning five years after the issue date. As of June 15, 2005 we had exchange rate forward contracts for the interest payments due in 2005, 2006 and 2007 on our US$300 million 7.75% perpetual bond, for an aggregate notional amount of U.S.$27.7 million at an average exchange rate of Ps.11.5797 per U.S. dollar.

As of December 31, 2004, we had committed U.S. dollar-denominated long-term lines of credit totaling Ps.1,895 million (approximately U.S.$170 million) available from banks in the United States of which we have drawn Ps.55.7 million (approximately U.S.$5 million). As of the same date, we also had uncommitted short-term lines of credit totaling Ps.3,331 million (approximately U.S.$299 million) available from Mexican and international banks, of which we had drawn Ps.367 million (approximately U.S.$33 million). As of December 31, 2004, long-term uncommitted revolving lines of credit totaling Ps.1,170 million (approximately U.S.$105 million) from Mexican banks were available to us, of which none had been drawn. Should we elect to utilize the uncommitted lines of credit, we would have to negotiate the terms and conditions at the time of use.

At December 31, 2004, we had total outstanding long-term debt aggregating approximately Ps.6,016 million (approximately U.S.$540 million). All of our long-term debt at such date was dollar-denominated. Our long-term debt includes U.S.$50.5 million, or Ps.564 million, of principal amount of the 7.625% Notes due 2007, which we issued in October 1997, U.S.$150 million or Ps. 1,673 million of principal amount of the 2004 Facility which we issued in October 2004, and U.S.$300 million, or Ps.3,345 million, of principal amount of the 7.75% Perpetual Bonds, which we issued in December 2004.

Some of our credit agreements contain covenants that require us to maintain:

- a ratio of consolidated total funded debt to EBITDA of not more than 3.5:1; and
- a ratio of consolidated EBITDA to consolidated interest charges of not less than 2.50:1.

In addition, we may not incur additional indebtedness and may not pay dividends if doing so would violate the terms of these covenants.

Gruma Corporation is also subject to covenants which limit the amount of dividends that can be paid under certain circumstances. Both Gruma, S.A. de C.V. and Gruma Corporation are also subject to covenants which limit the amounts that may be advanced to, loaned to, or invested in, us under certain circumstances. In addition, both Gruma, S.A. de C.V. and Gruma Corporation are required to maintain certain financial ratios and balances. Additionally, a subsidiary of Gruma Centroamérica is subject to financial covenants contained in some of its debt agreements, which require it to maintain certain financial ratios and balances on a consolidated basis. However, Gruma Centroamérica's debt is only 1% of our consolidated debt. Upon the occurrence of any default or event of default under its credit and lease agreements, Gruma Corporation generally is prohibited from making any payments to us or our other subsidiaries or affiliates. The covenants described above and other covenants could limit our and Gruma Corporation's ability to help support our liquidity and capital resource requirements. Gruma, S. A. de C.V. and Gruma Corporation are currently in compliance with all of the covenants contained in the debt and lease agreements.

During 1996, Gruma Corporation entered into several sale-leaseback agreements for various production equipment located in two of its U.S. plants. These agreements are, under Mexican GAAP, accounted for as operating leases. Under U.S. GAAP, these arrangements would have been accounted for as capital leases because a continuing involvement from the seller-lessee is present, and consequently, the risk and benefits of the property are not transferred to the buyer-lessor. Average annual rental payments under these leases, expiring in 2011, will be approximately U.S.$3.2 million, based upon the financial statements for the year ended December 31, 2004. Each agreement provides Gruma Corporation with a purchase option to acquire the equipment at fair market value at the expiration of the leases, and also an early purchase option, which permits Gruma Corporation to acquire the equipment at fair market value approximately three-quarters of the lease term.

As of December 31, 2004, we had total cash and cash equivalents of Ps.489 million, including Ps.0.5 million in restricted cash (U.S. dollars currency). Restricted cash is comprised primarily of undistributed proceeds from tax-exempt industrial development bonds issued by Gruma Corporation held by a trustee available for future purchases of certain plants and equipment.

The following table presents our amortization requirements with respect to our total indebtedness as of March 31, 2005.

Year	In Millions of U.S. Dollars
2005	46.76
2006	4.16
2007	60.76
2008	32.10
2009 and thereafter	442.52
Total	U.S.$586.3

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

Date	Ratio of Consolidated Debt to Total Capitalization	Ratio of Consolidated Liabilities to Total Stockholders' Equity
December 31, 2003	0.33	0.81
December 31, 2004	0.32	0.83

Capital Expenditures

In recent years we pursued a moderate growth strategy, which included lower levels of capital expenditures in property, plant and equipment primarily in connection with our expansion and technology upgrades at manufacturing facilities. In 2003, we spent U.S.$58 million on capital expenditures, primarily on capacity expansion and technology upgrades. Beginning in 2004, we increased our capital expenditures. We spent U.S.$115 million on capital expenditures, mainly applied to Gruma Corporation for the expansion of corn flour and tortilla capacity, including the two European acquisitions, the acquisition of a tortilla plant in Las Vegas and general facilities upgrades in our U.S. plants. The investments were made to accommodate the continuous growth in our business. We have budgeted approximately U.S.$150 to 160 million for capital expenditures in 2005. This includes approximately U.S.$23 million spent during the first quarter of 2005, most of which was applied to Gruma Corporation for the expansion of corn flour and tortilla capacity, including the construction of our new plant in Pennsylvania and the addition of one production unit to the corn flour plant in Indiana and for general facilities upgrades. This budget also includes the acquisition of part of the manufacturing assets of the Mexican food division of Cenex Harvest States completed during May 2005. The investments were made to accommodate the continuing growth of business. This capital expenditures budget does not include any potential acquisitions.

We expect to be able to fund our capital expenditures primarily from funds from operations. We believe that funds from operations and our current bank lines of credit will be sufficient to meet our anticipated capital expenditures through the end of this year.

Concentration of Credit Risk

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

Our operations in Venezuela represented approximately 13% of our sales in 2004. The severe political and economic situation in Venezuela presents a risk to our business that we cannot control and that cannot be accurately measured or estimated. Our financial condition and results of operations could be adversely affected due to the fact that (i) a portion of our sales are denominated in bolívars, (ii) Gruma Venezuela produces products that are subject to price controls and (iii) we may have difficulties repatriating dividends from Gruma Venezuela and importing some of our raw material requirements because of the foreign exchange controls. See “Item 3. Risk Factors – Risks Related to Venezuela – Venezuela Presents Significant Economic Uncertainty and Political Risk, Which May in the Future Have an Adverse Impact on Our Operations and Financial Performance.”

RESEARCH AND DEVELOPMENT

We continuously engage in research and development activities that focus on, among other things: increasing the efficiency of our proprietary corn flour and tortilla production technology; maintaining high product quality; developing new and improved products and manufacturing equipment; improving the shelf life of certain corn and wheat products; improving and expanding our information technology system; engineering, plant design and construction; and compliance with environmental regulations. We have obtained 53 patents in the United States since 1968, four of which were obtained during the last three years. Nineteen of these patents are in force and effect as of the date hereof and the rest have expired. We currently have four patents in-process. Additionally, six of our patents are currently in the process of being published in other countries.

Our research and development is conducted through our subsidiaries INTASA, Tecnomaíz and CIASA. Through Tecnomaíz, we engage in the design, manufacture and sale of machines for the production of tortillas and tortilla chips. We carry out proprietary technological research and development for corn milling and tortilla production as well as all engineering, plant design and construction through INTASA and CIASA. These companies administer and supervise the design and construction of our new plants and also provide advisory services and training to employees of our corn flour and tortilla manufacturing facilities. We have spent Ps. 35 million, Ps. 34 million and Ps. 38 million on research and development in 2002, 2003 and 2004 respectively.

TREND INFORMATION

Our financial results will likely continue to be influenced by factors such as changes in the level of consumer demand for tortillas and corn flour, government policies regarding the Mexican tortilla and corn flour industry, and the cost of corn and wheat. In addition, we expect our financial results in 2005 to be influenced by:

- increased competition from tortilla manufacturers;
- increases in the Hispanic population in the United States,
- increases in Mexican food consumption by the non-Hispanic population in the United States; as well as projected increases in Mexican food consumption and use of tortillas in non-Mexican cuisine as tortillas continue to be assimilated into mainstream cuisine in Europe and Asia, each of which could increase sales;
- increased competition in the corn flour business in Venezuela;
- exchange rate fluctuations, particularly increases and decreases in the value of the Mexican peso relative to the Venezuelan bolívar and U.S. dollar; and
- civil and political unrest in Venezuela which may negatively affect the profitability of Gruma Venezuela.

OFF-BALANCE SHEET ARRANGEMENTS

As disclosed in Note 13 to the consolidated financial statements, during 2003 we entered into call option agreements indexed to our own stock. Under Mexican GAAP, we accounted for these instruments as equity and consequently, these instruments were not reflected as liabilities or assets on our 2003 balance sheet. Under U.S. GAAP, the fair value of such contracts were recognized in income due to nature of the contractual settlement provisions. Details of the arrangements were as follows:

During 2003, we entered into two call option agreements with a European international financial institution with respect to 6,405,000 of our own shares for a total amount of U.S.$5.9 million, maturing in February and May of 2004, with a zero strike price. These agreements were closed with an average gain of U.S.$0.3783 per share, resulting in a total gain of U.S.$2.4 million. As of December 31, 2004, we do not have any outstanding call option agreements.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

On November 2, 2004, we entered into an interest rate swap transaction with five banks with an aggregate notional amount of U.S.$150 million which became effective on April 5, 2005 and matures on April 5, 2008, whereby we fixed the 6-month LIBOR rate associated with the term portion of the 2004 facility at an average rate of 3.2725%. The swap transaction provides that the counterparty pay us unless 6-month LIBOR reaches 6%, in which case the parties have no obligation to pay any amount for the applicable period. Additionally, during 2004, we entered into exchange rate forward contracts for the interest payments due in 2005 (corresponding to our US$300 million 7.75% perpetual bond), for an aggregate notional amount of U.S.$23.3 million at an average exchange rate of Ps.11.5945 per U.S. dollar. In April 2001, we entered into an interest rate swap converting the interest payments on our U.S.$250,000,000 7.625% Notes Due 2007 from a fixed rate (7.625%) to a variable rate (LIBOR plus 2.035%). We immediately entered into a further swap agreement with respect to the interest payments on the same U.S.$250,000,000 debt whereby we receive a fixed interest rate of 5.485% and will pay a LIBOR rate. These swaps agreements remain in place with respect to interest payments on the U.S.$250,000,000 principal amount. These swap agreements offset each other effectively leaving us with the original fixed interest rate payment of 7.625% on the approximately U.S.$50,000,000 in aggregate principal amount which remains outstanding after the tender offer.

In addition to the above arrangements, we have commitments under certain firm contractual arrangements to make future payments for goods and services. These firm commitments secure the future rights to various assets to be used in the normal course of operations. For example, we are contractually committed to make certain minimum lease payments for the use of property under operating lease agreements. In accordance with Mexican

GAAP, the future rights and obligations pertaining to such firm commitments are not reflected as assets and liabilities on the accompanying consolidated balance sheets. Additionally, during 1996, Gruma Corporation entered into several sale-leaseback agreements for various production equipment located in two of its U.S. plants. These agreements are accounted for as operating leases under Mexican GAAP. Under U.S. GAAP these agreements would have been accounted for as capital leases because a continuing involvement from the seller-lessee is present, and consequently, the risks and benefits of the property are not transferred to the buyer-lessor. The U.S. GAAP balance sheet as of December 31, 2003 and 2004 would reflect an increase in the fixed assets, net, balance of Ps.140.6 million and Ps.108.1 million (net of accumulated depreciation of Ps.66.5 million and Ps.73.7 million respectively), respectively, and an increase in the long-term debt balance of Ps.207.1 million and Ps.181.8 million, respectively. The average annual rental payments under these leases, expiring in 2011, will be approximately U.S.$3.2 million, based upon the financial statements for the year ended December 31, 2004. Each agreement provides Gruma Corporation with a purchase option to acquire the equipment at fair market value at the expiration of the leases, and also an early purchase option, which permits Gruma Corporation to acquire the equipment at fair market value approximately three-quarters through the lease term.

The following table summarizes separately our material firm commitments at December 31, 2004 and the timing and effect that such obligations are expected to have on our liquidity and cash flow in the future periods. In addition, the table reflects the timing of principal and interest payments on outstanding debt, which is discussed in "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Indebtedness." We expect to fund the firm commitments with operating cash flow generated in the normal course of business.

Contractual Obligations and Commercial Commitments	Total	Less than 1 Year	From 1 to 3 Years	From 3 to 5 Years	Over 5 Years
		(in millions of U.S. dollars)			
Long-term debt obligations	539.5	-	64.9	174.6	300.0
Operating lease obligations[1]	135.9	30.0	48.9	29.3	27.7
Purchase obligations[2]	112.0	112.0	-	-	-
Other liabilities[3]	46.7	46.7	-	-	-
Total	834.1	188.7	113.8	203.9	327.7

(1) Operating lease obligations primarily relate to minimum lease rental obligations for our real estate and operating equipment in various locations.

(2) Purchase obligations relate to our minimum commitments to purchase commodities, raw materials, machinery and equipment.

(3) Other relate to short-term bank loans and the current portion of long-term debt.

U.S. GAAP RECONCILIATION

Our consolidated financial statements are prepared in accordance with Mexican GAAP, which differ in certain significant respects from U.S. GAAP. See Note 21 to our audited consolidated financial statements for information relating to the nature and effect of such differences. Mexican GAAP financial statements recognize the effects of inflation, whereas financial statements prepared under U.S. GAAP are presented on a historical cost basis. We are not required to reverse many of the Mexican inflation accounting adjustments when reconciling Mexican GAAP to U.S. GAAP, as these adjustments provide a means of measuring the effects of price-level changes in the inflationary Mexican economy. Accordingly, these inflation-adjusted figures are considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. accounting purposes.

Net income under U.S. GAAP amounted to Ps.338.9 million in 2002, Ps.619.6 million in 2003 and Ps.777.2 million in 2004, compared with majority net income under Mexican GAAP of Ps.429.2 million in 2002, Ps.498.7 million in 2003 and Ps.923.2 million in 2004.

Stockholders' equity under U.S. GAAP amounted to Ps.9,722.9 million in 2003 and Ps.9,770.8 million in 2004, compared with stockholders' equity under Mexican GAAP of Ps.13,076 million in 2003 and Ps.13,760.9 million in 2004. See Note 21 to our audited consolidated financial statements for a further discussion of the adjustments under U.S. GAAP.

New Accounting Standards

New Accounting Pronouncements under Mexican GAAP

In December 2003, the MIPA issued Bulletin D-3, "Labor Liabilities" ("Bulletin D-3"), which is effective as of January 1, 2005. Bulletin D-3 establishes rules for the calculations of the cost and liability for retirement benefit plans, as well as guides for the valuation of liabilities for early reduction or extinction of benefits in a retirement plan. Additionally, this bulletin provides the requirements of valuation, presentation and disclosure for other post-retirement benefits and for compensations at the end of the labor relationship. We estimate that the adoption of this bulletin will require the recognition of a liability of approximately Ps.73.2 million charged to income.

Recently Issued U.S. Accounting Standards

In December 2004, the Financial Accounting Standards Board ("FASB") issued a revision to Statement of Financial Accounting Standards No. 123 ("SFAS No. 123R"), "Share-Based Payment." SFAS No. 123R supersedes Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees." SFAS No. 123R requires that all stock-based compensation, including options, be expensed at fair value as of the grant date over the vesting period. Companies will be required to use an option pricing model to determine compensation expense, consistent with the model used in the already required disclosures of SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure." SFAS No. 123R is effective for interim and fiscal periods beginning after June 15, 2005. We do not expect the adoption of this standard to have a significant impact on our financial condition or results of operations.

In November 2004, the FASB issued SFAS No. 151, "Amendment of ARB No. 43, Chapter 4." This statement amends the guidance in Accounting Research Bulletin No. 43 "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). This statement requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, this statement requires that allocation of fixed production overhead to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. We do not expect the adoption of this standard to have a significant impact on our financial condition or results of operations.

ITEM 6. Directors, Senior Management and Employees.

MANAGEMENT STRUCTURE

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

Directors

Our bylaws require that our board of directors be composed of a minimum of five and a maximum of twenty directors, as decided at our Ordinary General Shareholders' Meeting. Pursuant to Mexican law, at least 25% of the members of the board of directors must be independent. Under our bylaws and the Archer-Daniels-Midland association, as long as Archer-Daniels-Midland owns at least 20% of our capital stock, it will have the right to designate two of our directors and their corresponding alternates. Archer-Daniels-Midland has designated Allen Andreas, its Chairman and Chief Executive Officer, and Paul Mulhollem, its President and Chief Operating Officer, as members of our board of directors. Archer-Daniels-Midland has elected David J. Smith, its Senior Vice President, Secretary, and General Counsel, and Douglas J. Schmalz, its Senior Vice President and Chief Financial Officer, to serve as alternates for Mr. Andreas and Mr. Mulhollem, respectively. In addition, under Mexican law, any holder or group of holders representing 10% or more of our capital stock may elect one director and its corresponding alternate.

The board of directors, which was elected at the Ordinary General Shareholders' Meeting held on April 29, 2005, currently consists of 15 directors, with each director having a corresponding alternate director. The following table sets forth the current members of our board of directors, their ages, years of service, principal occupations, outside directorships, other business activities and experience, their directorship classifications as defined in the Code of Best Corporate Practices promulgated by a committee formed by the Mexican Entrepreneur Coordinating Board (*Consejo Coordinador Empresarial*), and their alternates. The terms of their directorships are for one year or until their appointed successors take office. José de la Peña y Angelini, an alternate member of our board of directors, is also an employee of GRUMA. Under his service contract with GRUMA, if he is terminated without cause before September 1, 2005, he is entitled to receive as severance, an amount not lower than 50% of his base annual salary, including his Christmas bonus. Jairo Senise, another alternate member of our board of directors is an employee of GRUMA as well. Under his service contract with GRUMA, if he is terminated without cause before completing thirty-six months of service, which period ends on August 12, 2005, he is entitled to receive as severance, a lump sum payment equivalent to what he would have received for the rest of such period if he would have continue working for GRUMA, but in no event, can such sum be lower than 12 months of his monthly base salary. No other current director or alternate director has service contracts with us providing for benefits upon termination of employment.

Roberto González Barrera	Age:	74
	Years as Director:	23
	Principal Occupation:	Chairman of the board of directors and CEO of GRUMA and GIMSA
	Outside Directorships:	Chairman of the board of directors of Grupo Financiero Banorte, S.A. de C.V., Banco Mercantil del Norte, S.A and Banco del Centro S.A.
	Directorship Type:	Shareholder, related
	Alternate:	Juan A. Quiroga García
Allen Andreas	Age:	61
	Years as Director:	8
	Principal Occupation:	Chairman and Chief Executive of Archer-Daniels-Midland Company
	Outside Directorships:	Member of the Supervisory Board of the A.C. Toepfer International Group, Agricore United, trustee, Economic Club of New York, the Trilateral Commission, The Bretton Woods Committee, the International Council on Agriculture, Food and Trade, member, The Emergency Committee for American Trade, World Economic Forum, G100, European Advisory Board of the Carlyle Group and various other business operations in Latin America, Europe and the Asia-Pacific region.
	Business Experience:	CFO of European operations and VP and counsel to the Executive Committee of Archer-Daniels-Midland Company, President and CEO of ADM, Attorney for the United States Treasury Department.
	Directorship Type:	Shareholder, independent
	Alternate:	David J. Smith
Juan Diez-Canedo Ruiz	Age:	54
	Years as Director:	Since April 2005
	Principal Occupation:	President of Fomento y Desarrollo Comercial, S.A. de C.V.
	Outside Directorships:	Alternate member of the Board of Grupo Financiero Banorte S.A. de C.V., Banco Mercantil del Norte, S.A and Banco del Centro S.A., member of the Board of Deportes Martí, S.A. de C.V.

	Business Experience:	CEO of Cintra S.A. de C.V. Executive Vice President of Grupo Financiero Banorte S.A. de C.V., Banking Director of Grupo Financiero Probursa. Alternate Chief Executive Officer of Banco Internacional.
	Directorship Type:	Independent
	Alternate:	Felipe Diez-Canedo Ruiz
Juan Antonio González Moreno	Age:	47
	Years as Director:	2
	Outside Directorships:	Alternate member of the board of Grupo Financiero Banorte S.A. de C.V., Banco Mercantil del Norte, S.A and Banco del Centro S.A
	Principal Occupation:	President of GRUMA's Asian operations
	Business Experience:	Several management positions within GRUMA, including Senior Vice President of Special Projects at the tortilla business of Gruma Corporation, President of the corn flour operations of Gruma Corporation and COO of GIMSA.
	Directorship Type:	Related
	Alternate:	Jairo Senise
Roberto González Moreno	Age:	53
	Years as Director:	18
	Principal Occupation:	Chairman and President of Corporación Noble, S.A. de C.V.
	Other Directorships:	Member of the Board of GIMSA and alternate member of Grupo Financiero Banorte S.A. de C.V., Banco Mercantil del Norte, S.A and Banco del Centro S.A
	Business Experience:	Several management positions within GRUMA, including COO of GIMSA and Director of GRUMA's former Fast Food Division, President of RGM Inc., Exportaciones El Parián, S.A.
	Directorship Type:	Related
	Alternate:	José de la Peña y Angelini
Carlos Hank Rhon	Age:	57
	Years as Director:	11
	Principal Occupation:	Chairman and principal shareholder of Grupo Financiero Interacciones, S.A. de C.V.
	Outside Directorships:	Chairman of Grupo Hermes, S.A. de C.V. and Grupo Coin/La Nacional
	Business Experience:	Grupo Financiero Interacciones, S.A. de C.V., Grupo Hermes S.A. de C.V., The Laredo National Bank, South Texas National Bank
	Directorship Type:	Related
	Alternate:	Carlos Hank González
Roberto Hernández Ramírez	Age:	63
	Years as Director:	10
	Principal Occupation:	Chairman of the board of directors of Banco Nacional de México, S.A. and Director of Grupo Financiero Banamex, S.A. de C.V.
	Outside Directorships:	Member of the board of directors of Grupo Televisa, S.A. de C.V. and Citigroup
	Business Experience:	CEO of Banco Nacional de México, Chairman and Director of the Mexican Stock Exchange, Chairman of the Mexican Banking Association, Chairman of Acciones y Valores Banamex, S.A. de C.V.
	Directorship Type:	Independent
	Alternate:	Esteban Malpica Fomperosa
Juan Manuel Ley López	Age:	72
	Years as Director:	11

	Principal Occupation:	Chairman and CEO of Grupo Ley, S.A. de C.V.
	Outside Directorships:	Chairman of the Sinaloa-Baja California Consultant Council of Grupo Financiero Banamex-Accival and the National Association of Supermarket and Retail Stores (ANTAD), Chairman of Latin American Association of Supermarkets and member of the board of directors of Grupo Financiero Banamex Accival, S.A. de C.V. and Teléfonos de Mexico, S.A. de C.V.
	Business Experience:	Chief Executive Officer of Casa Ley, S.A. de C.V., consultant and instructor for junior business management at “Junior Business Management Institute” (ICAMI-SINALOA)
	Directorship Type:	Independent
	Alternate:	Francisco Villarreal Vizcaíno
Eduardo Livas Cantú	Age:	62
	Years as Director:	19
	Principal Occupation:	Consultant on financial and strategic issues and mergers and acquisitions, member of the Board of GRUMA, Chairman and member of the audit committee of GRUMA and member of the audit committee and risk policy committee of Grupo Financiero Banorte, S.A. de C.V.
	Outside Directorships:	Member of the board of directors of Grupo Financiero Banorte, S.A. de C.V., Banco Mercantil del Norte, S.A, Banco del Centro S.A, and GIMSA
	Business Experience:	Several positions within GRUMA including Chief Financial Officer, President of Gruma Corporation, Chief Executive Officer of GRUMA and GIMSA.
	Directorship Type:	Independent
	Alternate:	Alfredo Livas Cantú
Paul B. Mulhollem	Age:	55
	Years as Director:	3
	Principal Occupation:	President and COO of Archer-Daniels-Midland Company.
	Outside Directorships:	Member of Agricore United, A.C.Toepfer International, National Future Farmers of America and the Carle Foundation
	Business Experience:	Several management positions within Archer-Daniels-Midland Company, including Group Vice President and Senior Vice President of Archer-Daniels-Midland Company’s Global Grain Operations
	Directorship Type:	Shareholder, independent
	Alternate:	Douglas J. Schmalz
Luis Peña Kegel	Age:	45
	Years as Director:	Since April 2005
	Principal Occupation:	Chief Executive Officer of Banco Mercantil del Norte, S.A.
	Outside Directorships:	Grupo Financiero Banorte, S.A. de C.V., Banco Mercantil del Norte, S.A., and Banco del Centro, S.A.
	Business Experience:	Several management positions within Banco Nacional de México, S.A. including President and CEO, Senior VP of Corporate Banking, VP of Corporate Finance, among others
	Directorship Type:	Related
	Alternate:	Raúl Alonso Peláez Cano
Bernardo Quintana Isaac	Age:	63
	Years as Director:	10
	Principal Occupation:	Chairman of the board of directors of Empresas ICA, Sociedad Controladora.
	Outside Directorships:	Member of the board of directors of Teléfonos de México, S.A. de C.V., Cementos Mexicanos, S.A. de C.V., Grupo Carso, S.A. de C.V.

	Business Experience:	Executive Vice President and Vice President of the Tourist and Urban Development Division for Grupo ICA
	Directorship Type:	Independent
	Alternate:	Diego Quintana Kawage
Alfonso Romo Garza	Age:	54
	Years as Director:	11
	Principal Occupation:	Chairman and Chief Executive Officer of Savia, S.A. de C.V.
	Outside Directorships:	Member of board of Cementos Mexicanos, S.A. de C.V., Nacional de Drogas, Grupo Comercial Chedraui, member of World Bank's External Advisory Board for Latin America and the Caribbean, member of the board of directors of Donald Danforth Plant Science Center.
	Business Experience:	Director of Strategic Planning and Corporate Development of Visa-Femsa. Founder of Pulsar International, S.A. de C.V.
	Directorship Type:	Independent
	Alternate:	Adrián Rodríguez Macedo
Adrián Sada González	Age:	60
	Years as Director:	11
	Principal Occupation:	Chairman of the board of directors of Vitro, S.A. de C.V.
	Outside Directorships:	Member of the board of directors of ALFA, S.A. de C.V., Cydsa, S.A. de C.V., and Regio Empresas S.A. de C.V., Consejo Mexicano de Hombres de Negocios, Grupo de Industriales de Nuevo León.
	Business Experience:	Chairman of the board of Grupo Financiero Serfin, S.A. de C.V., CEO of Banpais
	Directorship Type:	Independent
	Alternate:	Manuel Güemes de la Vega
Javier Vélez Bautista	Age:	48
	Years as Director:	3
	Principal Occupation:	Chief Executive Officer of Nacional Monte de Piedad
	Outside Directorships:	Member of the board of directors of GIMSA, Grupo Financiero Banorte, S.A. de C.V. Banco Mercantil del Norte, S.A., and Banco del Centro, S.A., member of the audit committees of GRUMA, GIMSA and Grupo Financiero Banorte, S.A. de C.V. member of the risk management committee of Grupo Financiero Banorte, S.A. de C.V.
	Business Experience:	Business consultant on strategic and financial issues, former Executive VP and CFO of GRUMA, former Chief Financial Officer of Gruma Corporation, project director Booz Allen & Hamilton.
	Directorship Type:	Independent
	Alternate:	Roberto Ramos Arteaga

Mr. Roberto González Moreno and Mr. Juan Antonio González Moreno, members of our board of directors are the sons of Mr. Roberto González Barrera, the Chairman of our board of directors. In addition, Mr. Carlos Hank Rhon, a member of our board of directors, is the son-in-law of Mr. Roberto González Barrera. Furthermore, Mr. Carlos Hank González, an alternate member of our board of directors, is the son of Carlos Hank Rhon and the grandson of Mr. Roberto González Barrera.

Secretary

The secretary of the board of directors is Mr. Salvador Vargas Guajardo, and his alternate is Mr. Guillermo Elizondo Ríos. Mr. Vargas Guajardo is not a member of the board of directors.

Senior Management

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

Roberto González Barrera	Age:	74
	Years as Executive Officer:	56
	Years at GRUMA:	56
	Current Position:	Chairman of the board of directors and Chief Executive Officer of GRUMA
	Other Positions:	Chief Executive Officer and Chairman of the board of directors of GIMSA, Chairman of the board of directors of Grupo Financiero Banorte, S.A. de C.V.
Rafael Abreu	Age:	36
	Years as Executive Officer:	1
	Years at GRUMA:	9
	Current Position:	President, Gruma Centroamérica.
	Business Experience:	Several positions within Gruma Centroamérica, including Vice President of the corn flour and tortilla operations
José de la Peña y Angelini	Age:	56
	Years as Executive Officer:	2
	Years at GRUMA:	2
	Current Position:	President of GRUMA's Latin American Operations.
	Business Experience:	Executive Vice President Sales and Marketing of GRUMA, top management positions at Colgate-Palmolive, senior positions at Chrysler de México, President of the Mexico office of FCB Worldwide.
Leonel Garza Ramírez	Age:	55
	Years as Executive Officer:	6
	Years at GRUMA:	19
	Current Position:	Chief Procurement Officer.
	Business Experience:	Manager of Quality and Corn Procurement and Vice President of Corn Procurement at GRUMA.
Roberto González Alcalá	Age:	41
	Years as Executive Officer:	3
	Years at GRUMA:	10
	Current Position:	Chief Operating Officer of GRUMA's Mexican Operations (GIMSA, Molinera de México and PRODISA).
	Business Experience:	Several positions within GRUMA's Central American operations, including Chief Operating Officer, President of the Tortilla Division in Costa Rica. President of the Corn Flour Division in Central America; experience in marketing sales and manufacturing areas.
Juan Antonio González Moreno	Age:	47
	Years as Executive Officer:	Since April 2005
	Years at GRUMA:	25
	Current Position:	President of GRUMA's Asian operations
	Business Experience:	Several management positions within GRUMA, including Senior Vice President of special projects at the tortilla business of Gruma Corporation, President of the corn flour operations of Gruma Corporation and COO of GIMSA.
Homero Huerta Moreno	Age:	42
	Years as Executive Officer:	3
	Years at GRUMA:	20

	Current Position:	Chief Administrative Officer.
	Business Experience:	Various positions within GRUMA including finance and Administrative Vice President of Gruma Venezuela.
Raúl Alonso Peláez Cano	Age:	44
	Years as Executive Officer:	Since August 2004
	Years at GRUMA:	Since August 2004
	Current Position:	Chief Financial Officer
	Business Experience:	Several executive positions with companies including Industrias Resistol, General Electric de México, and Banco Nacional de México, S.A., Grupo Financiero Banamex.
Juan Antonio Quiroga García	Age:	55
	Years as Executive Officer:	7
	Years at GRUMA:	32
	Current Position:	Chief Corporate Officer
	Other Positions:	Senior Corporate Controller of GIMSA
	Business Experience:	Vice President of Administration of Gruma Corporation, Chief Administrative and Internal Auditing Officer of GRUMA.
Felipe Rubio Lamas	Age:	47
	Years as Executive Officer:	1
	Years at GRUMA:	22
	Current Position:	Chief Technology Officer.
	Business Experience:	Several managerial and Vice President positions within GRUMA Corporation related to manufacturing processes and design and construction of production facilities.
Jairo Senise	Age:	49
	Years as Executive Officer:	2
	Years at GRUMA:	2
	Current Position:	President and Chief Executive Officer of Gruma Corporation.
	Business Experience:	Regional Vice President and Managing Director of Europe and Eurasia and Regional Vice President of Latin America/South Africa for the Pillsbury Company/General Mills; positions at CPC International/Best Foods, S.C. Johnson and Colgate-Palmolive.
Salvador Vargas Guajardo	Age:	52
	Years as Executive Officer:	9
	Years at GRUMA:	9
	Current Position:	General Counsel
	Other Positions:	General Counsel of GIMSA
	Business Experience:	Positions at Grupo Alfa, Protexa and Proeza, senior partner of two law firms, including Rojas-González-Vargas-De la Garza y Asociados.

Mr. Oscar Enrique Urdaneta Finol is the Chief Operating Officer of DEMASECA since he was appointed based upon an agreement with our partners in DEMASECA.

Mr. Roberto González Alcalá, Chief Operating Officer of GRUMA's Mexican Operations, and Mr. Juan Antonio González Moreno, President of GRUMA's Asian operations, are sons of Mr. Roberto González Barrera.

Statutory Auditor

Under Mexican law, a statutory auditor must be elected by our shareholders at the annual ordinary general shareholders meeting for a term of one year. At the subsequent annual ordinary general shareholders meeting, the statutory auditor is required to review our affairs and report as to the accuracy of the financial information as presented to shareholders by the board of directors. The statutory auditor is also authorized (i) to call ordinary general shareholders meetings, extraordinary general shareholders meetings and board of directors meetings; (ii) to place items on the agenda for general shareholders meetings and meetings of the board of directors; and (iii) to attend general shareholders meetings, meetings of the board of directors, meetings of the audit committee, and any other meetings of intermediate committees to which the board of directors delegates any activities (without the right to vote). At the General Ordinary Shareholders' Meeting held on April 29, 2005, Mr. Hugo Lara Silva was reelected to serve as our Statutory Auditor for one year. His alternate is Mr. Carlos Arreola Enríquez.

Mr. Hugo Lara Silva is 65 years old. He is a retired co-director of and partner in PricewaterhouseCoopers and was a member of the board of directors, the international executive audit committee and the general partner counsel of that firm. Mr. Hugo Lara Silva has experience with a wide variety of businesses in the public and private sectors and has been the statutory auditor for companies such as Grupo Modelo, S.A. de C.V., Ciba-Geigy Mexicana, S.A. de C.V., El Puerto de Liverpool, S.A. de C.V., Grupo Financiero Bancomer, S.A. de C.V., Grupo Mexicano Somex, S.N.C. and Aseguradora Cuauhtémoc, S.A., among others.

Audit Committee

As required by our bylaws, an audit committee was appointed at the General Ordinary Shareholders' Meeting held on April 29, 2005. Members of the audit committee were selected from members of the board of directors. The current audit committee is comprised of three members, all of whom are independent directors. Set forth below are the names of our audit committee members, their positions within the committee, and their directorship type:

Eduardo Livas Cantú	Position:	Chairman of the Audit Committee
	Directorship Type:	Independent
Javier Vélez Bautista	Position:	Financial Expert of the Audit Committee
	Directorship Type:	Independent
Juan Diez-Canedo Ruiz	Position:	Member of the Audit Committee
	Directorship Type:	Independent

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Members of the board of directors are paid a fee of Ps.16,000 for each board meeting they attend.

For 2004, the aggregate amount of compensation paid to all directors, alternate directors, the statutory auditor, executive officers and audit committee members was approximately Ps.150.4 million (in nominal terms). The contingent or deferred compensation reserved as of December 31, 2004 was Ps.17.8 million (in nominal terms).

We offer an Executive Bonus Plan that applies to managers, vice presidents, and executive officers. The variable compensation under this plan can range from 15% to 50% of annual base compensation, depending upon the employee's level, his individual performance and the results of our operations.

EMPLOYEES

As of December 31, 2004, we had a total of approximately 15,727 employees, including unionized (5,318) and non-unionized (10,409), full- and part-time employees. Of this total, we employed approximately 6,406 persons in Mexico, 5,195 in the United States, 1,521 in Central America, 1,865 in Venezuela, 263 in England, 18 in Italy and 88 in the Netherlands. Total employees for 2003 and 2002 were 15,104 and 14,887, respectively. Of our total employees as of December 31, 2004, approximately 41% were white-collar and 59% were blue-collar.

In Mexico, workers at each of our plants are covered by a separate contract, under which salary revisions take place once each year, usually in January or February. Non-salary provisions of these contracts are revised bi-annually. We renewed agreements with the three unions that represent our workers in 2004.

In the United States, Gruma Corporation has four collective bargaining agreements that represent a total of 462 workers at four separate facilities. We renewed and ratified one collective bargaining agreement in 2004. A proposed fifth agreement never materialized due to decertification, however the results of a challenged election from 2001 were certified by the NLRB at a fifth facility which has a potential for an additional 130 workers. Wages are reviewed during negotiations and increases processed per the terms of the particular contract as well as non-monetary provision of the contracts. Salary reviews for non-union employees are done once each year, usually in March for Mission Foods and in September for Azteca Milling, L.P. We believe our current labor relations are satisfactory.

SHARE OWNERSHIP

The following Directors and Senior Managers have GRUMA shares which in each case represent less than 1% of our capital stock: Mr. José de la Peña y Angelini, Mr. Leonel Garza Ramírez, Carlos Hank González, Mr. Adrian Sada González, Mr. Jairo Senise and Mr. Juan Antonio Quiroga García, In addition, Mr. Roberto González Barrera owns directly and indirectly 211,517,757 shares representing approximately 46.9% of our capital stock and Mr. Juan Antonio González Moreno owns 5,758,556 shares representing approximately 1.3% of our capital stock.

CORPORATE GOVERNANCE PRACTICES

The significant differences between our corporate governance practices and the New York Stock Exchange standards can be found on our website, www.gruma.com. The information found at this website is not incorporated by reference into this document.

ITEM 7. Major Shareholders And Related Party Transactions.

MAJOR SHAREHOLDERS

The following table sets forth certain information regarding the beneficial ownership of our capital stock as of April 29, 2005 (which consists entirely of Series B Shares) with respect to Mr. González Barrera and Archer-Daniels-Midland and its affiliates, the only shareholders we know to own beneficially more than 5% of our capital stock, as well as our directors and executive officers as a group and other shareholders. See "Item 9. The Offer and Listing" for a further discussion of our capital stock. With the exception of Archer-Daniels-Midland's right to appoint two members of our board of directors, and their corresponding alternates, the major shareholders do not have different or preferential voting rights with respect to those shares they own.

Name	Number of Series B Shares	Percentage of Outstanding Shares
Roberto González Barrera [(1)]	211,517,757	46.9%
Archer-Daniels-Midland [(2)]	130,901,630	29.0%
Directors and Officers as a Group	6,021,289	1.3%
Other shareholders	102,492,576	22.8%
Total	450,933,252	100.0%

(1) The shares beneficially owned by Mr. González Barrera include: 181,491,961 shares held directly by Mr. González Barrera; and 30,025,796 shares held by him through a Mexican corporation jointly owned with Archer-Daniels-Midland and controlled by him.

(2) Of the shares beneficially owned by Archer-Daniels-Midland, a portion are held through its Mexican subsidiary, and 24,566,561 shares are held through a Mexican corporation jointly owned with Mr. González Barrera and controlled by Mr. González Barrera. Mr. González Barrera has sole authority to determine how these shares are voted, and the shares cannot be transferred without the consent of both Archer-Daniels-Midland and Mr. González Barrera.

Mr. González Barrera controls approximately 52.4% of our capital stock and therefore has the power to elect a majority of our 15 directors. In addition, under Mexican law, any holder or group of holders representing 10% or more of our capital stock may elect one Director. Under our bylaws and the Archer-Daniels-Midland association, as long as Archer-Daniels-Midland owns at least 20% of our capital stock, it will have the right to designate two members of our board of directors and their corresponding alternates.

Under the terms of our agreement, Archer-Daniels-Midland may not, without the consent of Mr. Roberto González Barrera, the Chairman of our board of directors and Chief Executive Officer, or our board of directors, acquire additional shares of us. On September 30, 1999, we completed a rights offering to shareholders in Mexico and ADS holders in the United States. With the authorization of Mr. González Barrera, Archer-Daniels-Midland directly and indirectly purchased a total of 51,408,337 new shares, increasing its direct and indirect ownership of our outstanding shares from approximately 22% to approximately 29% immediately after that purchase.

We have been informed that Mr. González Barrera has pledged or has been required to pledge part of his shares in our Company as collateral for loans made to him. In the event of a default, should the lenders enforce their rights with respect to these shares, Mr. Gonzalez Barrera could lose his controlling interest in us. In addition, Mr. González Barrera must give Archer-Daniels-Midland a right of first refusal on any sale of his GRUMA shares if at the time of the sale, he owns, or as a result of the sale will own, less than 30% of our outstanding shares. Should Archer-Daniels-Midland exercise its right, then it could control us. Archer-Daniels-Midland must also give Mr. González Barrera a right of first refusal on any sale of our shares.

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

RELATED PARTY TRANSACTIONS

Transactions with Subsidiaries

The transactions set forth below were made in the ordinary course of business since we operate as a central treasurer for our subsidiaries. We periodically enter into short-term credit arrangements with our subsidiaries, where we provide them with funds for working capital at market interest rates.

At their peak on May 17, 2005, the outstanding balance of loans from GIMSA to GRUMA were Ps.1,531 million in nominal terms. As of June 15, 2005, we owed GIMSA Ps.1,345 million. The average interest rate for this year up to June 15 has been 10.6%.

In September 2001, Gruma Corporation started to make loans to us which, at their peak on June 15, 2004, reached the amount of U.S.$64.0 million. We have lent money to Gruma Corporation at an average rate of 6.7%, having an outstanding amount of U.S.$10.0 million as of June 15, 2005.

Transactions with Archer-Daniels-Midland

We entered into an association with Archer-Daniels-Midland in September 1996. As a result of this association, we received U.S.$258.0 million in cash, 80% partnership interest in Azteca Milling, our combined U.S. corn flour operations and 60% of the capital stock of Molinera de México, Archer-Daniels-Midland's wholly-owned Mexican wheat milling operations. We also gained exclusivity rights from Archer-Daniels-Midland in specified corn flour and wheat flour markets. In return, Archer-Daniels-Midland received 74,696,314 of our newly issued shares, which represented approximately 22% of our total outstanding shares, and 20% partnership interest in Azteca Milling, and retained 40% of the capital stock of Molinera de México. Archer-Daniels-Midland also obtained the right to designate two of our 15 directors and their corresponding alternates. Archer-Daniels-Midland has designated Allen Andreas, its Chairman and Chief Executive Officer, and Paul Mulhollem, its President and Chief Operating Officer, as members of our board of directors. Archer-Daniels-Midland has elected David J. Smith, its Senior Vice President, Secretary and General Counsel, and Douglas J. Schmalz, its Senior Vice President and Chief Financial Officer, to serve as alternates for Mr. Andreas and Mr. Mulhollem, respectively.

During 2002, 2003 and 2004, we purchased U.S.$84 million, U.S.$111 million and U.S.$103 million, respectively, of inventory from Archer-Daniels-Midland Corporation, a shareholder, at market rates and terms.

Other Transactions

We had loans outstanding to the controlling shareholder and related parties which, at their peak on December 31, 2002, aggregated Ps.176.8 million. These loans were made for personal purposes. All of these loans bore interest at market rates. These loans have been repaid in full.

We hold approximately 10.9% of the capital stock of GFNorte, a Mexican financial institution. In the normal course of business, we may obtain financing from GFNorte's subsidiaries at market rates and terms. For the past three and a half years, the highest outstanding loan amount has been Ps.162 million (in nominal terms) with an average interest rate of 8.9%. As of June 15, 2005, we did not owe any amounts to GFNorte or its subsidiaries.

ITEM 8. Financial Information.

See "Item 18. Financial Statements." For information on our dividend policy, see "Item 3. Key Information—Dividends." For information on legal proceedings related to us, see "—Legal Proceedings."

LEGAL PROCEEDINGS

In the ordinary course of business, we are party to various legal proceedings, none of which has had or we reasonably expect will have a material adverse effect on us.

Antitrust Lawsuits

Eighteen manufacturers of tortillas and other processed food products brought three related antitrust lawsuits against Gruma Corporation and Azteca Milling in the United States District Court for the Southern District of Texas, Galveston Division. The three suits were: (1) El Aguila Food Products, Inc., et al. v. Gruma Corporation, et al.; No. G-01-434, in the United States District Court for the Southern District of Texas, Galveston Division; (2) Gilbert Moreno Enterprises, Inc., et al. v. Gruma Corporation, et al.; C.A. No. G-01-546, in the United States District Court for the Southern District of Texas, Galveston Division; and (3) Capistran, Inc., et al. v. Gruma Corporation, et al.; No. G-02-100, in the United States District Court for the Southern District of Texas, Galveston Division. These three lawsuits were consolidated into El Aguila Food Products, Inc., et al. v. Gruma Corporation, et al. which, on January 10, 2003, was transferred to the United States District Court for the Southern District of Texas, Houston Division. The plaintiffs alleged that the defendants, including Gruma Corporation and Azteca Milling, conspired with retailers to restrain trade in the retail sale of tortillas in Texas, California, Arizona and Michigan, used market power to exclude plaintiffs from the retail tortilla market, and otherwise competed unfairly.

The plaintiffs sought damages, including treble damages, "greatly in excess of U.S.$1 million per Plaintiff," as well as injunctive relief. In December 2003, the trial court, after four weeks of trial, dismissed the suit as being without merit. Plaintiffs filed an appeal. On May 17, 2005, the United States Court of Appeals handed down a decision affirming the trial court's dismissal. It is unknown whether the plaintiffs will pursue any further appeal.

On May 26, 2004, an individual filed an antitrust lawsuit against Gruma Corporation and five named retailers, asking that a consumer, indirect-purchaser class action be certified and alleging that Gruma and the retailers have violated the California antitrust and unfair competition statutes by entering into contracts and conspiracies restraining competition in the sale of tortillas in Southern California. The plaintiff sought equitable relief and an unspecified amount of total damages. The suit, Diaz v. Gruma Corporation et al., case no. BC 316086, was filed in California Superior Court in the County of Los Angeles. The trial court dismissed this suit on April 1, 2005 at the request of the plaintiff, who received no settlement moneys or other consideration from us or the other defendants.

Distributor Arbitration

On or about November 29, 2001, one of Gruma Corporation's distributors filed a putative class action lawsuit against Gruma Corporation. The case was removed from California state court to federal court. Prior to April 2005, we did not consider this claim to be material because we were successful on two court orders, which held that the claim must be arbitrated and that the arbitration would be for the individual plaintiff's claims only and because the total exposure on the individual claim was for a small amount. No other similar claims have been filed against us. On or about April 25, 2005, the United States District Court, based upon a recent U.S. Supreme Court decision, ordered that the original claims should be referred to arbitration and that the arbitrator could decide whether the matter should proceed as a class action. No decision has yet been made as to whether the claims should proceed as a class action. Accordingly, it is now possible that the claim could proceed in arbitration on a classwide basis. The claims, as recently amended, allege that Gruma Corporation's distributors are actually employees or franchisees, that Gruma Corporation has failed to make wage and other payments required for employees, that Gruma Corporation has violated the California antitrust laws and unfair competition statutes, that Gruma Corporation has breached certain contracts with the distributors and that Gruma Corporation has otherwise committed fraud and negligent misrepresentations. The claims are being asserted by two named plaintiffs and five unnamed plaintiffs. The plaintiffs seek damages and equitable relief but have not yet specified the total amount of damages sought. We may not learn the amount of damages until the class is certified. We intend to vigorously defend against this action.

Water Discharge Assessments

Certain subsidiaries of GIMSA have been notified by the National Water Commission of fee assessments due from different years amounting to Ps.24.9 million plus related penalties and surcharges. These fees arise from our alleged discharge of sewage water on public property through the sprinkler systems located on the grounds of some of our subsidiaries. The current status of these fee assessments is as follows: (a) we have obtained final favorable court decisions to annul fee assessments for Ps.6.9 million; (b) we have obtained favorable court decisions to annul fee assessments for Ps.14.2 million and such decisions were appealed by the CNA (the resolutions of such appeals are currently pending); and (c) we have obtained favorable court decisions to annul fee assessments for Ps.3.8 million. However, such decisions may still be appealed by the CNA. According to our legal counsel, we have a reasonable basis to believe that we have been and are in compliance with the applicable regulations because we believe the discharged water is neither sewage water nor to have been discharged on public grounds. Accordingly, we believe all matters will be resolved in our favor. We will continue to vigorously defend against these fee assessments.

Mexican Tax Claim

The Mexican tax authorities have made certain observations to asset tax declarations for the years 1997, 1998 and 2000, which amounted to Ps.108.5 million including the related surcharges and penalties. The resolution of these matters is not expected to have a material adverse effect on the Company's consolidated financial position or results of operations. We have brought a proceeding for annulment of such disallowance notice and are vigorously defending the claim.

Venezuelan Tax Claim

The Venezuelan tax authorities have made certain assessments to Molinos Nacionales, C.A., one of our Venezuelan subsidiaries related to income tax returns for 1998 and 1999 which amounted to Ps.76.7 million plus tax credits presumable omitted for Ps.0.4 million. The resolution of these claims will be assumed by the previous shareholder from whom we brought this subsidiary pursuant to the terms of the purchase agreement.

ITEM 9. The Offer And Listing.

TRADING HISTORY

Our Series B Shares have been traded on the *Bolsa Mexicana de Valores, S.A. de C.V.*, or Mexican Stock Exchange, since 1994. The ADSs, each representing four Series B Shares, commenced trading on the New York Stock Exchange in November 1998. On December 31, 2004, 452,049,643 Series B Shares were outstanding (of which 77,235,272 Series B Shares were represented by 19,308,818 ADSs held by 7 record holders in the United States).

PRICE HISTORY

The following table sets forth, for the periods indicated, the annual high and low closing sale prices 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		NYSE	
	Common Stock		ADS[2]	
	High	Low	High	Low
	(Ps. per share[1])		(U.S.$ per ADS)	
Annual Price History				
2000	14.20	6.80	6.25	2.88
2001	8.50	6.00	3.60	2.60
2002	13.00	8.00	5.70	3.50
2003	15.30	9.20	5.62	3.20
2004	26.48	15.7	9.50	5.40
Quarterly Price History				
2003				
1st Quarter	10.10	9.20	3.82	3.20
2nd Quarter	10.80	9.38	4.11	3.45
3rd Quarter	15.05	11.00	5.62	4.09
4th Quarter	15.30	14.20	5.59	4.80
2004				
1st Quarter	18.90	15.70	7.00	5.40
2nd Quarter	19.70	18.90	6.95	6.60
3rd Quarter	22.85	19.00	7.95	6.64
4th Quarter	26.48	22.50	9.50	7.82
2005				
1st Quarter	28.3	24.73	10.31	8.75
2nd Quarter[3]	25.4	20.64	9.49	7.63
Monthly Price History				
December 2004	26.48	23.80	9.50	8.45
January 2005	27.15	26.00	9.75	9.22
February 2005	27.10	26.15	9.82	9.41
March 2005	28.30	24.73	10.31	8.75
April 2005	24.70	22.30	9.00	8.05
May 2005	23.15	20.64	8.59	7.63
June 2005[3]	25.40	23.60	9.49	8.84

(1) Pesos per share reflect nominal price at trade date.
(2) Price per ADS in U.S.$; one ADS represents four Series B Shares.
(3) Through June 15, 2005.

On June 15, 2005, the reported last sale price of the B Shares on the Mexican Stock Exchange was Ps.25.00 per B Share and the reported last sale price of the ADSs on the New York Stock Exchange was U.S.$9.30 per ADS.

MEXICAN STOCK EXCHANGE

The Mexican Stock Exchange, the *Bolsa Mexicana de Valores, S.A. de C. V.*, located in Mexico City, is the only stock exchange in Mexico. Founded in 1907, it is organized as a corporation whose shares are held by brokerage firms, which are exclusively authorized to trade on the exchange. Trading on the Mexican Stock Exchange takes place principally through automated systems and is open between the hours of 8:30 a.m. and 3:00 p.m. Mexico City time, each business day. Trades in securities listed on the Mexican Stock Exchange can also be performed off the 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 such as the Series B Shares that are directly or indirectly (for example, through ADSs) quoted on a stock exchange (including for these purposes the New York Stock Exchange) 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 *Comisión Nacional Bancaria y de Valores* (the Mexican National Banking and Securities Commission, or CNBV). Most securities traded on the Mexican Stock Exchange, including ours, are on deposit with *S.D. Indeval, S.A. de C.V.*, or Indeval, a privately owned securities depositary that acts as a clearinghouse for Mexican Stock Exchange transactions.

As of June 1, 2001, the Mexican Securities Law requires issuers to increase the protections offered to minority shareholders and to impose corporate governance controls on Mexican listed companies in line with international standards. The Mexican Securities Law expressly permits Mexican listed companies, with prior authorization from the CNBV, to include in their bylaws antitakeover defenses such as shareholder rights plans, or poison pills. Our bylaws include certain of these protections. See “Additional Information—Bylaws—Antitakeover Protections.”

ITEM 10. Additional Information.

BYLAWS

Set forth below is a brief summary of certain significant provisions of (1) our bylaws, as amended by our Extraordinary Shareholders’ Meeting held on December 4, 2003 to comply with recent changes to Mexican Securities regulations, and (2) Mexican law. This description does not purport to be complete and is qualified by reference to our bylaws, which are incorporated by reference as an exhibit to this Annual Report.

Organization and Register

We are a *sociedad anónima de capital variable* (a corporation) organized in Mexico under the *Ley General de Sociedades Mercantiles*, or the Mexican Companies Law. We were incorporated on December 24, 1971 and have a corporate life of 99 years. Our corporate purpose, as fully described in Article 2 of our bylaws, is to act as a holding company. As such, our bylaws grant us the power to engage in various activities, which allow us to function as a holding company. These powers include, but are not limited to, the ability to (1) acquire, sell, import, export, and manufacture all types of goods and products, (2) issue securities and take all actions with respect to securities of any kind, (3) create, organize and manage all types of companies, (4) act as an agent or representative, (5) acquire, sell and maintain real property, (6) perform or receive professional, technical or consulting services, (7) establish branches, agencies or representative offices, (8) acquire, license or use intellectual property, (9) grant and receive loans, (10) subscribe, issue and negotiate all types of credit instruments, and (11) perform any acts necessary to accomplish the foregoing.

Directors

Our bylaws provide that our management shall be vested in the board of directors. Each director is elected by a simple majority of the shares and there are no provisions for cumulative voting. Under Mexican law and our bylaws, any holder or group of holders owning 10% or more of our capital stock may elect one director and its corresponding alternate. The board of directors shall be comprised of a minimum of five and a maximum of twenty directors, as determined by the shareholders at the annual ordinary general shareholders' meeting. Under Mexican law, at least 25% of the members of the board of directors must be independent. Currently, our board of directors consists of 15 members.

The board of directors shall meet at least once every three months. These meetings can be called by the Chairman of the Board of Directors, by 25% of the members of the board of directors, or by our statutory auditors. Under the terms of our association with Archer-Daniels-Midland, Archer-Daniels-Midland will have the right to appoint two of our directors, and their corresponding alternates, as long as it owns at least 20% of our capital stock. The directors serve for a one year term, or until their successors have taken office. Directors receive compensation as determined by the shareholders at the annual ordinary general shareholders' meeting. A majority of directors is needed to constitute a quorum and board resolutions must be passed by a majority of the votes present at any validly constituted meeting or by unanimous consent if no meeting is convened.

Under Mexican law, any member of the board of directors who has a conflict of interest with the corporation in any transaction must disclose such fact to the other 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 may not represent shareholders at any shareholders' meeting.

Our bylaws provide that the board of directors is required to approve: (i) related party transactions other than those occurring in the ordinary course of business; (ii) purchases of 10% or more of our corporate assets; (iii) guarantees for more than 30% of our corporate assets; (iv) any of the aforementioned transactions when they are to be carried out by any of our subsidiaries; and (v) any other transaction, different from the aforementioned, the value of which represents more than 1% of our corporate assets. This approval is non-delegable.

Under Mexican law, shareholders can initiate actions for civil liabilities against directors through resolutions passed by a majority of the shareholders at a general ordinary shareholders' meeting. In the event the majority of the shareholders decide to bring such action, the director against whom such action is brought will immediately cease to be a member of the board of directors. Additionally, shareholders representing not less than 15% of our outstanding shares may directly bring such action against directors. Any recovery of damages with respect to such action will be for our benefit and not for the benefit of the shareholders bringing the action.

Under our bylaws and in accordance with applicable law, we are required to have an audit committee comprised of directors, of which at least the majority of whom must be independent directors, including the Chairman. Members are appointed at the annual ordinary general shareholders' meeting, hold office for one year and will continue their duties until their successors take their positions. Members shall receive such compensation set at the ordinary general shareholders' meeting. The audit committee is empowered to: (i) prepare an annual report of its activities and render it to the board of directors; (ii) issue opinions with respect to related party transactions that the Company intends to carry out outside of its ordinary course of business as well as to issue opinions with respect to (a) related party transactions that the subsidiaries of the Company intend to carry out outside of the ordinary course of business or (b) transactions that may imply a commitment of its assets under the terms of section IV, paragraph (d) of Article 14-Bis-3 of the Mexican Securities Law; (iii) make proposals relating to the hiring of independent experts, if necessary, so that such experts can issue their opinions with respect to related party transactions; (iv) propose to the board of directors candidates for the external auditor position and the conditions pursuant to which they will be hired; (v) revise our financial information and arrange the issuance process for the same; (vi) contribute to the definition of the general guidelines of the internal control system, assess its effectiveness, as well as coordinate and evaluate the annual internal audits and the activities performed by our internal and external auditors and the statutory auditors; (vii) verify that we have the necessary mechanisms to ensure that we are in compliance with applicable laws and inform the board of directors in this respect; and

(viii) perform other functions as set forth or deriving from applicable legal provisions to which the Company may be subject. Our statutory auditors will be called to all meetings held by the audit committee.

According to our bylaws, the board of directors is empowered to execute and negotiate any of our credit instruments and agreements. The board of directors may delegate such power to any individual.

See also "Item 6. Directors, Senior Management and Employees" for further information about the board of directors.

Voting Rights and Shareholders' Meetings

Each share entitles the holder thereof to one vote at any general meeting of our shareholders. Shareholders may vote by proxy. At the ordinary general shareholders' meeting, any shareholder or group of shareholders representing 10% or more of the outstanding common stock has the right to appoint one regular director and its corresponding alternate, with the remaining directors being elected by majority vote. Holders of series B shares do not have cumulative voting rights.

General shareholders' meetings may be ordinary meetings or extraordinary meetings. Extraordinary general shareholders' meetings are called to consider matters specified in Article 182 of the Mexican Companies Law, including, principally, changes in the authorized fixed share capital and other amendments to the bylaws, the issuance of preferred stock, liquidation, mergers and spin-offs, changes in the rights of security holders, and transformation 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, principally, 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.

A general ordinary shareholders' meeting must be held during the first four months after the end of each fiscal year. In order to attend a general shareholders' meeting, the day before the meeting shareholders must deposit the certificates representing their 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 ordinary general shareholders' meeting. Under our bylaws, the board of directors shall be comprised of a minimum of five and a maximum of twenty directors. Pursuant to Mexican law, at least 25% of the members of the board of directors must be independent.

Under our bylaws, the quorum for an ordinary general 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 if holders of at least 10% 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, or 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 State of Nuevo Léon or in a newspaper of general circulation in Monterrey, Nuevo Léon at least 15 days prior to the meeting. Shareholders' meetings may be held without such publication provided that 100% of the outstanding shares are represented. Shareholders' meetings must be held in Monterrey, Nuevo Léon.

Under Mexican law, holders of 10% of our outstanding capital stock may have any shareholder action set aside by filing a complaint with a Mexican court of competent jurisdiction within 15 days after the close of the meeting at which such action was taken, by showing that the challenged action violates Mexican law or our bylaws. Relief under these provisions is only available to holders who were entitled to vote on the challenged shareholder action and whose shares were not represented when the action was taken or, if represented, were voted against it.

Dividend Rights and Distribution

Within the first four months of each year, the board of directors must submit our company's financial statements for the preceding fiscal year to the shareholders for their approval at the ordinary general shareholders' meeting. They are required by law to allocate five percent of any new profits to a legal reserve which is not thereafter available for distribution until the amount of the legal reserve equals 20% of our historical capital stock (before adjusting for inflation). Amounts in excess of those allocated to the legal reserve fund may be allocated to other reserve funds as the shareholders determine, including a reserve for the repurchase of our shares. The remaining balance of new profits, if any, is available for distribution 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. No dividends may be paid, however, unless losses for prior fiscal years have been paid up or absorbed. See "Item 3. Key Information—Dividends."

Liquidation

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

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

Changes in Capital Stock

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

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

Preemptive Rights

Except in certain limited circumstances, in the event of a capital increase through the issuance of shares for payment in cash or in kind, a holder of existing shares of a given series at the time of the capital increase has a preferential right to subscribe for a sufficient number of new shares of the same series to maintain the holder's existing proportionate holdings of shares of that series. Preemptive rights must be exercised within the period and under the conditions established for such purpose by the shareholders at the corresponding shareholders' meeting. Under Mexican law and our bylaws, the exercise period may not be less than 15 days following the publication of notice of the capital increase in the Official Gazette of the State of Nuevo Léon 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 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 bylaws) or in a resale of common stock held in our 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, except under limited circumstances, and cannot be represented by an instrument that is negotiable separately from the corresponding share. Holders of ADRs may be restricted in their ability to participate in the exercise of preemptive rights. See "Item 3. Key Information—Risk Factors—Risks Relating to Our Controlling Shareholders and Capital Structure—Holders of ADSs May Not Be Able to Participate in Any Future Preemptive Rights Offering and as a Result May Be Subject to a Dilution of Equity Interest."

Restrictions Affecting Non-Mexican Shareholders

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

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

As required by Mexican law, our bylaws provide that any non-Mexicans who acquire an interest or participation in our capital at any time will be treated as having Mexican nationality for purposes of their interest in us, and with respect to the property, rights, concessions, participations or interests that we may own or rights and obligations that are based on contracts to which we are a party with the Mexican authorities. Such shareholders cannot invoke the protection of their government under penalty of forfeiting to the Mexican State the ownership interest that they may have acquired. See "Item 3. Key Information—Risk Factors—Risks Relating to Our Controlling Shareholders and Capital Structure—Our Bylaws Restrict the Ability of Non-Mexican Shareholders to Invoke the Protection of Their Governments with Respect to Their Rights as Shareholders."

Under this provision, a non-Mexican shareholder is deemed to have agreed not to invoke the protection of his own government with respect to his rights as a shareholder, but is not deemed to have waived any other rights it may have with respect to its investment in us, including any rights under U.S. securities laws. If a shareholder should invoke governmental protection in violation of this provision, its shares could be forfeited to the Mexican government. Mexican law requires that such a provision be included in the bylaws of all Mexican companies unless such bylaws prohibit ownership of shares by non-Mexicans.

Registration and Transfer

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

Other Provisions

Redemption Rights

Outstanding variable capital shares, if any, may be fully or partially redeemed by the holders thereof. The minimum fixed portion of our capital stock cannot be redeemed. Currently, we have no outstanding variable capital shares. A holder of variable capital stock that wishes to effect a total or partial redemption of such stock is required to notify us in an authenticated written notice to that effect. If notice of redemption is received prior to the last quarter of the fiscal year, the redemption becomes effective at the end of the fiscal year in which the shareholder gives notice. Otherwise, the redemption becomes effective at the end of the following fiscal year.

Redemption of our variable capital stock is made at the lower of (i) 95% of the weighted average share price as quoted on the Mexican Stock Exchange for the last 30 days in which our shares were traded, in a period not greater than six months, prior to the effective date of the redemption, or (ii) the book value per variable capital share, calculated from our balance sheet (as approved at an ordinary general shareholders' meeting) for the fiscal year immediately prior to the fiscal year in which the redemption is to become effective. If the number of days in which our shares have traded during the period referred to above is less than 30, then only the actual number of days in which our shares have traded during such period will be taken into account. If shares have not been exchanged during such period, then the tender offer shall be made at a price equal to at least the book value of the shares. Any such amount to be paid by us would become due on the day following the ordinary general shareholders' meeting referred to in clause (ii) above.

Appraisal Rights

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

Share Repurchases

We may repurchase our common stock on the Mexican Stock Exchange at any time at the then prevailing market price. The repurchase of shares will be made at the expense of our equity if the repurchased shares remain outstanding, or at the expense of our capital stock if the repurchased shares are placed in our treasury. At the ordinary general shareholders' meeting, shareholders shall determine the maximum amount of funds to be allocated to the repurchase of shares, which amount shall not exceed our total net profits, including retained earnings.

Repurchased common stock will either be held by us or kept in our treasury, pending future sales thereof on the Mexican Stock Exchange. If the repurchased shares are kept in our treasury, we may not exercise the economic and voting rights corresponding to them, and such shares are not deemed to be outstanding for purposes of calculating any quorum or vote at any shareholders' meeting. The repurchased shares held by us as outstanding shares may not be represented at any shareholder 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 securities regulation, our directors, officers, statutory auditors, external auditors, and the secretary of the board of directors and holders of 10% or more of our outstanding common stock may not sell common stock to us, or purchase repurchased common stock from us, unless the sale or purchase is made through a tender offer. Mexican securities regulations under the Mexican Securities Market Law require that if we decide to repurchase common stock representing three percent or more of our outstanding share capital in any 20 trading-day period, these repurchases must be conducted by means of a public tender offer.

Repurchase in the Event of Delisting

If the registration of our common shares in the Securities Section of the *Registro Nacional de Valores* (National Registry of Securities, or RNV) is canceled, whether at our request or by the CNBV, under our bylaws and CNBV regulations the shareholders holding the majority of our common shares or who are otherwise able to impose, by any means, decisions at the general shareholders' meetings or able to appoint the majority of the directors of our board of directors, shall be obligated to make a tender offer to purchase all of our shares prior to the cancellation. Such tender offer shall be made at least at the greater price of the following: (i) the closing sale price of such shares on the Mexican Stock Exchange, under the terms of the following paragraph, or (ii) the book value of the shares according to the most recent quarterly report submitted to the CNBV and to the Mexican Stock Exchange prior to the commencement of the offer. As set forth in the last paragraph of this subsection below, the tendering shareholder(s) may request approval from the CNBV to use different criteria to determine the price of the shares, in which case, the most recent financial information of the Company shall be taken into account.

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

If the tender offer refers to more than one series of stock, the weighted average price referred to in the preceding paragraph shall be calculated for each series of stock to be cancelled, and the price for the tender offer of all of the series shall be the greatest of such averages.

Within five business days of the commencement of the tender offer, the board of directors shall disclose its opinion in connection with the reasonableness of the price of such offer, taking into consideration (i) the interests of the minority shareholders in order to comply with the terms of the second paragraph of Article 16 of the Mexican Securities Law, and (ii) an opinion of the audit committee. If the board of directors' and audit committee's opinions are conflicting, then the audit committee's opinion shall be disclosed. If the board of directors has a potential conflict of interest, then the opinion of the board of directors shall be accompanied with an opinion issued by an independent expert selected by the audit committee in which special emphasis is to be made to protect the interests of the minority shareholders.

The holders of the majority of our common shares, or whoever is otherwise able to, by any means, (i) impose resolutions at the general shareholders' meetings, or (ii) appoint the majority of the directors of our board of directors, shall be under no obligation to make the tender offer to purchase all of our shares prior to the cancellation of the registry if: (i) they have the consent of the holders of at least 95% of our outstanding common shares, by a resolution at a shareholders' meeting, and (ii) the aggregate amount offered for the securities in the market is less than 300,000 investment units (UDIs); provided, however that, in order to obtain the cancellation from the RNV, (x) the trust referred to in the following paragraph must be executed, and (y) notice of such cancellation and of the execution of the trust shall be made through the appropriate means established by the CNBV.

In the event the shareholders making the tender offer are not able to purchase 100% of our outstanding common shares, then prior to the cancellation of our common shares in the Securities Section of the RNV, they shall execute a trust, for a minimum term of six months, in order to provide sufficient monetary resources to purchase the remaining outstanding common shares at the same tender offer price.

The shareholders required to make the tender offer referred to above may request the approval from the CNBV to use different criteria to determine the price of the shares. The CNBV shall take into account our financial situation in considering whether to grant such approval. In requesting such approval, the following must be submitted to the CNBV: (i) a resolution of the board of directors approving such request, (ii) a favorable opinion of the audit committee addressing the reasons why it deems appropriate the use of a different price, and (iii) a report from an independent expert indicating that the price is consistent with the terms of Article 16 of the Mexican Securities Law.

Shareholder Conflicts of Interest

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

Rights of Shareholders

The protections afforded to minority shareholders under Mexican law are different from those in the United States and many other jurisdictions. The substantive law concerning duties of directors and controlling shareholders has not been the subject of extensive judicial interpretation in Mexico, unlike many states in the United States where duties of care and loyalty elaborated by judicial decisions help to shape the rights of minority shareholders. Mexican civil procedure does not contemplate class actions or shareholder derivative actions, which permit shareholders in U.S. courts to bring actions on behalf of other shareholders or to enforce rights of the corporation itself. Shareholders cannot challenge corporate action taken at a shareholders' meeting unless they meet certain procedural requirements.

As a result of these factors, in practice it may be more difficult for our minority shareholders to enforce rights against us or our directors or controlling shareholders than it would be for shareholders of a U.S. company. See "Item 3. Key Information—Risk Factors—Risks Relating to Our Controlling Shareholders and Capital Structure—The Protections Afforded to Minority Shareholders in Mexico Are Different From Those in the United States."

In addition, under the U.S. securities laws, as a foreign private issuer we are exempt from certain rules that apply to domestic U.S. issuers with equity securities registered under the Exchange Act, including the proxy solicitation rules, the rules requiring disclosure of share ownership by directors, officers and certain shareholders. We are also exempt from certain of the corporate governance requirements of the New York Stock Exchange, including certain requirements concerning audit committees and independent directors. A summary of significant ways in which our corporate governance standards differ from those followed by U.S. domestic companies under NYSE listing standards is available on our website at www.gruma.com.

Antitakeover Protections

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

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

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

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

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

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

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

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

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

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

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

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

MATERIAL CONTRACTS

Archer-Daniels-Midland

We entered into an association with Archer-Daniels-Midland in September 1996. We believe that this association has improved our position in the U.S. corn flour market by combining our proprietary corn flour technology, our leading position in the corn flour industry in Mexico, the United States, Central America and Venezuela and our operational expertise with Archer-Daniels-Midland's logistical resources and financial strength.

As a result of this association, we received U.S.$258.0 million in cash, 80% partnership interest in Azteca Milling, our combined U.S. corn flour operations and 60% of the capital stock of Molinera de México, Archer-Daniels-Midland's wholly-ownedMexican wheat milling operations. We also gained exclusivity rights from Archer-Daniels-Midland in specified corn flour and wheat flour markets. In return, Archer-Daniels-Midland received 74,696,314 of our newly issued shares, which represented approximately 22% of our total outstanding shares, and 20% partnership interest in Azteca Milling and retained 40% of the capital stock of Molinera de México. Archer-Daniels-Midland also obtained the right to designate two of the 15 members of our board of directors and their corresponding alternates.

Under the terms of this association, Archer-Daniels-Midland may not, without the consent of Mr. Roberto González Barrera, the Chairman of our board of directors and Chief Executive Officer, or our board of directors, acquire additional shares of us. In 1999, Mr. González Barrera authorized Archer-Daniels-Midland to acquire additional shares of us issued as a result of an increase in capital stock and subsequent rights offering to our shareholders. In connection with the rights offering on August 19, 1999, Archer-Daniels-Midland directly and indirectly purchased a total of 51,408,337 new shares, increasing its ownership of our outstanding shares to approximately 29.2%, directly and indirectly. A total of 24,566,561 of these new shares are held by Archer-Daniels Midland through a Mexican corporation jointly owned with Mr. González Barrera and controlled by him. Furthermore, Archer-Daniels-Midland must give Mr. González Barrera a right of first refusal on any sale of our shares. Mr. González Barrera must give Archer-Daniels-Midland a similar right on any sale of his shares in us if at the time of the sale, he owns, or as a result of the sale will own, less than 30% of our outstanding shares. See "Item 7. Major Stockholders and Related Party Transactions—Related Party Transactions."

The documents which detail the terms of the association include the Shareholders Agreement by and among us, Roberto González Barrera, Archer-Daniels-Midland and ADM Bioproducts, S.A. de C.V., the Asset Contribution Agreement among Gruma Corporation, Gruma Holding, Inc., ADM Milling Co., Valley Holding, Inc., GRUMA-ADM, and Azteca Milling, L.P., and the Investment Agreement by and between us and Archer-Daniels-Midland, all dated as of August 21, 1996, as well as Amendment No. 1 and Amendment No. 2 to the Shareholders Agreement, dated as of September 13, 1996 and August 18, 1999, respectively. See "Item 19. Exhibits."

Bank of America, N.A.

On December 18, 2002, we obtained a U.S.$300,000,000 syndicated loan from a group of 15 local and foreign banks, led by Bank of America, N.A. The three-year loan allowed us to pay our outstanding syndicated loan. The loan paid a spread ranging from 87.5 to 162.5 percentage points over LIBOR. No single bank in the syndicate financed more than 9.8% of the total loan. We repaid the outstanding US$230,000,000 principal amount of this loan on October 5, 2004. The U.S.$300,000,000 Loan Agreement among us, the lenders, Bank of America, N.A., as Administrative Agent, and Banc of America Securities, LLC, as Lead Arranger and Sole Book Manager, dated December 18, 2002, details the terms of this loan. See "Item 19. Exhibits."

Barclays Capital

On October 4, 2004, we obtained a US$250 million, five-year syndicated senior credit facility, which we refer to as the 2004 Facility, from a group of local and foreign banks, led by Barclays Capital, which consists of a US$150 million senior term loan facility and a US$100 million senior revolving credit facility, both with a five-year tenor. Funds from the 2004 Facility were used to refinance an outstanding balance of US$230 million under our now-terminated US$300 million loan facility. As of June 15, 2005, there was US$150 million outstanding under the 2004 Facility with US$100 million of revolving credit available. The interest rate for the facility is LIBOR plus 55 basis points for the first three years and LIBOR plus 65 basis points for the fourth and fifth years. The Loan Agreement with respect to the 2004 Facility among us, the lenders, Barclays Capital, the Investment Banking Division of Barclays Bank PLC, as Administrative Agent and Joint Bookrunner, and Coöperatieve Centrale Raiffeisen-Boerenleebank B.A., as Joint Bookrunner, dated September 30, 2004, details the terms of this loan. See "Item 19. Exhibits."

Perpetual Bond

We issued U.S.$300.0 million 7.75% perpetual bonds under an indenture dated as of December 3, 2004, among Gruma, S.A. de C.V., and JP Morgan Chase Bank, N.A. as trustee. Pursuant to the indenture, the bonds have no stated maturity and will bear interest at a fixed rate of 7.75% per annum from the date of issuance. Interest on the bonds will be paid quarterly in arrears on March 3, June 3, September 3 and December 3 of each year, commencing on March 3, 2005, to the person in whose name such bond (or any predecessor bond) is registered at the close of business on the preceding February 15, May 15, August 15 or November 15, as the case may be. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. The Bonds will constitute direct senior unsecured obligations of Gruma S.A. de C.V. and will rank at least *pari passu* in priority of payment with all other present and future unsecured and unsubordinated indebtedness of Gruma S.A. de C.V.

The indenture describes covenants with which we must comply, including:

- limitations on liens;
- limitations with respect to consolidations, mergers or transfer of property; and
- limitations on certain sale and lease-back transactions.

These covenants are subject to a number of important qualifications and exceptions as described in the indenture.

The indenture contains certain events of default, consisting of, among others, the following:

- failure to pay interest and other amounts within 30 calendar days of the due date; and
- breach by us of any covenant or agreement in the indenture or any of the other relevant transaction documents.

Supplemental Indenture

In connection with Gruma S.A. de C.V.'s offer to purchase its outstanding $250,000,000 aggregate principal amount of 7.625% Notes Due 2007 and the related solicitation of consents, Gruma S.A. de C.V. executed and delivered a supplemental indenture setting forth amendments to the original indenture governing the $250,000,000 7.625% Notes Due 2007. The supplemental indenture amends certain terms and covenants in the original indenture.

EXCHANGE CONTROLS

Mexican law does not restrict our ability to remit dividends and interest payments, if any, to non-Mexican holders of our securities. Payments of dividends to equity-holders generally will not be subject to Mexican withholding tax. See "—Taxation—Mexican Tax Considerations—Payment of Dividends." Mexico has had a free market for foreign exchange since 1991, and the government has allowed the peso to float freely against the U.S. dollar since December 1994.

Our ability to repatriate dividends from Gruma Venezuela may be adversely affected by exchange controls and other recent events. See "Item 3. Risk Factors—Risks Related to Venezuela—Venezuela Presents Significant Economic Uncertainty and Political Risk."

TAXATION

The following summary contains a description of certain Mexican federal and U.S. federal income tax consequences of the acquisition, ownership and disposition of B Shares or B Share ADSs (which are evidenced by ADRs), but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase or hold B Shares or ADSs, such as the tax treatment of holders that are dealers or that own (actually or constructively under rules prescribed in the Internal Revenue Code of 1986, as amended, or the Code), 10% or more of the voting shares of GRUMA.

The Convention for the Avoidance of Double Taxation and a Protocol thereto, or the Tax Treaty, between the United States and Mexico entered into force on January 1, 1994. The United States and Mexico have also entered into an agreement concerning the exchange of information with respect to tax matters.

The summary is based upon tax laws of the United States and Mexico as in effect on the date of this document, which are subject to change, including changes that may have retroactive effect. Holders of B Shares or ADSs should consult their own tax advisers as to the Mexican, U.S. or other tax consequences of the purchase, ownership and disposition of shares or ADSs, including, in particular, the effect of any foreign, state or local tax laws.

Mexican Tax Considerations

The following is a general summary of the principal consequences under the *Ley del Impuesto sobre la Renta* (the Mexican Income Tax Law) and rules and regulations thereunder, as currently in effect, of an investment in Shares or ADSs by a holder that is not a resident of Mexico and that will not hold shares or ADSs or a beneficial interest therein in connection with the conduct of a trade or business through a permanent establishment or fixed base in Mexico.

For purposes of Mexican taxation, a natural person is a resident of Mexico for tax purposes if he has established his home in Mexico, unless he has resided in another country for more than 183 days, whether consecutive or not, in any one calendar year and can demonstrate that he has become a resident of that country for tax purposes, and a legal entity is a resident of Mexico if it was incorporated in Mexico or maintains the principal administration of its business or the effective location of its management in Mexico. A Mexican citizen is presumed to be a resident of Mexico unless such person can demonstrate the contrary. If a non-resident of Mexico 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.

Tax Treaties

Provisions of the Tax Treaty that may affect the taxation of certain U.S. holders are summarized below. The United States and Mexico have also entered into an agreement that covers the exchange of information with respect to tax matters.

Mexico has also entered into and is negotiating several other tax treaties that may reduce the amount of Mexican withholding tax to which payment of dividends on shares or ADSs may be subject. Holders of shares or ADSs should consult their own tax advisors as to the tax consequences, if any, of such treaties.

Under the Mexican Income Tax Law, in order for any benefits from the Tax Treaty or any other tax treaties to be applicable, residence for tax purposes must be demonstrated.

Payment of Dividends

Under the Mexican Income Tax Law, dividends, either in cash or in kind, paid with respect to shares represented by ADSs are not subject to Mexican withholding tax. A Mexican corporation will not be subject to any tax if the amount of dividends does not exceed the net tax profit account (*cuenta de utilidad fiscal neta,* or CUFIN).

If we pay a dividend in 2005 in an amount greater than our CUFIN balance (which may occur in a year when net profits exceed the balance in such accounts), then we are required to pay a 30% for 2005, 29% for 2006, and 28% for 2007 and thereafter income tax on an amount equal to the product of the portion of the grossed-up amount which exceeds such balance multiplied by 1.4286 for 2005, 1,4085 for 2006 and 1,3889 for 2007 and thereafter.

Taxation of Dispositions

The sale or other disposition of ADSs by a non-resident holder will not be subject to Mexican tax. Deposits of shares in exchange for ADSs and withdrawals of shares in exchange for ADSs will not give rise to Mexican tax or transfer duties.

The sale of shares by a non-resident holder will not be subject to any Mexican tax if the transaction is carried out through the Mexican Stock Exchange or other securities markets approved by the Mexican Ministry of Finance. Sales or other dispositions of shares made in other circumstances generally would be subject to Mexican tax, regardless of the nationality or residence of the transferor.

Under the Mexican Income Tax Law, gains realized by a nonresident holder of shares on the sale or disposition of shares not conducted through a recognized stock exchange generally are subject to a Mexican tax at a rate of 20% of the gross sale price. However, if the holder is a resident of a country which is not considered to be a low tax rate country (by reference to a list of low rate countries published by the Mexican Ministry of Finance and Public Credit), the holder may elect to designate a resident of Mexico as its representative, in which case taxes would be payable at a 30% rate on the gain on such disposition of shares in 2005 (29% in 2006, 28% in 2007 and thereafter).

Pursuant to the Tax Treaty, gains realized by qualifying U.S. holders from the sale or other disposition of shares, even if the sale is not conducted through a recognized stock exchange, will not be subject to Mexican income tax except that Mexican taxes may apply if:

- 50% or more of our assets consist of fixed assets situated in Mexico;
- such U.S. holder owned 25% or more of the shares representing the capital stock of GRUMA (including ADSs), directly or indirectly, during the 12-month period preceding such disposition; or
- the gain is attributable to a permanent establishment or fixed base of the U.S. holder in Mexico.

Other Mexican Taxes

A non-resident holder will not be liable for estate, inheritance or similar taxes with respect to its holdings of shares or ADSs; provided, however, that gratuitous transfers of shares may in certain circumstances result in imposition of a Mexican tax upon the recipient. There are no Mexican stamp, issue registration or similar taxes payable by a non-resident holder with respect to shares or ADSs.

Reimbursement of capital pursuant to a redemption of shares will be tax exempt up to an amount equivalent to the adjusted contributed capital corresponding to the shares that will be redeemed. Any excess distribution pursuant to a redemption will be considered a dividend for tax purposes and we may be taxed as described above.

U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax consequences to U.S. holders (as defined below) of the acquisition, ownership and disposition of B Shares or ADSs. This summary is based upon the federal income tax laws of the United States as in effect on the date of this Annual Report, including the provisions of the Tax Treaty, all of which are subject to change, possibly with retroactive effect in the case of U.S. federal income tax law.

The summary does not purport to be a comprehensive description of all of the tax consequences of the acquisition, ownership or disposition of B Shares or ADSs. The summary applies only to U.S. holders that will hold their B Shares or ADSs as capital assets and does not apply to special classes of holders such as dealers in securities or currencies, holders with a functional currency other than the U.S. dollar, holders of 10% or more of our voting shares (whether held directly or through ADSs or both), tax-exempt organizations, financial institutions, holders liable for the alternative minimum tax, securities traders electing to account for their investment in their B Shares or ADSs on a mark-to-market basis, and persons holding their B Shares or ADSs in a hedging transaction or as part of a straddle or conversion transaction.

For purposes of this discussion, a "U.S. holder" is a beneficial owner of B Shares or ADSs that is:

- a citizen or resident of the United States of America;
- a corporation or partnership organized in or under the laws of the United States of America or any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal taxation regardless of its source;
- a trust if a court within the U.S. is able to exercise primary supervision over the administration and one or more U.S. persons have the authority to control all substantial decisions of the trust; or
- otherwise subject to U.S. federal income taxation on a net income basis with respect to the shares or ADSs.

A holder of B Shares or ADSs that is a partnership, and partners in such partnership, should consult their tax advisors about the United States federal income tax consequences of holding and disposing of the B Shares or the ADSs, as the case may be.

Prospective investors in the B Shares or ADSs should consult their own tax advisors as to the U.S. federal, Mexican or other tax consequences of the purchase, ownership and disposition of the B Shares or ADSs, including, in particular, the effect of any foreign, state or local tax laws and their entitlement to the benefits, if any, afforded by the Tax Treaty.

Treatment of ADSs

In general, a U.S. holder of ADSs will be treated as the beneficial owner of the B Shares represented by those ADSs for U.S. federal income tax purposes. Deposits or withdrawals of B Shares by U.S. holders in exchange for the ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes. U.S. holders that withdraw any shares should consult their own tax advisors regarding the treatment of any foreign currency gain or loss on any pesos received in respect of such shares.

Taxation of Distributions

In this discussion, the term "dividends" is used to mean distributions paid out of our current or accumulated earnings and profits (calculated for U.S. federal income tax purposes) with respect to B Shares or ADSs. In general, the gross amount of any dividends will be includible in the gross income of a U.S. holder as ordinary income on the day on which the dividends are received by the U.S. holder in the case of shares, or by the depositary in the case of ADSs. Dividends paid by us will not be eligible for the dividends-received deduction allowed to corporations under the Code. To the extent that a distribution exceeds the amount of our earnings and profits (calculated for U.S. federal income tax purposes), it will be treated as a non-taxable return of capital to the extent of the U.S. holder's basis in the B Shares or ADSs, and thereafter as capital gain (provided that the B Shares or ADSs are held as capital assets). Distributions will be paid in pesos and will be includible in the income of a U.S. holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day that they are received by the U.S. holder in the case of shares, or by the depositary in the case of ADSs. U.S. holders should consult their own tax advisors regarding the treatment of foreign currency gain or loss, if any, on any pesos received by a U.S. holder or depositary that are converted into U.S. dollars on a date subsequent to receipt.

Distributions of additional shares or ADSs to U.S. holders with respect to their shares or ADSs that are made as part of a pro rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax.

Dividends paid on shares or ADSs generally will be treated for U.S. foreign tax credit purposes as foreign source passive category income. In the event Mexican withholding taxes are imposed on such dividends, any such withheld taxes would be treated as part of the gross amount of the dividend includible in income of a U.S. holder for U.S. federal income tax purposes (to the extent of current or accumulated earnings and profits), and such taxes may be treated as a foreign income tax eligible, subject to generally applicable limitations and conditions under U.S. federal income tax law, for credit against a U.S. holder's U.S. federal income tax liability or, at the U.S. holder's election, for deduction from gross income in computing the U.S. holder's taxable income. The calculation and availability of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions, involves the application of rules that depend on a U.S. holder's particular circumstances. In the event Mexican withholding taxes are imposed, U.S. holders should consult their own tax advisors regarding the availability of foreign tax credits.

Qualified Dividend Income

Notwithstanding the foregoing, certain dividends received by individual U.S. holders that constitute "qualified dividend income" will be subject to a reduced maximum marginal U.S. federal income tax rate. Qualified dividend income generally includes, among other dividends, dividends received during the taxable year from "qualified foreign corporations." In general, the term "qualified foreign corporation" includes a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States which the U.S. Treasury Department determines to be satisfactory, and which includes an exchange of information program. In addition, a foreign corporation is treated as a qualified foreign corporation with respect to any dividend paid by the corporation with respect to stock of the corporation that is readily tradable on an established securities market in the United States. For this purpose, a share is treated as readily tradable on an established securities market in the United States if an ADR backed by such share is so traded.

Notwithstanding the previous rule, dividends received from a foreign corporation that is a passive foreign investment company (as defined in section 1297 of the Code) will not constitute qualified dividend income. In addition, the term "qualified dividend income" will not include, among other dividends, any (i) dividends on any share of stock or ADS which is held by a taxpayer for 60 days or less during the 120-day period beginning on the date which is 60 days before the date on which such share or the shares backing the ADS become ex-dividend with respect to such dividends (as measured under section 246(c) of the Code) or (ii) dividends to the extent that the taxpayer is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respects to positions in substantially similar or related property. Moreover, special rules apply in determining a taxpayer's foreign tax credit limitation under section 904 of the Code in the case of qualified dividend income.

Individual U.S. holders should consult their own tax advisors to determine whether or not amounts received as dividends from us will constitute qualified dividend income subject to a reduced maximum marginal U.S. federal income tax rate and, in such case, the effect, if any, on the individual U.S. holder's foreign tax credit.

Taxation of Dispositions

Gain or loss realized by a U.S. holder on the sale, redemption or other disposition of B Shares or ADSs will be subject to U.S. federal income taxation as capital gain or loss in an amount equal to the difference between such U.S. holder's adjusted basis in the B Shares or the ADSs and the amount realized on the disposition (including any amounts withheld in respect of Mexican withholding tax). Gain (including gain that arises because the U.S. holder's basis in the B Shares or ADSs has been reduced because a distribution is treated as a return of capital rather than as a dividend) and loss realized by a U.S. holder on a sale, redemption or other disposition of B Shares or ADSs generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes.

The availability of U.S. foreign tax credits or any deduction from gross income for any Mexican taxes imposed on the sale, redemption or other disposition is subject to certain limitations and involves the application of rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their own tax advisors regarding the application of the foreign tax credit rules to their investment in, and disposition of, B Shares or ADSs.

Tax Return Disclosure Regulations

Pursuant to U.S. Treasury regulations (the "Disclosure Regulations"), any taxpayer that has participated in a "reportable transaction" and who is required to file a U.S. Federal income tax return must generally attach a disclosure statement disclosing such taxpayer's participation in the reportable transaction to the taxpayer's tax return for each taxable year for which the taxpayer participates in the reportable transaction. The Disclosure Regulations provide that, in addition to certain other transactions, "loss transactions" and "transactions involving a brief asset holding period" constitute "reportable transactions." "Loss transactions" include transactions that produce a foreign currency exchange loss in an amount equal to or in excess of certain threshold amounts. "Transactions involving a brief asset holding period" are generally transactions resulting in the taxpayer claiming a tax credit in excess of $250,000 if the underlying asset giving rise to the credit is held by the taxpayer for 45 days or less. U.S. holders should consult their own advisors concerning the implications of the tax return disclosure requirements in light of their particular circumstances.

Information Reporting and Backup Withholding

Dividends on, and proceeds from the sale or other disposition of, the B Shares or ADSs paid to a U.S. holder generally may be subject to the information reporting requirements of the Code and may be subject to backup withholding at the applicable rate unless the holder:

- establishes that it is a corporation or other exempt holder; or
- provides an accurate taxpayer identification number on a properly completed Internal Revenue Service Form W-9 and certifies that no loss of exemption from backup withholding has occurred.

The amount of any backup withholding from a payment to a holder will be allowed as a credit against the U.S. holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is furnished to the Internal Revenue Service.

U.S. Tax Consequences for Non-U.S. Holders

Distributions:

A holder of shares or ADSs that is, with respect to the United States, a foreign corporation or a non-resident alien individual (a "non-U.S. holder") generally will not be subject to U.S. federal income or withholding tax on dividends received on shares or ADSs, unless such income is effectively connected with the conduct by the holder of a U.S. trade or business.

Dispositions:

A non-U.S. holder of shares or ADSs will not be subject to U.S. federal income or withholding tax on gain realized on the sale of shares or ADSs, unless:

- such gain is effectively connected with the conduct by the holder of a U.S. trade or business, or
- 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.

Information Reporting and Backup Withholding:

Although non-U.S. holders generally are exempt from backup withholding, a non-U.S. holder may be required to comply with certification and identification procedures in order to establish its exemption from information reporting and backup withholding.

DOCUMENTS ON DISPLAY

We are subject to the information requirements of the Exchange Act and, in accordance therewith, we are required to file reports and other information with the SEC. These materials, including this Form 20-F and the exhibits thereto, may be inspected and copied at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

ITEM 11. Quantitative And Qualitative Disclosures About Market Risk.

The following information includes "forward-looking statements" that involve risk and uncertainties. Actual results could differ from those presented. All information below is presented on a Mexican GAAP basis in pesos of constant purchasing power as of December 31, 2004.

We are exposed to market risks arising from changes in interest rates, foreign exchange rates, equity prices and commodity prices. We use derivative instruments, on a selective basis, to manage these risks. We do not use derivative instruments for trading or speculative purposes. We maintain and control our treasury operations and overall financial risk through policies approved by senior management.

INTEREST RATE RISKS

We depend upon debt financing transactions, including debt securities, bank and vendor credit facilities and leases, to finance our operations. These transactions expose us to interest rate risk, with the primary interest-rate risk exposure resulting from changes in the relevant base rates (mostly LIBOR and to a lesser extent, Prime, TIIE and *Tasa Promedio Poderada* in Venezuela) which are used to determine the interest rates that are applicable to borrowings under our credit facilities. We are also exposed to interest rate risk in connection with refinancing of maturing debt. We had approximately U.S.$528.7 million (Ps.5,895 million) of fixed rate debt and approximately U.S.$57.6 million (Ps.642.3 million) in floating rate debt at December 31, 2004.

We enter into interest rate swaps with the intention of hedging our exposure to increases in interest rates. However, from an accounting perspective some of these contracts might not eligible to be treated as hedging transactions as described in Note 21-J to our financial statements. In April 2001, we entered into an interest rate swap converting the interest payments on our U.S.$250,000,000 7.625% Notes Due 2007 from a fixed rate (7.625%) to a variable rate (LIBOR plus 2.035%). We immediately entered into a further swap agreement with respect to the interest payments on the same U.S.$250,000,000 debt whereby we receive a fixed interest rate of 5.485% and will pay a LIBOR rate. These swaps agreements remain in place with respect to interest payments on the U.S.$250,000,000 principal amount. These swap agreements offset each other effectively leaving us with the original fixed interest rate payment of 7.625% on the approximately U.S.$50,000,000 in aggregate principal amount which remains outstanding after the tender offer.

On November 2, 2004, we entered into an interest rate swap transaction with five banks with an aggregate notional amount of U.S.$150 million maturing on April 5, 2008, whereby we fixed the 6-month LIBOR rate associated with the term portion of the 2004 Facility at an average rate of 3.2725%. The swap transaction provides that the counterparty pay us unless 6-month LIBOR reaches 6%, in which case the parties have no obligation to pay any amount for the applicable period. For a description of our debt, see Note 10 to our financial statements.

The following table sets forth, as of December 31, 2004, the interest rate and maturity profile of our debt portfolio.

	Maturity Dates							
	2005	**2006**	**2007**	**2008**	**2009**	**Thereafter**	**Total**	**Fair Value**
	(in millions of pesos of constant purchasing power as of December 31, 2004, except percentages)							
Liabilities								
Debt								
Fixed Rate (Ps.)	15	16	592	19	236	3,345	4,222	4,605
Average Rate	7.91%	7.91%	7.67%	7.91%	4.59%	7.625%		
Floating Rate (Ps.) ..	506	30	86	339	1,353		2,315	2,315
Average Rate	10.17%	7.08%	5.50%	1.00%	3.40%	0.0%		

In the case of our cash and short-term investments, declines in interest rates decrease the interest return on floating rate cash deposits and short-term investments. A hypothetical 100 basis point (1.0%) decrease in interest rates would not have a significant effect on our results of operations. We use derivative financial instruments such as interest rate swaps for purposes of hedging a portion of our long-term debt, in order to reduce the risk from interest rate fluctuations.

FOREIGN EXCHANGE RATE RISKS

Our net sales are denominated in U.S. dollars, Mexican pesos and other currencies. During 2004, 48% of our revenues were generated in U.S. dollars, and 3% in Euros. In addition, as of December 31, 2004, 52% of our total assets were denominated in currencies other than Mexican pesos, particularly U.S. dollars. A significant portion of our operations is financed through U.S. dollar-denominated debt.

We believe that we have natural foreign exchange hedges incorporated in our balance sheet, in significant part because we have subsidiaries outside Mexico, and the peso-denominated value of our equity in these subsidiaries is also exposed to fluctuations in exchange rates. Changes in the peso value of equity in our subsidiaries caused by movements in foreign exchange rate are recognized as a component of equity. See Note 13 to our financial statements.

Fluctuations in exchange rates relative to the Mexican peso expose us to foreign-currency exchange rate risk. In the near term, the foreign-currency exchange rate exposure associated with our debt repayment obligations is primarily limited to our short-term debt.

As of June 15, 2005 we had exchange rate forward contracts for the interest payments due in 2005, 2006 and 2007 on our US$300 million 7.75% perpetual bond, for an aggregate notional amount of U.S.$27.7 million at an average exchange rate of Ps.11.5797 per U.S. dollar.

Our primary foreign exchange rate risk relates to our substantial U.S. dollar-denominated debt for our non-U.S. subsidiaries. As of December 31, 2004, 93% of our debt obligations was denominated in U.S. dollars. The following table sets forth information concerning our U.S. dollar-denominated debt as of December 31, 2004. The table does not reflect our U.S. dollar sales or our U.S. dollar-denominated assets.

	Expected Maturity or Transaction Date							
	2005	**2006**	**2007**	**2008**	**2009**	**Thereafter**	**Total**	**Fair Value**
U.S. dollar-denominated debt	**(in millions of pesos of constant purchasing power as of December 31, 2004)**							
7.75% Perpetual bond……………………..						3,345	3,345	3,691
Syndicated loan............................				335	1,338		1,673	1,673
7.625% notes due 2007.................			563				563	599
7.96% senior notes........................	14	16	18	19	119		186	186
Other*	506	30	97	4	133		770	770
	521	46	678	358	1,590	3,345	6,537	6,919

* Includes debt in Euros, Mexican Pesos and Bolívares

COMMODITY PRICE RISKS

The availability and price of corn and other agricultural commodities are subject to wide fluctuations due to factors outside our control, such as weather, plantings, government (domestic and foreign) farm programs and policies, changes in global demand created by population growth and global production of similar and competitive crops. We hedge a portion of our production requirements through commodity futures and options contracts in order to reduce the risk created by price fluctuations and supply of corn, wheat, natural gas and soy oils which exist as part of ongoing business operations. The open positions for hedges of purchases do not exceed the maximum production requirements for a one-year period.

During 2004, we entered into short-term hedge transactions through commodity futures and options for a portion of our requirements. The gain or loss on these futures contracts (mark to market value) is recognized in income when settled. As of December 31, 2004, the nominal value of our outstanding swap contracts for natural gas was U.S.$9,492,300 and their mark to market value as of that date was U.S.$(37,890). As of December 31, 2004 the mark to market value of corn futures and options was U.S.$(560,838). As of May 31, 2005, the nominal value of our outstanding swap contracts for natural gas was U.S.$9,939,600 and the mark to market value as of that date was U.S.$140,400; the mark-to-market value of corn futures and options was U.S.$315,700; and the mark-to-market value of our Kansas wheat futures and options was U.S.$103,100.

EQUITY PRICE RISKS

We classify our equity investments, consisting primarily of shares of Grupo Financiero Banorte, S.A. de C.V., a Mexican financial services holding company, as long-term assets. Since these investments are accounted for using the equity method, we do not believe our exposure to a hypothetical 10% decrease in the value of these equity investments would have a material effect on our results. For additional information concerning our investment in Grupo Financiero Banorte, see “Item 4. Information on the Company—Description of Business—Miscellaneous—Banorte Investment.”

As disclosed in Note 13 to the consolidated financial statements, over the past years, we have entered into various equity swap agreements indexed to the Company’s own stock. Under Mexican GAAP, these agreements are recognized at their fair value on the balance sheet, with the difference between the initial and the year-end fair value as a component of equity. Under U.S. GAAP, the fair value of such contracts has been recognized in income due to the nature of the contractual settlement provisions. Details of the arrangements are as follows:

- During 2004, we entered into six equity swap agreements with several international financial institutions with respect to 60,105,000 of our own shares for a total amount of U.S.$95.0 million. At each maturity we are required to pay a financing cost at the LIBOR rate plus a spread from 1.10% to 2.20% on the contractual amount. The agreements mature in January, February, May, September, October, and December of 2004. A gain of U.S.$14.3 million was recognized in income in 2004 within "Interest Income." As of December 31, 2004, we did not have any outstanding equity swap agreements.

- As disclosed in Note 13 to the consolidated financial statements, we have entered into call option agreements indexed to the Company's own stock. Under Mexican GAAP, we have accounted for these instruments as equity and consequently, these instruments are not reflected as liabilities or assets on our balance sheet. Under U.S. GAAP, the fair value of such contracts has been recognized in income due to nature of the contractual settlement provisions. Details of the arrangements are as follows: during 2004, we entered into two call option agreements with a European international financial institution with respect to 6,405,000 of our own shares for a total amount of U.S.$5.9 million, maturing in February and May of 2004, with a zero strike price. These agreements were closed with an average gain of U.S.$0.3783 per share, resulting in a total gain of U.S.$2.4 million.

COUNTERPARTY RISKS

We maintain centralized treasury operations in Mexico for our Mexican operations and in the United States for our U.S. operations. Liquid assets are invested primarily in government bonds and short-term debt instruments with a minimum "A1/P1" rating for our U.S. operations and "A" for our Mexican operations. We face credit risk from the potential non-performance by the counterparties in respect of the financial instruments that we utilize. Substantially all of these financial instruments are unsecured. We do not anticipate non-performance by the counterparties, which are principally licensed commercial banks and investment banks with long-term credit ratings. For our Central American operations and Gruma Venezuela, we only invest cash reserves with well-known local banks and local branches of international banks.

The above discussion of the effects on us of changes in interest rates, foreign exchange rates, commodity prices and equity prices is not necessarily indicative of our actual results in the future. Future gains and losses will be affected by actual changes in interest rates, foreign exchange rates, commodity prices, equity prices and other market exposures, as well as changes in the actual derivative instruments employed during any period.

ITEM 12. Description Of Securities Other Than Equity Securities.

Not applicable.

PART II

ITEM 13. Defaults, Dividend Arrearages And Delinquencies.

None.

ITEM 14. Material Modifications To The Rights Of Security Holders And Use Of Proceeds.

None.

ITEM 15. Controls and Procedures.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The conclusions of our Chief Executive Officer and Chief Corporate Officer about the effectiveness of our disclosure controls and procedures, based on their evaluation of these controls and procedures as of December 31, 2004, are as follows:

Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us is recorded, processed, summarized and reported within required timeframes. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to our management, including our Chief Executive Officer and Chief Corporate Officer, as appropriate to allow timely decisions regarding required disclosure. Based on their assessments of our disclosure controls and procedures, our Chief Executive Officer and Chief Corporate Officer have concluded that the disclosure controls and procedures have functioned effectively and that the consolidated financial statements fairly present our consolidated financial position and the results of our operations for the periods presented.

CHANGES IN INTERNAL CONTROLS

There has been no change in our internal control over financial reporting during 2004 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. Financial Expert

At our annual ordinary shareholders' meeting in April 2005, our shareholders elected the following three members of the Audit Committee: Eduardo Livas Cantú, Javier Vélez Bautista and Juan Diez-Canedo Ruiz, and designated Javier Vélez Bautista as an "audit committee financial expert" within the meaning of this Item 16A. Although under Mexican law the determination of the shareholders is binding on our company, our board of directors will confirm this designation at its next board meeting.

ITEM 16B. Code of Ethics

We have adopted a code of ethics, as defined in Item 16B of Form 20-F under the Securities Exchange Act of 1934, as amended. Our code of ethics applies to our Chief Executive Officer, Chief Financial Officer and persons performing similar functions as well as to our directors and other officers and employees. Our code of ethics is available on our web site at www.gruma.com. If we amend the provisions of our code of ethics that apply to our Chief Executive Officer, Chief Financial Officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waive on our web site at the same address.

ITEM 16C. Principal Accountant Fees and Services

Audit and Non-Audit Fees

The following table summarizes the aggregate fees billed to us by PricewaterhouseCoopers, during the fiscal years ended December 31, 2003 and 2004:

	Year ended December 31,	
	2004	2003
	(thousands of Mexican pesos)	
Audit fees	Ps. 24,804	Ps. 20,724
Audit-related fees	-	-
Tax fees	2,647	5,612
Other fees	595	608
Total fees	Ps. 28,046	Ps. 26,944

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

Audit-related Fees. Audit-related fees in the above table are the aggregate fees billed by PricewaterhouseCoopers, for financial accounting and reporting consultations.

Tax Fees. Tax fees in the above table are fees billed by PricewaterhouseCoopers for services such as tax filings, value-added tax return, transfer pricing and requests for technical advice from taxing authorities.

Other Fees. Other fees in the above table are fees billed by PricewaterhouseCoopers, for non-audit services. As a percentage of total fees billed to GRUMA, other fees represent 2% and 2% for 2004 and 2003, respectively.

Audit Committee Pre-Approval Policies and Procedures

We have adopted pre-approval policies and procedures under which all audit and non-audit services provided by our external auditors must be pre-approved by the audit committee. Any service proposals submitted by external auditors need to be discussed and approved by the audit committee during its meetings, which take place at least four times a year. Once the proposed service is approved, we or our subsidiaries formalize the engagement of services. The approval of any audit and non-audit services to be provided by our external auditors is specified in the minutes of our audit committee. In addition, the members of our board of directors are briefed on matters discussed in the meetings of the audit committee.

ITEM 16D. Not Applicable

ITEM 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table sets out certain information concerning purchases of our shares by us and our affiliates during 2004.

Issuer Purchases of Equity Securities
(for the fiscal year ended December 31, 2004

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased Under Plans or Programs
January	-	-		
February	4,595,700	Ps.18.43		
March	700	Ps.17.70		
April	-	-		
May	2,714,000	Ps.19.28		
June	71,500	Ps.18.88		
July	-	-		
August	-	-		
September	106,300	Ps.19.97		
October	2,708,400	Ps.23.89		
November	644,200	Ps.22.63		
December	801,700	Ps.24.97		

PART III

ITEM 17. Financial Statements.

Not applicable.

ITEM 18. Financial Statements.

See pages F-1 through F-188, incorporated herein by reference.

ITEM 19. Exhibits.

Exhibit No.	
1	Our bylaws (*estatutos sociales*) as amended through December 4, 2003, together with an English translation.*
2(a)(1)	Deposit Agreement, dated as of September 18, 1998, by and among us, 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).**
2(b)(1)	Indenture, dated as of October 9, 1997, between us and The Chase Manhattan Bank, as Indenture Trustee representing up to U.S.$250,000,000 of our 7.625% Notes due 2007.***
2(b)(2)	Supplemental Indenture, dated as of November 30, 2004, between us and JPMorgan Chase Bank, N.A., a national banking association (as successor to JPMorgan Chase Bank), as Indenture Trustee under the Indenture referred to above.
2(b)(3)	Registration Rights Agreement by and among us, Lehman Brothers Inc., Bear Stearns International Limited, and AFIN Securities International Ltd., dated October 9, 1997.***
2(b)(4)	Indenture, dated as of December 3, 2004, between us and JPMorgan Chase Bank, N.A., as Indenture Trustee representing up to U.S.$300,000,000 of our 7.75% Perpetual Bonds.
2(b)(5)	U.S.$300 million Loan Agreement among us, the Lenders party thereto, Bank of America, N.A., as Administrative Agent, and Banc of America Securities, LLC, as Lead Arranger and Sole Book Manager, dated as of December 18, 2002.****
2(b)(6)	U.S.$250 million Loan Agreement among us, the Lenders party thereto, Barclays Capital, the Investment Banking Division of Barclays Bank PLC, as Administrative Agent and Joint Bookrunner, and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A, as Joint Bookrunner, dated as of September 30, 2004.
4(a)(1)	Shareholders Agreement by and among us, Roberto González Barrera, Archer Daniels-Midland Company and ADM Bioproducts, S.A. de C.V., dated August 21, 1996. ***
4(a)(2)	Amendment No. 1 to Shareholders Agreement by and among us, Roberto González Barrera, Archer Daniels-Midland Company and ADM Bioproducts, S.A. de C.V., dated September 13, 1996.*****

Exhibit No.

4(a)(3)	Amendment No. 2 to Shareholders Agreement by and among us, Roberto González Barrera, Archer Daniels-Midland Company and ADM Bioproducts, S.A. de C.V., dated August 18, 1999.*****
4(a)(4)	Asset Contribution Agreement among Gruma Corporation, Gruma Holding, Inc., ADM Milling Co., Valley Holding, Inc., GRUMA-ADM, and Azteca Milling, L.P., dated as of August 21, 1996.***
4(a)(5)	Investment Agreement by and between us and Archer-Daniels-Midland Company, dated as of August 21, 1996. ***
7	Statement of Computation of Ratio of Earnings to Fixed Charges (Mexican GAAP and U.S. GAAP).
8	List of Principal Subsidiaries.
12(a)(1)	CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 30, 2005.
12(a)(2)	CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 30, 2005.
13	Officer Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated June 30, 2005.

* Previously filed in Annual Report on Form 20-F (File No. 1-14852), originally filed with the SEC on June 30, 2004. Incorporated herein by reference.

** Previously filed in Registration Statement on Form F-6 (File No. 333-9282), originally filed with the SEC on August 13, 1998. Incorporated herein by reference.

*** Previously filed in Registration Statement on Form F-4 (File No. 333-8266), originally filed with the SEC on January 28, 1998. Incorporated herein by reference.

**** Previously filed in Annual Report on Form 20-F (File No. 1-14852), originally filed with the SEC on June 30, 2003. Incorporated herein by reference.

***** Previously filed in Annual Report on Form 20-F (File No. 1-14852), originally filed with the SEC on July 1, 2002. Incorporated herein by reference.

SIGNATURE

The registrant, Gruma, S.A. de C.V., hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

GRUMA, S.A. de C.V.

/s/ Juan Antonio Quiroga García
Name: Juan Antonio Quiroga García
Title: Chief Corporate Officer

Dated: June 30, 2005

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

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Page

GRUPO FINANCIERO BANORTE, S.A. DE C.V. AND SUBSIDIARIES[1]

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

[1] The accompanying consolidated balance sheets of Grupo Financiero Banorte, S. A. de C.V. and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, of changes in stockholders' equity, in financial position and of cash flows for the years ended December 31, 2004, 2003 and 2002 are presented herein as required by Rule 3-09 of Regulation S-X.

Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, changes in stockholders' equity and changes in financial position present fairly, in all material respects, the financial position of Gruma, S.A. de C.V. and subsidiaries at December 31, 2003 and 2004, and the results of their operations and changes in their financial position for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in Mexico. These consolidated financial statements are the responsibility of management of Gruma, S.A. de C.V.; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and generally accepted auditing standards in Mexico, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Accounting principles generally accepted in Mexico vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of accounting principles generally accepted in the United States of America would have affected the determination of the consolidated net income and comprehensive income, expressed in Mexican pesos, for each of the three years in the period ended December 31, 2004, and the determination of the total consolidated stockholders' equity, also expressed in Mexican pesos, as of December 31, 2003 and 2004. Information related to the nature and effect of such differences is presented in Note 21 to the consolidated financial statements.

PricewaterhouseCoopers, S.C.

February 21, 2005
Monterrey, N.L., Mexico
`

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

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2003 AND 2004

(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2004)
(Notes 1 and 3)

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

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

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

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2002, 2003 AND 2004
(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2004, except share and per share amounts)
(Notes 1 and 3)

	2002	2003	2004
Net sales……………………………………………………………..	Ps. 20,932,695	Ps. 23,311,102	Ps. 24,992,482
Cost of sales…………………………………………………………	(13,091,674)	(14,843,230)	(16,034,806)
Gross profit……………………………………………..	7,841,021	8,467,872	8,957,676
Selling, general and administrative expenses…………………..…	(6,211,904)	(6,699,100)	(7,017,756)
Operating income………………………………………	1,629,117	1,768,772	1,939,920
Comprehensive financing cost, net:			
Interest expense………………………………………………..	(618,612)	(538,077)	(486,716)
Interest income…………………………………………………	62,966	65,437	228,396
Monetary position gain, net………..…………………………..	175,692	190,274	242,820
Foreign exchange loss, net (Note 16-A)……………………….	(287,219)	(183,792)	(51,345)
	(667,173)	(466,158)	(66,845)
Other income (expense), net (Note 14)…………………..…..…	131,571	(177,062)	(286,830)
Income before income taxes, employees' statutory profit sharing, equity in earnings of associated companies and minority interest...	1,093,515	1,125,552	1,586,245
Income taxes (Note 15):			
Current…………………………………………………………	(314,769)	(315,826)	(405,092)
Deferred………………………………………………………..	(297,926)	(368,062)	(358,286)
	(612,695)	(683,888)	(763,378)
Employees' statutory profit sharing (Note 15):			
Current…………………………………………………………	(14,302)	(14,184)	(15,071)
Deferred………………………………………………………..	177	18,939	5,839
	(14,125)	4,755	(9,232)
Income before equity in earnings of associated companies and minority interest…………...…………………………………...	466,695	446,419	813,635
Equity in earnings of associated companies……………………...	176,877	237,901	282,197
Income before minority interest..……………………..	643,572	684,320	1,095,832
Minority interest…………………………………………………..	(214,324)	(185,579)	(172,652)
Majority net income for the year………..…………….	Ps. 429,248	Ps. 498,741	Ps. 923,180
Earnings per share (pesos)……………………………………...	Ps. 0.96	Ps. 1.12	Ps. 2.05
Weighted average shares outstanding (thousands)……………….	446,202	445,098	450,306

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

NY3:#7364244v1

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER´S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2002, 2003 AND 2004
(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2004, except share and per share amounts)
(Notes 1 and 3)

	Common stock (Note 13-A)						Retained earnings (Note 13-B)					
	Number of shares (thousands)	**Amount**	**Additional paid-in capital**	**Deficit from restatement**	**Derivative financial instruments**	**Cumulative effect of deferred income taxes and employee's statutory profit sharing**	**Prior years**	**Net income for the year**	**Foreign currency translation adjustments (Note 13-E)**	**Total majority interest**	**Minority interest**	**Total stockholder's equity**
Balances at December 31, 2001	441,725	Ps. 11,291,932	Ps. 3,244,561	Ps.(11,986,897)	Ps. -	Ps. (202,858)	Ps. ,106,621	Ps. 2,387	Ps. (401,783)	Ps. 413,963	Ps. 2,743,745	Ps. 13,157,708
Appropriation of prior year net income							362,387	(362,387)		-		-
Minority interest dividends											(103,522)	(103,522)
Net purchases and sales of Company's common stock	(323)	(17,329)	(6,928)				(59,043)			(83,300)		(83,300)
Executive stock purchase plan		(11,385)	(15,388)							(26,773)		(26,773)
Derivative financial operations in Company's own stock			35,446				(20,840)			14,606		14,606
	(323)	(28,714)	13,130				282,504	(362,387)		(95,467)	(103,522)	(198,989)
Comprehensive income (loss):												
Recognition of inflation effects for the year				(110,896)			(34,870)			(145,766)	(47,259)	(193,025)
Foreign currency translation adjustments									(287,110)	(287,110)	14,289	(272,821)
Net income for the year								429,248		429,248	214,331	643,579
Comprehensive income of the year				(110,896)			(34,870)	429,248	(287,110)	(3,628)	181,361	177,733
Balances at December 31, 2002	441,402	11,263,218	3,257,691	(12,097,793)	-	(202,858)	8,354,255	429,248	(688,893)	10,314,868	2,821,584	13,136,452
Appropriation of prior year net income							429,248	(429,248)		-		-
Contributions by minority interest										-	141,861	141,861
Decrease of minority interest										-	(7,927)	(7,927)
Dividends paid ($0.69 per share)							(309,035)			(309,035)	(197,232)	(506,267)
Net purchases and sales of Company's common stock	8,731	206,546	87,300				(172,998)			120,848		120,848
Derivative financial operations in Company's own stock			41,313				122,560			163,873		163,873
	8,731	206,546	128,613				69,775	(429,248)		(24,314)	(63,298)	(87,612)
Comprehensive income (loss):												
Recognition of inflation effects for the year				(365,253)			(306,542)			(671,795)	(80,672)	(752,467)
Foreign currency translation adjustments									62,716	62,716	32,621	95,337
Net income for the year								498,741		498,741	185,579	684,320

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER´S EQUITY FOR THE YEARS ENDED DECEMBER 31, 2002, 2003 AND 2004

(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2004, except share and per share amounts) (Notes 1 and 3)

	Common stock (Note 13-A)						Retained earnings (Note 13-B)					
	Number of shares (thousands)	Amount	Additional paid-in capital	Deficit from restatement	Derivative financial instru-ments	Cumulative effect of deferred income taxes and employee's statutory profit sharing	Prior years	Net income for the year	Foreign currency translation adjustments (Note 13-E)	Total majority interest	Minority interest	Total stockholder's equity
Comprehensive income of the year				(365,253)			(306,542)	498,741	62,716	(110,338)	137,528	27,190
Balances at December 31, 2003	450,133	11,469,764	3,386,304	(12,463,046)	-	(202,858)	8,117,488	498,741	(626,177)	10,180,216	2,895,814	13,076,030
Appropriation of prior year net income							498,741	(498,741)		-		-
Contributions by minority interest										-	94,128	94,128
Decrease of minority interest										-	(29,577)	(29,577)
Dividends paid ($0.72 per share)							(326,082)			(326,082)	(226,127)	(552,209)
Net purchases and sales of Company's common stock	1,916	163,251	162,400				(41,797)			283,854		283,854
	1,916	163,251	162,400				130,862	(498,741)		(42,228)	(161,576)	(203,804)
Comprehensive income (loss):												
Recognition of inflation effects for the year				(580,951)			342,428			(238,523)	9,587	(228,936)
Foreign currency translation adjustments									2,198	2,198		2,198
Derivative financial instruments					19,601					19,601		19,601
Net income for the year								923,180		923,180	172,652	1,095,832
Comprehensive income for the year				(580,951)	19,601		342,428	923,180	2,198	706,456	182,239	888,695
Balances at December 31, 2004	452,049	Ps. 11,633,015	Ps. 3,548,704	Ps. (13,043,997)	Ps. 19,601	Ps. (202,858)	Ps. 8,590,778	Ps. 923,180	Ps. (623,979)	Ps. 10,844,444	Ps. 2,916,477	Ps. 13,760,921

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

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION FOR THE YEARS ENDED DECEMBER 31, 2002, 2003 AND 2004

(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2004)

(Notes 1 and 3)

	2002	2003	2004
Operating activities:			
Majority net income for the year	Ps. 429,248	Ps. 498,741	Ps. 923,180
Minority interest	214,324	185,579	172,652
Consolidated net income	643,572	684,320	1,095,832
Adjustments to reconcile consolidated net income to net resources provided by operating activities:			
Depreciation and amortization	1,009,219	1,139,031	1,055,442
Impairment of long-lived assets	68,130	17,287	240,696
Equity in earnings of associated companies, net of dividends received	(116,331)	(198,619)	(226,839)
Deferred income taxes and employees' statutory profit sharing	297,749	349,124	352,447
Write-off of debt issuance costs due to early extinguishment of debt	-	-	23,790
Seniority premiums	9,769	8,044	8,802
	1,912,108	1,999,187	2,550,170
Changes in working capital:			
Restricted cash	1,492	365	647
Accounts receivable, net	(425,532)	95,992	(520,085)
Inventories	(325,378)	(822,106)	(530,533)
Prepaid expenses	29,203	(109,485)	(30,499)
Trade accounts payable	375,703	(184,374)	528,749
Accrued liabilities and other accounts payables	40,993	368,485	(29,164)
Income taxes and employees' statutory profit sharing payable	(30,536)	1,848	6,720
	(334,055)	(649,275)	(574,165)
Net resources provided by operating activities	1,578,053	1,349,912	1,976,005
Financing activities:			
Proceeds from bank loans and long-term debt	1,701,987	1,819,795	4,292,396
Repayment of bank loans and long-term debt	(2,319,697)	(2,802,778)	(4,487,724)
Contributions by minority interest	-	141,861	94,128
Decrease of minority interest	-	(7,927)	(29,577)
Net purchases and sales of Company's common stock and derivative financial operations	(95,467)	284,721	283,854
Dividends paid	(103,522)	(506,267)	(552,209)
Other	(67,248)	3,525	(11,348)
Net resources used in financing activities	(883,947)	(1,067,070)	(410,480)
Investing activities:			
Purchases of property, plant and equipment	(780,830)	(654,007)	(900,981)
Acquisition of subsidiaries, net of cash acquired	-	-	(384,218)
Sale of property, plant and equipment	173,319	35,959	189,904
Excess of book value over cost of subsidiaries acquired	(13,633)	-	-
Intangible assets	(53,025)	(15,392)	(367,622)
Trust funds for research and development of technology	8,434	216,214	-
Investment in common stock	(2,391)	-	-
Other	19,306	15,950	11,905
Net resources used in investing activities	(648,820)	(401,276)	(1,451,012)
Net increase (decrease) in cash and temporary investments	45,286	(118,434)	114,513
Cash and temporary investments at beginning of year	446,713	491,999	373,565
Cash and temporary investments at end of year	Ps. 491,999	Ps. 373,565	Ps. 488,078

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

(Expressed in thousands of Mexican pesos of constant purchasing power of December 31, 2004, except where otherwise indicated)

1. ENTITY AND NATURE OF BUSINESS

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

2. NEW OPERATIONS

- In June 2004, the Company acquired, through its subsidiary Gruma Corporation, all the shares of Ovis Holding B.V. for Ps.142,386 (U.S.$12,770,000). Ovis Holding B.V. is a company incorporated under the laws of Holland, which owns 100% of the Ovis Boske Speciaalbrood B.V. shares, herein collectively referred to as Ovis Boske. Cash on the Ovis Boske balance sheet at the acquisition date reduced the cash expenditure to a net amount of approximately Ps.126,173 (U.S.$11,316,000). Additionally, the Company has long-term debt of Ps.52,149 (U.S.$4,677,000).

  Pursuant to the terms of the agreement, further contingent consideration in the form of a one-time earn-out payment of approximately Ps.83,600 (U.S.$7,500,000) is due to the sellers on March 31, 2005, based upon the operating results of Ovis Boske for the 2004 calendar year.

  Ovis Boske manufactures and distributes tortillas, dinner kits, and related products to the European market. The acquisition of Ovis Boske provides the Company with further growth opportunities for its existing European tortilla operations.

  The net assets acquired are summarized as follows:

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

- In June 2004, the Company, through its subsidiary Gruma Corporation, entered into a purchase agreement to acquire 51% of the share capital of NDF Gruma Europe S.R.L. ("NDF Gruma") for Ps.101,632 (U.S.$9,115,000). NDF Gruma is a company incorporated under the laws of Italy by the shareholders of Nuova De Franceshi & Figli S.P.A.

  NDF Gruma manufactures and distributes corn flour and other related products for the European market.

2. NEW OPERATIONS (continued)

The net assets acquired are summarized as:

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

- In October 2004, the Company entered into an asset purchase agreement and co-packing arrangement with a Las Vegas, Nevada based manufacturer and distributor of tortillas and other related products for a total of Ps.63,354 (U.S.$5,682,000).

As of December 31, 2004, the Company had not finalized the purchase price allocations for each acquisition above. Management expects to conclude such final allocations in fiscal 2005 pending payment of contingent consideration due to sellers of Ovis Boske, resolution of certain tax issues for NDF Gruma, and identification of intangibles for Las Vegas.

The results of operation of the new investments have been consolidated since their acquisition dates.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Mexico (“Mexican GAAP”) as promulgated by the Mexican Institute of Public Accountants (“MIPA”). A reconciliation from Mexican GAAP to United States generally accepted accounting principles (“U.S. GAAP”) is included in Note 21.

A) BASIS OF CONSOLIDATION

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

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

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

NY3:#7364244v1

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

B) USE OF ESTIMATES

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

C) FOREIGN CURRENCY TRANSLATION

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

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

- Assets, liabilities, income and expenses are translated to Mexican pesos applying the exchange rate in effect at each period end. Stockholders' equity balances are translated by applying the exchange rates in effect at the dates in which the contributions were made and the income was generated. The effects of translation are recognized as a component of equity entitled "Foreign Currency Translation Adjustments" (Note 13-E).

D) RECOGNITION OF THE EFFECTS OF INFLATION

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

- For comparability purposes, the financial statements as of and for the years ended December 31, 2002 and 2003 have been restated by using a weighted average restatement factor, which considers the relative total sales contribution by country for that year and the corresponding inflation and exchange rate fluctuations. The difference between the restated stockholders' equity determined through this procedure and the resulting by applying the National Consumer Price Index ("NCPI") is disclosed in 2004 in the stockholders' equity section as the recognition of inflation effects for the year within retained earnings of prior years.
- The consolidated statements of income and of stockholders' equity for the year ended December 31, 2004 were restated applying GCPI factors from the country in which the subsidiary operates and applied to periods in which the transactions occurred and year-end.
- The consolidated statements of changes in financial position present, in Mexican pesos of constant purchasing power, the resources provided by or used in operating, financing and investing activities.
- The factors used to recognize the effects of inflation were the following:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Year	Mexican national consumer price index	Weighted - average restatement factor
2002…………………………………………..	5.70 %	6.15%
2003…………………………………………..	3.98 %	7.75 %
2004…………………………………………..	5.19 %	1.17%

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

- Restatement of non-monetary assets

  Inventory and cost of sales are restated using the estimated replacement cost method. As set forth in Note 3-I, property, plant and equipment, net, is restated using the NCPI factors, except for machinery and equipment of foreign origin which is restated on the basis of a specific index composed of the GCPI factor from the country of origin, to the related foreign currency amounts, and then translated to Mexican pesos using the year-end exchange rate.

- Restatement of common stock, additional paid-in capital and retained earnings

  This restatement reflects the amounts necessary to maintain the stockholder's investment at the original purchasing power amounts, and it is determined by applying NCPI factors from the dates on which capital stock and additional paid-in capital were contributed and earnings were generated or losses incurred, and is included within the related stockholders' equity captions.

- Deficit from restatement

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

- Monetary position gain

  Monetary position gain represents the inflationary effect, measured by NCPI factors, on the net balance of monetary assets and liabilities at the beginning of each month. The monetary position gain from foreign subsidiaries is measured by the relevant GCPI factor in its net monetary position, prior to the translation to Mexican pesos.

E) FOREIGN CURRENCY TRANSACTIONS

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

F) TEMPORARY INVESTMENTS

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

G) INVENTORIES AND COST OF SALES

Inventories are stated at the lower of estimated replacement cost or market. Estimated replacement cost is mainly determined by the last purchase price or the last production cost of the period. Cost of sales is determined from replacement costs calculated for the month in which inventories are sold.

H) INVESTMENT IN COMMON STOCK

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

I) PROPERTY, PLANT AND EQUIPMENT, NET

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

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

	Years
Buildings	25-50
Machinery and equipment	5-25
Software for internal use	3-7
Leasehold improvements	10

Maintenance and repairs are expensed as incurred. Costs of major replacements and improvements are capitalized. Comprehensive financing cost, including interest expense, foreign currency exchange fluctuations, and monetary position gain of the related debt for major construction projects, are capitalized as part of the assets during the construction period. When assets are retired, sold or otherwise disposed of, the restated value and accumulated depreciation are removed from the appropriate accounts and any resulting gain or loss is included in "Other income (expense), net".

Direct internal and external costs related to the development and implementation of internal use software are capitalized and amortized over the estimated useful life beginning when such software is ready for its intended use.

J) INTANGIBLE ASSETS, NET AND EXCESS OF COST OVER BOOK VALUE OF SUBSIDIARIES ACQUIRED

Intangible assets and excess of cost over book value of subsidiaries acquired are restated using NCPI and GCPI factors for foreign subsidiaries.

The development costs incurred during the stage oriented to the commencement of industrial or commercial operations are capitalized as preoperating expenses; this stage ends when the project initiates its commercial activities. The preoperating costs identified as research are expensed as incurred. Capitalized preoperating expenses are amortized using the straight-line method over a period not to exceed 12 years.

Amortization expense of other intangible assets with finite lives is computed on the restated values using the straight-line method over a period of 2 to 20 years, based on their limited lives due to contractual, economic, legal or regulatory factors. Indefinite-lived intangible assets are no longer amortized starting January 1, 2003.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Starting January 1, 2004 the Company adopted the provisions of revised Bulletin B-7 "Business Acquisition" ("Bulletin B-7"), issued by the MIPA. Bulletin B-7 is effective starting January 1, 2005, with early adoption encouraged.

Bulletin B-7 establishes that all business combinations and investments in subsidiaries and associates should be recognized through the purchase method, as well as completes the accounting treatment of intangible assets registered during a business combination. Additionally, this bulletin ceases the amortization of the excess of cost over book value and requires annual impairment tests.

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

Debt issuance costs are capitalized and restated using the NCPI factors. Amortization expense is computed based on the restated values using the straight-line method over the term of the related debt.

K) IMPAIRMENT OF LONG LIVED ASSETS

Effective January 1, 2004, the Company adopted the provisions of Bulletin C-15 "Impairment in the Value of Long-lived Assets and their Disposition". Bulletin C-15 establishes the criteria for the identification of certain evidence of a potential impairment of long-lived assets, tangible and intangible. Additionally, Bulletin C-15 provides guidelines for the computation and recognition of impairment losses and their reversal, as well as the requirements for their disclosure and presentation.

As a result of the application of Bulletin C-15, the Company performs impairment tests for its property, plant and equipment; intangible assets; excess of cost over book value of subsidiaries acquired and investment in common stock of associated companies, when events or circumstances suggest that the carrying value of these assets may not be recovered. Indefinite-lived intangible assets and excess of cost over book value of subsidiaries acquired are tested for impairment at least on an annual basis.

Fair value of assets held for use is determined using the higher between the discounted net cash flows expected from the assets and the market price; an impairment loss is recorded to the extent that the net book value exceeds the fair value of the assets. Market price is determined using market values or transactions with similar assets less costs to sell.

Fair value of assets to be disposed of is determined using the lower between book value and market price; an impairment loss is recognized for the excess of book value over market price. These assets are subsequently restated using NCPI factors and are no longer depreciated or amortized.

Due to the application of this new Bulletin, the Company recognized Ps 240,696 as a decrease in income for 2004, which is registered in "Other income (expense), net" (Note 14).

L) EMPLOYEE RETIREMENT BENEFITS

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

M) FINANCIAL INSTRUMENTS

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

Effective January 1, 2004 the Company adopted the provisions of Bulletin C-12 “Financial Instruments with Characteristics of Liabilities, Equity or Both”, which establishes the rules to classify and measure the liability and equity components of financial instruments, as well as their disclosure requirements.

Additionally, in April 2004, Bulletin C-10 “Derivative Financial Instruments and Hedge Operations” was issued by the MIPA. This Bulletin is effective starting January 1, 2005, with early adoption encouraged. The Company adopted the provisions in Bulletin C-10 effective January 1, 2004.

As a result of the adoption of the Bulletins mentioned above, all derivative financial instruments that are not considered for hedging purposes are recognized initially at cost and subsequently at fair value, with changes in fair value recognized currently in income.

For cash-flow hedge transactions, changes in the market value of the derivative financial instrument are included as other comprehensive income in stockholders’ equity, based on the evaluation of the hedge effectiveness. Gains or losses in cash-flow hedge transactions that are recognized as other comprehensive income should be reclassified into income for the periods when the commitment or the projected transaction affects them. Hedge contracts other than cash flow are recognized at fair value and their valuation gain or loss is recognized in income.

The adoption of these new Bulletins had an impact in the results of operation of the Company, as described in Note 13-D.

N) REVENUE RECOGNITION

Revenue on product sales is recognized upon shipment to, and acceptance by the Company’s customers or when the risk of ownership has passed to the customers. Provisions for discounts and rebates to customers, returns and other adjustments are recognized in the same period the related sales are recorded and are based upon either historical estimates or actual terms.

O) INCOME TAXES AND EMPLOYEES’ STATUTORY PROFIT SHARING

The Company recognizes in income the expense or earning from deferred income tax and employees’ statutory profit sharing for all temporary differences arising between the carrying values for financial reporting and tax values of assets and liabilities that are expected to reverse in the future. Valuation allowances are provided if based upon the weight of available evidence it is more likely than not that some or all the deferred tax assets will not be realizable.

P) EARNINGS PER SHARE

Earnings per share are computed by dividing majority net income for the year by the weighted average number of common shares outstanding during the year.

Q) COMPREHENSIVE INCOME (LOSS)

The different components that constitute earned (lost) capital for the year are presented in the statement of changes in stockholders’ equity as comprehensive income (loss).

4. ACCOUNTS RECEIVABLE, NET AND REFUNDABLE TAXES

Accounts receivable, net are comprised of the following as of December 31:

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

Refundable taxes are comprised of the following as of December 31:

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

5. INVENTORIES

Inventories consisted of the following as of December 31:

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

6. INVESTMENT IN COMMON STOCK OF ASSOCIATED COMPANIES

Investment in common stock of associated companies consists of the investment in common stock of Grupo Financiero Banorte, S.A. de C.V. and subsidiaries (“GFNorte”) and Harinera de Monterrey, S.A. de C.V. which produces wheat flour and related products in Mexico.

6. INVESTMENT IN COMMON STOCK OF ASSOCIATED COMPANIES (continued)

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

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

7. PROPERTY, PLANT AND EQUIPMENT, NET

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

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

For the years ended December 31, 2002, 2003 and 2004, depreciation expense amounted to Ps. 1,009,240, Ps. 963,604 and Ps. 962,639 respectively.

As of December 31, 2004, property, plant and equipment includes temporarily idled assets with a carrying value of approximately Ps.533,849, resulting from the temporary shut-down of the productive operation of various plants in Mexico and Venezuela. These assets are recognized at net realizable value and are not being depreciated. During 2004, the Company decided to postpone the reinstatement to operations of the assets in Mexico, initially planned for the fourth quarter of this year, following the implementation of programs for production efficiency in the rest of the plants.

During 2004, the Company recognized an impairment loss of Ps.164,509 within “Other income (expense), net” according to the provisions established by Bulletin C-15, “Impairment of Long-Lived Assets and their Disposition”. Additionally, the Company has assets at net realizable value of Ps.36,341 which are available for sale.

8. INTANGIBLE ASSETS, NET

Intangible assets, net, are comprised of the following:

As of December 31, 2003:

	Gross carrying amount	Accumulated amortization	Net carrying amount
Intangible assets with finite lives			
Acquired:			
Covenants not to compete	Ps. 782,656	Ps. (288,285)	Ps. 494,371
Debt issuance costs	227,244	(160,598)	66,646
Patents and trade names	20,476	(8,328)	12,148
Generated:			
Preoperating expenses	78,696	(54,504)	24,191
Research of new projects	32,921	(22,330)	10,591
Other	63,055	(11,553)	51,503
	Ps. 1,205,048	Ps. (545,598)	659,450
Intangible assets with indefinite lives			
Trade names			162,244
			Ps. 821,694

As of December 31, 2004:

	Remaining useful life (years)	Gross carrying amount	Accumu-lated amortiza-tion	Net carrying amount
Intangible assets with finite lives				
Acquired:				
Covenants not to compete	12	Ps. 822,143	Ps.(340,637)	Ps. 481,506
Debt issuance costs	2 – 20	571,768	(220,183)	351,585
Patents and trade names	15	10,035	(9,444)	591
Generated:				
Preoperating expenses	2 – 6	46,588	(39,676)	6,912
Research of new projects	11 – 12	38,395	(28,884)	9,511
Other	1 – 15	61,452	(10,894)	50,558
		Ps.1,550,381	Ps.(649,718)	900,663
Intangible assets with indefinite lives				
Trade names				182,392
				Ps.1,083,055

8. INTANGIBLE ASSETS, NET (continued)

Intangible assets recognized during 2004 amounted to Ps.374,548 (Ps.15,392 in 2003), mainly due to the debt issuance costs related with the U.S. dollar perpetual notes issued in December 2004, which totaled Ps.329,250. Additionally, the debt issuance costs of Ps.23,790 related to the early redemption of the U.S. dollar senior unsecured notes maturing in October 2007 were recognized in income within "Other income (expense), net" during 2004.

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

For the years ended December 31, 2002, 2003 and 2004 the amortization expense of intangible assets amounted to Ps.105,124, Ps.112,885 and Ps.92,803 respectively.

Research costs are expensed as incurred, as well as development costs that do not qualify as intangible assets. Research and development costs charged to income amounted to Ps.34,680, Ps.34,418 and Ps.38,396 for the years ended December 31, 2002, 2003 and 2004, respectively.

During 2004, the Company recognized an impairment loss in certain trade names and preoperating expenses for an amount of Ps.33,319 included within "Other income (expense), net" (Note 14), according with the dispositions established by Bulletin C-15, as follows: "Other" segment for Ps.20,317 and "Other reconciling items" segment for Ps.13,002.

Estimated amortization expense over the next five years is as follows:

Year	Amount
2005	Ps. 73,056
2006	73,056
2007	71,770
2008	66,624
2009	64,514
Thereafter	551,643
Total	Ps. 900,663

Excess of cost over book value of subsidiaries acquired ("goodwill"), net, is comprised of the following:

	Corn flour and packaged tortilla (US and Europe)	Corn flour (Mexico)	Other	Other recon-ciling items	Total
Balance at January 1, 2003	Ps. 526,979	Ps. 85,516	Ps. 70,428	Ps. 324,816	Ps. 1,007,739
Amortization	(40,270)		(4,570)	(34,987)	(79,827)
Restatement		(5,177)	(1,094)	(21,187)	(27,458)
Balance at December 31, 2003	486,709	80,339	64,764	268,642	900,454
Goodwill acquired during the period	97,038				97,038
Impairment			(35,636)	(7,232)	(42,868)
Restatement		(3,965)	(6,888)	11,112	259
Balance at December 31, 2004	Ps. 583,747	Ps. 76,374	Ps. 22,240	Ps. 272,522	Ps. 954,883

8. INTANGIBLE ASSETS, NET (continued)

As of December 31, 2003 and 2004, the excess of cost over book value is presented net of accumulated amortization of Ps.1,325,322 and Ps.1,312,590, respectively.

During 2004, the Company adopted the guidelines established by Bulletin B-7 and consequently, ceased the amortization of the excess of cost over book value for approximately Ps.79,829. Additionally, the Company performed impairment tests in accordance with Bulletin C-15 and recognized an impairment loss for these assets of Ps.42,868 within "Other income (expense), net" (Note 14).

9. OTHER ASSETS

Other assets consisted of the following, as of December 31:

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

10. BANK LOANS AND LONG-TERM DEBT

In December 3, 2004, the Company issued perpetual notes for a total of Ps. 3,345,000 (U.S. $300,000 thousand) which pay interest quarterly at 7.75% annually. These notes lack an established maturity date and the Company has the option of repurchase at any moment starting the fifth year after the issuance date. The proceeds from the issuance of these notes allowed the Company to improve its debt profile through the extension of its debt maturities, since the funds were used for the:

- Payment of U.S.$200 million of the senior unsecured notes maturing in October 2007 and bearing interest at an annual rate of 7.625%, payable semiannually.
- Payment of U.S.$30 million of the syndicated loan, and
- Payment of the costs related with the debt issuance as well as general cash requirements of the Company.

On October 4, 2004, the Company obtained a U.S.$250,000 thousand, five-year syndicated senior credit facility from a syndicate of banks, which consists of a Ps.1,672,500 (U.S.$150,000 thousand) senior term loan facility and a U.S.$100,000 thousand senior revolving credit facility, both with a five-year tenor. The interest rate is LIBOR plus 55 basis points for the first three years and LIBOR plus 65 basis points for the fourth and fifth years. As of December 31, 2004, the U.S.$100,000 thousand revolving credit facility was available.

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

	2003		2004	
Perpetual notes in U.S. dollars, bearing interest at an annual rate of 7.75%, payable quarterly	Ps.	-	Ps.	3,345,000
Syndicated loan in U.S. dollars, with semiannual payments starting April 2008 and bearing interest at an annual rate of LIBOR plus 0.55% to 0.65% payable quarterly (2.75% in 2004)		3,184,022		1,672,500

10. LONG-TERM DEBT AND BANK LOANS (continued)

	2003	2004
Senior unsecured notes in U.S. dollars, maturing in October 2007 and bearing interest at an annual rate of 7.625% payable semiannually……………………………………	2,842,877	563,543
Loans in U.S. dollars, bearing interest at annual rates from 1.20% to 7.96% in 2004, payable quarterly, and due in annual payments from 2005 through 2010………………….	434,091	422,500
Loans in Venezuelan bolivars payable in 2005 and bearing interest at variable annual rates from 10% to 15% in 2004, payable monthly……..……..…………………………….	64,853	390,396
Loans in U.S. dollars, due in 2006, bearing interest at a variable annual rate from 3.13% to 3.57% payable monthly (3.30% in 2004)………………………………………….	29,566	92,629
Loans in Mexican pesos, due in 2009, bearing interest at fixed annual rate from 12.11% to 13.11% payable monthly..………………………………………………….	-	50,693
	6,555,409	6,537,261
Short-term bank loans…………………………………..……	(94,419)	(428,652)
Current portion of long-term debt……………………….….	(410,752)	(92,733)
Long-term debt...............................……………………...	Ps. 6,050,238	Ps. 6,015,876

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

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

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

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

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

The Company entered into interest rate swap agreements for its long term debt maturing in 2008 and exchange rate forward contracts for the interest payments due in 2005, 2006 and 2007, see Note 18.

11. EMPLOYEE RETIREMENT BENEFITS

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

Seniority premium cost and other employee retirement benefits in Mexico are determined by independent actuaries and are principally based on the employees' years of service, age and salaries. The Company has established trust funds to meet these obligations. The employees do not contribute to these funds.

The Company uses a December 31 measurement date for its plans.

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

	2002		2003		2004	
Service cost	Ps.	3,115	Ps.	2,888	Ps.	3,196
Interest cost		881		806		925
Return on plan assets		(1,647)		(1,868)		(3,358)
Curtailment (gain) loss		(339)		39		13
Settlement loss		-		6		-
Net amortization		1,290		1,291		2,386
Net cost for the year	Ps.	3,300	Ps.	3,162	Ps.	3,162

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

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

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

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

11. EMPLOYEE RETIREMENT BENEFITS (continued)

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

The weighted average assumptions (net of expected inflation) used to determine benefit obligations at December 31 were as follows:

	2003	2004
Discount rate	3.5%	3.5%
Rate of increase in future compensation levels	1.5%	1.5%

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

	2002	2003	2004
Discount rate	3.5%	3.5%	3.5%
Rate of increase in future compensation levels	1.5%	1.5%	1.5%
Expected long-term rate of return on plan assets	4.0%	4.0%	4.0%

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

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

	2003	2004
Equity securities	30%	36%
Fixed rate instruments	70%	64%
Total	100%	100%

The Company has a policy of maintaining at least 30% of the trust assets in Mexican Federal Government instruments. Objective portfolio guidelines have been established for the remaining 70% and investment decisions are being made to comply with those guidelines to the extent that market conditions and available funds allow.

The Company estimates that it will not have to contribute to the plan during 2005.

The following benefit payments, which reflect expected future service, are expected to be paid as follows:

Year	Amount	
2005	Ps	2,506
2006		1,356
2007		1,606
2008		1,386
2009		1,583
Thereafter		156,268

11. EMPLOYEE RETIREMENT BENEFITS (continued)

In the United States, the Company has a saving and investment plan that incorporates voluntary employee 401(K) contributions with Company contributions. For the years ended December 31, 2002, 2003 and 2004, total expenses related to this plan were U.S.$2,324,000 (Ps.25,913) U.S.$2,670,000 (Ps.29,771) and U.S.$3,017,000 (Ps.33,640), respectively.

In Venezuela, the Company recognizes a liability for seniority premiums and indemnities for dismissal established by the local Labor Law, which amounted to Ps.16,237 and Ps.14,496 as of December 31, 2003 and 2004, respectively.

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

12. CONTINGENCIES AND COMMITMENTS

A) CONTINGENCIES

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

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

At the date of issuance of the financial statements, certain subsidiaries of the Company have been notified by the Comisión Nacional del Agua (“Water National Commission” or “CNA”) of assessments due from different years amounting to Ps 24,932 plus related penalties and surcharges. These assessments mainly derive from the CNA’s determination of sewage water discharged on public property of the Nation that was being used as receiver facilities. Nevertheless, the subsidiaries are using the water derived from the production process, previously treated, to irrigate several gardens property of the Company, through the sprinkler system. The subsidiaries have asserted the legal defense allowed by law in order to annul these assessments. At the date of issuance of the financial statements, the situation of these assessments is as follows: (a) Several favorable judicial resolutions have been received for a total of Ps 6,901, (b) A favorable resolution was received, in first instance, for an issue amounting to Ps 14,222, but the resolution for an appeal placed by the CNA is pending, and (c) Resolutions in first instance are pending for two issues where assessments are discussed for a total of Ps 3,809. According to the Company’s lawyers, a reasonable basis exists in order to obtain favorable resolution for the claimed assessments, because, among other things, the water from the production process is previously treated and later on used to irrigate the gardens property of the Company through the sprinkler system, in other words, the water is not discharged on public property of the Nation and, additionally, does not contaminate aquiferous layers nor the underground soil. Consequently, the Company’s management considered as unnecessary to recognize a liability for this matter.

12. CONTINGENCIES AND COMMITMENTS (continued)

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

Additionally, in May 2004 a new lawsuit was presented against these subsidiaries, related to monopolistic matters. The plaintiff alleged these subsidiaries had broken the anti-trust practices in the state of California, by making agreements with grocery stores, which restricts the competitiveness in the retail sale of tortilla. Currently this lawsuit is in the initial stage, however, according to the Company's lawyers, the resolution is not expected to have a significant effect on the financial situation and results of operation.

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

B) COMMITMENTS

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

As of December 31, 2004, the Company is leasing certain equipment under long-term operating lease agreements expiring through 2011. Future minimum lease payments under such leases amount to approximately Ps.1,514,984 (U.S.$135,873,000), as follows:

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

Rental expense was approximately Ps.400,332, Ps.371,559, and Ps.408,994 for the years ended December 31, 2002, 2003 and 2004, respectively.

At December 31, 2004, the Company has various outstanding commitments in the United States to purchase commodities and raw materials of approximately Ps.975,536 (U.S.$87,492,000), which will be delivered during 2005.

As of December 31, 2004, the Company has outstanding commitments to purchase machinery and equipment amounting to Ps.273,242 (U.S.$24,506,000).

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

12. CONTINGENCIES AND COMMITMENTS (continued)

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

The Company entered an interest rate swap agreement, receiving a LIBOR rate and paying a fixed annual rate of 3.2725%, with semi-annual settlement dates from April 2005 to April 2008.

13. STOCKHOLDERS' EQUITY

A) COMMON STOCK

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

B) RETAINED EARNINGS

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

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

C) PURCHASE OF COMMON STOCK

The Stockholders' Meeting approved a Ps.650,000 reserve to repurchase the Company's own shares. The total amount of repurchased shares cannot exceed 5% of total equity. The difference between the acquisition cost of the repurchased shares and their stated value, composed of common stock and additional paid-in capital, is recognized as part of the reserve to repurchase the Company's own shares, which is included within retained earnings from prior years. The gain or loss in the sale of the Company's own shares is recorded as additional paid-in capital. As of December 31, 2004, the Company has repurchased 500,309 of its own shares with a market value of Ps.13,248.

D) OTHER EQUITY TRANSACTIONS

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

- During 2003 and 2004, the Company entered into equity swap agreements with several financial institutions in which the Company sold 60,105,000 of its own shares for a total amount of U.S.$95,021,000. At each maturity, the Company was subject to pay a financial cost at the LIBOR rate plus a spread from 1.10% to 2.20% on the contractual amount. The agreements matured in January, February, May, September, October and December 2004; a gain of Ps.159,493 was recognized in income of 2004 within "Interest income". As of December 31, 2004, the Company does not have any outstanding equity swap agreements.

13. STOCKHOLDERS' EQUITY (continued)

- During 2003, the Company entered into call option agreements with a European financial institution, selling 6,405,000 of its own shares for a total amount of U.S.$5,928,000, maturing in February and May 2004; a gain of Ps.27,019 was recognized in income of 2004 within "Interest income". As of December 31, 2004 the Company does not have any outstanding call option agreements.

E) FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

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

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

The investment that the Company maintains in the operations in the United States and Europe generates a natural hedge of up to U.S.$455,000,000 and U.S.$473,000,000 as of December 31, 2003 and 2004, respectively.

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

F) INFLATION EFFECTS

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

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

G) TAX VALUES OF COMMON STOCK AND RETAINED EARNINGS

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

14. OTHER INCOME (EXPENSE), NET

Other income (expense), net is comprised of the following:

	Year ended December 31,		
	2002	2003	2004
Disposal of subsidiaries	Ps. 142,606	Ps. -	Ps. -
Amortization of excess of cost over book value and excess of book value over cost, net	144,866	(34,212)	-
Amortization of other deferred costs	(63,616)	(62,140)	(50,079)
Impairment loss on assets (Note 3-K)	(68,130)	(17,287)	(240,696)
Net (loss) gain in sale of fixed assets and other assets	-	(52,715)	30,238
Debt issuance costs cancelled due to early extinguishment of debt	-	-	(23,790)
Other	(24,155)	(10,708)	(2,503)
	Ps. 131,571	Ps. (177,062)	Ps. (286,830)

During 2002, the Company sold the shares of one of its subsidiaries and recognized a gain of Ps.142,606.

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

A) INCOME TAX AND ASSET TAX

Gruma files a consolidated income tax return for Mexican income tax purposes, consolidating taxable income and losses of Gruma and its controlled Mexican subsidiaries. Filing a consolidated tax return had the effect of reducing income tax expense for the years ended December 31, 2002, 2003 and 2004 by Ps.57,748 Ps.68,606 and Ps.143,366, respectively, as compared to filing a tax return on an unconsolidated basis. Tax regulations used to limit the income tax consolidation to 60% of the ownership interest of controlled Mexican subsidiaries; nevertheless, since January 1, 2005 it is permitted to consolidate 100% of the ownership interest.

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

For the years ended December 31, 2002 and 2003, asset tax amounted to Ps.61,597 and Ps. 30,109, respectively. For the year ended December 31, 2004 the Company did not originated any asset tax.

B) RECONCILIATION OF FINANCIAL AND TAXABLE INCOME

For the years 2002, 2003 and 2004, the reconciliation between statutory income tax amounts and the effective income tax amounts is summarized as follows:

15. INCOME TAXES, ASSET TAX AND EMPLOYEES' STATUTORY PROFIT SHARING (continued)

	Year ended December 31,		
	2002	2003	2004
Statutory federal income tax (35% for 2002, 34% for 2003 and 33% for 2004)	Ps. 382,734	Ps. 382,688	Ps. 531,313
Foreign income tax differences	(97,201)	(17,602)	23,733
Effect of disposed and merged subsidiaries	270,881	114,454	-
Foreign dividends	158,125	264,172	249,088
Effect due to change in income tax rate	(29,131)	-	(96,541)
Withdrawal of investments from other assets	-	(68,915)	-
Financing cost and income, net and other income statement effects related to inflation	(52,876)	(38,164)	(9,402)
Amortization of excess of cost over book value and excess of book value over cost, net	(28,887)	11,423	-
Restatement of tax loss carryforwards	(36,743)	(24,595)	-
Losses of Mexican subsidiaries which cannot be utilized for income tax consolidation	41,833	44,585	67,944
Other	3,960	15,842	(2,757)
Effective income tax (56% for 2002, 61% for 2003 and 48% for 2004)	Ps. 612,695	Ps. 683,888	Ps. 763,378

As a result of changes in the Mexican Income Tax Law, approved in November 13, 2004, statutory tax rates will be 30%, 29% and 28% in 2005, 2006 and 2007, respectively. Consequently, the effect of these tax rate decreases was the reduction of Ps.96,541 in the deferred tax liability during 2004, as well as an increase in net income for the same amount.

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

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

15. **INCOME TAXES, ASSET TAX AND EMPLOYEES' STATUTORY PROFIT SHARING (continued)**

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

C) TAX LOSS CARRYFORWARDS AND RECOVERABLE ASSET TAX

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

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

D) EMPLOYEES' STATUTORY PROFIT SHARING

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

16. **FOREIGN CURRENCY**

A) EXCHANGE DIFFERENCES

For the years ended December 31, 2002, 2003 and 2004, the effects of exchange rate fluctuations on the Company's monetary assets and liabilities were recognized as follows:

	2002		**2003**		**2004**	
Exchange differences arising from foreign currency liabilities accounted for as a hedge of the Company's net investment in foreign subsidiaries recorded directly to stockholders' equity as an effect of foreign currency translation adjustments...	Ps.	(605,208)	Ps.	(340,502)	Ps.	21,257
Exchange differences arising from foreign currency transactions credited (charged) to income		(287,219)		(183,792)		(51,345)
	Ps.	(892,427)	Ps.	(524,294)	Ps.	(30,088)

16. FOREIGN CURRENCY (continued)

B) FOREIGN CURRENCY POSITION

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

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

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

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

For the years ended December 31, 2002, 2003 and 2004 the Company's Mexican subsidiaries had transactions in U.S. dollars as follows:

	Thousands of U.S. dollars					
	2002		2003		2004	
Corn purchases and other inventories	U.S.$	147,927	U.S.$	110,675	U.S.$	94,939
Interest expense		43,278		29,991		27,081
Equipment purchases		404		321		133
Services		321		532		5,125
	U.S.$	191,930	U.S.$	141,519	U.S.$	127,278

16. FOREIGN CURRENCY (continued)

As of December 31, consolidated non-monetary assets of foreign origin, which are restated on the basis of the GCPI from the foreign country of origin, are summarized as follows:

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

17. SEGMENT INFORMATION

The Company's reportable segments are strategic business units that offer different products in different geographical regions. These business units are managed separately because each business segment requires different technology and marketing strategies.

The Company's reportable segments are as follows:

- Corn flour and packaged tortilla division (United States and Europe) – manufactures and distributes over 20 varieties of corn flour that are used mainly to produce and distribute different types of tortillas and tortilla chip products in the United States and Europe. The main brands are MASECA for corn flour and MISSION and GUERRERO for packaged tortillas.
- Corn flour division (Mexico) – engaged principally in the production, distribution and sale of corn flour in Mexico under MASECA brand. Corn flour produced by this division is used mainly in the preparation of tortillas and other related products.
- Corn flour, wheat flour and other products division (Venezuela) – engaged mainly in producing and distributing grains, used principally for industrial and human consumption.
- "Other" division – represents those segments amounting less than 10% of the consolidated total. These segments are: corn flour and other products division in Central America, wheat flour division in Mexico, packaged tortilla division in Mexico and technology and equipment division. Corn flour and other products division in Central America manufactures, distributes and sells corn flour, tortillas and snacks; cultivates and sells hearts of palm. Wheat flour division in Mexico is engaged in the production and marketing of wheat flour in this country. Packaged tortilla division in Mexico produces and distributes packaged tortillas. The technology and equipment division conducts research and development regarding flour and tortilla manufacturing equipment, produces machinery for corn flour and tortilla production and is engaged in the construction of the Company's corn flour manufacturing facilities.
- The "Other reconciling items" row includes the corporate expenses and the elimination of inter-business unit transactions.

All inter-segment sales prices are market based. The Company evaluates performance based on operating income of the respective business units.

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

17. SEGMENT INFORMATION (continued)

Segment information as of and for the year ended December 31, 2002:

Segment	Net sales to external customers	Inter-segment net sales	Operating income (loss)	Depreciation and amortization
Corn flour and packaged tortilla division (United States and Europe)…………………………..	Ps. 9,906,504	Ps. -	Ps. 851,368	Ps. 514,940
Corn flour division (Mexico)……	5,177,327	31,841	554,980	275,367
Corn flour, wheat flour and other products (Venezuela)……………	2,636,870	-	285,312	69,863
Other……………………….…….	3,193,522	366,163	(78,375)	154,579
Other reconciling items……..……	18,472	(398,004)	15,832	(5,530)
Total………………………….	Ps. 20,932,695	Ps. -	Ps. 1,629,117	Ps. 1,009,219

Segment	Total assets	Total liabilities	Expenditures for long-lived assets
Corn flour and packaged tortilla division (United States and Europe)………………...	Ps. 8,229,924	Ps. 2,441,075	Ps. 524,347
Corn flour division (Mexico)………………	7,682,400	1,619,608	32,825
Corn flour, wheat flour and other products (Venezuela)..……………………………….	2,768,201	803,841	-
Other……………………………………….	4,434,237	847,543	54,731
Other reconciling items…………………..…	1,059,053	5,325,307	168,927
Total…………………………………….	Ps. 24,173,815	Ps.11,037,374	Ps. 780,830

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

Segment	Net sales to external customers	Inter-segment net sales	Operating income (loss)	Depreciation and amortization
Corn flour and packaged tortilla division (United States and Europe)…………………………..	Ps. 11,127,010	Ps. -	Ps. 1,028,951	Ps. 513,918
Corn flour division (Mexico)……	5,429,797	40,980	414,289	274,939
Corn flour, wheat flour and other products (Venezuela)……………	3,307,777	-	429,295	81,187
Other……………………….…….	3,426,886	456,643	(129,892)	157,621
Other reconciling items……..……	19,632	(497,623)	26,129	111,366
Total………………………….	Ps. 23,311,102	Ps. -	Ps. 1,768,772	Ps. 1,139,031

17. SEGMENT INFORMATION (continued)

Segment	Total assets	Total liabilities	Expenditures for long-lived assets
Corn flour and packaged tortilla division (United States and Europe)………………....	Ps. 8,220,151	Ps. 2,713,194	Ps. 425,766
Corn flour division (Mexico)………………	7,493,119	1,389,431	85,208
Corn flour, wheat flour and other products (Venezuela)..……………………………….	2,821,387	959,492	38,472
Other……………………………………….	4,350,819	942,463	71,606
Other reconciling items…………………..…	769,770	4,574,636	32,955
Total…………………………………….	Ps. 23,655,246	Ps.10,579,216	Ps. 654,007

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

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

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

17. SEGMENT INFORMATION (continued)

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

Other reconciling items	2002	2003	2004
Corporate expenses..	Ps. (36,056)	Ps. (59,838)	Ps. 38,522
Elimination of inter-business unit transactions..............	42,502	85,967	5,366
	Ps. 6,446	Ps. 26,129	Ps. 43,888

Additionally, a summary of information by geographic segment is as follows:

	2002	%	2003	%	2004	%
NET SALES TO EXTERNAL CUSTOMERS:						
United States and Europe	Ps. 9,906,504	47	Ps. 11,127,010	48	Ps. 12,682,947	51
Mexico	7,237,202	35	7,738,839	33	7,783,453	31
Venezuela.....................	2,636,870	13	3,307,777	14	3,299,810	13
Central America	1,152,119	5	1,137,476	5	1,226,272	5
	Ps. 20,932,695	100	Ps. 23,311,102	100	Ps. 24,992,482	100
IDENTIFIABLE ASSETS:						
United States and Europe	Ps. 8,229,924	34	Ps. 8,220,151	35	Ps. 9,126,509	36
Mexico	11,938,114	49	11,540,237	48	12,053,087	48
Venezuela.....................	2,768,201	12	2,821,387	12	3,056,013	12
Central America	1,237,576	5	1,073,471	5	973,217	4
	Ps. 24,173,815	100	Ps. 23,655,246	100	Ps. 25,208,826	100
CAPITAL EXPENDITURES FOR THE YEAR:						
United States and Europe	Ps. 524,347	67	Ps. 425,766	65	Ps. 1,038,979	81
Mexico	248,631	32	189,769	29	152,179	12
Venezuela.....................	-	0	38,472	6	88,332	7
Central America	7,852	1	-	0	-	0
	Ps. 780,830	100	Ps. 654,007	100	Ps. 1,279,490	100

18. FINANCIAL INSTRUMENTS

A) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and temporary investments, accounts receivable, refundable taxes, trade accounts payable, short-term bank loans, current portion of long-term debt and accrued liabilities and other payables approximate their fair value, due to their short maturity. In addition, the net book value of accounts receivable and refundable taxes represent the expected cash flow to be received.

The estimated fair value of the Company's financial instruments is as follows:

18. FINANCIAL INSTRUMENTS (continued)

At December 31, 2003:	**Carrying amount**	**Fair value**
Liabilities: Senior unsecured notes in U.S. dollars bearing interest at annual rate of 7.625%……..…..	Ps. 2,842,877	Ps. 2,983,031
Liabilities: Interest rate swap……………………..	53,434	53,434
Stockholder's equity: Equity swap………………..	276,636	343,634
Stockholders' equity: Call option..………………..	66,904	99,143

At December 31, 2004:	**Carrying amount**	**Fair value**
Liabilities: Senior unsecured notes in U.S. dollars bearing interest at annual rate of 7.75%……..…..	Ps. 3,345,000	Ps. 3,690,873
Liabilities: Senior unsecured notes in U.S. dollars bearing interest at annual rate of 7.625%……..…..	563,543	599,892
Liabilities: Exchange rate forward contract……….	1,408	1,408
Assets: Derivative financial instruments………….	1,918	1,918

Fair values were determined as follows:

- The fair value of debt is estimated based on quoted market prices for similar issues or on current rates available to the Company for debt of the same maturity and similar terms.
- The fair value of the equity swap and the call option is estimated based on quoted market prices of the share in the Mexican Stock Market and on the agreement terms.
- The carrying value of the remainder of the long-term debt was similar to its fair value.

B) HEDGES

The Company has entered into futures contracts for certain key production requirements such as gas and some raw materials in order to minimize the risk in price fluctuations. These contracts are short-term and do not exceed the maximum production requirements for a one-year period.

The futures contracts for inventories and grains are classified as cash flow hedges or fair value hedges.

For the cash flow hedges, the effective portion of the gains or losses is recognized as the comprehensive income within stockholders' equity and reclassified to income in the period or periods in which the commitment or transaction affects them (for raw materials hedges, when the inventories are sold and for gas hedges, when the energy is used). As of December 31, 2004, the Company recognized gains in the valuation of these instruments amounting to Ps.27,719 (Ps.19,601 net of taxes) from cash flow hedges which were registered as comprehensive income within stockholders' equity. The Company expects to recognize these gains in income in the next 12 months. The Company did not determine ineffectiveness in these hedges. As of December 31, 2003 the gain or loss from these hedges was recognized when they were paid and was not significant.

During 2004, the Company entered into hedge contracts for several commitments to purchase raw materials. These contracts were classified as fair value hedges; therefore, in 2004, gains were recognized in income for a total amount of Ps.20,304. At December 31, 2004, the Company has outstanding fair value hedge contracts for an amount of Ps. 1,918.

18. FINANCIAL INSTRUMENTS (continued)

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

C) CONCENTRATION OF CREDIT RISK

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

Operations in Venezuela represented 13.2% of sales in 2004. The severe political and economic situation in Venezuela presents a risk to business that we cannot control and that cannot be accurately measured or estimated. The April 2002 coup, which ousted President Hugo Chávez from office for two days, marked the climax of the political instability that continued throughout 2003 and 2004. In addition, a nationwide general strike that began in early December 2002 and lasted for approximately two months caused a significant reduction on oil production in Venezuela, and has had a material adverse effect on Venezuela's oil-dependent economy. Inflation in Venezuela reached 27.08% and 19.18% in 2003 and 2004, respectively. The Venezuelan bolivar depreciated 14.01% and 20% against the U.S. dollar during 2003 and 2004, respectively.

In February 2003, in response to the general strike and in an effort to shore up the economy and control inflation, Venezuelan authorities imposed foreign exchange and price controls on certain products. On February 6, 2003, the Venezuelan government set a single fixed exchange rate for the bolivar against the U.S. dollar of 1,600 bolivars to U.S. $1.00. On February 11, 2003, the Venezuelan government established price controls on products such as corn flour and wheat flour.

In February 9, 2004 the Venezuelan government set a single fixed exchange rate of 1,920 bolivars to U.S. $1.00. At the same time, an adjustment was made to the prices of some food products subject to price controls, including products manufactured and distributed by our operations in Venezuela.

In August 2004, a referendum took place for the revocation or ratification of President Hugo Chávez; the result was favorable for Chávez, who will continue in his position until December 2006 according to Venezuelan Law, having the option to be reelected at the end of his term for a another period of 6 years.

19. RELATED PARTY TRANSACTIONS

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

As of December 31, 2003 and 2004, the Company had accounts payable to Archer-Daniels-Midland (ADM) of Ps.53,834 and Ps.63,634, respectively, and are included in trade accounts payable. During 2002, 2003 and 2004, the Company purchased inventory ingredients from ADM, amounting to U.S. $84 million (Ps.935,760), U.S. $111 million (Ps.1,238,367) and U.S.$103 million (Ps.1,147,531) respectively.

20. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2003, the MIPA issued Bulletin D-3, "Labor Liabilities" ("Bulletin D-3"), which is effective as of January 1, 2005. Bulletin D-3 establishes rules for the calculation of the cost and liability for retirement benefit plans, as well as guides for the valuation of liabilities for early reduction or extinction of benefits in a retirement plan. Additionally, this bulletin provides the requirements of valuation, presentation and disclosure for other post-retirement benefits and for compensations at the end of the labor relationship. The Company's management estimates that the adoption of this bulletin will require the recognition of a liability of approximately Ps 73,171 which will be charged to income.

21. DIFFERENCES BETWEEN MEXICAN GAAP AND U.S. GAAP

The Company's consolidated financial statements are prepared in accordance with Mexican GAAP, which differ in certain significant respects from U.S. GAAP. The Mexican GAAP consolidated financial statements include the effects of inflation as provided for under Bulletin B-10 (see Note 3-D), including the Fifth Amendment to Bulletin B-10 and Bulletin B-15, whereas financial statements prepared under U.S. GAAP are presented on a historical cost basis. The reconciliation to U.S. GAAP includes a reconciling item for the effect of applying the Fifth Amendment to Bulletin B-10 and Bulletin B-15 restatement to Mexican pesos of constant purchasing power as of December 31, 2004 because, as described below, these provisions of inflation accounting under Mexican GAAP do not meet the consistent reporting currency requirements of Regulation S-X. The U.S. GAAP adjustments have been determined based on Mexican NCPI factors. The reconciliation does not include the reversal of other Mexican GAAP inflation accounting adjustments as they represent a comprehensive measure of the effects of price-level changes in the inflationary Mexican economy and, as such, are considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. accounting purposes.

The principal differences, other than inflation accounting, between Mexican GAAP and U.S. GAAP and the effect on consolidated net income and consolidated stockholders' equity are presented below, with an explanation of the adjustments.

21. DIFFERENCES BETWEEN MEXICAN GAAP AND U.S. GAAP (continued)

Reconciliation of net income:	**Year ended December 31,**		
	2002	**2003**	**2004**
Net majority income under Mexican GAAP	Ps. 429,248	Ps. 498,741	Ps. 923,180
U.S. GAAP adjustments:			
Depreciation expense (See C)	(63,137)	(55,809)	(64,520)
Impairment loss in the carrying value of idle assets (See C)	-	-	63,321
Preoperating expenses and other deferred costs (See D)	2,893	17,226	13,784
Capitalized comprehensive financing costs (See E)	2,995	2,885	3,000
Sale-leaseback transaction (See F):			
Interest expense	(17,521)	(17,205)	(14,841)
Rental and depreciation expense, net	8,766	8,472	6,277
Amortization of excess of cost over book value (See G)	19,342	18,636	-
Deferred income taxes (See H)	28,779	(12,405)	85,707
Deferred employees' statutory profit sharing (See H)	515	(366)	(1,375)
Effect of U.S. GAAP adjustments on equity method investee (See M)	(68,055)	(88,682)	(39,600)
Negative goodwill (See I):			
Amortization of excess of book value over cost	(180,582)	-	-
Depreciation expense	53,570	53,271	55,388
Derivative financial instruments (See J)	-	86,402	-
Goodwill and indefinite-lived intangible assets (See K)	114,420	77,321	12,087
Loss on early extinguishment of debt (See L)	-	-	(255,419)
Monetary position gain resulting from U.S. GAAP adjustments	395	(88)	(70)
Effects of Bulletin B-15 restatement (See A)	618	23,381	-
Total U.S. GAAP adjustments	(97,002)	113,039	(136,261)
Minority interest (See B)	6,691	7,842	(9,679)
Net income under U.S. GAAP	Ps. 338,937	Ps. 619,622	Ps. 777,240
Basic and diluted earnings per share (in pesos)	Ps. 0.76	Ps. 1.39	Ps. 1.73
Weighted average shares outstanding (thousands)	446,202	445,098	450,306

NY3:#7364244v1

DIFFERENCES BETWEEN MEXICAN GAAP AND U.S. GAAP (continued)

Reconciliation of stockholders' equity:	**As of December 31,**			
		2003		**2004**
Stockholders' equity under Mexican GAAP	Ps.	13,076,030	Ps.	13,760,921
U.S. GAAP adjustments:				
Property, plant and equipment (See C)		365,574		431,151
Preoperating expenses and other deferred costs (See D)		(24,541)		(13,069)
Capitalized comprehensive financing cost (See E)		(14,425)		(11,998)
Sale-leaseback transaction (See F)		(66,478)		(73,746)
Excess of cost over book value (See G)		(149,100)		(155,026)
Deferred income taxes (See H)		(50,670)		33,024
Deferred employees' statutory profit sharing (See H)		2,048		684
Effect of U.S. GAAP adjustments on equity method investee (See M)		(293,581)		(329,786)
Negative goodwill (See I)		(836,258)		(814,099)
Derivative financial instruments (See J)		112,650		-
Goodwill and indefinite-lived intangible assets (See K)		178,881		193,797
Extinguishment of debt (See L)		-		(255,419)
U.S. GAAP adjustments attributable to minority interest		(52,991)		(79,197)
Minority interest under Mexican GAAP (See B)		(2,895,814)		(2,916,477)
Effects of Bulletin B-15 restatement (See A)		371,576		-
Total U.S. GAAP adjustments		(3,353,129)		(3,990,161)
Stockholders' equity under U.S. GAAP	Ps.	9,722,901	Ps.	9,770,760

A summary of the Company's statement of changes in stockholders' equity with balances determined under U.S. GAAP is as follows:

Balance at December 31, 2003	Ps.	9,722,901
Net purchases of Company's common stock		194,018
Dividends paid		(326,082)
Deferred loss on hedging activity		(38)
Recognition of inflation effects for the year		(581,529)
Foreign currency translation adjustments		(15,750)
Net income for the year		777,240
Balance at December 31, 2004	Ps.	9,770,760

A summary of the Company's stockholders' equity after the U.S. GAAP adjustments described above as of December 31, 2003 and 2004 is as follows:

		2003		**2004**
Capital stock	Ps.	11,469,764	Ps.	11,633,015
Additional paid-in capital		3,386,304		3,458,868
Retained earnings		7,448,229		7,857,590
Accumulated other comprehensive loss		(12,581,396)		(13,178,713)
Total stockholders' equity under U.S. GAAP	Ps.	9,722,901	Ps.	9,770,760

21. DIFFERENCES BETWEEN MEXICAN GAAP AND U.S. GAAP (continued)

A) EFFECTS OF BULLETIN B-15 RESTATEMENT

As disclosed in Note 3-C, the Company adopted the provisions of Bulletin B-15, which allows the restatement of information for prior periods for comparison purposes to information of the most current period presented, based on a weighted average restatement factor that reflects the relative inflation and currency exchange movements of the countries in which the Company operates. The restatement provisions of Bulletin B-15 do not meet the Regulation S-X requirement that the financial statements be stated in the same currency for all periods, because changes in foreign currency exchange rates are included in the restatement factor. The U.S. GAAP adjustments to net income and stockholders' equity reflect the difference between restating these prior periods, including the U.S. GAAP adjustments, to December 31, 2004 constant pesos utilizing the Mexican NCPI and the weighted average restatement factor. See Note 21-R for summarized financial information prepared on a U.S. GAAP basis restated to December 31, 2004 constant pesos utilizing the Mexican NCPI.

B) MINORITY INTEREST

Under Mexican GAAP, the minority interest in consolidated subsidiaries is presented as a separate component within stockholders' equity in the consolidated balance sheet. For U.S. GAAP purposes, the minority interest is not included in stockholders' equity.

C) PROPERTY, PLANT AND EQUIPMENT

Mexican GAAP allows companies the option of using a specific index, which contemplates inflation and currency exchange movements in the restatement of machinery and equipment and the related depreciation expense if such machinery and equipment is of foreign origin. The Company has elected to apply a specific index to fixed assets of foreign origin for the purposes of determining the restated balances under Mexican GAAP. For U.S. GAAP purposes, the use of a specific index, which contemplates currency exchange changes, is not in accordance with the historical cost concept nor does it present financial information in a constant reporting currency. The impact on the net carrying value of fixed assets of restating fixed assets of foreign origin utilizing the Mexican NCPI for U.S. GAAP purposes increases stockholders' equity as of December 31, 2003 and 2004 by Ps. 487,041 and Ps. 520,997, respectively.

Under Mexican GAAP, depreciation on idle equipment is not required if the carrying value is expected to be recovered and are subject to an impairment review. Under U.S. GAAP, those assets should continue be depreciated and subject to an impairment review. Therefore, the adjustment to property, plant and equipment decreases stockholder's equity as of December 31, 2003 and 2004 by Ps.121,467 and Ps.153,167, respectively.

During 2004, under Mexican GAAP, the Company recognized an impairment loss amounting to Ps. 63,321 in the value of certain idle assets that were not being depreciated. Consequently, the carrying value of these idle assets as of December 31, 2004 totaled Ps. 360,684. Under US GAAP, no impairment was recognized given that the depreciation of these assets has not ceased and the carrying value as of December 31, 2004 amounts to Ps. 281,766, therefore, the impairment recognized for Mexican GAAP purposes has been reversed.

21. DIFFERENCES BETWEEN MEXICAN GAAP AND U.S. GAAP (continued)

D) PREOPERATING EXPENSES AND OTHER DEFERRED COSTS

As of December 31, 2002, under Mexican GAAP, preoperating expenses incurred were permitted to be capitalized and amortized by the Company over the period of time estimated to generate the income necessary to recover such expenses. The Company defined this period as 12 years based on prior experience. Starting January 1, 2003, under Mexican GAAP, only preoperating expenses incurred during the development stage are capitalized, whereas preoperating expenses identified as research are expensed as incurred. Additionally, the preoperating expenses capitalized until January 1, 2003 are continuing to be amortized using the straight-line method over a period not to exceed 12 years. Under US GAAP, such expenses should be treated as period expenses.

The U.S. GAAP equity adjustments of Ps.24,541 and Ps.13,069 decrease intangible assets presented in the balance sheets as of December 31, 2003 and 2004, respectively.

E) COMPREHENSIVE FINANCING COSTS

Under Mexican GAAP, comprehensive financing costs, including interest expense, foreign exchange gains or losses and monetary position of the related debt for major construction projects, are capitalized as part of the assets during the construction period. Under U.S. GAAP, monetary position and foreign exchange gains and losses on U.S. dollar or other stable currency borrowings are excluded from capitalized interest.

F) SALE-LEASEBACK TRANSACTION

Under Mexican GAAP, a sale-leaseback transaction that involves real estate is recognized with the use of the general criteria established for capital and operating lease transactions. Based upon these criteria, a sale-leaseback of real estate was recorded by the Company as an operating lease. Under U.S. GAAP, Statement of Financial Accounting Standards ("SFAS") No. 98, such a transaction would be recognized as a capital lease because a continuing involvement from the seller-lessee is present, and consequently, the risks and benefits of the property are not transferred to the buyer-lessor. The U.S. GAAP balance sheet as of December 31, 2003 and 2004 would reflect increases in fixed assets, net, of Ps.140,586 and Ps.108,099 (net of accumulated depreciation of Ps. 66,478 and Ps.73,746, respectively), respectively, and long-term debt increases of Ps.207,064 and Ps.181,845, respectively.

The capital lease under U.S. GAAP has a 15-year term with an effective date of May 1, 1996. It requires minimum annual payments of approximately U.S.$3.2 million (Ps.36,171) for the year 2005, 2006 and 2007, and approximately U.S.$11.1 million (Ps.124,479) thereafter.

G) AMORTIZATION OF EXCESS OF COST OVER BOOK VALUE

Under Mexican GAAP, prior to the adoption of Bulletin B-7 (See Note 3-J), the excess of the purchase price over the proportionate book value of net assets acquired is recorded as "Excess of cost over book value" for all of the Company's acquisitions, including common control acquisitions. Under U.S. GAAP, transfers and exchanges between enterprises under common control are accounted for on a carry-over basis, and therefore, no such goodwill would be recorded. The U.S. GAAP equity adjustments of Ps.149,100 and Ps.155,026 decrease the excess of cost over book value presented in the balance sheet as of December 31, 2003 and 2004, respectively. There is no net income reconciliation adjustment in 2004 since the Company ceased amortizing goodwill under Mexican GAAP with the adoption of Bulletin B-7.

21. DIFFERENCES BETWEEN MEXICAN GAAP AND U.S. GAAP (continued)

H) DEFERRED INCOME TAXES AND EMPLOYEES' STATUTORY PROFIT SHARING

Under Mexican GAAP, the Company adopted the provisions of revised Bulletin D-4 for the recognition of deferred tax assets and liabilities. The accounting treatment of Bulletin D-4 is in accordance with the comprehensive asset and liability method of SFAS No. 109 "Accounting for Income Taxes". The U.S. GAAP adjustments to net income and stockholders' equity reflect only the deferred income taxes and employees' statutory profit sharing generated by the other U.S. GAAP adjustments discussed elsewhere herein.

Under the comprehensive asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed.

For both Mexican and U.S. GAAP purposes, the financial statement carrying amounts utilized in the determination of the deferred tax assets and liabilities included the inflation adjustments described in Note 3-D, and their respective tax bases also included the effects of inflation based on tax regulations.

The amounts of deferred income taxes charged or credited to net income for each year under SFAS No. 109 and as set forth in Issued 93-9 of the U.S. Financial Accounting Standards Board's Emerging Issues Task Force was determined based on the differences between the beginning and ending balances of the deferred tax assets or liabilities for each period, expressed in Mexican pesos of constant purchasing power.

Income tax expense:

The domestic and foreign components of income before taxes, employees' statutory profit sharing, equity in earnings of associated companies and minority interest reported under Mexican GAAP are as follows:

	Year ended December 31,					
	2002		**2003**		**2004**	
Domestic	Ps.	114,184	Ps.	(260,108)	Ps.	167,966
Foreign		979,331		1,385,660		1,418,279
	Ps.	1,093,515	Ps.	1,125,552	Ps.	1,586,245

Provisions for domestic federal, foreign federal and state income taxes in the Mexican GAAP consolidated statements of income consist of the following components:

21. DIFFERENCES BETWEEN MEXICAN GAAP AND U.S. GAAP (continued)

	Year ended December 31,					
	2002		2003		2004	
Current:						
Domestic federal	Ps.	235,651	Ps.	48,346	Ps.	7,341
Foreign federal		72,207		245,304		363,309
Foreign state		6,911		22,176		34,442
	Ps.	314,769	Ps.	315,826	Ps.	405,092
Deferred:						
Domestic federal	Ps.	37,721	Ps.	201,590	Ps.	280,327
Foreign federal		215,774		153,383		65,326
Foreign state		44,431		13,089		12,633
	Ps.	297,926	Ps.	368,062	Ps.	358,286
Total income taxes	Ps.	612,695	Ps.	683,888	Ps.	763,378

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

	2003		2004	
Deferred tax assets:				
Net operating loss carryforwards and other tax credits	Ps.	1,217,334	Ps.	814,122
Customer advances and accrued liabilities		259,343		135,048
Intangible assets (c)		162,999		122,171
Other		144,350		124,023
Total gross deferred tax assets		1,784,026		1,195,364
Deferred tax liabilities:				
Property, plant and equipment, net (a)		2,199,800		1,822,006
Inventories (b)		499,782		433,885
Investment in partnership and equity method investee		149,457		383,594
Other assets		35,696		17,730
Total gross deferred tax liabilities		2,884,735		2,657,215
Net deferred tax liability under U.S. GAAP		1,100,709		1,461,851
Net deferred tax liability under Mexican GAAP		1,050,039		1,494,875
Adjustment for U.S. GAAP	Ps.	50,670	Ps.	(33,024)

(a) Principally due to the differences between restated book and tax basis, including depreciation and capitalized interest.
(b) Principally due to the expensing of purchases for Mexican tax purposes.
(c) Reflects a prepaid asset resulting from an intercompany transaction.

21. DIFFERENCES BETWEEN MEXICAN GAAP AND U.S. GAAP (continued)

A summary of the deferred tax liability (asset) balances on a U.S. GAAP basis are as follows:

	2003	2004
Current:		
Deferred tax asset	Ps. (403,693)	Ps. (259,071)
Deferred tax liability	529,160	433,885
	125,467	174,814
Non-current:		
Deferred tax asset	(1,380,333)	(997,495)
Deferred tax liability	2,355,575	2,284,532
	975,242	1,287,037
Total	Ps. 1,100,709	Ps. 1,461,851

The provision for income tax on a U.S. GAAP basis is as follows:

	2002	2003	2004
Current	Ps. (314,769)	Ps. (315,826)	Ps. (405,092)
Deferred	(269,147)	(380,467)	(272,579)
	Ps. (583,916)	Ps (696,293)	Ps. (677,671)

In addition, the Company has established a deferred liability for U.S. GAAP purposes of Ps.28,941 and Ps.24,989, at December 31, 2003 and 2004, respectively, relating to employees' statutory profit sharing.

I) NEGATIVE GOODWILL

Under Mexican GAAP, prior to the adoption of Bulletin B-7 (See Note 3-J), the excess of the net book value of identifiable assets acquired over their purchase price is recorded as "Excess of book value over cost of subsidiaries acquired, net" and is permitted to be amortized over a period of time not to exceed 5 years.

Under U.S. GAAP, the excess of the fair value over the net book value of acquired identifiable assets is allocated to the book value of the non-monetary assets acquired. Once the book value has been reduced to zero, any unallocated amounts are recorded in earnings.

As of December 31, 2003 and 2004, the U.S. GAAP equity adjustment of Ps.836,258 and Ps.814,099 respectively, decrease the net fixed assets in the same amounts.

21. DIFFERENCES BETWEEN MEXICAN GAAP AND U.S. GAAP (continued)

J) DERIVATIVE FINANCIAL INSTRUMENTS

Until December 31, 2003, under Mexican GAAP, when a company is engaged in hedging activities, the corresponding derivative financial instruments must be valued utilizing the same criteria used for the assets or liabilities that are being hedged. Changes in the fair value of derivatives are recognized in the income statement, net of costs, expenses or earnings from the assets or liabilities being hedged and the gain or loss is recognized when the hedge item is realized. Derivative financial instruments held for purposes other than hedging are recognized at their fair value with the difference between the initial and year-end fair value of the derivative assets and liabilities recognized in income, except for those financial instruments related with the Company's own shares, which is recorded as a component of equity.

Under U.S. GAAP, all derivative instruments must be recorded on the balance sheet at fair value. On the date the derivative contracts are entered into, the Company designates the derivative as either (a) a fair value hedge or (b) a cash flow hedge. For cash-flow hedge transactions, changes in the fair value of the derivative instrument are reported in other comprehensive income. The gains and losses on cash flow hedge transactions that are reported in other comprehensive income are reclassified to earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item. For fair value hedge transactions changes in the fair value for both the hedging instrument and the hedged item are recognized in income in the period in which they occur. Derivative instruments not designated as hedge are marked to market and the impact of such is recognized in current period earnings.

At December 31, 2003, the Company realized gains of Ps. 18,943, from cash flow hedges related to corn futures contracts; these gains are deferred and reported in other comprehensive income. These deferred gains related to cash flow hedges were recognized in 2004.

As described in Note 13-D, during 2003 the Company has entered into various equity swap and call option agreements indexed to the Company's own stock. Under Mexican GAAP, the Company has recorded the fair value of these financial instruments on the balance sheet with the difference between the initial and year-end fair value as a component of equity. Under U.S. GAAP, the fair value of such contracts has been recognized in income due to the nature of the contractual settlement provisions.

Starting January 2004, the Company adopted the provisions under Mexican GAAP of Bulletin C-10 "Derivative Financial Instruments and Hedge Operations". As a result of this adoption, all derivative financial instruments that are not considered as hedges are recognized at fair value, which is represented initially by the price paid and, for subsequent valuations, by the market price. This valuation is recognized in income.

For cash flow hedge transactions, changes in the market value of the derivative financial instrument are recognized as other comprehensive income in stockholder's equity, based on the evaluation of the hedge effectiveness. Gains or losses in cash-flow hedge transactions that are recognized as other comprehensive income shall be reclassified as income for the periods when the commitment or the projected transaction affects them. For fair value hedge contracts, the valuation gain or loss is recognized in income.

As stated in Note 18-B, the Company entered into two interest rate swap contracts to hedge its long-term debt, which matures in 2007. SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" does not permit synthetic instrument accounting, consequently, for U.S. GAAP purposes, both contracts have been treated as speculative contracts and have been recorded at fair value, with the offsetting changes in their fair value reported in earnings and therefore the impact under U.S. GAAP and Mexican GAAP was similar.

K) GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS

Under U.S. GAAP, effective January 1, 2002, the Company adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). Under SFAS No. 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed for impairment on an annual basis at the reporting unit level.

Goodwill impairment test is performed in two phases. The first step of the goodwill impairment test compares the fair value of the reporting unit with its carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is considered not impaired; however if the carrying value of the reporting unit exceeds its fair value, an additional procedure must be performed. The additional procedure compares the implied fair value of the reporting unit (as defined by SFAS No. 142) with the carrying amount of that goodwill. An impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value. The Company estimates fair values based on the discounted cash flows approach. Considerable management judgment is necessary to estimate discounted future cash flows. Assumptions used for these cash flows are consistent with internal forecasts.

Intangible assets that are not subject to amortization shall be tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of an intangible asset with its carrying amount. If the carrying amount of an intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. After an impairment loss is recognized, the adjusted carrying amount of the intangible asset shall be its new accounting basis.

Under Mexican GAAP, until January 1, 2003, all intangible assets were amortized over their estimated useful life. Bulletin C-8 "Intangible Assets" was adopted starting January 1, 2003, and consequently, certain intangible assets (excluding goodwill) were recognized as having indefinite lives and were no longer amortized. Accordingly, amortization of indefinite-lived intangible assets ceased in 2002 for U.S. GAAP and in 2003 for Mexican GAAP. As mentioned in Note 3-J, Bulletin B-7 "Business Combinations" was adopted starting January 1, 2004, consequently, under Mexican GAAP goodwill should no longer be amortized, but subject to annual impairment tests. Accordingly, goodwill amortization ceased in 2002 for U.S. GAAP and in 2004 for Mexican GAAP.

Due to the application of Bulletin C-15 "Impairment in the Value of Long-Lived Assets and Their Disposal", during 2004 the Company recognized in income an impairment loss in the value of intangible assets and goodwill for Ps. 6,476 and Ps. 5,611, respectively. Under U.S. GAAP, these assets had been written off in previous years.

The U.S. GAAP equity adjustment of Ps. 178,881 and Ps. 193,797 increases the excess of cost over book value in Ps. 176,649 and Ps. 185,157 and intangible assets in Ps. 2,232 and Ps. 8,640 as of December 31, 2003 and 2004, respectively, as a result of the above items.

21. DIFFERENCES BETWEEN MEXICAN GAAP AND U.S. GAAP (continued)

L) EXTINGUISHMENT OF DEBT

As mentioned in Note 10, on December 2004, the Company issued perpetual notes for a total of Ps. 3,345,000 (U.S. $300,000 thousand) which pay interest quarterly at 7.75% annual rate. The proceeds were used mainly to repay U.S.$200 million of the 7.625% senior unsecured notes due October 2007. For the early redemption of the senior unsecured notes, the Company paid a premium of Ps.255,419. Under Mexican GAAP, this premium was recognized in intangible assets as debt issuance costs of the perpetual notes and will be amortized using the straight-line method over a period of 20 years.

Under U.S. GAAP, this premium was recognized in income. The perpetual notes represented a new debt instrument, since the exchange was not done with the holders of the old senior unsecured notes. In addition, under U.S. GAAP, all previously unamortized debt issuance costs related to the old senior unsecured notes was also written off.

M) SUPPLEMENTAL BALANCE SHEET INFORMATION

- Securities of related parties:

The investment in common stock of GFNorte is accounted for under the equity method, because the Company has significant influence over the investee due to its representation on the Board of Directors of GFNorte and the equity interest of GRUMA's principal shareholder in GFNorte. The effect of applying U.S. GAAP adjustments to the equity investment has been included in the Company's U.S. GAAP reconciliation, and principally result from differences in accounting for loan loss reserves, deferred start-up costs, and deferred income taxes.

During 2003 and 2004, the Company received dividends from GFNorte amounting to Ps. 55,357 and Ps. 40,844, respectively,

Condensed financial information for GF Banorte as of and for the years ended December 31:

	2003	2004
Cash and cash equivalents	Ps. 32,418,928	Ps. 39,364,922
Investment securities	19,882,789	19,898,048
Net loan portfolio	156,259,689	101,365,155
Property, furniture and equipment, net	6,024,304	5,940,998
Total assets	224,807,096	176,219,628
Deposits	171,299,078	128,397,879
Bank and other entity loans – current	19,197,913	11,416,426
Bank and other entity loans – noncurrent	11,716,555	11,617,132
Total liabilities	209,663,701	159,850,183
Majority interest	14,203,838	15,495,439
Minority interest	939,557	874,006

	2002	2003	2004
Interest income	Ps. 26,646,024	Ps. 23,631,093	Ps. 25,383,283
Interest expense	(17,388,862)	(14,505,223)	(15,388,285)
Income from continuing operations	1,952,808	2,491,462	2,804,804
Net income	2,208,924	2,339,417	2,621,149

21. DIFFERENCES BETWEEN MEXICAN GAAP AND U.S. GAAP (continued)

- Other current liabilities:

  Included within accrued liabilities and other payables as of December 31, 2003 and 2004 are accrued compensation costs (Ps.405,811 and Ps. 415,935 in 2003 and 2004, respectively) and accrued advertising costs (Ps.193,458 and Ps.192,502 in 2003 and 2004, respectively).

- Other stockholders' equity:

  Included within retained earnings as of December 31, 2003 and 2004 are undistributed earnings of GF Banorte amounting to approximately Ps.1,497,309 and Ps.1,749,326, respectively.

- Computer software:

  Depreciation expense for the years ended December 31, 2002, 2003 and 2004 amounted to Ps.80,991, Ps.92,724 and Ps.90,768, respectively, on capitalized computer software cost.

N) SUPPLEMENTAL INCOME STATEMENT INFORMATION

- Advertising costs:

  Advertising costs, included in selling, general and administrative expenses, are expensed when the advertising first takes place. Advertising expense was Ps.544,820, Ps.641,861 and Ps.668,655 for the years ended December 31, 2002, 2003 and 2004, respectively. The Company had Ps.6,527 and Ps.25,332 of prepaid advertising costs reported as prepaid expenses as of December 31, 2003 and 2004, respectively.

- Shipping and handling costs:

  Shipping and handling costs are included in selling, general and administrative expenses and amounted to Ps.1,104,321, Ps.1,165,228 and Ps.1,268,299 for the years ended December 31, 2002, 2003 and 2004.

- Operating income:

  Under U.S. GAAP, certain other income items included in the Mexican GAAP financial statements of the Company, such as ESPS and amortization of other deferred costs would be included in the determination of operating income. For the years ended December 31, 2002, 2003 and 2004, these items amounted to Ps. 77,741, Ps. 57,387 and Ps. 60,686, respectively.

- Consumer and trade sales promotion expenses

  Under U.S. GAAP, the Company has classified certain consumer and trade sales promotion expenses, such as coupon redemption costs, cooperative advertising programs, new product introduction fees, feature price discounts and in-store display incentives as a reduction of revenue. For the years ended December 31, 2002, 2003 and 2004 these items amounted to Ps. 159,642, Ps. 203,072 and Ps. 206,175, respectively.

21. DIFFERENCES BETWEEN MEXICAN GAAP AND U.S. GAAP (continued)

O) SUPPLEMENTAL CASH FLOW INFORMATION

Mexican GAAP Bulletin B-12 issued by the MIPA specifies the appropriate presentation of the statements of changes in financial position. Under Bulletin B-12, the sources and uses of resources are determined based upon the differences between beginning and ending financial statement balances in Mexican pesos of constant purchasing power. Under U.S. GAAP, a statement of cash flow is required, which presents only cash movements and excludes non-cash items.

The following presents a price-level adjusted statement of cash flows, after considering the impact of U.S. GAAP adjustments in conformity with the AICPA SEC Regulations Committees' International Practice Task Force recommendation.

	Year ended December 31,		
	2002	**2003**	**2004**
Operating activities:			
Net income	Ps. 338,937	Ps. 619,622	Ps.777,240
Minority interest	208,058	185,110	182,331
Consolidated income	546,995	804,732	959,571
Adjustments to reconcile net income to resources provided by operating activities:			
Monetary position gain	(176,425)	(197,742)	(242,750)
Depreciation and amortization	1,064,729	1,069,245	1,047,790
Impairment of long-lived assets	68,257	17,974	165,288
Allowance for doubtful accounts	38,013	56,953	36,222
Account receivable for disposed subsidiaries	(159,691)	-	-
Equity in earnings of associated companies, less dividends received	(109,025)	(114,307)	(187,239)
Seniority premium	9,787	8,363	8,802
Loss on sale of fixed assets and other assets	-	54,809	-
Debt issuance costs cancelled due to early extinguishment of debt	-	-	23,790
Deferred income taxes and employees' statutory profit sharing	268,966	376,276	268,115
	1,551,606	2,076,303	2,079,589
Changes in working capital:			
Restricted cash	1,495	380	647
Accounts receivable, net	(617,843)	(82,262)	(678,840)
Inventories	(325,995)	(854,776)	(530,533)
Prepaid expenses	29,260	(113,837)	(30,499)
Trade accounts payable	387,337	(184,761)	551,929
Accrued liabilities and other payable	64,168	399,812	101,578
Income taxes and employees' statutory profit sharing payable	(33,516)	5,449	3,943
	(495,094)	(829,995)	(581,775)
Net cash provided by operating activities	1,056,512	1,246,308	1,497,814

21. DIFFERENCES BETWEEN MEXICAN GAAP AND U.S. GAAP (continued)

	Year ended December 31,		
	2002	**2003**	**2004**
Investing activities:			
Purchases of property, plant and equipment	(782,289)	(680,000)	(900,981)
Purchases of new facilities, net of cash	-	-	(384,218)
Proceeds from sale of property, plant and equipment	170,628	12,120	189,904
Trust funds for research and development of technology	-	224,806	-
Deferred assets	(66,786)	(48,535)	(112,203)
Investments in common stock	58,267	-	-
Sale of marketable securities	-	210,168	-
Other	27,791	16,582	11,905
Net cash used in investing activities	(592,389)	(264,859)	(1,195,593)
Financing activities:			
Proceeds from bank loans and long-term debt	1,977,023	2,110,637	4,553,511
Repayment of bank loans and long-term debt	(2,324,103)	(2,914,147)	(4,487,724)
Contributions by minority interest	-	147,497	94,128
Decrease of minority interest	-	(8,242)	(29,577)
Net purchases-sales of Company's common stock and derivative financial instruments	(95,470)	292,371	283,854
Dividends paid	(103,718)	(514,101)	(552,209)
Other	(67,554)	2,695	(11,348)
Net cash used in financing activities	(613,822)	(883,290)	(149,365)
Effect of inflation on cash and temporary investments	(13,201)	6,768	(53,187)
Net (decrease) increase in cash and temporary investments	(162,900)	104,927	99,669
Cash and temporary investments at beginning of year	446,384	283,482	388,409
Cash and temporary investments at end of year	Ps.283,484	Ps. 388,409	Ps.488,078

During 2002, the Company had a non-cash activity in which it received marketable securities to settle a note receivable for an amount of Ps. 210,168.

Net cash flow from operating activities reflects cash payments and receipts for interest and income taxes as follows:

	Year ended December 31,		
	2002	**2003**	**2004**
Interest paid	Ps. 573,823	Ps. 547,721	Ps. 549,452
Interest received	62,586	64,225	293,376
Income and asset taxes paid	429,988	367,560	530,358
Interest incurred	619,786	559,466	486,716

21. DIFFERENCES BETWEEN MEXICAN GAAP AND U.S. GAAP (continued)

P) COMPREHENSIVE INCOME

Comprehensive income (loss) is as follows:	Year ended December 31, 2002	2003	2004
Net income under U.S. GAAP	Ps. 338,937	Ps. 619,622	Ps. 777,240
Other comprehensive loss, net of taxes:			
Deficit from restatement	(319,153)	(327,572)	(581,529)
Deferred (loss) gain on hedge activity	23,467	(57)	(38)
Foreign currency translation adjustments	(272,630)	64,164	(15,750)
Comprehensive (loss) income under U.S. GAAP	Ps. (229,379)	Ps. 356,157	Ps. 179,923

Foreign currency translation adjustments are presented net of tax benefits of Ps.122,393, Ps.61,579 and Ps.10,365 for the years ended December 31, 2002, 2003 and 2004, respectively.

The components of accumulated other comprehensive loss are as follows as of December 31, 2003 and 2004:

	Foreign currency translation adjustments	Deferred (loss) gain on hedging activity	Deficit from restatement	Accumulated other comprehensive loss
Balance at December 31, 2002	Ps. 646,131	Ps. 19,696	Ps. (12,983,758)	Ps.(12,317,931)
Current period changes	64,164	(57)	(327,572)	(263,465)
Balance at December 31, 2003	710,295	19,639	(13,311,330)	(12,581,396)
Current period changes	(15,750)	(38)	(581,529)	(597,317)
Balance at December 31, 2004	Ps. 694,545	Ps. 19,601	Ps. (13,892,859)	Ps.(13,178,713)

Q) VALUATION AND QUALIFYING ACCOUNTS

The valuation and qualifying accounts are as follows:

Allowance for doubtful accounts:

For the year ended December 31,	Balance at beginning of year	Additions charged to costs and expenses	Deductions	Balance at year-end
2002	Ps. 119,459	Ps. 37,940	Ps. (55,889)	Ps. 101,510
2003	101,510	54,776	(47,091)	109,195
2004	109,195	36,222	(30,099)	115,318

21. DIFFERENCES BETWEEN MEXICAN GAAP AND U.S. GAAP (continued)

R) RESTATEMENT TO CONSTANT PESOS

The following presents condensed financial information prepared on a U.S. GAAP basis restated to December 31, 2004 constant pesos utilizing the Mexican NCPI. As disclosed in Note 3-D, under Bulletin B-15, the Company restated prior year balances utilizing weighted average restatement factors. The difference in the factors applied to restate prior year information to December 31, 2004 constant pesos utilizing the Mexican NCPI were:

	Factor
2002.........................	1.00186
2003.........................	1.03974

Condensed consolidated balance sheets as of December 31:

	Expressed in Thousands of Constant Mexican Pesos as of December 31, 2004	
	2003	2004
Total current assets	Ps. 7,486,482	Ps. 8,097,502
Property, plant and equipment	13,347,751	12,924,780
Total assets..	24,056,451	24,362,476
Short-term debt	547,713	544,298
Long-term debt	6,483,521	6,174,808
Total liabilities	11,267,548	11,596,042
Minority interest	3,066,002	2,995,674
Total stockholders' equity...	9,722,901	9,770,760

Condensed consolidated statements of income for the years ended December 31:

	Expressed in Thousands of Constant Mexican Pesos as of December 31, 2004		
	2002	2003	2004
Net sales	Ps.20,811,820	Ps.24,026,418	Ps.24,786,307
Gross profit	7,697,915	8,602,444	8,751,646
Operating income	1,563,497	1,870,307	1,893,164
Majority net income	338,937	619,622	777,240

S) RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2004, the Financial Accounting Standards Board ("FASB") issued a revision to Statement of Financial Accounting Standards No. 123 ("SFAS No. 123R), "Share-Based Payment". SFAS No. 123R supersedes Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees". SFAS No. 123R requires that all stock-based compensation, including options, be expensed at fair value as of the grant date over the vesting period. Companies will be required to use an option pricing model to determine compensation expense, consistent with the model used in the already required disclosures of SFAS No. 148 "Accounting for Stock-Based Compensation-Transition and Disclosure". SFAS No. 123R is effective for interim and fiscal periods beginning after June 15, 2005. The Company does not expect the adoption of this standard to have a significant impact on its financial condition or results of operations.

In November 2004, the FASB issued SFAS No. 151 "Amendment of ARB No. 43, Chapter 4". This statement amends the guidance in Accounting Research Bulletin No. 43 "Inventory Pricing", to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). This statement requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal". In addition, this statement requires that allocation of fixed production overhead to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company does not expect the adoption of this standard to have a significant impact on its financial condition or results of operations.

Report of Independent Auditors

To the Shareholders of

Grupo Financiero Banorte, S. A. de C. V.

and subsidiaries:

We have audited the accompanying consolidated balance sheet of Grupo Financiero Banorte, S. A. de C.V. and subsidiaries (the "Holding"), as of December 31, 2004, and the related consolidated statement of income, of changes in stockholder's equity, of changes in financial position and of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 3, the Holding is required to prepare and present its consolidated financial statements in accordance with accounting practices prescribed by the Mexican Banking and Securities Commission (the "Commission") for financial groups. Those rules differ from Mexican Generally Accepted Accounting Principles as further described in Note 4. The consolidated financial statements of the Holding as of December 31, 2004 are subject to review by the Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Holding as of December 31, 2004, and the results of their operations, changes in financial position and cash flows for the year then ended in conformity with accounting principles prescribed by the Mexican Banking and Securities Commission.

PricewaterhouseCoopers

Monterrey, N. L., March 28, 2005

GRUPO FINANCIERO BANORTE, S.A. DE C.V. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2004 AND 2003

(Amounts stated in thousands of Mexican Pesos of December 2004 purchasing power)
(Notes 1, 2, 3, 4, 5, 20, 23, 30, 31, 32 and 33)

ASSETS	2004	2003 (unaudited)
CASH AND CASH EQUIVALENTS (Note 6)	Ps 39,364,922	Ps 32,418,928
INVESTMENT SECURITIES (Note 7):		
Trading securities	10,649,819	9,751,519
Available-for-sale securities	242,423	252,960
Held-to-maturity securities	9,005,806	9,878,310
TOTAL INVESTMENT SECURITIES	19,898,048	19,882,789
SECURITIES AND DERIVATIVES TRADING (Note 8):		
Unassigned values pending payment	-	1,366
Debit balances on repo transactions	50,231	53,743
Derivatives trading	5,441	3,043
	55,672	58,152
CURRENT LOAN PORTFOLIO (Notes 9 and 11):		
Commercial portfolio	46,416,917	40,237,060
Loans to financial intermediaries	399,255	2,670,361
Consumer loans	11,409,898	9,130,857
Mortgage loans	18,523,263	15,516,662
Loans to government entities	18,616,357	82,450,066
Loans to FOBAPROA or IPAB (Note 10)	6,947,510	7,049,536
TOTAL CURRENT LOAN PORTFOLIO	102,313,200	157,054,542
PAST-DUE LOAN PORTFOLIO (Notes 9 and 11):		
Commercial portfolio	632,210	2,017,458
Consumer loans	339,122	483,540
Mortgage loans	819,776	1,247,018
Loans to government entities	13,005	8,549
TOTAL PAST-DUE LOAN PORTFOLIO	1,804,113	3,756,565
TOTAL LOAN PORTFOLIO	104,117,313	160,811,107
ALLOWANCE FOR LOAN LOSSES	2,752,158	4,551,418
NET LOAN PORTFOLIO	101,365,155	156,259,689
CREDIT ASSET PORTFOLIO (Note 12)	2,149,194	2,177,612
OTHER RECEIVABLES, NET	2,859,458	2,352,108
FORECLOSED ASSETS (Note 13)	364,902	1,184,667
PROPERTY, FURNITURE AND EQUIPMENT, NET (Note 14)	5,940,998	6,024,304
PERMANENT STOCK INVESTMENTS (Note 15)	1,876,721	1,796,580
DEFERRED TAXES, NET (Note 28)	677,915	1,023,032
OTHER ASSETS (Note 16):		
Other assets, deferred charges and intangibles	1,666,643	1,629,235
TOTAL ASSETS	Ps176,219,628	Ps224,807,096

LIABILITIES	2004	2003(unaudited)
DEPOSITS:		
Demand deposits (Note 17)	Ps 65,270,352	Ps 69,764,923
Time deposits (Note 18)		
General public	50,805,612	79,516,587
Money market	12,321,915	22,017,568
TOTAL DEPOSITS	128,397,879	171,299,078
BANK AND OTHER ENTITY LOANS (Note 19):		
Demand loans	4,613,903	4,995,979
Short term	6,802,523	14,201,934
Long term	11,617,132	11,716,555
	23,033,558	30,914,468
SECURITIES AND DERIVATIVES TRADING (Note 8):		
Unassigned values pending payment	-	1,208
Credit balances on repo transactions	76,415	226,476
Derivatives trading	8,805	12,849
	85,220	240,533
OTHER PAYABLES:		
Income tax and employees' statutory profit sharing	288,381	280,877
Sundry creditors and other payables	3,386,974	3,980,300
	3,675,355	4,261,177
OUTSTANDING SUBORDINATED NOTES (Note 21)	4,609,920	2,880,062
DEFERRED CREDITS	48,251	68,383
CONTINGENCIES AND COMMITMENT (Note 22)	-	-
SUBSEQUENT EVENTS (Note 34)	-	-
TOTAL LIABILITIES	159,850,183	209,663,701
STOCKHOLDERS' EQUITY (Notes 24,25, 26 and 27):		
PAID-IN CAPITAL:		
Capital stock	5,620,776	5,620,655
Paid stock premiums	1,670,347	1,670,347
TOTAL PAID-IN CAPITAL	7,291,123	7,291,002
EARNED SURPLUS:		
Capital reserves	1,510,698	1,391,193
Retained earnings	13,493,203	12,037,056
Deficit on restatement of stockholders' equity	(5,734,223)	(5,734,223)
Loss from holding nonmonetary assets	(3,686,511)	(3,120,607)
Net income	2,621,149	2,339,417
TOTAL EARNED SURPLUS	8,204,316	6,912,836
MINORITY INTEREST IN STOCKHOLDERS' EQUITY	874,006	939,557
TOTAL STOCKHOLDERS' EQUITY	16,396,445	15,143,395
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	Ps176,219,628	Ps224,807,096

MEMORANDUM ACCOUNTS (Note 29) The accompanying notes are part of these consolidated financial statements

(3)

GRUPO FINANCIERO BANORTE, S.A. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts stated in thousands of Mexican Pesos of December 2004 purchasing power)

	2002 (unaudited)
Interest income	Ps 26,645,822
Interest expense	17,388,730)
Monetary gain, relative to net interest income	84,471
NET INTEREST INCOME	9,341,563
Allowance for loan losses	(902,630)
NET INTEREST INCOME ADJUSTED FOR CREDIT RISKS	8,438,933
Fee and commission income	5,394,227
Fee and commission expense	(1,252,035)
Brokerage income	427,819
	4,570,011
TOTAL OPERATING INCOME	13,008,944
Administrative and promotion expenses	(10,901,377)
OPERATING INCOME	2,107,567
Other income	2,673,088
Other expenses	(2,627,357)
	45,731
INCOME BEFORE INCOME TAX AND EMPLOYEES' STATUTORY PROFIT SHARING	2,153,298
Current income tax and employees' statutory profit sharing (Note 30)	(373,940)
Deferred income tax and employees' statutory profit sharing (Note 16)	(7,854)
	(381,794)
INCOME BEFORE EQUITY IN EARNINGS OF NONCONSOLIDATED SUBSIDIARY AND ASSOCIATED AND AFFILIATED COMPANIES, AND MINORITY INTEREST	1,771,504
Equity in earnings of nonconsolidated subsidiary and associated, and affiliated companies, Net	181,288
INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST	1,952,792
Discontinues operation, extraordinary departure and changes in accounting standards	450,180
	2,402,972
Minority interest	(194,062)
NET INCOME (Notes 26 and 27)	Ps 2,208,910

The accompanying notes are part of these consolidated financial statements

GRUPO FINANCIERO BANORTE, S.A. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(Amounts stated in thousands of Mexican Pesos of December 2004 purchasing power)
(Notes 1, 2, 3, 4, 5, 23, 31, 32 and 33)

	2004	2003(unaudited)
Interest income	Ps 25,383,283	Ps 23,631,093
Interest expense	(15,388,285)	(14,505,223)
Monetary (loss) gain, relative to net interest income	(137,582)	58,389
NET INTEREST INCOME	9,857,416	9,184,259
Allowance for loan losses	(1,192,489)	(853,009)
NET INTEREST INCOME ADJUSTED FOR CREDIT RISKS	8,664,927	8,331,250
Fee and commission income	5,928,067	5,233,213
Fee and commission expense	(966,260)	(859,174)
Brokerage income	888,625	1,033,646
	5,850,432	5,407,685
TOTAL OPERATING INCOME	14,515,359	13,738,935
Administrative and promotion expenses	(11,183,142)	(11,079,774)
OPERATING INCOME	3,332,217	2,659,161
Other income	2,196,713	2,689,774
Other expense	(2,231,986)	(2,811,993)
	(35,273)	(122,219)
INCOME BEFORE INCOME TAX AND EMPLOYEES' STATUTORY PROFIT SHARING	3,296,944	2,536,942
Current income tax and employees' statutory profit sharing (Note 28)	(497,976)	(362,009)
Deferred income tax and employees' statutory profit sharing (Note 28)	(216,489)	104,920
	(714,465)	(257,089)
INCOME BEFORE EQUITY IN EARNINGS OF NONCONSOLIDATED SUBSIDIARY AND ASSOCIATED AND AFFILIATED COMPANIES, AND MINORITY INTEREST	2,582,479	2,279,853
Equity in earnings of nonconsolidated subsidiary and associated, and affiliated companies, Net	222,325	211,609
INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST	2,804,804	2,491,462
Discontinued operations, extraordinary departure and changes in accounting standards	-	731
	2,804,804	2,492,193
Minority interest	(183,655)	(152,776)
NET INCOME (Notes 26 and 27)	Ps 2,621,149	Ps 2,339,417

The accompanying notes are part of these consolidated financial statements

GRUPO FINANCIERO BANORTE, S. A. DE C. V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(Amounts stated in thousands of Mexican Pesos of December 2004 purchasing power)

	PAID-IN CAPITAL			EARNED SURPLUS							
	Capital Stockholders' Stock	Variable Capital stock	Paid Stock Premiums	Capital reserves	Prior Years Retained Earnings	Deficit in Restatement of Capital Accounts	Gain (loss) from holding non-monetary assets	Net income of the year	Total majority interest	Minority Interest in Capital	Total equity
Balance at January 1, 2003(unaudited)	$ 3,350,982	$ 2,252,281	$ 1,638,851	$ 1,154,043	$10,400,229	($ 5,734,223)	($3,025,335)	$ 2,208,926	$ 12,245,754	$ 893,496	$ 13,139,250
CHANGES RESULTING FROM RESOLUTIONS ADOPTED BY STOCKHOLDERS:											
Issuance of stock (stock repurchase)		17,392	31,496	128,420	(86,301)	-	-		91,007	-	91,007
Appropriation of income					2,208,926			(2,208,926)	-	-	-
Reserves created				108,730	(108,730)						-
Dividend declared on October 16, 2003					(377,068)				(377,068)		(377,068)
CHANGES RELATED TO THE RECOGNITION OF COMPREHENSIVE INCOME:											
Net income of the year								2,339,417	2,339,417		2,339,417
Loss from holding non-monetary assets							(95,272)		(95,272)	(95,272)	
Total comprehensive income (Note 26)							(95,272)	2,339,417	2,244,145		2,244,145
MINORITY INEREST										46,061	46,061
Balance at December 31, 2003	3,350,982	2,269,673	1,670,347	1,391,193	12,037,056	(5,734,223)	(3,120,607)	2,339,417	14,203,838	939,557	15,143,395
CHANGES RESULTING FROM RESOLUTIONS ADOPTED BY STOCKHOLDERS:											
Issuance of stock (stock repurchase)		121		4,690					4,811		4,811
Appropriation of income					2,339,417			(2,339,417)			
Reserves created				114,815	(114,815)						
Dividend declared on October 4, 2004					(511,899)				(511,899)		(511,899)
CHANGES RELATED TO THE RECOGNITION OF COMPREHENSIVE INCOME:											
Net income of the year								2,621,149	2,621,149		2,621,149
Gain (loss) from holding non-monetary assets								(41,796)	(41,796)		(41,796)
Foreclosed assets reserve (methodology dated August 20, 2004)							(524,108)		(524,108)		(524,108)
Loss on sale of portfolio per COMMISSION resolution 601-II-34966					(258,539)				(258,539)		(258,539)
Loss on foreclosed assets and allowances for loan losses created by Arrendadora Banorte, S. A. de C. V.					(15,066)				(15,066)		(15,066)
Income regarding a three-months period of Generali México Compañía de Seguros, S. A. de C. V., recorded in prior years Retained earnings					17,049				17,049		17,049
Comprehensive income for the year (Note 26)					(256,556)	-	(565,904)	2,621,149	1,798,689		1,798,689
MINORITY INTEREST										(65,551)	(65,551)
Balance at December 31, 2004	$ 3,350,982	$ 2,269,794	$ 1,670,347	$ 1,510,698	$13,493,203	($ 5,734,223)	($3,686,511)	$ 2,621,149	$ 15,495,439	$ 874,006	$ 16,369,445

GRUPO FINANCIERO BANORTE, S. A. DE C. V. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts stated in thousands of Mexican Pesos of December 2004 purchasing power)

	2002 (unaudited)
OPERATING ACTIVITIES:	
Net income of the year	Ps 2,208,910
Items charged (credited) to income that did not affect resources:	
Allowance for loan losses	902,630
Depreciation and amortization	838,914
Deferred taxes	7,854
Minority interest	(194,062)
Provision for other obligations	775,273
Equity in earnings of nonconsolidated subsidiary and associated and affiliated companies, net	(181,288)
Unrealized investment income	51,044
	4,409,275
Items related to operations:	
Increase in deposits	69,591,773
Increase in investment securities	(5,558,217)
Increase in bank and other entity loans	22,464,032
Decrease in credit assets portfolio	921,189
Increase in loan portfolio	(72,666,551)
Increase in deferred taxes	(72,325)
Increase in derivatives trading	902,850
Increase in accounts receivable and payable	(1,357,925)
Resources provided by operating activities	18,634,101
FINANCING ACTIVITIES:	
Issuance of outstanding subordinated debentures	1,288,810
Common stock repurchase	7,212
Decree Dividends	(558,019)
Resources used in financing activities	738,003
INVESTMENT ACTIVITIES:	
Decrease in foreclosed assets	236,043
Decrease in permanent stock investments	474,510
Increase in deferred charges and credits	(533,585)
Net purchases of property, furniture and equipment	(2,533,520)
Resources used in investment activities	(2,356,552)
Increase in cash and cash equivalents	17,015,552
Cash and cash equivalents at beginning of year	8,881,688
Cash and cash equivalents at end of year	Ps25,897,240

GRUPO FINANCIERO BANORTE, S. A. DE C. V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(Amounts stated in thousands of Mexican Pesos of December 2004 purchasing power)

	2004	2003(unaudited)
OPERATING ACTIVITIES:		
Net income of the year	Ps 2,621,149	Ps 2,339,417
Items charged (credited) to income that did not affect resources:		
Allowance for loan losses	1,192,489	853,009
Depreciation and amortization	1,070,737	993,946
Deferred taxes	216,489	(104,920)
Minority interest	183,655	152,776
Provision for other obligations	236,478	(206,684)
Equity in earnings of nonconsolidated subsidiaries and associates and affiliated companies, net	(222,325)	(211,609)
Unrealized investment income	(17,473)	27,491
	5,281,199	3,843,426
Items related to operations:		
(Decrease) increase in deposits	(42,901,199)	14,295,328
Decrease (increase) in investment securities	2,214	(6,894,883)
Decrease in bank and other entity loans	(7,880,910)	(10,244,143)
Decrease (increase) in credit assets portfolio	28,418	(144,431)
Decrease in loan portfolio	53,702,045	6,290,833
Decrease (increase) in deferred taxes	128,628	(31,298)
Decrease in securities and derivatives trading	(152,833)	(655,159)
(Decrease) increase in accounts receivable and payable	(1,329,650)	1,465,935
Loss on sale of portfolio per COMMISSION resolution 601-II-34966	(258,539)	-
Past-due loan portfolio reserves created of Arrendadora Banorte, S. A. de C. V.	(11,008)	-
Resources provided by operating activities	6,608,365	7,925,608
FINANCING ACTIVITIES:		
Issuance of outstanding subordinated debentures	1,729,858	46,338
Issuance of common stock	-	91,007
Income of Generali México Compañía de Seguros, S. A. de C. V. Recorded in prior years retained earnings	17,049	-
Repurchase of common stock	4,811	-
Dividends declared	(511,899)	(377,068)
Resources provided by (used in) financing activities	1,239,819	(239,723)
INVESTMENT ACTIVITIES:		
Decrease in foreclosed assets	819,765	148,209
Increase in permanent stock investments	(672,925)	(664,975)
Increase in deferred charges and credits	(412,383)	(398,833)
Purchases of property, furniture and equipment	(632,589)	(248,598)
Loss on foreclosed assets of Arrendadora Banorte, S.A. de C.V	(4,058)	-
Resources used in investment activities	(902,190)	(1,164,197)
Increase in cash and cash equivalents	6,945,994	6,521,688
Cash and cash equivalents at beginning of year	32,418,928	25,897,240
Cash and cash equivalents at end of year	Ps 39,364,922	Ps 32,418,928

The accompanying notes are part of these consolidated financial statements

GRUPO FINANCIERO BANORTE, S. A. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002, 2003 AND 2004

(Amount stated in thousand of Mexican Pesos)

	2002(unaudited)	2003	2004	2003(unaudited)	2004
OPERATING ACTIVITIES:					
Net income of the year	**$ 2,205,517**	**$ 2,432,461**	**$ 3,082,612**	**$ 2,432,461**	**$ 3,082,612**
Items charged (credited) to income that did not affect resorces:					
Unrealized investment income	44,892	26,317	(16,418)	26,317	(16,418)
Allowance for loan losses	805,531	793,005	1,168,637	793,005	1,168,637
Depreciation and amortization	749,598	928,446	1,048,014	928,446	1,048,014
Deferred taxes	4,785	(97,636)	214,875	(97,636)	214,875
Provision for other obligations	707,519	(196,000)	236,478	(196,000)	236,478
Minority interest	(177,102)	(144,879)	183,655	(144,879)	183,655
Income (loss) of sales from furniture and equipment	(55,484)	745	(47,481)	745	(47,481)
Equity in earnings of nonconsolidated subsidiaries and associates and affiliated companies, net	-	200,671	(222,325)	200,671	(222,325)
	2,079,739	**1,510,669**	**2,565,435**	**1,510,669**	**2,565,435**
Items related to operations:					
(Decrease) increase in deposits	63,509,902	13,556,375	(42,901,198)	13,556,375	(42,901,198)
Decrease (increase) in loan portfolio	(66,315,963)	5,965,667	53,702,045	5,965,667	53,702,045
(Decrease) increase in credit assets portfolio	840,683	(136,964)	28,419	(136,964)	28,419
Decrease (increase) in investment securities	(5,180,930)	(6,425,768)	2,214	(6,425,768)	2,214
(Decrease) increase in securities and derivatives trading	823,947	(621,294)	(152,833)	(621,294)	(152,833)
(Decrease) increase in bank and other entity loans	20,500,821	(9,714,616)	(7,880,910)	(9,714,616)	(7,880,910)
Decrease (increase) in deferred taxes	(66,004)	(29,680)	128,628	(29,680)	128,628
(Decrease) increase in accounts receivable and payable	(1,239,251)	1,390,160	(1,329,652)	1,390,160	(1,329,652)

Income of Generali México Compañía de Seguros, S. A. de C. V. recorded in prior years retained ernings	-	-	17,049	-	17,049
Increase in deferred charges and credits	(486,953)	(378,218)	(412,383)	(378,218)	(412,383)
Decrease in foreclosed assets	215,415	140,548	819,765	140,548	819,765
Loss on foreclosed assets of Arrendadora Banorte, S. A. de C. V.	-	-	(4,058)	-	(4,058)
Loss on sale of portfolio per Commission resolution 601-II-34966	-	-	(258,539)	-	(258,539)
Past-due loan portfolio reserves created of Arrendadora Banorte, S. A. de C. V.	-	-	(11,008)	-	(11,008)
Cash provided by operating activities	**16,886,923**	**7,689,340**	**7,395,586**	**7,689,340**	**7,395,586**
FINANCING ACTIVITIES:					
Issuance of outstanding subordinated debentures	1,176,176	43,943	1,729,859	43,943	1,729,859
Repurchase of common stock	6,581	86,303	4,811	86,303	4,811
Dividends declared	(509,252)	(357,577)	(511,899)	(357,577)	(511,899)
Cash provided by (used in) financing activities	**673,505**	**(227,331)**	**1,222,771**	**(227,331)**	**1,222,771**
INVESTMENT ACTIVITIES:					
Purchases of property, furniture and equipment	(5,212,028)	(1,771,539)	(2,009,812)	(1,771,539)	(2,009,812)
Sales of property, furniture and equipment	3,082,807	1,664,795	1,535,716	1,664,795	1,535,716
Permanent stock investments	428,538	(628,917)	(507,538)	(628,917)	(507,538)
Cash used in investment activities	**(1,700,683)**	**(735,661)**	**(981,634)**	**(735,661)**	**(981,634)**
Effects of inflation on cash and cash equivalents	**(439,708)**	**(429,064)**	**(690,729)**	**(429,064)**	**(690,729)**
Increase in cash an d cash equivalents	15,420,037	6,297,284	6,945,994	6,297,284	6,945,994
Cash and cash equivalents at beginning of year	8,105,292	24,445,877	32,418,928	24,445,877	32,418,928
Cas and cash equivalents at end of year	**$ 23,525,329**	**$ 30,743,161**	**$ 39,364,922**	**$ 30,743,161**	**$ 39,364,922**

GRUPO FINANCIERO BANORTE, S. A. DE C. V., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 and 2002

(Amounts stated in thousands of Mexican Pesos of December 2004 purchasing power,
except for the number of shares and per share amounts,
debentures and exchange rates)

The accompanying financial statements included herein are an English translation of the financial statements as filed with the Mexican CNBV on March 31, 2005. Statements of cash flows for the years ended December 31, 2004, 2003 and 2002 have been supplementary included herein. The accompanying financial statements are presented pursuant to Rule 3-09 of Regulation S-X of the United States Securities and Exchange Commission ("SEC"). Audited financial information is included herein for the year ended December 31, 2004, as pursuant to the significance tests. The years ended December 31, 2003 and 2002 were not significant and therefore unaudited financial statements are being furnished for those periods in lieu of audited financial statements. Additional disclosure requirements as required by the SEC are included in Note 35.

NOTE 1 - DESCRIPTION OF BUSINESS:

Grupo Financiero Banorte, S.A. de C.V. and subsidiaries (the HOLDING) is authorized by the Secretaría de Hacienda y Crédito Público (Mexican Ministry of Finance and Public Credit, or "SHCP") to be incorporated and operate as a financial group in the terms established in the Ley para Regular las Agrupaciones Financieras (Financial Groups Regulation Law or "LRAF"), subject to inspection and oversight by the Comisión Nacional Bancaria y de Valores (Mexican Banking and Securities Commission or "the COMMISSION"). Its operations consist of rendering all kinds of banking services and acting as a broker in the securities market, as well as acquiring and managing shares issued by insurance, pension and bonding institutions, leasing and financial factoring companies, mutual funds and any other type of companies or financial entities allowed by the SHCP, pursuant to the provisions of the LRAF. Its operations are regulated by the COMMISSION, the Instituciones de Crédito (Credit Institutions) Law (the LIC), the Banco de México (Central Bank of Mexico or "BANXICO") Law and the Securities Market Law. Likewise, its non-consolidated subsidiaries are regulated according to its business by the COMMISSION, the Comisión Nacional de Seguros y Fianzas (Mexican Insurance and Bonding Commission), the Comisión Nacional del Sistema de Ahorro para el Retiro (Mexican Commission for the Retirement Savings System) and other applicable laws.

Among the powers that it may exercise in its capacity as a regulator of financial groups, the COMMISSION may review the financial information of the HOLDING and require changes to be made thereto.

The HOLDING has entered into a liability agreement in conformity with the LRAF, through which it assumes unlimited responsibility for the payment of all liabilities of each of its subsidiary companies.

NOTE 2 - HIGHLIGHTS:

Bank Division

During 2004 and 2003, the HOLDING developed several business strategies in order to continue projecting a solid structure and offering more competitive banking products; the most important of which are described below:

a. Issuance of subordinate notes internationally.

In an Extraordinary Meeting held on January 27, 2004, the stockholders of Banco Mercantil del Norte, S. A., Institución de Banca Múltiple, Grupo Financiero Banorte (BANORTE), approved the issuance of Preferred Subordinated Notes not convertible to capital stock (Step-up Subordinate Callable Notes) denominated in U.S. dollars through a public offering in the Luxembourg Stock Exchange, for a maximum amount of US$300,000,000 with a 10-year term (maturing January 2014). Interest is payable every six months and the principal will be repaid at the end of maturity. The objective of this note issuance was to prepay in June 2004, the subordinated notes denominated in Investment Units (UDI) not convertible to capital stock (BANORTE 01U).

On February 10 and 13, 2004, respectively, the final placement was completed as follows:

1. A principal amount of US$250,000,000 with an interest rate of 5.875%.
2. An additional amount of US$50,000,000 with an interest rate of 5.875%.

b. Exchange of FOBAPROA promissory notes.

As part of the measures adopted to face the economic crisis which arose at the end of 1994, the Mexican Congress passed the Ley de Protección al Ahorro Bancario ("Law for the Protection of Bank Savings"), effective January 20, 1999, creating the Instituto para la Protección del Ahorro Bancario ("Institute for the Protection of Bank Savings" or "IPAB"), which replaced the Fondo Bancario de Protección al Ahorro ("Banking Savings Protection Fund" or "FOBAPROA") which continues operating with the sole objective of managing the operations of the "Portfolio Capitalization and Purchase Program."

The Law for the Protection of Bank Savings enabled banks that had participated in the Portfolio Capitalization and Purchase Program (PCCC) to swap their FOBAPROA promissory notes for IPAB promissory notes with similar terms.

In June 2002, the IPAB advised the banks participating in the PCCC of its intention to adopt certain procedures and conditions applicable to the banks involved, with respect to the mechanics for the exchange of FOBAPROA promissory notes for IPAB promissory notes.

In July 2002, BANORTE filed for an injunction to suspend the procedures and conditions established by the IPAB for the aforementioned exchange, on the grounds that they were without any legal foundation and contained ambiguous and open terms. On September 30, 2003, the court found in favor of BANORTE but the IPAB filed an appeal with the appropriate court. On July 12, 2004, an agreement was formalized between the IPAB and the four banks still participating in the PCCC.

As part of this agreement, the parties desisted from all legal actions and the banks agreed to a new audit and obtained from authorities the commitment to make this audit final and definitive. This audit covers the Management, Corporate Identity, Existence and Legitimacy of loans sold and their Legality (GEL). Finally, in order to temporarily support the observations made by the Federal Auditor with respect to minor loans (less than Ps 200), without accepting that their inclusion in the portfolio sale has violated previously agreed rules, the banks set up a guarantee trust to cover their eventual liability with respect to loans questioned by the auditor.

As a result of this agreement, the FOBAPROA promissory notes dated March 31, 2004, were exchanged for notes payable by the IPAB, net of the amounts in the checking accounts of the trusts deducting collection of the loans. The amounts of these notes shall be adjusted in accordance with the results of the audits and shall be exchanged for IPAB notes. The GEL audit started on October 4, 2004 and the results and conclusions of the firms conducting the audit should be available during the second quarter of 2005.

At March 31, 2004, value date of the exchange transaction reached in the agreement, the amount of Bank assets involved was as follows:

Concept	Balance of FOBAPROA promissory notes	Balance in checking accounts	Obligation assumed by the IPAB	Expiration date
Trust 1989-0	Ps 4,493,489	(Ps 1,195,136)	Ps 3,298,353	Nov – 2005
Trust 1990-4	6,752,724	(2,111,467)	4,641,257	Jun - 2006
Trust 1991-2	1,434,510	(170,025)	1,264,485	Dec - 2006
Total	Ps 12,680,723	(Ps 3,476,628)	Ps 9,204,095	

BANORTE assigned Ps144,336 from the notes payable by the IPAB to the guarantee trust at the same value date. Of the Ps144,366, Ps62,499 related to Trust 1989-0 and Ps81,837 to Trust 1990-4, respectively.

At December 31, 2004, the amounts of Bank assets involved were as shown in Note 10.

c. Expense Reduction and Efficiency Program (Organizational Restructuring).

During 2004, in order to reduce costs and improve the position and financial indices of HOLDING, an expense reduction and efficiency program was implemented, resulting in the closing of approximately 73 branches and a reduction in the work force by approximately 2,009 employees.

d. Sale of Loan Portfolios between related parties (BANORTE and BANCEN).

On December 31, 2004, 8 contracts were signed covering the transfer to BANORTE (buyer) from Banco del Centro, S. A., Institución de Banca Múltiple, Grupo Financiero Banorte (BANCEN - seller and related party) of the rights to receive cash flows from collecting the loans included in each contract, as well as from the sale of assets related to the aforementioned loans.

Certain contracts establish that the loans will continue to be the property of BANCEN or of Sólida Administradora de Portafolios, S. A. de C. V., (Sólida), and that these entities shall continue to be in charge of the administration, collection and loan recovery functions, with the logistical support of Sólida when stipulated in the contract. Finally, of the total cash flows received every month by BANCEN, the administrative expenses and collection costs and loan recoveries shall be deducted and with the remaining cash flow shall be applied in favor of BANORTE.

The contracts were effective as of December 1, 2004; the amounts paid for each contract were as follows (See Note 12):

Project	Type of portfolio	Month of acquisition	Amount of portfolio	Proportion purchased	Amount paid	Portfolio amount at December 31, 2004	Balance to be amortized at December 31, 2004
Bancrecer I	Mortgage	December 2004	Ps 1,333,000	27.55%	Ps 356,181	Ps 1,279,000	Ps 345,934
Serfin Santander	Mortgage and commercial	December 2004	1,314,000	29.32%	408,721	1,445,000	403,706
Bital I	Mortgage	December 2004	2,123,000	19.92%	423,252	2,114,000	421,256
Bancomer II	Commercial	December 2004	343,000	5.26%	17,826	272,000	17,736
Confia III	Mortgage	December 2004	491,000	25.27%	124,755	491,000	124,256
Bital II	Mortgage	December 2004	1,685,000	10.21%	170,431	1,685,138	171,533
Bancomer III	Mortgage	December 2004	807,000	25.53%	204,570	807,000	206,211
Total			Ps 8,096,000		Ps 1,705,736	Ps 8,093,138	Ps 1,690,632

The contracts will remain in effect until all loans are collected, recovered, restructured, or else until all assets related to such loans are sold or paid.

e. Sale of IPAB-Bancrecer portfolio to Banco JP Morgan S. A., Institución de Banca Múltiple , JP Morgan Grupo Financiero, División Fiduciaria (Banco JP Morgan).

On December 22, 2004, the IPAB-Bancrecer Promissory note (loan agreement entered into by and between the IPAB and the Bank of Mexico for the capitalization of BanCrecer) was sold for Ps45,940,406, to a trust created in Banco JP Morgan, transferring the rights to collect interest and principal, for the issuance of stock certificates (BANORCB 04) in the amount of Ps45,940,406, for a five-year period and with a TIIE daily average interest rate plus 0.40 basic points to be paid monthly, while the principal is payable in a lump sum, this reducing the FOBAPROA and IPAB portfolio of BANORTE at the end of the year by 83% overall. (See Note 9, paragraph a., number (3)).

The IPAB portfolio after this transaction amounted to Ps12,370,387 at December 31, 2004, of which Ps5,422,877 corresponded to the IPAB debt to BANORTE resulting from the purchase of Banpaís and BANCEN (shown in Loans to Government Entities) and Ps6,947,510 (see Note 10) corresponded to the exchange of FOBAPROA promissory notes of the new portfolio capitalization and purchase program for the notes payable by IPAB described in paragraph b. above.

This issuance received the following ratings: mxAAA, Aaamx and AAA(mex) from Standard & Poor´s, Moody´s and Fitch, respectively.

The proceeds received from the above transaction was paid to BANORTE, which used the majority of such proceeds to invest in through the acquisition of stock certificates (BANORCB 04) and to undertake repo transactions with qualified investors. At December 31, 2004, BANORTE maintained an amount of Ps44,296,652, under the item "Securities receivable from repo transactions", corresponding to stock certificates (BANORCB04) and representing 38% approximately of the total current position with respect to repo transactions with customers. BANORTE´s management accounted for this transaction as described in Note 3 ff. (Securitization).

Savings and Welfare division

Acquisition of shares of Generali México Compañía de Seguros, S. A.

On December 19, 2003, the HOLDING entered into a sale agreement of shares with the following entities: Maatschappij Graafschap Holland, N.V. (Participatie - company of Dutch origin), Assicurazioni Generali, S. A. (Generali - company of Italian origin) and Transocean Holding Corporation (Transocean - company of Northamerican origin) to acquire shares in the the capital stock of Generali México Compañía de Seguros, S. A. (Generali México).

The net payment made by the HOLDING amounted Ps84,290,220 (7.560 million US dollars), after the tax withholding, which amounted to US$90,000, representing 51% of the capital stock of Generali Mexico. As a result, goodwill was recognized amounting to Ps42,372 (3.771 million US dollars), which is included in the "Other assets, deferred charges and intangible assets" line item in the balance sheet.

In conformity with the share sale agreement, the HOLDING proceeded to make the full payment of such shares within a term not beyond December 29, 2003. Likwise, the acquisition of Generali México was funded by internal resources of the HOLDING, including resources in operating cash flow and dividends received from its subsidiaries.

Given that Generali México is an entity belonging to the Savings and Welfare division of the HOLDING, this acquisition was accounted for at the end of 2003 using the equity method and classified in the "Permanent investment in shares" item of the balance sheet in the amount of Ps48,352 (Ps 45,853 nominal value) (See Note 15). Furthermore, in a General Extraordinary Meeting held on March 30, 2004, the stockholders agreed to the merger of Seguros Banorte Generali, S. A. de C. V. (Seguros Banorte Generali), Grupo Financiero Banorte and Generali

México, effective as from April 1, 2004, with the latter as the surviving company. Consequently, Seguros Banorte Generali ceased to exist as an independent legal entity, incorporating all its assets and liabilities at March 31, 2004 to those of Generali México, the latter changing its name to Seguros Banorte Generali, S.A. de C.V. As a result of the above, between January 1 and March 31, 2004, Generali México recognized net income of $17,049, which was recorded in stockholders' equity under the item "Income from prior years" (see Note 26).

At May 20, 2004, the General Management of Insurances and Securities of the Ministry of Finance and Public Credit, through official letter 366-IV-350 731.1/32095, authorized the merger between Generali México, as the merging company and Seguros Banorte Generali, as the merged company, as well as the respective merger agreement entered into as of March 31, 2004. Such authorization established that the merging company shall be the universal assignee of all assets, rights and liabilities of the merged company.

NOTE 3 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying financial statements have been prepared in accordance with the accounting standards established by the COMMISSION through circular 1456, 1448, 1458 and 10-234 applicable to Financial Groups, Credit Institutions, Auxiliary Credit Organizations, and Broker-Dealers, respectively, which were updated in October 2000 by Circular 1489, 1488, 1490, effective January 1, 2001. These Circulars modify various accounting rules in order to add disclosure rules related to interim financial information. It also incorporates the concept of comprehensive income, changes the recording and valuation rules for past due mortgage loans and establishes rules for the recording, valuation, presentation and disclosure of investment securities, derivative financial instruments, loan portfolios, guarantees and related party transactions.

In the absence of a specific accounting rule from the COMMISSION, the following standards must be applied in order: Mexican Generally Accepted Accounting Principles ("MEX GAAP"), as issued by the Mexican Institute of Public Accountants ("MIPA"), International Financial Reporting Standards Boards ("IFRS") and United States Generally Accepted Accounting Principles ("US GAAP"), as issued by the Financial Accounting Standards Board ("FASB").

The financial statements of the HOLDING and its subsidiaries at December 31, 2004 are subject to the approval of the COMMISSION, which is empowered to require make any changes therein.

The most significant accounting policies, including the concepts, methods and criteria relative to the recognition of the effects of inflation on the financial information, are summarized below:

Consolidated financial statements

The accompanying consolidated financial statements include the financial statements of the HOLDING and its subsidiaries which pertain to the financial sector, including the retirement funds management company, companies that render supplementary or auxiliary services to banking institutions and real estate management companies. Permanent equity investments in mutual funds, as well as investments in insurance, bonding and pension fund companies are accounted for by the equity method, as the HOLDING has significant influence on their management. All significant transactions between companies have been eliminated for the purposes of these consolidated financial statements.

Summarized financial data of the significant unconsolidated subsidiaries is as follows:

Company	2004				
	Interest	Assets	Liabilities	Stockholders' equity	Net Income for the year
Fianzas Banorte, S.A. de C.V.	99.99	Ps 283,839	Ps 203,821	Ps 80,018	Ps 15,655
Seguros Banorte Generali, S.A. de C.V.	51.00	4,131,837	3,383,685	748,152	208,968
Pensiones Banorte Generali, S.A. de C.V.	51.00	5,861,204	5,637,319	223,885	27,676
Generali México Compañía de Seguros	51.00	-	-	-	-
Total		Ps 10,276,880	Ps 9,224,825	Ps 1,052,055	Ps 252,299

Company	2003				
	Interest	Assets	Liabilities	Stockholders' equity	Net Income for the year
Fianzas Banorte, S.A. de C.V.	99.99	Ps 252,893	Ps 151,794	Ps 101,099	Ps 9,295
Seguros Banorte Generali, S.A. de C.V.	51.00	2,666,141	2,271,150	394,991	155,076
Pensiones Banorte Generali, S.A. de C.V.	51.00	5,169,739	4,973,530	196,209	57,681
Generali México Compañía de Seguros	51.00	741,368	646,794	94,574	3,700
Total		Ps8,830,141	Ps 8,043,268	Ps 786,873	Ps 225,752

b. Recognition of the effects of inflation on the financial information

The HOLDING´s financial statements have been restated in terms of purchasing power as of the end of the most recent fiscal year, thus recognizing the effects of inflation through that date. The financial statements of prior years have been restated in terms of purchasing power at the end of the latest balance sheet period presented and therefore, amounts differ from those originally published. Consequently, the financial statements for all periods are comparable since they are all stated in currency of the same purchasing power.

To recognize the effects of inflation, the following procedures were followed:

Balance sheets:

Property, furniture and equipment were restated based on factors derived from the Investment Unit ("UDI") reference value.

Foreclosed assets are considered monetary assets and, therefore, their carrying value is not restated for inflation. They form part of the basis for calculating the HOLDING´s monetary gain or loss. Subordinated notes and permanent investments in entities which do not recognize the effect of inflation are considered monetary items.

Permanent investments are valued using the equity method of accounting under the specific cost method, and the difference between the restatement of the balance at the beginning of the period based on the restatement factor and the increase or decrease from applying the equity method is recognized as a gain (loss) from holding non-monetary assets.

Paid-in capital and earned surplus are restated based on the UDI factor, in order to maintain stockholders' equity in pesos of constant purchasing power.

The deficit in restatement of stockholders' equity represents the change in the specific level of prices of non-monetary assets vis-à-vis the UDI reference value.

Statements of income:

The consolidated statements of income for the years ended December 31, 2004 and 2003, are presented in purchasing power pesos as of December 31, 2004, for which the historical amounts for transactions are restated by a factor obtained by dividing the UDI reference value at December 31, 2004 by the UDI value at the date such transactions occured.

The gain or loss on monetary position represents the gain or loss, in real purchasing power terms, of the value of monetary assets and liabilities caused by inflation. It is calculated based on average daily balances. Depreciation of non-monetary assets is determined based on their restated value.

The annual average balance of monetary assets used in the determination of the gain (loss) on monetary position for the period amounted to Ps194,289,112 (Ps195,289,552 in 2003), and comprises the following items, among others: cash equivalents, investment securities, loan portfolio, debit balances in repo transactions, transactions with derivative financial instruments, other assets and prepaid expenses.

The annual average balance of monetary liabilities used in the determination of the gain (loss) on monetary position for the period amounted to Ps192,156,192 (Ps196,389,086 in 2003), and comprises the following items, among others: deposits, interbank and other entity loans, credit balances in repo transactions, income tax and employees' profit sharing payable, and subordinated notes.

In the other statements:

The statement of changes in financial position presents such changes in constant pesos, based on the financial position at the end of the prior year restated in terms of purchasing power at the end of the latest period.

c. Cash and cash equivalents

Cash and cash equivalents are recorded at nominal value, except for precious metals, which are valued at their fair value at year-end. Cash and cash equivalents in foreign currency are valued at the exchange rate published by BANXICO at the end of the year.

Cash and cash equivalents also includes the amount of short-term interbank loans (call money granted), when the term does not exceed three bank working days.

d. Investment securities

Investment securities include government and fixed income securities, and are classified as trading securities, available-for-sale securities and held-to-maturity securities. The latter are recorded at historical cost, plus the return from those securities calculated in accordance with the imputed interest or straight-line method, as the case may be, and recognized as earned in the statement of income as accrued. The classification of investments is determined according to the intention of the HOLDING's management as of the date of purchase. A transfer of securities between categories may occur.

Trading securities and available-for-sale securities are stated at their fair value (market value), which represents the amount for which an instrument can be traded between two willing independent parties. The fair value is determined based on prices provided by a price supplier authorized by the COMMISSION. The difference between the fair value and the historical cost plus accrued interest is recorded as income in the case of trading securities, and in stockholders' equity in the case of available-for-sale securities.

Held-to-maturity securities are recorded at their historical cost and the yields obtained are recorded in income for the year.

The HOLDING will not be able to capitalize or distribute the earnings derived from the valuation of any of its investment securities until these are collected in cash.

The transfer of securities between categories, requires the express authorization from the COMMISSION, except for transfers from available-for-sale securities to trading securities and transfers from held-to-maturity securities to any other category.

Upon transferring available-for-sale securities to trading securities, the accumulated effect of the "Gain (loss) from valuation of available-for-sale securities" is transferred to income for the year.

Available-for-sale securities are transferred to held-to-maturity securities. The amount of the "Gain (loss) from valuation of available-for-sale securities" is amortized to income over the remaining life of the securities.

e. Unassigned values pending payment

Through official letter 601-II-DGDEE-189001 dated December 19, 2001, the COMMISSION established the accounting treatment relative to range operations (not assigned nor paid) and value date (assigned but pending payment), carried out by banks, which is obligatory as of January 1, 2002, from which date, the HOLDING applied such accounting treatment to its financial statements.

Consequently, in range operations with BANORTE and BANCEN as the buyer, it recognizes an asset for the securities receivable and a liability for the payment commitment agreed, whereas when BANORTE and BANCEN acts as the seller, it recognizes an asset position for the collection right agreed and a liability for securities deliverable. The asset and liability representing securities receivable or deliverable are valued at their fair value, affecting income for the year. The asset and liability representing collection right or payment commitment agreed are recorded at nominal value. A net asset/liability position is shown in the balance sheet under "Unassigned values pending payment".

For value date transactions, BANORTE and BANCEN apply recording and valuation rules described in paragraph f. below, and they apply paragraph d. above for presentation purposes.

f. Repo transactions

Transactions relative to the trading of securities under a repo agreement are recorded at a previously agreed price. These transactions recognize a premium over the agreed price that is recorded in income as accrued and earned in accordance with the date of maturity of the agreement.

Repo transactions represent the trading of financial instruments, with the obligation for the HOLDING to resell or repurchase such financial instruments at a previously agreed price. These transactions recognize a premium on the agreed price, which is recognized in income as accrued; they are stated at present value and market value, respectively, recognizing the effects in income for the period. In repo transactions two positions are recorded, an asset position and a liability position, as described below:

i. When the HOLDING acts as the buyer, the asset represents the present value of the price at maturity, and the liability represents the market value of securities to be delivered.

ii. When the HOLDING acts as the seller, the asset represents the market value of the securities receivable, and the borrowing position represents the present value of the price at maturity.

The items denominated “Debit balances on repo transactions” and “Credit balances on repo transactions” represent the excess of the fair market value of the securities covered by repo transactions over the present value of the price at maturity when the HOLDING acts as seller or buyer, respectively. In order to comply with the presentation rules, the balance sheet shows an individual netting of the asset and liability position for each transaction carried out by the HOLDING. The debit or credit balances resulting from the aforementioned procedure are never offset, not even in the case of transactions with a single entity in which the HOLDING acts as both seller and buyer.

The debit and credit portions represented by the securities receivable or payable in the transactions are valued in conformity with the standards contained in Statement B-2 “Investment in Securities” of Circular 1488 issued by the COMMISSION, with reference to trading securities.

The effects of the valuation of asset and liability positions are recorded in income and are considered as unrealized gains or losses; consequently, they are not available for capitalization or distribution to the stockholders until they are realized in cash.

Additionally, the asset and liability positions, with the HOLDING acting as seller and buyer, are recorded in memorandum accounts.

Interest, premiums, gains and losses and the effects of valuation are presented in income for the year under the captions “Interest income”, “Interest expense” and “Brokerage Income, net”, respectively.

g. Derivative financial instruments

As of January 1, 2005, the standards contained in Statement C-10 “Derivative Financial Instruments and Hedging Transactions”, issued by the Mexican Institute of Public Accountants, became effective. This Statement establishes and details the recording, valuation and disclosure criteria applicable to all derivative financial instruments and hedging transactions, and requires evaluating the effectiveness of the hedge of risks covering fair value, cash flows and net investment in subsidiaries located abroad, and requiring that gains and losses on these instruments be recognized in the statements of income or stockholders’ equity.

The HOLDING’s management has a hedging position in its derivative financial instruments considered highly effective covering changes in the fair value or cash flows of these instruments, that range between 80% and 125% of inverse correlation.

In January 1, 2005, the HOLDING’s management carried out an evaluation of the effects that could result from the adoption of this new Statement and determined that they will not be significant.

The HOLDING considers contracts entered into with other primarily financial entities as derivative financial instruments, when they meet the following characteristics:

1. The price is determined in accordance with the price of one or more underlying assets.

2. One or more face amounts or payment provisions, or both, are incorporated.

3. The underlying face amounts or payment provisions, jointly with the specific characteristics of each contract, determine the settlement terms of each instrument. In some cases, such as call and put options, they determine whether or not a settlement is required.

4. Cash settlements are permitted or, if applicable, settlements are carried out by delivering an asset that places the other party in conditions similar to the effect of a cash settlement.

Derivative financial instrument transactions are recorded at their agreed value and valued in accordance with their intended use, whether for hedging or trading purposes.

The HOLDING has entered into the following derivative financial instruments and hedging transactions, recorded and valued at year-end as follows:

Trading transactions:

1. Forward contracts

   In this type of transaction, the buyer and seller record an asset and liability position. In the case of the buyer, the transaction is recorded and the fair value at which the parties are willing to carry out the transaction is recorded at year end. The liability at closing is maintained at face value. On the other hand, the seller records and values the transaction in the opposite way, that is, the asset is maintained at face value and the liability is recorded at fair value.

2. Futures contracts

At the time these contracts are entered into, an asset and liability are recorded for the face value of the contracts, and they are valued, on a daily basis, at fair value, and all changes in value are recognized in income.

3. Option contracts

When the HOLDING acts as the buyer of the option, it records the premium paid as an asset in securities and derivatives trading, and this is adjusted to fair value at each closing.

When the HOLDING issues the option, it records the cash received and a liability in securities and derivatives trading. The latter is adjusted to fair value at each closing.

4. Swaps

The Group records swap contracts that are held for trading purposes at the fair value of the cash flows receivable or payable.

In the case of derivative financial instruments denominated in foreign currency, the resulting amounts are translated into local currency using the exchange rate published by BANXICO.

Changes in the fair value of the cash flows receivable or payable are included in the statement of income under "Brokerage income".

Assets or liabilities arising from the valuation of these derivative financial instruments are shown on the balance sheet under the Securities and Derivatives Trading caption.

Hedging transactions:

1. Future and forward contracts

In this type of transactions, the buyer and seller each record an asset and liability. In the case of the buyer, the asset reflects the spot price (price or equivalent of underlying asset in the market); subsequently, the liability is valued is valued at the fair value of the underlying asset. The liability is maintained at the face value of the contract. On the other hand, the seller records and values the transaction in the opposite way, that is, the asset is maintained at face value and the liability is initially recorded at spot price and subsequently valued at the fair value of the underlying asset.

The difference between the face value and the spot price of the underlying asset is recorded as a deferred charge or credit and amortized by the straight-line method over the term of the contract.

2. Option contracts

When the HOLDING acts as the buyer of the option to cover an open risk position, it records the premium paid as an asset in Securities and Derivatives trading, and this is adjusted to fair value at each closing.

When the HOLDING issues the option or acts as the seller to cover an open risk position, it records the premium collected as a liability under Securities and Derivatives Trading, and this is adjusted to fair value at year end.

3. Swaps

For swap contracts that qualify as hedges, the HOLDING recognizes an asset (cash flow receivable) and a liability (cash flow payable) which are carried on the same basis of valuation as the underlying item being hedged, and which are shown as a net figure on the balance sheet.

In the case of derivative financial instruments denominated in foreign currency, the resulting amounts are translated into local currency using the exchange rate published by BANXICO.

Changes in the fair value of forward and future contracts that qualify as hedges are recorded if the underlying item being hedged is carried at market value.

Changes in the fair value of the cash flows receivable or payable are included in the same line of the statement of income in which the income from valuation of the primary position is recorded. Assets or liabilities arising from the valuation of derivative financial instruments are shown on the balance sheet together with the primary position of the item hedged.

The fair value of the derivative instruments held for trading as well as for hedging purposes, is determined by independent experts using formal valuation techniques.

BANXICO´s authorizations to operate derivative financial instruments:

By official letter no. S33/17007 dated June 16, 2004 (S33/16396 dated July 18, 2003), BANXICO authorized BANORTE to indefinitely act as a broker and to perform the following transactions in over-the-counter and/or recognized markets:

(1) Future and swap transactions on:

- Nominal or effective interest rates, involving securities issued or guaranteed by the Mexican Government or by foreign governments with respect to which there is a reference market rate or price.

- Foreign currencies, involving local currency against foreign currency and foreign currency against foreign currency.

(2) European option transactions on:

– Foreign currencies, involving local currency against foreign currency and foreign currency against foreign currency.

Further by official letter S33/17068 dated July 21, 2004, BANXICO authorized BANORTE, for a 180-day period, to perform the aforementioned option transactions over interest rates and options over interest rate swaps, for up to Ps7,000,000.

In addition, through official letter no. S33/17169 dated August 30, 2004 (S33/16397 dated July 18, 2003), BANXICO authorized BANCEN to indefinitely act as a broker and to perform the following transactions in over-the-counter and/or recognized markets:

(1) Future transactions on:

– Nominal or effective interest rates, under which securities issued or guaranteed by the Mexican Government or by foreign governments, are comprised with respect to which there is a reference market rate or price.

– Foreign currencies, comprising local currency against foreign currency and foreign currency against foreign currency.

(1) Swap transactions on:

– Nominal or effective interest rates, under which securities issued or guaranteed by the Mexican Government or by foreign governments, are comprised with respect to which there is a reference market rate or price.

h. Settlement accounts

When dealing with operations performed by the HOLDING regarding investment in securities, repo transactions, loans of securities and derivative financial instruments, once these transactions reach maturity and as long as the corresponding payment is not received as agreed in the respective contract, the amount of outstanding operations receivable or payable is recorded in settlement accounts.

Assets and liabilities are settled and their net amount are shown in the balance sheet when having the contractual right to settle recorded amounts while the company intends to pay them on a net basis or to realize the assets and pay the liabilities simultaneously or else financial assets and liabilities are of the same nature or arise from a single contract, have the same term of maturity and are paid simultaneously.

i. Loan portfolio

Loans and commercial instruments in effect or renewed are stated at nominal value in accordance with the LIC. Loans are granted based on an analysis of the financial position of the borrower, the economic feasibility of investment projects and the other general characteristics established by the LIC, as well as the manuals and internal policies of the HOLDING.

The loan portfolio balances shown in the balance sheet represent amounts effectively lent to borrowers plus uncollected accrued interest, less any interest collected in advance. The loan portfolio balance is presented net of the allowance for loan losses.

Loans are considered past due for the total unpaid balance when BANORTE has not received payment of interest or principal during the following periods of time:

- Loans payable in a single installment of principal and interest upon maturity, when 30 days or more days past due.
- Loans payable in a single installment upon maturity and periodic interest payments, when interest is 90 days or more past due, or principal is 30 days or more past due.
- Loans payable in periodic installments of principal and interest, when 90 days or more past due.
- Revolving loans, when they are two monthly billing periods or 60 days or more past due.
- Mortgage loans, when there are periodic installments of principal and interest 90 days or more past due.

The unpaid balances of the loans are also considered past due when the debtor is known to have been declared in bankruptcy in accordance with the Mexican Bankruptcy Law.

Interest is recognized as income as accrued. However, interest ceases to be recognized when the loans in question are transferred to the past due loan portfolio.

With respect to uncollected accrued ordinary interest corresponding to loans considered past due, an allowance is established in an amount equivalent to its total amount, when the loan is transferred to the past due loan portfolio.

As long as the loans are part of the past due portfolio, further accrued interest is accumulated in memorandum accounts. Such interest is recognized as income when collected.

As of 2004, in relation with the application of loan losses to income, the HOLDING's Management establishes that only qualified loan losses of risk degree "E" can be so applied, with 100% reserves constituted under the qualification rules established or including a specific reserve or a legal irrecoverability report at that date, when all administrative, extrajudicial and judicial collection efforts having been exhausted, or else, when it is practically impossible to recover the balance.

Commissions from loans granted are recognized in income when charged.

Restructured loans are considered as past due until sustained payment is evidenced, which is when banks receive the complete payment, without delay, for three consecutive monthly periods, or the collection of one installment in cases where the installment period is greater than 60 days.

Loans that are rolled over at maturity and for which the debtor has not paid the accrued interest and at least 25% of the original principal amount are categorized as past due until sustained payment is evidenced.

Auxiliary Credit Organizations and Activities Sector

The brokerage portfolio is recorded as follows:

- Assigned portfolio – The amount of the portfolio assigned to the subsidiary is shown as loan portfolio, reduced by the difference (appraisal) between the loan portfolio and the funded amount.

- Income from the acquisition of notes (interests) – It is calculated in advance, monthly, due and at the due date, and shown in the brokerage portfolio. Both are applied to income as accrued.

The financial leasing portfolio is recorded as follows:

- Financial leasing (capitalized) – It is recorded as a direct loan, considering the total amount of agreed rents as accounts receivable and considering the difference between such amount and the cost of leased goods as unrealized profits.

- Operating lease (pure) – It is represented by assets of the subsidiary given to third parties for their temporary use, for a determined period of time equal to or greater than six months. The rents from operating leases are recorded in income as earned.

j. Preventive allowance for loan losses

On August 20, 2004, the COMMISSION issued new General Rules applicable to the Methodology of Loan Portfolio Rating applicable to credit institutions (New Rules for the Rating of Loan Portfolios). These rules became effective as of December 1, 2004. The previous rules covering the rating of the commercial, mortgage, and consumer loan portfolio derived from credit card and consumer transactions for the acquisition of durable consumer goods contained in Circulars 1480, 1460, 1449 and 1493, respectively, obligatory until November 30, 2004, were superseded.

The New Rules for Loan Portfolio Rating establish general methodologies for the rating and constitution of preventive allowances for loan losses for each type of loan, and also allow credit institutions to rate and develop preventive allowances based on internal methodologies, previously authorized by the COMMISSION.

The Internal Loan Losses Rating (CIR Banorte – own methodology) implemented by the HOLDING, is focused on serving as a valuator of personal loan assets, as well as a tool to identify the different risk levels faced by each borrower through the assignment of an individual risk level. Likewise, it evaluates the financial, operating and credit viability of borrowers, it evaluates collaterals for the loans, serves as a basis to perform the quality migration analysis of the loan portfolio, estimates possible failure to comply and expected losses, unifies loan selection and authorization criteria determined by the HOLDING, respecting differences between industries and business segments, and determines the preventive allowances necessary for the portfolio loan losses.

Based on the aforementioned, the New Rules for the Rating of the Loan Portfolio cover mainly the following:

The procedure for the commercial loan portfolio rating establishes that credit institutions shall apply the methodology (general or internal) established, using information relative to the quarters concluding in March, June, September and December each year, and recording in the financial statements the preventive allowances at the date of such statements. Likewise, for the two months subsequent to the end of each quarter, the company shall apply the corresponding rating to the related loan used at the end of the prior quarter to the loan balance recorded on the last day of the aforementioned months. Any recovery of the previous loan losses portfolio should be applied to the preventive allowance for loan losses and not to the income for the year.

In the case of the consumer and mortgage loan portfolio, the rating procedure, constitution of preventive reserves and recording in the financial statements shall be carried out at month end, assuring that the company includes in its determination the elements referring to the accounting periods reporting non-conformity, the probability of noncompliance, the severity of the loss in proportion to its amount and the nature of loan guarantees.

The commercial loan portfolio rating is performed separately, including loans payable by a single debtor whose balance is equal to or higher than 900,000 UDIs at the date of the actual rating. Those loans for which the balance is below the aforementioned amount are rated in a parametrical manner, considering the months of the first noncompliance and assigning reserve percentages when dealing with a restructured or unrestructured loan portfolio. Up to November 30, 2004, the commercial loan portfolio rating was made separately for at least 80% of the balance of such portfolio, for which the balances were equal to or higher than 700,000 UDIs at the date of the actual rating. The remaining 20% was rated in a parametrical manner according to its historical payment behavior in the last four quarters.

The HOLDING applied the methodology for internal risk rating CIR-Banorte certified by the COMMISSION to the closing of the last quarter of 2004, in order to establish the debtor’s rating, except for loans granted to State and Municipal Governments and their Decentralized Agencies, in which case the HOLDING acted in accordance with the procedures established by the COMMISSION. At December 31, 2004 there were no material effects on the financial statements as a result of applying the new methodology.

The HOLDING constitutes additional preventive allowances of 100% for those loans granted without previously consulting a loan information company (Credit Bureau) or that, after consulting it, present past due debts. Likewise, the HOLDING’s Management can create estimates as deemed convenient if it concludes that the measurement process for loan losses requires it.

All portfolio write-offs, cancellations or discounts are charged to the preventive allowance for loan losses.

<u>COMMISION’s authorizations for rating models for proprietary credit loan portfolio</u>:

The COMMISSION issued official letters number DGSIF “A” 601-II-96079 (two-year period as from December 1, 2004), 601-II-34991 and 601-II-28584, dated December 1, 2004, May 19, 2004 and June 18, 2003, respectively, through which BANORTE was granted temporary consent (for the years ended December 31, 2004 and 2003, respectively) and conditioned to an internal rating model for the commercial portfolio.

In the case of BANCEN, the COMMISSION issued official letters number DGSIF “A” 601-II-96080 (two-year period as from December 1, 2004), 601-II-34992 and 601-II-28585, dated December 1, 2004, May 19, 2004 and June 17, 2003, respectively, through which it was granted temporary consent (for the years ended December 31, 2004 and 2003, respectively) and conditioned to an internal rating model for the commercial portfolio.

k. Loan portfolios

Loan portfolios acquired by BANORTE and BANCEN are recorded at their historic cost represented by the amounts actually paid for the transfer of the rights over the cash flows generated by these portfolios.

Additionally, the HOLDING capitalizes the interest expense and the monetary gain or loss associated with the financing of these acquisitions during the first three months after the purchase. During this time, the Holding also capitalizes the expenses originated by preoperative activities such as the reception of files and databases from the seller, assignment of cases to executives, adaptation and loading of data into the operating systems, notifications to debtors, etc. Once the preoperative stage has concluded and the portfolio collecting activities begin, these items are amortized in the proportion in which the associated asset (loan portfolio) is reduced, either by collections, debt forgiveness or write-offs or allowances for doubtful accounts. The HOLDING performs financial projections of future cash collections in order to determine the loan portfolios amortization. In accordance with the HOLDING's policies, loan portfolios are classified as long-term, although part of them is recovered or amortized in the short-term.

The HOLDING amortizes the loan portfolios cost in the proportion that the acquisition cost represents over the total nominal value of the portfolio. In addition, the amortization expense may be adjusted based on financial projections of future collections.

The HOLDING recognizes the amounts recovered as income. The costs associated with the collections are recognized as accrued.

l. Loss sharing with FOBAPROA

As discussed in Note 10, in accordance with the rules established by the COMMISSION, BANORTE recognizes the shared loss generated by its participation in FOBAPROA loan portfolio flows.

During the period from January to December 2004, BANORTE recognized provisions in income in the amount of Ps89,674 (Ps55,668 in 2003), relating to the loss sharing and incentives agreement based upon the FOBAPROA loan portfolio cash collections.

m. Other accounts receivable and payable

Amounts due from miscellaneous debtors and creditors of the HOLDING that have not been recovered or paid to within 60 or 90 days following their initial recording (depending on the type of balances involved), are charged to income, regardless of likelihood of eventual recovery or payment.

n. Impairment of Long-Lived Assets and their Disposal

As from January 1, 2004 the standards contained in Statement C-15 “Impairment of Long-Lived Assets and their Disposal” issued by the MIPA became effective. This Statement contains general standards covering the identification and recording of losses due to impairment or reduction in value of long-lived assets, tangible or intangible, including goodwill. The HOLDING’s management considers that except in the case of its real property and that owned by its real estate subsidiaries, it was not necessary to carry out a study to determine the impairment of long-lived assets, since there are other factors that indicate that there are no signs of impairment in such assets.

Regarding property, the HOLDING’s management has not prepared a formal plan to evaluate possible impairments, however, it has a profitability analysis of its branches, where those assets are located, and maintains a profitability criteria that allows to timely detect such cases, that when presented, are sold or written off in a short-term period.

With respect to foreclosed assets, these standards are not applicable due to the situation stated in paragraph p. and in Note 4 paragraph f.

o. Property, furniture and equipment

Property, furniture and equipment and installation expenses are stated at their restated value, determined by applying factors derived from UDIs to their historical cost.

Depreciation is calculated by applying the straight-line method based on the useful lives of assets estimated by the HOLDING´s management, on the historical cost as well as on increases from restatement.

The amount of the depreciation and amortization charged to income was Ps1,070,737 and Ps993,946 in 2004 and 2003, respectively.

p. Foreclosed assets

Foreclosed assets are recorded at the value at which they are assigned by the courts, which should be the lower of cost or net realization value. Assets received as debt settlements are recorded in a similar manner. In the event that the book value of the portfolio including the allowance for loan losses exceeds the value of the foreclosed assets, the amount of the allowance is adjusted.

Foreclosed assets are considered monetary items and are not subject to restatement for inflation.

The recorded value of these assets can be subsequently written down if there is sufficient evidence that the value at which the asset can be sold is lower than its carrying value.

Furthermore, with the issuance of the New Rules for Loan Portfolio Rating, credit institutions should create additional provisions on a quarterly basis to recognize the potential value losses from the passage of time in assets foreclosed judicially or extra-judicially or received as payment, both personal and real property, as well as collections rights and investment securities received as foreclosed assets or received in payment.

Additional provisions recognizing potential value losses due to the passage of time on foreclosed assets, both personal or real property, are determined in conformity with the following charts:

Personal property, collection rights and investment securities

Time elapsed since the allocation or transfer in payment (months)	Allowance %
Up to 6	0
More than 6 and up to 12	10
More than 12 and up to 18	20
More than 18 and up to 24	45
More than 24 and up to 30	60
More than 30	100

Real property

Time elapsed since the allocation or transfer in payment (months)	Allowance %
Up to 12	0
More than 12 and up to 24	10
More than 24 and up to 30	15
More than 30 and up to 36	25
More than 36 and up to 42	30
More than 42 and up to 48	35
More than 48 and up to 54	40
More than 54 and up to 60	50
More than 60	100

In this connection, the HOLDING's management adopted as of December 1, 2004, the New Rules for Loan Portfolio Rating issued by the COMMISSION and at December 31, 2004, this generated a charge to stockholders' equity, within the item "Prior Years Retained Earnings", in the amount of Ps516,215 and Ps7,893, as an accumulated initial financial effect derived from the first application of the New Rules, which is shown in the consolidated statement of changes in stockholders' equity and changes in financial position of BANORTE and BANCEN, respectively (see Note 13).

q. Leases

The HOLDING classifies leases as capital or operating based on whether or not the risks and benefits of ownership are transferred to the lessee.

r. Permanent stock investments

The HOLDING recognizes its investments in non-consolidated subsidiaries, as well as in associates, by using the equity method based on their book value in accordance with the last available financial statements of these entities. The difference between the investment balance at the beginning of the period, as restated for inflation, and the equity value of the investee at the end of the period is shown in the income statement as a gain or loss from holding non-monetary assets.

Equity gains (losses) in associated and affiliated companies for the year amounted to Ps222,325 and Ps211,609 in 2004 and 2003, respectively.

s. Goodwill

The goodwill represents the excess of the cost of shares of subsidiaries over their book value. This goodwill is stated at nominal value less the corresponding accumulated amortization. The goodwill is amortized by using the straight-line method and applying a 20% rate to the historical value.

As of the date Statement B-7 "Business Acquisitions" issued by the MIPA, becomes effective, goodwill is no longer amortized and its value is subject to annual impairment tests (see Note 16).

t. Intangible assets

Intangible assets are recognized on the balance sheet provided that they are identifiable, provide future economic benefits and such benefits are controlled. Intangible assets with an indefinite useful life are not amortized and intangible assets with a definite useful life are systematically amortized, based on the best expectation of future economic benefits. The value of these assets is subject to an annual impairment evaluation (see Note 16).

At December 31, 2004 and 2003, the adoption of the standards contained in Statement C-8 "Intangible Assets" issued by the MIPA had no significant effects on the financial position of the HOLDING.

u. Income tax and employees' profit sharing

Income tax and employees' profit sharing charged to income each year are determined based on the taxable income determined by the HOLDING, in conformity with current laws and regulations.

The HOLDING recognizes the effect of deferred taxes determined by the asset-and-liability method, in accordance with Statement D-4, "Accounting for Income Tax, Asset Tax and Employees´ Profit Sharing", issued by the MIPA, by comparing the accounting and tax values of the assets and liabilities at the balance sheet dates. Temporary differences arising from this comparison are multiplied by the tax rate in effect. Employees' profit sharing is calculated by taking into consideration the temporary differences of the year applying the corresponding tax rate, which will presumably result in future liabilities or benefits.

The net deferred tax effect is presented in the balance sheet as an asset under the caption "Deferred taxes".

v. Restructured loan trusts

Restructured loan trusts in UDIs are financially consolidated with the HOLDING.

w. Customer deposits

Customer deposits, including promissory notes with a yield payable at maturity, are recorded at the amount received plus accrued interest. Interest, determined at the end of each month according to the number of days elapsed, is recorded as accrued.

x. Labor liabilities

In accordance with the Mexican Federal Labor Law, the HOLDING is obligated to pay seniority premiums as well as other payments that employees may be eligible for in the event of dismissal under certain circumstances.

The HOLDING records seniority premiums, pension plan and retirement payments as accrued, as determined by actuarial calculations utilizing the projected unit credit method, and in accordance with standards contained in Statement D-3 "Labor Obligations", issued by the MIPA.

At December 31, 2004 and 2003, the HOLDING has recorded the minimum liabilities required in conformity with Statement D-3 to comply with obligations for pension plans and seniority premiums.

The HOLDING has an optional defined contribution pension plan, through which the entity contributing pre-established amounts of cash into a specific investment fund, in which the benefits of the employees will consist of the sum of such contributions, plus or minus the profits or losses from investment of such funds. The responsibility of the HOLDING in respect of these plans is limited to the payment of the defined contributions, and it would not normally be required to make supplementary contributions.

As of January 1, 2004, the HOLDING adopted in advance the amendments to Statement D-3 "Labor Obligations" (mandatory as of January 1, 2005) issued by the MIPA, incorporating valuation, presentation and registration rules for the recognition of obligations with respect to payments at the end of the labor relationship for reasons different from restructuring. The net cost for the period for this kind of payments amounted to Ps175,215 (BANORTE as the main subsidiary entity), recognized in income for the year. The adoption of these new amendments had no significant effect in the accompanying financial statements.

y. Liabilities, provisions, contingent assets and liabilities and commitments

Liabilities payable by the HOLDING and liability provisions recognized in the balance sheet represent current obligations requiring the probable use of economic resources to settle the obligation. These provisions have been recorded in the accounting, under the best reasonable estimate made by the HOLDING to pay the current obligation; however, actual payments may differ from recognized provisions.

Consequently, the HOLDING partially adopted (as described in the following paragraph), the standards contained in Statement C-9 "Liabilities, provisions, contingent assets and liabilities and commitments", issued by the MIPA, which establishes general rules for the valuation, presentation and disclosure of liabilities, provisions and contingent assets and liabilities, as well as for the commitments entered into by the HOLDING as part of its normal operations.

The adoption of this Statement had no material effect on the HOLDING's financial position, since the COMMISSION applies specific rules on liabilities relative to repo transactions, loans of securities, derivative financial instruments, leasing, deposits, interbank loans and other entity loans and for allowance on loan losses, other accounts receivable, discounted notes and guarantees granted.

z. Financial instruments with characteristics of liabilities, capital or both

Financial instruments issued by the HOLDING with characteristics of liabilities, capital or both, are recorded as from their issuance as liabilities, capital or both, depending on their components. Initial costs incurred for the issuance of such instruments are charged to liabilities and stockholders' equity in the same proportion as the amounts of their components. Losses and gains related to components of financial instruments classified as liabilities are recorded as part of the comprehensive financing cost. Distribution of yields to owners of financial instrument components classified as capital, is charged directly to a stockholders' equity account.

aa. Stockholders' equity

Capital stock, retained earnings and net income for the year represent the historical amounts restated by applying factors derived from the UDIs.

The deficit in restatement of stockholders´ equity represents the accumulated gain or loss on monetary position and the initial recognition of the impact of inflation on the financial information.

bb. Earnings per share

Basic earnings per share are determined by dividing the net income of the year by the weighted average shares outstanding during 2004 and 2003. At December 31, 2004 and 2003, there are no effects arising from potentially dilutive shares.

cc. Comprehensive income

Comprehensive income is represented by net income plus the gain (loss) from holding non-monetary assets , the effects of valuation of available-for-sale financial instruments, as well as those items that in accordance with specific rulings are shown in stockholders' equity and do not constitute contributions, reductions or distributions of capital. Comrpehensive income is restated for inflation based on the UDI reference values.

dd. Foreign currency position and investment units

Transactions denominated in foreign currency and UDI denominated transactions are recorded at the exchange rates or references values in effect on the date they are entered into. Assets and liabilities denominated in those currencies are stated in Mexican pesos at the exchange rates or references values in effect issued by BANXICO as of the balance sheet date. Differences arising from the exchange rate fluctuations between the transaction date and their settlement or valuation at year-end are recorded in income.

ee. Transfer of financial assets

Transfers of financial assets in which the HOLDING acts as a transferor and surrenders control over those financial assets are accounted for as a sale..

Transactions relative to the transfer of financial assets are classified as follows:

i) Transfer of ownership rights

When there is transfer of the ownership rights, the transferor does not maintain effective control over the transferred assets.Transferred financial assets, as well as the related rights and risks, are isolated from the transferor, even in the case of bankruptcy or any other contingency. In the event that the assignee is acting as a special purpose securitization company, the holders of the securities issued by the latter obtain the right to trade or negotiate these securities.

ii) Collateral loan

In this case, cash movements are recorded likewise the liabilities or accounts receivable at the contract price.

With respect to agreed collateral, the entity receiving the loan should reclassify the affected assets as restricted, whereas the entity granting the loan should record the collateral in memorandum accounts.

ff. Securitization

Through this transaction, the HOLDING through BANORTE, transfers specific financial assets to a securitization instrument, in order for the latter to issue securities to be placed among the general investment public, which represent the right to yields or to the product of the sale of transferred assets. As a consideration, the transferor may receive cash or securities in exchange.

Transactions including the characteristics mentioned in paragraph ee. above are considered a securitization with ownership transfer; consequently, the assigner eliminates the related assets from the accounting records.

If the transferor does not effectively transfer the ownership rights on the financial assets and maintains direct risk over them, the transaction is considered a secured borrowing. Consequently, the transferor does not eliminate the assets from its books but considers them as restricted assets.

Additionally, there are securitization transactions in which the transferor maintains the ownership over a proportion of the transferred financial assets and maintains the risks associated with such portion; consequently, in this case, the transferor only eliminates the transferred assets over which has effectively surrendered control.

gg. Use of estimates

The preparation of the consolidated financial information requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the amounts of revenues, costs and expenses included in the statement of income. Actual results could differ from those estimates and assumptions.

hh. Guarantees granted

The amount of guarantees granted is presented in memorandum accounts and is recognized on the balance sheet as part of the loan portfolio once there is evidence of noncompliance by the debtor, at which time the liability payable by the HOLDING is recognized. The origin of guarantees granted to the HOLDING is mainly from loan letters.

ii. Custody and administration of assets

The HOLDING records the transactions it carries on behalf of third parties in memorandum accounts, such as trading securities and derivative financial instruments, repo transactions and securities lending, as well as the contracts under which the HOLDING accepts responsibility for safeguarding assets.

jj. Trusts

Trust assets are recognized in memorandum accounts, based on the implied responsibility of the HOLDING to fulfill the purpose of the trusts. At December 31, 2004, the income generated from trusts arose to Ps$185,390 (Ps$183,856 in 2003).

NOTE 4 - SIGNIFICANT DIFFERENCES WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN MEXICO:

The financial statements have been prepared in conformity with the accounting practices established by the COMMISSION, which in general, are similar to national and international accounting standards, which facilitates the comparison of such financial information with any other international financial entity. However, there are still some differences with regard to MEX GAAP, which are summarized below:

a. Consolidation

The consolidated financial statements include only the subsidiaries belonging to the financial sector and those that render complementary or auxiliary services thereto, excluding subsidiaries from any other sectors. MEX GAAP require consolidating all the subsidiaries that belong to the reporting entity.

b. Available-for-sale securities valuation

The financial statements reflect changes in the available-for-sale securities valuation in stockholders' equity. MEX GAAP require that these changes be recognized in the statement of income.

c. Repo transactions

Repo transactions are recognized as trading transactions or as the temporary transfer of the securities that guarantee the transaction; however, they are not recognized as financing transactions. On the other hand, securities are stated at market value and the corresponding asset or liability at the present value of the price at maturity, instead of recognizing the accrued premium on a straight-line basis.

d. Other accounts receivable

Other accounts receivable outstanding for more than 60 days (when their origin is unknown) and 90 days (when their origin is known) are applied to income, regardless of the possibilities of collection or process relative to the clarification of liabilities. MEX GAAP require the creation of an allowance for doubtful accounts after the analysis and evaluation of the actual collection possibilities of accounts receivable.

e. Permanent stock investments

This item represents the investments in subsidiaries that do not belong to the financial sector (not consolidated). These investments are accounted for by applying the equity method. MEX-GAAP require the consolidation of all of the entities' subsidiaries.

f. Foreclosed assets

Property, furniture and equipment and securities allocated to the HOLDING for the recovery of outstanding loans are recorded at the lower of the value declared in the deed or at the value established in the transfer-in-payment agreements. Also, credit institutions must create additional provisions on a quarterly basis in conformity with the New Rules for the Rating of the Loan Portfolio, see Note 3 paragraph j.

MEX-GAAP require that these assets be recorded and stated at market value at the date of receipt, recognizing a gain or loss for the difference resulting against the allocated value. Also, a potential loss from impairment or reduction of value of a long-lived asset should be estimated in accordance with the standards contained in Statement C-15 "Impairment of Long-Lived Assets and their Disposal." See Note 3, paragraph n.

Additionally, in order to recognize the effects of inflation on the financial information, foreclosed assets are considered monetary assets; consequently, they form part of the calculation basis to determine the gain or loss on monetary position. MEX GAAP consider foreclosed assets to be non-monetary assets.

g. Estimates and provisions

In accordance with Circular 1488 of the COMMISSION, estimates and provisions with undetermined and/or unquantifiable purposes should not be created, increased or decreased against income for the year (which is consistent with Statement C-9 issued by the IMPC, see Note 3, paragraph y.), except for those corresponding to the preventive allowance for loan losses, in conformity with Statement B-6 of this circular. The "Preventive allowance for loan losses" includes the allowance determined in accordance with their portfolio rating, and additional allowances corresponding to "Excess in preventive allowance". MEX GAAP require that any additional provision or estimate be reversed if it is not likely to require the use of economic resources for the purpose for which it was set up; the COMMISSION has not established the mechanics for the handling and disposition of such excesses.

NOTE 5 - CONSOLIDATION OF FINANCIAL STATEMENTS:

The financial statements include the assets, liabilities and income of all consolidated subsidiaries. All balances and transactions with related parties have been eliminated in the consolidation.

At December 31, 2004 and 2003, the subsidiary entities which were consolidated in the HOLDING's financial statements were:

	Equity percentage	
	2004	2003
Subsidiaries		
Banco Mercantil del Norte, S.A. (BANORTE)	96.11 %	96.11 %
Banco del Centro, S.A. (BANCEN)	99.99 %	99.99 %
Casa de Bolsa Banorte, S.A. de C. V. (CASA DE BOLSA)	99.99 %	99.99 %
Arrendadora Banorte, S.A. de C. V. (ARRENDADORA)	99.99 %	99.99 %
Factor Banorte, S.A. de C. V. (FACTOR)	99.99 %	99.99 %
Almacenadora Banorte, S.A. de C. V. (ALMACENADORA)	99.99 %	99.99 %

The amounts of the balance sheets of consolidated subsidiaries are summarized below:

	2004				2003
	Assets	Liabilities	Income of the year	Stockholders´ equity	Stockholders´ equity
Banco Mercantil del Norte, S. A.	Ps168,253,663	Ps157,790,183	Ps 1,853,936	Ps10,463,480	Ps 9,907,415
Banco del Centro, S. A.	5,465,746	1,337,141	534,096	4,128,605	3,692,711
Casa de Bolsa Banorte, S. A. de C. V.	635,044	112,093	76,584	522,951	457,158
Arrendadora Banorte, S. A. de C. V.	2,206,939	2,015,356	40,746	191,583	208,741
Factor Banorte, S. A. de C. V.	3,055,875	2,803,206	40,648	252,669	222,242
Almacenadora Banorte, S. A. de C. V.	240,276	149,111	16,751	91,165	79,312
Total	Ps179,857,543	Ps164,207,090	Ps 2,562,761	Ps15,650,453	Ps14,567,579

NOTE 6 - CASH AND CASH EQUIVALENTS:

At December 31, 2004 and 2003, cash and cash equivalents per type of currency were as follows:

	Local Currency		Foreign Currency Converted		Total	
	2004	2003	2004	2003	2004	2003
Cash	Ps 4,870,494	Ps 6,192,319	Ps 618,822	Ps 527,332	Ps5,489,316	Ps 6,719,651
Deposits with:						
Foreign banks	-	-	8,268,405	1,378,347	8,268,405	1,378,347
Domestic banks	310,466	479,159	59,628	80,363	370,094	559,522
Deposits in BANXICO (1)	21,915,997	17,785,295	11,335	18,076	21,927,332	17,803,371
Call money	3,001,006	4,218,035	44,607	236,994	3,045,613	4,455,029
Others deposits and cash equivalents (2) (see Note 30)	65,843	113,247	198,319	1,389,761	264,162	1,503,008
Total	Ps 30,163,806	Ps 28,788,055	Ps9,201,116	Ps3,630,873	Ps39,364,922	Ps32,418,928

The balances of cash and cash equivalents as of December 31, 2004 and 2003, amounted to US$825,249,000 (US$303,374,000 in 2003).

(1) These amounts constitute interest-earning assets in terms of the monetary policy issued by BANXICO in 1999, bearing interest at a monthly rate equal to the Weighted Average Adjusted Daily Funding Rate at 28 days.

(2) It includes Ps62,816 (Ps116,917 in 2003) corresponding to the value of notes supporting the flow of remittances in transit pending collection; therefore, it is considered as a restricted asset at the end of each month and year.

NOTE 7 - INVESTMENT SECURITIES:

These investments are subject to several types of risks. The main risks that can be associated with investment securities are related to the market in which they are traded, interest rates associated with the term, exchange rates and inherent credit and market liquidity risks.

Risk management policies, as well as the analysis of risks that the HOLDING is exposed to, are discussed in Note 31.

The investment securities positions are summarized as follows:

a. Trading securities

	2004					2003
Instrument	Securities	Market value	Acquisition cost	Interest	Surplus or (deficit)	Market value
Commercial paper	102,030,000	Ps 1,136,962	Ps 1,135,346	Ps 1,649	(Ps 33)	Ps 920,036
Federal Treasury Certificates	374,985,788	3,692,275	3,600,687	96,832	(5,244)	2,057,959
Bank bonds	5,671,108,839	5,171,271	5,151,982	22,482	(3,193)	6,188,581
Shares	18,825,430	61,121	55,000	-	6,121	35,001
BPAS	210,992	21,109	21,007	102	-	11,111

GEO	602,100	63,205	60,210	2,995	-	67,384
Brems	-	-	-	-	-	2,715
Stock certificates (1)	2,747,642	426,593	424,079	1,481	1,033	318,547
Government bonds	12,638	416	416	-	-	20,136
Foreign investment	4,662,477	70,983	65,919	-	5,064	84,140
Variable income investment	-	-	-	-	-	37,235
Other	-	2,220	2,220	-	-	8,674
Hedging swaps	-	3,664	3,664	-	-	-
Total	6,175,185,906	Ps10,649,819	Ps10,520,530	Ps125,541	Ps 3,748	Ps9,751,519

(1) Includes Ps90,220 from the issuance of Stock Certificates (BANORCB 04) (see Notes 2e. and 3ff.).

At December 31, 2004, the agreed terms of these investments (stated at historical cost) were as follows:

Instrument	From 1 to 179 days	From 6 to 12 months	From 1 to 2 years	More than 2 years	Total a acquisition cost
Commercial paper	Ps 1,135,346	Ps -	Ps -	Ps -	Ps 1,135,346
Federal Treasury Certificates	3,600,687	-	-	-	3,600,687
Bank bonds	5,151,982	-	-	-	5,151,982
Shares	55,000	-	-	-	55,000
BPAS	-	-	21,007	-	21,007
GEO	-	60,210	-	-	60,210
Stock Certificates	-	-	-	424,079	424,079
Government Bonds	416	-	-	-	416
Foreign investment	65,919	-	-	-	65,919
Other	2,220	-	-	-	2,220
Hedging swaps	3,664	-	-	-	3,664
Total	Ps 10,015,234	Ps 60,210	Ps21,007	Ps424,079	P 10,520,530

b. Available-for-sale securities

	2004					2003
Instrument	Securities	Market value	Acquisition cost	Interests	(Deficit) or surplus	Market value
Eurobonds	68,500,000	Ps 242,423	Ps 762,332	Ps31,736	(Ps551,645)	Ps 104,076
United Mexican States (UMS)	-	-	-	-	-	148,884
Total	68,500,000	Ps 242,423	Ps 762,332	Ps 31,736	(Ps551,645)	Ps 252,960

In March 2001, the HOLDING (through BANORTE) received authorization by the COMMISSION to reclassify its portfolios of “Eurobonds” from the category of “Held-to-maturity securities” to “Available-for-sale securities”.

At December 31, 2002, BANORTE held an aggregate of US$68.5 million of Eurobonds issued by AHMSA and CYDSA, which mature in 2002, 2004, and 2009. An estimated loss allowance was established as of December 2001 in the amount of US$60.1 million (including US$6 million corresponding to CYDSA). The effect of the valuation is recognized in stockholders' equity under "Valuation gain (loss) on available-for-sale securities". Derived from the aforementioned, BANORTE's Management recognized this amount in 2002 in "Income from prior years". Within the Eurobonds issued by AHMSA, the AHMSA 02 series amounting to US$40 million matured in April 2002 and are 100% reserved.

Furthermore, by authorization of the COMMISSION, effective May 1999 interest ceased to be accrued on AHMSA's Eurobonds, which totaled US$2.9 million at that date. In the case of CYDSA's Eurobonds, BANORTE suspended the accrual of interest as from 2001. As from 2002 it ceased to record them in income.

The amount of accumulated accrued interest not recorded at December 31, 2004 and 2003, from AHMSA and CYDSA's Eurobonds, was US$22 million and US$21 million, respectively.

At December 31, 2004, the Eurobonds of AHMSA and CYDSA registered a decrease in value amounting to US$1.3 million, which was recognized under "Gain (loss) from valuation of available-for-sale securities" within the stockholders' equity. In 2003, the decrease in value amounted to US$1.3 million, which were recorded under "Result from valuation" within the income for the year. The HOLDING's Management estimates that the permanent depreciation of these securities has already been recognized with the corresponding charge to income in the appropriate periods; consequently, the valuation (which amounted to US$49.5 and US$8.8 million in 2004 and 2003, respectively at market value) complies with the rules established for "available-for-sale securities"

c. Held-to-maturity securities

	2004			2003
Instrument	Acquisition cost	Accrued interest	Net value	Net value
Special Federal Treasury Certificates	Ps 1,605,195	Ps 10,736	Ps1,615,931	Ps6,388,056
Azteca Strip Bonds	177,620	229	177,849	244,116
Myra Bonds	3,275	40	3,315	6,954
Fiduciary rights	26,279	-	26,279	27,931
United Mexican States (UMS)	7,910,556	267,069	8,177,625	6,527,686
Fiduciary securities in UDIs (see Note 30)	(1,100,991)	-	(1,100,991)	(2,664,267)
PEMEX Bonds	1,783,318	18,384	1,801,702	1,085,972
Hedging swaps (see Note 8)	(1,696,252)	-	(1,696,252)	(1,738,506)
Other securities	348	-	348	368
Total	Ps 8,709,348	Ps 296,458	Ps 9,005,806	Ps9,878,310

At December 31, 2004, the terms of these investments were as shown below:

Instrument	From 1 to 179 days	From 6 to 12 months	From 1 to 2 years	More than 2 years	Total acquisition cost
Special Federal Treasury Certificates	Ps -	Ps -	Ps -	Ps 1,605,195	Ps 1,605,195
Azteca Strip Bonds	-	177,620	-	-	177,620
Myra Bonds	3,275	-	-	-	3,275
Fiduciary rights	26,279	-	-	-	26,279
United Mexican States (UMS)	7,910,556	-	-	-	7,910,556
Fiduciary securities in UDIs	(1,100,991)	-	-	-	(1,100,991)
PEMEX Bonds	89,954	1,693,364	-	-	1,783,318
Hedging swaps	(4,148)	(4,052)	(166,908)	(1,521,144)	(1,696,252)
Other securities	348	-	-	-	348
Total	Ps 6,925,273	Ps 1,866,932	(Ps166,908)	Ps 84,051	Ps 8,709,348

NOTE 8 - SECURITIES AND DERIVATIVES TRADING:

a. Unassigned securities pending liquidation

At December 31, 2004, the HOLDING has no unassigned securities pending liquidation. At December 31, 2003, the unassigned securities pending liquidation of the HOLDING comprised the following:

Concept	Number of securities	Acquisition cost	Market value gain	(Loss)	Position Asset	Position Liability
Purchases						
Government securities	21,920,000	Ps 1,423,712	Ps 1,422,620	(Ps1,092)	Ps 33	Ps1,125
Sales						
Bank bonds	500,000	Ps 52,128	Ps 52,209	Ps 81	-	81
Government values	10,340,000	1,152,365	1,151,034	(1,331)	1,333	2
	10,840,000	Ps1,204,493	Ps1,203,243	(Ps1,250)	1,333	83
Net position					Ps 1,366	Ps1,208

b. Repo transactions

The asset and liability positions of repo transactions in the HOLDING´s balance sheet are summarized as follows:

	2004				
Concept	Securities receivable	Payables under repo agreements	Difference	Position Asset	Position Liability
Sales					
Bank bonds	Ps 5,667,151	Ps 5,666,816	Ps 335	Ps 1,415	Ps 1,080
Private bonds	44,446,778	44,444,295	2,483	3,730	1,247
Government securities	95,469,190	95,471,163	(1,973)	43,489	45,462
	Ps 145,583,119	Ps145,582,274	Ps 845	48,634	47,789
	Receivables under repo agreements	Securities deliverable			
Purchases					
Bank bonds	Ps 2,208,686	Ps 2,208,742	(Ps 56)	PS 26	Ps 82
Government securities	48,802,638	48,829,611	(26,973)	1,571	28,544
	Ps 51,011,324	Ps 51,038,353	(Ps 27,029)	1,597	28,626
Net position				Ps 50,231	Ps 76,415

	2003				
Concept	Securities receivable	Payables under repo agreements	Difference	Position Asset	Position Liability
Sales					
Bank bonds	Ps 24,648,935	Ps24,640,735	Ps 8,200	Ps 9,199	Ps 999
Government securities	61,499,850	61,679,412	(179,562)	42,726	222,288
	Ps 86,148,785	Ps86,320,147	(Ps 171,362)	51,925	223,287
	Receivables under repo agreements	Securities deliverable			
Purchases					
Bank bonds	Ps 3,089,270	Ps 3,088,968	Ps 302	302	-
Government securities	22,586,239	22,587,912	(1,673)	1,516	3,189
	Ps 25,675,509	Ps 25,676,880	(Ps 1,371)	1,818	3,189
Net position				Ps 53,743	Ps 226,476

The repo transactions carried out by the HOLDING are summarized below:

HOLDING as seller

Instrument	2004 Securities receivable	2004 Payables under repo agreements	2004 Difference	2003 Securities receivable	2003 Payables under repo agreements	2003 Difference
Bank bonds:						
Promissory notes	Ps 4,587,184	Ps 4,586,809	Ps 375	Ps24,358,570	Ps24,350,003	Ps 8,567
Bank bond	71,588	71,581	7	290,365	290,732	(367)
Cedes	1,008,379	1,008,426	(47)	-	-	-
	5,667,151	5,666,816	335	24,648,935	24,640,735	8,200
Private bonds:						
Private paper	44,446,778	44,444,295	2,483	-	-	-
Government securities:						
Federal Treasury Certificates	69,424	69,420	4	9,423,019	9,423,244	(225)
Brems	446,805	446,777	28	12,829,604	12,830,241	(637)
Tribondes	506,086	506,097	(11)	3,289,209	3,286,234	2,975
Bondes 91	-	-	-	2,293,406	2,293,431	(25)
Bondes 182	5,518,159	5,515,812	2,347	222,290	225,141	(2,851)
Government bonds	34,067,163	34,052,939	14,224	17,891,403	18,065,822	(174,419)
IPAB bonds	29,958,042	29,945,787	12,255	3,302,155	3,301,812	343
IPAB tribonds	23,908,151	23,939,058	(30,907)	12,248,764	12,253,487	(4,723)
IPAB semiannual bonds	995,360	995,273	87	-	-	-
	95,469,190	95,471,163	(1,973)	61,499,850	61,679,412	(179,562)
Total	Ps145,583,119	Ps145,582,274	Ps 845	Ps86,148,785	Ps86,320,147	(Ps 171,362)

The HOLDING as the selling entity, recorded accrued premiums recognized in income of Ps7,940,634 (Ps5,504,291 in 2003).

The terms of repo transactions performed by the HOLDING as the selling entity, range from 3 to 91 days (between 2 and 182 days in 2003).

HOLDING as buyer

Instrument	2004 Receivables under repo agreements	2004 Securities payable	2004 Difference	2003 Receivables under repo agreements	2003 Securities payable	2003 Difference
Bank bonds:						
Promissory notes	Ps 2,208,686	Ps 2,208,742	(Ps 56)	Ps 1,815, 783	Ps 1,815,735	Ps 48
Bank bond	-	-	-	111,543	111,357	186
Cedes	-	-	-	1,161,944	1,161,876	68
	2,208,686	2,208,742	(56)	3,089,270	3,088,968	302
Government securities:						
Federal Treasury Certificates	11,026	11,026	-	4,161,972	4,161,273	699
Brems	431,159	431,373	(214)	105,450	105,746	(296)
Tribondes	502,741	502,793	(52)	3,293,866	3,287,485	6,381
Bondes 182	5,512,879	5,514,331	(1,452)	171,950	167,583	4,367
Government bonds	28,250,544	28,259,911	(9,367)	6,429,957	6,442,539	(12,582)

IPAB bonds	10,103,717	10,116,767	(13,050)	8,413,413	8,413,643	(230)
IPAB tribonds	2,996,595	2,998,050	(1,455)	9,631	9,643	(12)
IPAB semiannual bonds	993,977	995,360	(1,383)	-	-	-
	48,802,638	48,829,611	(26,973)	22,586,239	22,587,912	(1,673)
Total	Ps51,011,324	Ps51,038,353	(Ps 27,029)	Ps25,675,509	Ps25,676,880	(Ps 1,371)

The HOLDING as the buying entity, recorded accrued premiums recognized in income of Ps3,786,788 (Ps7,955,777 in 2003).

The terms of repo transactions performed by the HOLDING as the buying entity, range from 3 to 28 days (between 2 and 181 days in 2003).

c. Derivative financial instruments

Derivative transactions entered by the HOLDING include forwards, swaps and option contracts.

The HOLDING's management follows the policy of trading derivative instruments to hedge its own position. It further trades on the money market, by hedging money market risk positions, anticipating changes in interest rates and taking maximum care of the stockholders' and customers' capital (see Note 31).

Based on the aforementioned, the HOLDING documents its transactions with derivative financial instruments under the following guidelines:

Interest rate swaps:

The accounting model is a cash flow hedge, where the transaction subject to hedging is the interest income (expense). It is not performed at market value, since it covers fixed rate portfolio or issuance of promissory notes, which recognize an income/expense based on accrued interest. Likewise, the credit portfolio subject to hedging (primary position to be hedged) is packaged into sub-portfolios with similar term and flow characteristics. The fair value of loan portfolios, as well as of the derivative financial transactions hedging them, maintain a significant inverse correlation.

Exchange rate swaps:

The accounting model is a cash flow hedge, where the transaction subject to hedging is the exchange gain (loss). It is not performed at market value, since it covers 100% of the initial loan portfolio. This avoids the need to periodically evaluate its effectiveness, since there is a perfect inverse correlation.

At December 31, 2004, the HOLDING has evaluated the effectiveness of derivative financial transactions with hedging purposes and has concluded that they range from 80% to 125% in inverse correlation.

As of December 31, 2004 and 2003, derivative financial instrument positions were summarized as follows:

	2004		
Instrument	Cash receivable flows	Cash payable flows	Net flows

Swaps

Cross currency	Ps -	Ps -	Ps -
Interest rate	(42,004)	47,445	5,441
Net asset position	(Ps 42,004)	(Ps 47,445)	Ps 5,441

Instrument	Purchase	Sale	Net
Foreign currency forwards:			
Market value	Ps 685,694	(Ps 686,135)	Ps 441
Agreed price	(688,758)	696,056	7,298
Net position	(3,064)	9,921	7,739

	Opening premium	Valued premium	Valuation
Foreign currency options:			
Premium collected	Ps 1,122	(Ps 647)	Ps 475
Options and futures contracts: Hedging of trading			591
Net liability position			$ 8,805

	2003		
Instrument	Cash receivable flows	Cash payable flows	Net flows
Trading swaps:			
Cross currency	Ps 825	(Ps 1,192)	(Ps 367)
Interest rate	4,037	(627)	3,410
Net asset position	Ps 4,862	(Ps 1,819)	Ps 3,043

Instrument	Purchase	Sale	Net
Foreign currency forwards:			
Market value	Ps 2,977,104	(Ps 40,604)	Ps 2,936,500
Agreed price	(2,989,438)	40,634	(2,948,804)
Net position	(12,334)	30	(12,304)

	Opening premium	Valued premium	Valuation
Foreign currency options:			
Premium collected	(Ps 527)	Ps 195	(Ps 332)
Options and forwards contracts: Hedging of trading			(213)
Net liability position			(Ps 12,849)

At December 31, 2004 face amounts of derivative financial instrument contracts by type of instrument and underlying value were summarized as follows:

Trading swaps

Instrument	Nominal Assets	Nominal Liabilities	Flow payable	Flow receivable	Net flows
Cross Currency (interest rate)	Ps7,759,000	Ps7,759,000	Ps25,814	Ps25,367	(Ps 447)

Transactions carried out by the HOLDING for trading purposes are focused on providing a service to the customer who needs hedging.

Hedging swaps

Instrument	Nominal Assets	Nominal Liabilities	Flow payable	Flow receivable	Net flows
Hedging investment securities and loan portfolio	Ps31,313,251	Ps32,815,327	Ps370,556	Ps148,990	(Ps221,566)

Note: Hedged primary position: Loan portfolio in US dollars

Type of risk assumed: Market and liquidity from determination of exchange rate.

The HOLDINGS's hedging transactions include foreign currency and interest rate swaps. Foreign currency swaps expire between 2003 and 2011. Interest rate swaps expire between 2003 and 2017, in order to offset the financial risk of the HOLDINGs fixed rate long-term loans.

The accounting value of the collateral required to comply with obligations corresponding to interest rate swap contracts at December 31, 2004 amounts to Ps14,556 (Ps15,817 in 2003), represented by debt instruments (treasury certificates). In the case of foreign currency swaps, the value of collateral at December 31, 2004, was US$832,602,000 and $27,090,000 EUROS, represented by debt instruments (UMS and PEMEX) (see Note 7 c.)

At December 31, 2004, the impact in income from derivative financial instruments of the HOLDING used for hedging purposes, was a net gain of Ps165,261.

NOTE 9 - LOAN PORTFOLIO:

I. Credit Management.

The credit management process is documented through internal manuals prepared by the HOLDING, which must be observed by all personnel. With respect to the administrative control of the portfolio, it is performed by the following areas: I. Business Management (Corporate Banking, Commercial Banking, Entrepreneurial

Banking, Government Banking and Consumer Banking) mainly through the network of branches, II. Operating Management and III. General Direction of Comprehensive Risk Management.

The manuals set forth the policies and procedures established to determine credit risk management.

The process structure comprising credit management is divided into the following stages:

1. Product Design
2. Promotion
3. Evaluation
4. Formalization
5. Operation
6. Management
7. Recovery

There are programmed procedures which assure that the amounts applicable to past due portfolio are transferred and recorded in the accounting at the proper time and commercial loans with recovery problems are identified.

The Treasury of the HOLDING is the central unit in charge of leveling the need for resources, eliminating the risk rate of placement operations at fixed rates through the use of hedging and implementing arbitrage strategies.

II. Loan Portfolio Rating

In conformity with the New General Rules Applicable to the Rating Methodologies of the Loan Portfolio of Credit Institutions Published in the Official Gazette on August 20, 2004, the HOLDING rated the loan portfolio (commercial, mortgage and consumer) based on figures at December 31, 2004 (for the year 2003, the HOLDING applied the rules contained in Circulars 1480, 1460, 1449 and 1493).

The portfolio rating was determined by considering the loan portfolio balance at the end of the corresponding month, establishing for each portfolio segment the risk degrees and preventive allowances in conformity with the following:

Commercial loan portfolio:

The rating is determined by evaluating the following aspects, among others:

- The credit quality of the debtor and
- The loans, in relation with the value of guarantees or the value of assets in a trust or in schemes commonly known as “structured”, when necessary.

The commercial portfolio segment comprises loans granted to Entrepreneurial and Corporate groups, State Governments, Municipal Governments and their Decentralized Organisms, as well as loans to Companies of the Financial Sector.

<u>Commercial loan portfolio rating - loans equal to and higher than 900,000 UDIS</u>:

The HOLDING applied the methodology of internal risk rating CIR Banorte certified by the COMMISSION to establish the rating of the debtor, except for loans granted to State and Municipal Governments as well as their Decentralized Agencies, for which the HOLDING followed the procedure established by the COMMISSION.

Upon evaluating the credit quality of the debtor through the CIR Banorte, the following risks and payment experience were rated in a specific, independent manner:

Risk Criteria	Risk Factors
1. Financial risk	1. Financial structure and payment capacity 2. Financing sources 3. Management and decision making 4. Quality and timeliness of financial information
2. Industry risk	5. Positioning and market share - Objective Markets - Risk Acceptance Criteria
3. Credit experience	6. Credit experience
4. Country risk	7. Country risk

Each risk factor is analyzed through descriptive evaluation charts for which the results indicate the rating of the debtor that has to be matched to the risk degrees established by the COMMISSION.

CIR Banorte	Risk level description	COMMISSION
1	Substantially without risk	A1
2	Under the minimum risk	A2
3	Minimum risk	
4	Low risk	B1
5	Moderate risk	B2
6	Average risk	B3
7	Risk requiring management's attention	C1
8	Potential partial loss	C2
9	High loss percentage	D
10	Total loss	E

In conformity with the result of the debtor rating, loans were rated in relation to the value of guarantees or the value of assets in trusts or schemes commonly known as "structured", adjusting them to the portion covered by guarantees and, in certain cases, exposed to the risk degree and corresponding place in the following table.

Table of places within the levels of Preventive Allowances

Risk Degrees	Lower	Intermediate	Upper
A-1		0.5%	
A-2		0.99%	
B-1	1.0%	3.0%	4.99%
B-2	5.0%	7.0%	9.99%
B-3	10.0%	15.0%	19.99%
C-1	20.0%	30.0%	39.99%
C-2	40.0%	50.0%	59.99%
D	60.0%	75.0%	89.99%
E		100%	

Loan portfolio rating for state and municipal government sector and their decentralized agencies:

After evaluating the risk degree of federal entities, municipalities, and other decentralized agencies, the HOLDING referred to basic ratings assigned by one of the rating agencies authorized by the COMMISSION to locate the risk degree in accordance with the following:

Rating Agencies (Equivalent ratings)				
FITCH	MOODY'S	S & P	Distance points	Risk degrees
AAA	Aaa	AAA	0	
AA+	Aa1	AA+	1	A1
AA	Aa2	AA	2	
AA-	Aa3	AA-	3	A2
A+	A1	A+	4	
A	A2	A	5	B1
A-	A3	A-	6	
BBB+	Baa1	BBB+	7	B2
BBB	Baa2	BBB	8	
BBB-	Baa3	BBB-	9	B3
BB+	Ba1	BB+	10	
BB	Ba2	BB	11	C1
BB-	Ba3	BB-	12	
B+	B1	B+	13	
B	B2	B	14	C2
B-	B3	B-	15	

CCC	Caa	CCC	16	D
CC	Ca	CC	17	
C	C	C	18	E
D/E		D	19 or more	

In conformity with the result of the rating, the HOLDING used a procedure referred to in the New Rules to determine the preventive allowances in accordance with the following table.

Table of Preventive Allowances (Percentages)

Distance points	Risk degrees	% of allowances
0	A1	0.5%
1		
2		
3	A2	0.99%
4		
5	B1	2.5%
6		
7	B2	5%
8		
9	B3	10%
10		
11	C1	20%
12		
13	C2	50%
14		
15		
16	D	75%
17		
18	E	100%
19 or more		

Rating of commercial loan portfolio – loans under 900,000 UDIS:

In order to determine the risk degree and preventive allowances for the commercial portfolio segment under 900,000 UDIS, the HOLDING used the parametrical model designed by the COMMISSION, stratifying the portfolio in accordance with the number of payments reporting noncompliance with the total or partial payment at the rating date, classifying it in conformity with the following:

i. The loans that have never been restructured were provisioned based on percentages corresponding to the column identified as “Portfolio 1.”

ii. Loans restructured in the past were provisioned using the percentages of the column identified as "Portfolio 2".

The HOLDING determined the preventive allowances resulting from applying the percentages shown below, according to the type of portfolio, to the total unpaid amount of the loan at the date of the evaluation, as follows:

Provisioning Percentage

Months since the first noncompliance	Percentage of Preventive Allowance Portfolio 1	Percentage of Preventive Allowance Portfolio 2
0	0.5%	2%
1	15%	30%
2	30%	40%
3	40%	50%
4	60%	70%
5	75%	85%
6	85%	95%
7	95%	100%
8 or more	100%	100%

Subsequently, the HOLDING classified the preventive allowance in accordance with the following table:

Risk Degree	Percentage of Preventive Allowance
A-1	0% to 0.50%
A-2	0.51% to 0.99%
B-1	1% to 4.99%
B-2	5% to 9.99%
B-3	10% to 19.99%
C-1	20% to 39.99%
C-2	40% to 59.99%
D	60% to 89.99%
E	90% to 100%

Mortgage loan portfolio:

In order to determine the rating of this portfolio segment, the HOLDING classified the loan portfolio and determined the preventive allowances in accordance with the following:

Number of months reporting noncompliance	Percentage relative to the probability of noncompliance (Portfolio 1)	Percentage relative to the probability of noncompliance (Portfolio 2)	Percentage of importance of the loss
0	1%	1%	
1	3%	5%	
2	7%	15%	
3	25%	50%	35%
4	50%	90%	
5	95%	95%	
6	98%	98%	
7 to 47	100%	100%	70%
48 or more	100%	100%	100%

Which is equal to:

Number of months reporting noncompliance	Portfolio 1 Percentage	Portfolio 2 Percentage
0	0.35%	0.35%
1	1.05%	1.75%
2	2.45%	5.25%
3	8.75%	17.50%
4	17.50%	31.50%
5	33.25%	33.25%
6	34.30%	34.30%
7 to 47	70.00%	70.00%
48 or more	100.00%	100.00%

Preventive allowances corresponding to the mortgage loan portfolio granted as of June 1, 2000, were determined based on percentages contained in the column identified as “Portfolio 1” of the table above.

Loans granted before that date, were provisioned by establishing preventive allowances through the application of the percentages shown in the column relative to “Portfolio 2” of the same table.

Furthermore, loans granted from June 1, 2000 onwards that were subject to some restructuring and include an interest refinancing program, granted at variable rates without a maximum established rate, or else, for which the income percentage of the debtor intended for the payment of the debt at the moment of its actual granting is higher than thirty-five percent, were provisioned based on percentages contained in the column identified as "Portfolio 2".

Subsequently, the HOLDING classified the preventive allowances in accordance with the following:

Risk Degree	Percentages of Preventive Allowances
A	0 to 0.99 %
B	1 to 19.99 %
C	20 to 59.99 %
D	60 to 89.99 %
E	90 to 100 %

Consumer loan portfolio:

In order to determine the risk degree and preventive provisions for the consumer portfolio, the HOLDING applied the following procedure:

The total portfolio was stratified in accordance with the number of billing periods reporting noncompliance at the date of the rating, determining for the loans located in each platform, the preventive allowance percentages shown below, depending on the nature of the noncompliant billing periods: weekly, bimonthly or monthly.

Weekly billing periods

Number of billing periods that report noncompliance	Probability of noncompliance	Percentage of loss severity	Percentages of preventive allowance
0	0.5%		0.5%
1	1.5%		1.5%
2	3%		3%
3	5%		5%
4	10%		10%
5	20%		20%
6	30%		30%
7	40%		40%
8	50%		50%
9	55%	100%	55%

10	60%		60%
11	65%		65%
12	70%		70%
13	75%		75%
14	80%		80%
15	85%		85%
16	90%		90%
17	95%		95%
18 or more	100%		100%

Bimonthly Billing Periods

Number of billing periods that report noncompliance	Probability of noncompliance	Percentage of loss severity	Percentages of preventive reserves
0	0.5%		0.5%
1	3%		3%
2	10%		10%
3	25%		25%
4	45%		45%
5	55%		55%
6	65%	100%	65%
7	70%		70%
8	75%		75%
9	80%		80%
10	85%		85%
11	90%		90%
12	95%		95%
13 or more	100%		100%

Monthly Billing Periods

Number of billing periods noncompliance	Probability of noncompliance	Percentage of loss severity	Percentages of preventive allowance
0	0.5%		0.5%

1	10%		10%
2	45%		45%
3	65%		65%
4	75%	100%	75%
5	80%		80%
6	85%		85%
7	90%		90%
8	95%		95%
9 or more	100%		100%

Which is equal to:

Number of monthly installments reporting noncompliance	Weekly	Bimonthly	Monthly
0	0.50%	0.50%	0.50%
1	1.50%	3.00%	10.00%
2	3.00%	10.00%	45.00%
3	5.00%	25.00%	65.00%
4	10.00%	45.00%	75.00%
5	20.00%	55.00%	80.00%
6	30.00%	65.00%	85.00%
7	40.00%	70.00%	90.00%
8	50.00%	75.00%	95.00%
9	55.00%	80.00%	100.00%
10	60.00%	85.00%	
11	65.00%	90.00%	
12	70.00%	95.00%	
13	75.00%	100.00%	
14	80.00%		
15	85.00%		
16	90.00%		
17	95.00%		
18 or more	100.00%		

Finally, the HOLDING classified the preventive allowances in accordance with the following table:

Risk Degree Percentages of Preventive Allowances

A	0 to 0.99 %
B	1 to 19.99 %
C	20 to 59.99 %
D	60 to 89.99 %
E	90 to 100 %

Loan portfolio break down

a. As of December 31, 2004 and 2003, the current loan portfolio of the HOLDING was summarized as shown below:

Type of loan (Mexican pesos)	2004 Principal	2004 Accrued interest	2004 Total current portfolio	2003 Total current portfolio
Commercial loans	Ps 38,615,811	Ps 242,476	Ps 38,858,287	Ps 31,969,016
Loans to financial entities	396,857	2,398	399,255	2,351,906
Consumer loans	11,338,406	48,958	11,387,364	9,124,894
Mortgage loans	16,833,059	24,958	16,858,017	13,422,562
Loans to government entities	17,942,015	33,944	17,975,959	80,532,526
Loans to FOBAPROA or IPAB	6,947,510	-	6,947,510	7,261,311
Total current loan portfolio	Ps 92,073,658	Ps 352,734	Ps 92,426,392	Ps 144,662,215

Type of loan (Foreign currency)	2004 Principal	2004 Accrued interest	2004 Total current portfolio	2003 Total current portfolio
Commercial loans	Ps 7,478,875	Ps 29,163	Ps 7,508,038	Ps 8,050,797
Loans to financial entities	-	-	-	318,455
Consumer loans	2,588	12	2,600	5,914
Loans to government entities	628,220	9,972	638,192	769,749
Loans to FOBAPROA or IPAB	-	-	-	(211,775)
Total current loan portfolio	Ps 8,109,683	Ps 39,147	Ps 8,148,830	Ps 8,933,140

Type of loan (UDIs)	2004 Principal	2004 Accrued interest	2004 Total current portfolio	2003 Total current portfolio
Commercial loans	Ps 50,269	Ps 323	Ps 50,592	Ps 197,921
Consumer loans	19,934	-	19,934	49
Mortgage loans	391,756	1,261	393,017	476,607
Loans to government entities	2,204	2	2,206	8,280

Total current loan portfolio	Ps 464,163	Ps 1,586	Ps 465,749	Ps 682,857

Type of loan (Trusts in UDIs)	2004 Principal	2004 Accrued interest	Total current portfolio	2003 Total current portfolio
Commercial loans	Ps -	Ps -	Ps -	Ps 19,326
Mortgage loans	1,268,232	3,997	1,272,229	1,617,493
Loans to government entities	-	-	-	1,139,511
Total current loan portfolio	Ps 1,268,232	Ps 3,997	Ps 1,272,229	Ps 2,776,330

Type of loan (Consolidated)	2004 Principal	2004 Accrued interest	Total current portfolio	2003 Total current portfolio
Commercial loans	Ps 46,144,955	Ps 271,962	Ps 46,416,917	Ps 40,237,060
Loans to financial entities	396,857	2,398	399,255	2,670,361
Consumer loans	11,360,928	48,970	11,409,898	9,130,857
Mortgage loans	18,493,047	30,216	18,523,263	15,516,662
Loans to government entities	18,572,439	43,918	18,616,357	82,450,066
Loans to FOBAPROA or IPAG (Note 10)	6,947,510	-	6,947,510	7,049,536
Total current loan portfolio	Ps101,915,736	Ps 397,464	Ps 102,313,200	Ps 157,054,542

Loans to government entities include two groups of unsecured loans granted to IPAB made by BANORTE and BANCRECER, respectively. The main characteristics of both groups are shown as follows:

Loans	Original amount	December 2004	December 2003	Maturity in years	Month and year of maturity	Interest rate payable	Interest payment
IPAB (BANCEN and BANPAIS) (1) and (2)	Ps35,248,700	Ps5,422,876	Ps24,020,335	10	Noviembre de 2010	TIIE + 0.85%	Monthly
IPAB (BANCRECER) (3) and (4)	102,200,000	-	48,444,554	10	Noviembre de 2009	TIIE + 0.40%	Monthly
Principal	Ps137,448,700	5,422,876	72,464,889				
Accrued interest non-collected		18,393	339,196				
Total		Ps5,441,269	Ps72,804,085				

1. This loan is represented by 4 promissory notes for which the principal payments are to be made twice a year as from month N° 58.

2. These promissory notes were initially set up with FOBAPROA and later refinanced in 2000, the debtor now being IPAB.

3. At December 22, 2004, the IPAB-Bancrecer promissory note was sold in the amount of Ps45,940,406 (value in books recorded at that date) to a Trust in Banco JP Morgan, S. A., Institución de Banca Multiple , JP Morgan Grupo Financiero, División Fiduciaria by transferring the ownership of rights to the collection of interest and collection of principal for the issuance of stock certificates over a five-year period at an average daily TIIE interest rate plus 0.40 basis points (see Note 2 paragraph e. and Note 3 paragraph ee.).

4. Before the transaction described in paragraph 3, this promissory note corresponded to a unsecured loan granted in November 1999 to IPAB, which was documented with BANCRECER so that the former capitalized BANCRECER for a nominal amount of Ps102,200,000. With these resources, BANCRECER paid for the transfer of loan rights by BANXICO with respect to the loan granted to IPAB, which matures on November 1, 2009. The payment of interest was originally agreed on a quarterly basis at the higher of the average rate for bank funding, plus 3.5 percentage points, adjustable every three months, or that resulting from the percentage change in the value of UDIs. On November 22, 2000, on interest rate change was agreed, which consisted of adding 2.5 percentage points during the month of January 2001, 2 percentage points during February 2001, 1.5 percentage points during March 2001, 1 percentage point during April 2001 and 0.40 points as of May 1, 2001, to the arithmetic average of the Interbank Equilibrium Interest Rate (TIIE), published during each interest period, payable on a monthly basis.

At December 31, 2004 and 2003 the straight loans granted to IPAB decreased due to advance payments of Ps17,357,000 and Ps10,513,000, respectively. Likewise, interest accrued and recorded in income for the year amounted to Ps4,317,000 and Ps3,542,000, respectively.

Likewise, the item of loans to government entities includes Ps167,000 (Ps179,000 in 2003), corresponding to benefits granted to debtors. The Federal Government granted these benefits, through the implementation of various Support to Bank Debtors Programs.

b. The past due loan portfolio and related interest are summarized as shown below:

	2004			2003
		Principal Total	Interest	Total
Type of loan (Mexican pesos)	sum due	due	past due portfolio	past due portfolio
Commercial loans	Ps 510,587	Ps 35,780	Ps 546,367	Ps590,773
Consumer loans	334,220	4,680	338,900	483,172
Mortgage loans	334,515	6,298	340,813	532,595
Loans to government entities	4,500	-	4,500	44
Total past due loan portfolio	Ps 1,183,822	Ps 46,758	Ps 1,230,580	Ps 1,606,584

	2004			2003
Principal	Interest	Total	Total	
Type of loan (Foreign currency)	sum due	due	past due portfolio	past due portfolio
Commercial loans	Ps 68,333	Ps 2,588	Ps 70,921	Ps 818,004
Consumer loans	222	-	222	368
Total past due loan portfolio	Ps 68,555	Ps 2,588	Ps 71,143	Ps 818,372

	2004			2003
	Principal	Interest	Total	Total
Type of loan (UDI´s)	sum due	due	past due portfolio	past due portfolio
Commercial loans	Ps 14,390	Ps 532	Ps 14,922	Ps 606,687
Mortgage loans	17,639	349	17,988	222,741
Loans to government entities	8,505	-	8,505	8,505
Total past due loan portfolio	Ps 40,534	Ps 881	Ps 41,415	Ps 837,933

	2004			2003
Type of loan	Principal	Interest	Total	Total
(Trusts in UDI´s)	sum due	due	past due portfolio	past due portfolio
Commercial loans	Ps -	Ps -	Ps -	Ps 1,994
Mortgage loans	445,361	15,614	460,975	491,682
Total past due loan portfolio	Ps 445,361	Ps 15,614	Ps 460,975	Ps 493,676

	2004			2003
Principal	Interest	Total	Total	
Type of loan (Consolidated)	sum due	due	past due portfolio	past due portfolio
Commercial loans	Ps 593,310	Ps 38,900	Ps 632,210	Ps 2,017,458
Consumer loans	334,442	4,680	339,122	483,540
Mortgage loans	797,515	22,261	819,776	1,247,018
Loans to government entities	13,005	-	13,005	8,549
Total past due loan portfolio	Ps 1,738,272	Ps 65,841	Ps 1,804,113	Ps 3,756,565

c. The movement of the past due loan portfolio during 2004 and 2003, was as follows:

	2004	2003
Balance at beginning of year	Ps 3,756,565	Ps 5,514,000
Transfer from current to past due portfolio	21,504,000	16,435,000
Purchase of portfolio	262,000	3,158,000
Sale of portfolio	(1,000)	(2,833,000)
Loans paid and past due portfolio losses (1)	(22,108,000)	-
Restructuring and renewals	(58,000)	(69,000)

Collections (payment in cash)	(23,000)	(17,261,000)
Collections (payment in kind)	(1,000)	(67,000)
Debt capitalization	(1,000)	(128,000)
Transfer of past due to current portfolio	(1,261,000)	(668,000)
Loan portfolio charge-offs	(127,000)	-
Exchange fluctuation	56,000	158,000
Effect of restatement	(194,452)	(482,435)
Balance at end of year	Ps 1,804,113	Ps 3,756,565

(1) During 2004, the HOLDING's management (through BANORTE, mainly) decided to write off Ps1,088,000 from the past due commercial portfolio and Ps921,000 from the past due consumer portfolio.

d. At December 31, 2004, the ageing in the total loan portfolio is shown below:

	Days past due					
Type of portfolio	1-180	181-365	366 or more	Total	Allowance for loan losses	Net Portfolio
Current loans:	(1)				(2)	
Commercial loans	Ps46,356,917	Ps60,000	Ps -	Ps46,416,917	Ps509,475	Ps45,907,442
Loans to financial entities	399,255	-	-	399,255	9,935	389,320
Consumer loans	11,409,898	-	-	11,409,898	429,285	10,980,613
Mortgage loans	18,523,263	-	-	18,523,263	137,615	18,385,648
Loans to government entities	18,616,357	-	-	18,616,357	250,762	18,365,595
Loans to IPAB	6,947,510	-	-	6,947,510	-	6,947,510
Current portfolio	102,253,200	60,000	-	102,313,200	1,337,072	100,976,128
Past due loans:						
Commercial loans	234,433	56,581	341,196	632,210	349,764	282,446
Consumer loans	313,445	19,762	5,914	339,121	114,571	224,550
Mortgage loans	283,527	102,975	433,275	819,777	499,601	320,176
Loans to government entities	4,500	-	8,505	13,005	13,005	-
Past due portfolio	835,905	179,318	788,890	1,804,113	976,941	827,172
Additional provisions					438,145	(438,145)
Total portfolio	Ps103,089,105	Ps239,318	Ps788,890	Ps104,117,313	Ps2,752,158	Ps101,365,155

(1) Within the item of current loans from 1-180 days maturity, there are Ps90,453,000 with zero past due, which are comprised as follows: 1) Commercial loans Ps39,593,000, 2) Mortgage loans Ps15,816,000, 3) Loans to financial entities and government entities Ps18,388,000, 4) Consumer loans Ps9,708,000 and 5) IPAB Ps6,948,000.

(2) The preventive allowance associated to the past due portfolio includes Ps15,000 to cover 100% of the past due interest, distributed among the commercial portfolio Ps8,000, mortgage portfolio Ps6,000 and consumer portfolio Ps1,000.

e. At December 31, 2004, the total current and past due loan portfolio, grouped per type of loan, was as follows:

Loan Portfolio	Current	Past due
Current account and straight loans	Ps 48,007,301	$ 389,758
Unsecured loans	7,584,962	20,216
Loans rolled over at mature	-	324
Secured loans	90,673	-
Discounted portfolio	7,751,319	-
Loans secured with assets purchased	288,388	44,546
Nonperforming loans secured with additional guarantees	596,168	40,577
Other secured loans	678,865	36,605
Restructured loans	224,792	83,183
Loans guaranteed by industrial units	44,015	22,678
Personal consumer loans	11,409,329	339,121
IPAB loans	6,947,510	-
Government loans	166,615	-
Mortgage loans	18,523,263	819,777
Mercantile discounts	-	13
Other past due loans	-	7,315
Total loan portfolio	Ps102,313,200	Ps 1,804,113

f. The rating of the portfolio and the allowance created by the HOLDING as of December 31, 2004 and 2003 are summarized as follows:

	Rated loan portfolio				Allowance for loan losses	
	2004		2003		2004	2003
Risk	%	Amount	%	Amount	Amount	Amount
A	84.59%	Ps 78,328,888	84.83%	Ps 62,381,797	Ps 478,187	Ps 419,651
B	12.74%	11,795,563	8.28%	6,089,956	504,455	461,211
C	1.21%	1,120,107	3.44%	2,531,132	254,949	789,900
D	0.83%	766,069	1.56%	1,149,322	495,969	811,511
E	0.63%	582,617	1.89%	1,386,093	565,809	1,371,907
	100.00%	92,593,244	100.00%	73,538,300	2,299,369	3,854,180
Portfolio:						
Hedging swaps		(81,887)		(120,925)		
Unrated		(48,540)		104,234		
Excepted		14,008,387		88,145,475		
Total		106,471,204		161,667,084		
Guarantees granted		(60,274)		(34,166)		
Opening of irrevocable loans		(2,293,617)		(821,811)		
Total		Ps 104,117,313		Ps 160,811,107		

Allowance for loan losses recorded	2,752,158	4,551,418
Allowance for loan losses created in excess	Ps 452,789	Ps 697,238

The behavior of the allowance for loan losses determined in conformity with the internal methodology of the HOLDING vis-à-vis the recorded allowance is shown below:

	December	Quarterly balances during 2004			
Concept	2003	March	June	September	December
Allowance for loan losses required	Ps3,854,180	Ps3,765,897	Ps2,996,603	Ps3,011,604	Ps2,299,369
Allowance for loan losses recorded	4,551,418	4,637,151	3,750,423	3,596,095	2,752,158
Allowance for loan losses in excess	Ps 697,238	Ps 871,254	Ps 753,820	Ps 584,491	Ps 452,789
Proportion in excess (in %)	118.09%	123.14%	125.16%	119.41%	119.69%

The excess allowance amounting to Ps452,789 at December 31, 2004, (Ps697,238 in 2003), has been maintained based on the additional allowances set up by Management with respect to the UDI trusts and the HOLDING's own UDI portfolio, which amounted to Ps240,389 and Ps212,400, respectively at December 31, 2004 (Ps303,906 and Ps393,332 in 2003)

Due to the additional allowances for UDI trusts, the mechanics used to record revenues makes it obligatory to apply such resources first to pay off trust liabilities and the remaining resources will be used to pay the loan. It is only then when it can be determined if recorded allowances would not be needed and would constitute an excess to be cancelled.

With respect to additional allowances corresponding to the HOLDING's own UDI portfolio, currently, these are identified and separated in the amount of Ps212,400 (Ps103,342 in 2003) with the difference of Ps289,990 in 2003 corresponding to provisions in excess.

Other financial ratios related to the loan portfolio are shown below:

	December	2004			
Concept	2003	March	June	September	December
Delinquency index	2.3%	2.4%	1.9%	1.8%	1.7%
Past due loan portfolio hedging index	121.2%	126.9%	130.7%	128.1%	152.5%

g. At December 31, 2004, the rated portfolio and its preventive allowance (per type of loan and risk degree) was comprised as follows:

	Commercial (1)	Mortgage	Consumer	Total
A	Ps -	Ps 15,709,022	Ps 9,691,545	Ps 25,400,567
A1		-	-	22,454,843
A2	30,473,089	-	386	30,473,475
B	362,099	2,952,612	1,443,654	4,758,365
B1	5,889,320	-	-	5,889,320
B2	309,086	-	-	309,086
B3	838,791	-	-	838,791
C	-	165,139	296,783	461,922
C1	292,667	-	183	292,850
C2	365,338	-	-	365,338
D	127,575	311,829	326,666	766,070
E	357,474	206,312	18,831	582,617
Unrated	(99,524)	(1,874)	(29,029)	(130,427)
Total portfolio	Ps 61,370,758	$ 19,343,040	Ps 11,749,019	92,462,817
Excepted				14,008,387
Total portfolio				Ps 106,471,204

Preventive allowance for loan losses	Commercial	Mortgage	Consumer	Total (2)
A	Ps -	Ps 54,983	Ps 48,458	Ps 103,441
A1		-	-	117,093
A2	257,653	-	-	257,653
B	581	97,192	108,743	206,516
B1	144,924	-	-	144,924
B2	15,939	-	-	15,939
B3	137,076	-	-	137,076
C	-	54,455	130,956	185,411
C1	54,092	-	-	54,092
C2	15,446	-	-	15,446
D	41,107	218,280	236,582	495,969
E	341,249	206,606	17,954	565,809
Total preventive allowance	Ps 1,125,160	Ps 631,516	Ps 542,693	Ps 2,299,369

(1) Includes the items of the commercial, financial entities, government entities and memorandum accounts portfolio (guarantees granted and opening of commercial loans involved).

(2) From the preventive allowance determined for the commercial portfolio, Ps471,000 corresponds to the general allowance and Ps1,770,000 to the specific allowance.

h. The changes in the allowance for loan losses are summarized below:

	2004	2003
Balance at the beginning of the year	Ps4,551,418	Ps 6,145,884
Increase charged to income (1)	1,032,905	637,540
Restitution of preventive allowances written off in 2003 (see Note 26)	258,539	-
Losses and write-offs (2)	(2,719,964)	(2,195,961)
Effects of restatement	(235,060)	(230,568)
Valuation of foreign currencies and UDIs	58,666	164,836
Reductions and benefits to mortgage debtors	(120,491)	(128,293)
Contributions from the Bank	-	71,058
Created with profit margin	43,838	37,414
Benefits of FOPYME and FINAPE programs	(5,455)	(8,709)
Reserves written-off (3)	(150,000)	-
Other	37,762	58,217
Balance at ending of the year	Ps2,752,158	Ps 4,551,418

(1) At December 31, 2004, the total amount of preventive allowances for loan losses charged to the statement of income was Ps1,192,489. This amount comprises Ps1,032,905 directly credited to the corresponding allowance, Ps43,601 from UDI trusts, Ps26,309 from restatement for reclassification and Ps89,674 corresponding to the recognition of the loss shared with the IPAB derived from the financial health program. The latter amount is included in the balance sheet as a deduction from "FOBAPROA or IPAB loans".

(2) At December 31, 2004, this item comprised write offs and losses on commercial loans (Ps1,602,045), mortgage loans (Ps516,000), consumer loans (Ps616,000), and loans to employees (Ps33,332) and recovery of loan losses of Ps47,413.

(3) In May 2004 an amount of $150,000 corresponding to loan reserves in excess where written off by BANCEN. This excess was generated in the different UDIs trusts corresponding to housing and productive plant from the recovery of assigned loans, which according to the applicable standards of these trusts, was not eligible to be written off.

In October 2003, Trust 421 "Housing, Mortgage and liquidity loan with mortgage guarantee of 20 years" was cancelled upon the payment to BANCEN of the corresponding fiduciary liabilities; therefore, the preventive allowance for loan assets and portfolio were incorporated to the balance sheet of BANCEN.

Upon incorporating these reserves to BANCEN an excess subject to write off was generated, provided that these reserves are not required due to the result from the application of the rating methodology to the Loan Portfolio.

The write off of reserves generated an income for BANCEN of $150,000, recorded in the other Income account within Other Income or Expense in the Statement of Income.

Derived from the aforementioned, the COMMISSION informed that it had no inconvenience as to such write off in its official letter No. SJIF "A-2" 601-II-34997, dated May 17, 2004.

NOTE 10 - IPAB

As part of the steps taken to address the economic crisis that arose at the end of 1994, in December 1998 the Mexican Congress enacted the Bank Savings Protection Law, which went into effect on January 20, 1999. Under that law, the IPAB was created, replacing FOBAPROA. IPAB remains in operation for the sole purpose of administering the transactions of the program known as "capitalization and purchase of loan portfolio".

The purpose of the IPAB is to apply a series of preventive measures directed towards avoiding financial problems that may be faced by credit institutions, as well as to insure the performance by these institutions with regard to bank deposits.

In exchange for the portfolio transferred to FOBAPROA, promissory notes were received in favor of BANORTE with maturities of 10 years, as of the date of the operation. BANORTE continues with the obligation to share 29%, 25% and 0% of the loss incurred by FOBAPROA with respect to the transferred portfolio in Trusts 477-6726 Tranche I, 477-6726 Tranche II and 508, based on which these same percentages are maintained in the new Trusts derived from the FOBAPROA promissory notes exchange agreement for IPAB notes held on July 12, 2004.

The caption denominated "Loans to FOBAPROA or IPAB" in the balance sheet as of December 31, 2004 and 2003, comprises the following promissory notes:

	2004			2003
Concept	Principal	Interest	Total	Total
Promissory note:				
Trust 477 Tranche I (1)	Ps -	Ps -	Ps -	Ps 1,750,310
Trust 477 Tranche II (1)	-	-	-	1,550,296
Trust 477 Tranche III (1)	-	-	-	1,386,390
Trust 490 (1)	-	-	-	7,045,036
Trust 508 (1)	-	-	-	1,491,589
Trust 1989-0 Tranche I (2)	1,678,048	80,898	1,758,946	-
Trust 1989-0 Tranche II (2)	290,454	13,972	304,426	-
Trust 1989-0 2Tranche III (2)	1,329,151	64,078	1,393,229	-
Trust 1990-4 (2)	4,641,290	223,271	4,864,561	-
Trust 1991-2 (2)	1,264,484	74,329	1,338,813	-
Loss shared with FOBAPROA/IPAB	-	-	(2,543,832)	(2,591,437)
FOBAPROA checking account	-	-	(168,633)	(3,582,648)

Total	Ps 9,203,427	Ps 456,548	Ps 6,947,510	Ps 7,049,536

(1) Trusts of the original FOBAPROA program.
(2) Trusts of the agreement for the new program with IPAB.

The characteristics of each of the aforementioned IPAB promissory notes (former FOBAPROA's) are described below:

Promissory note	Maturity in years	Year of maturity	Interest rate payable	Interest
Trust 1989-0	10	2005	91-day CETES – 1.35% pb.	Capitalizable
Trust 1989-0	10	2006	91-day CETES – 1.35% pb.	Capitalizable
Trust 1991-2	10	2006	91-day CETES	Capitalizable

Payment notes of IPAB, and in some cases, the Instruments of IPAB, have the same term and interest rate characteristics as FOBAPROA's promissory notes. Furthermore, percentages of equity in losses and incentive programs of original agreements entered into with FOBAPROA are maintained unchanged.

On the other hand, payments made by BANORTE to the IPAB during 2004 from fees, amounted Ps755,778 (Ps766,982 in 2003).

NOTE 11 - CONSOLIDATION OF TRUSTS FOR RESTRUCTURED LOANS DENOMINATED IN UDIs:

On March 30, 1995, the Mexican Government implemented the "UDI program", designed to encourage the restructuring and conversion of peso-denominated loans to UDI-denominated loans during a time when the rate on peso-denominated loans significantly exceeded the UDIS rate offered to the borrower. All borrowers in each loan category mentioned below were eligible to participate in the program.

The UDIs Programs cover 4 types of loans: a) Commercial, b) Mortgage, c) those granted to States and Municipalities and, d) those granted to the Agricultural Sector.

In this connection, the HOLDING maintains the following Programs in UDIs:

a) Program of support to Mortgage Loan Debtors and Benefit Agreement for Mortgage Loan Debtors.
b) Financing Agreement for the Agricultural and Fishing Sector (FINAPE).
c) Benefit Program for Corporate Loan Debtors.
d) Financial and Promotion Support Agreement for Small and Medium Companies (FOPYME).
e) Additional Benefit Program for Mortgage Loan Debtors – Loans for FOVI-type housing.

In the case of borrowers who participate in the aforementioned Programs, the amount of principal and interest accrued the amount of the loan in pesos are first translated to the UDI amount and subsequently the interest is fixed at an agreed reference rate.

Trusts managed by each of aforementioned UDI programs made long-term deposits with the Federal Government, with fixed and variable interest rates, depending on the characteristics of each trust (this interest rate should be less than the interest charged to debtors); in turn, the HOLDING received federal bonds from the Mexican Government, known as “Special treasury certificates” referenced to the interest rate for the treasury certificates.

The maturity of these bonds matches the maturities of the deposits made by the trust with the government. Payments received from the loans in the trust are used to pay the principal as well as interest of deposits. Similarly, the Mexican government remits the same amount received on the deposits for interest and principal on “Special treasury certificates”.

In the event that any of the loans transferred to the UDI Trusts are in default, a portion of the deposit or borrowing and the same portion of principal of the Special treasury certificates will bear interest at a rate equivalent to UDIs. This feature was added in October 2002 to reflect the fact that the UDI program was intended to provide support to paying debtors. The HOLDING continues administering and evaluating the risk of any possible loan losses. In the case that a loan is 100% reserved, deposits or borrowings continue bearing interest at normal rates.

The rules of the COMMISSION require amounts of trusts with restructured loans in UDIs, to be consolidated with the figures of the HOLDING in order to show the basis of the operation, which is an interest rate swap with the Federal Government.

a. The balances of the items corresponding to trust assets and liabilities as of December 31, are summarized as shown below:

Item	2004	2003
Banks	Ps 15,636	Ps 31,900
Government securities	4,391	5,944
Current loan portfolio	1,268,232	2,771,079
Past due loan portfolio	445,362	476,021
Interests accrued on loans	3,997	5,250
Due interests	15,614	17,656
Allowance for loan losses	(634,154)	(627,536)
Total assets	Ps 1,119,078	Ps 2,680,314

Item	2004	2003
Fiduciary values	Ps 1,104,991	Ps 2,664,265
Deferred taxes	14,087	11,616
Income for the year	-	4,433
Total liabilities	Ps 1,119,078	Ps2,680,314

b. The total eliminations given effect to in the consolidation of the trusts are summarized below:

Accounting of trusts debit (credit) balance	2004	2003
Banks	Ps 15,636	Ps 31,900
Fiduciary values	1,104,991	2,664,264
Recovery of administrative expenses	(55,450)	(75,564)
Interest paid	(45,588)	(122,957)

Accounting of the HOLDING debit (credit) balance	2004	2003

Sundry creditors	(Ps 15,636)	(Ps 31,900)
Held-to-maturity securities	(1,104,991)	(2,664,264)
Fees collected from interest income	55,450	75,564
Interest income	45,588	122,957

c. The amount of the total program of loans in UDIs as of December 31 is summarized below:

	2004			
Concept	States and Municipalities	Mortgage	Productive plant	Total
	(1)		(2)	
Current portfolio	Ps -	Ps 1,268,232	Ps -	Ps 1,268,232
Current interest	-	3,997	-	3,997
Past due portfolio	-	445,362	-	445,362
Interest due	-	15,614	-	15,614
Total	Ps -	Ps 1,733,205	Ps -	Ps 1,733,205

	2003			
Concept	States and Municipalities	Mortgage	Productive plant	Total
Current portfolio	Ps 1,138,847	Ps 1,612,908	Ps 19,324	Ps 2,771,079
Current interest	664	4,585	1	5,250
Past due portfolio	-	474,028	1,993	476,021
Interest due	-	17,656	-	17,656
Total	Ps 1,139,511	Ps 2,109,177	Ps 21,318	Ps 3,270,006

(1) The Program of Loan Support for States and Municipalities expired in May 2004.

(2) The Programs of Loan Support to the National Productive Plant expired in September, October and November 2004.

During 2004, an additional allowance for loan losses was created from the net profits of the trusts in the amount of Ps43,837 (Ps37,414 in 2003).

NOTA 12 - LOAN PORTFOLIO:

At December 31, 2004 and 2003, the balance of loan portfolios of the HOLDING, corresponding to purchase rights, comprised the following:

	Rights Purchased	2004	2003
Bancrecer I Project	Ps 356,181	Ps 345,934	Ps 451,200
Serfin Santander Project	408,721	403,706	554,109
Bital I Project	423,252	421,256	457,718
Bancomer II Project	17,826	17,736	-
Confia III Project	124,755	124,256	-
Bital II Project	170,431	171,533	-
Bancomer III Project	204,570	206,211	-
Serfín (Trust 025174-2 Bancen) Project	458,611	458,562	714,585
Total credit assets portfolio	Ps 2,164,347	Ps 2,149,194	Ps 2,177,612

As described in Note 2 paragraph b., this item represents the amount effectively paid by the HOLDING to obtain rights over the flows generated by loan portfolios acquired, less amounts amortized through December 31, 2004.

At December 31, 2004 and 2003, the face value of the portfolio and assets associated with rights purchased by the HOLDING, was as follows:

	2004	2003
Bancrecer I Project	Ps1,279,000	Ps 1,659,797
Serfin Santander Project	1,445,000	1,871,753
Bital Project I	2,114,000	2,313,938
Bancomer II Project	272,000	-
Confia III Project	491,000	-
Bital II Project	1,685,138	-
Bancomer III Project	807,000	-
Serfin Project (Trust 025174-2 Bancen)	4,491,000	7,853,983
Total credit assets portfolio	Ps12,584,138	Ps 13,699,471

Project Bancrecer I

The amount of this asset corresponds to the purchase price of mortgage loan portfolio from Bancrecer, S. A., Institución de Banca Multiple, which was submitted by the IPAB during March 2001. This portfolio comprises loans with a face value of Ps1,333,000 and was acquired on November 8, 2002 by BANCEN, which sold it in turn to BANORTE. BANORTE owns this portfolio; therefore, profits will arise when the cash collected from the portfolio exceeds the purchase price.

NY3:#7364244v1

Project Serfin Santander

The amount of this asset corresponds to the purchase price of mortgage loan portfolio from Serfin Santander, S. A., Institución de Banca Multiple, which was submitted by the IPAB during December 2003. This portfolio comprises loans with a face value of Ps1,314,000 and was acquired on November 8, 2002 by BANCEN, which sold it in turn to BANORTE. BANORTE owns this portfolio; therefore, profits will arise when the cash collected from the portfolio exceeds the purchase price.

Project Bital I

The amount of this asset corresponds to the purchase price of mortgage loan portfolio from Bital, S. A., Institución de Banca Multiple, which was submitted by the IPAB during December 2003. This portfolio comprises of loans with a face value of Ps2,123,000 and was acquired on December 19, 2003 by BANCEN, which sold it in turn to the BANORTE. BANORTE owns this portfolio; therefore, profits will arise when the cash collected from the portfolio exceeds the purchase price.

Project Bancomer II

The amount of this asset corresponds to the purchase price of commercial and consumer loan portfolio from Bancomer, S. A., Institución de Banca Multiple (Bancomer), which was submitted by the IPAB during June 2004. This portfolio comprises loans with a face value of Ps343,000 and was acquired on June 6, 2004 by BANCEN, which sold it in turn to BANORTE. BANORTE owns this portfolio; therefore, profits will arise when the cash collected from the portfolio exceeds the purchase price.

Project Confia III

The amount of this asset corresponds to the purchase price of mortgage loan portfolio from Banco Nacional de México, S. A., Institución de Banca Multiple, which was submitted by the IPAB during November 2004. This portfolio comprises loans with a face value of Ps491,000 and was acquired on November 29, 2004 by BANCEN, which sold it in turn to BANORTE. BANORTE owns this portfolio; therefore, profits will arise when the cash collected from the portfolio exceeds the purchase price.

Project Bital II

The amount of this asset corresponds to the purchase price of commercial and consumer loan portfolio from HSBC, S. A., Institución de Banca Multiple, which was submitted by the IPAB during November 2004. This portfolio comprises loans with a face value of Ps1,685,000 and was acquired on November 24, 2004 by BANCEN, which sold it in turn to BANORTE. BANORTE owns this portfolio; therefore, profits will arise when the cash collected from the portfolio exceeds the purchase price.

Project Bancomer III

The amount of this asset corresponds to the purchase price of mortgage loan portfolio from Bancomer, S. A., Institución de Banca Multiple, which was submitted by the IPAB during December 2004. This portfolio comprises loans with a face value of Ps807,000 and was acquired in December 2004 by BANCEN, which sold it in turn to BANORTE. BANORTE owns this portfolio; therefore, profits will arise when the cash collected from the portfolio exceeds the purchase price.

Project Serfin

On October 27, 1999, in compliance with the public tender bases and in accordance with instructions from IPAB, the trust division of Banca Serfín (SERFIN) selected BANORTE to supervise the management, recovery and collection of the loans and assets included in commercial portfolio Tranches I and II and mortgage portfolio Tranche

III. Furthermore, said bases establish that BANORTE may propose a third party to enter into the corresponding agreement; therefore, on February 28, 2000, SERFIN signed such an agreement with BANCEN, whereby SERFIN and its trust division transferred to BANCEN the rights over the flows from portfolio Tranches I, II and III, totaling Ps20,872,000 (nominal value). The price paid for these flows was Ps2,474,000 (nominal value).

The agreement also establishes, the way in which cash flows will be distributed when generated, as a result of the management and collection activities performed by BANCEN:

a. 100% for BANCEN, up to the recovery of 50% of the investment.
b. 80% for BANCEN, up to recovery of 100% of the investment and the remaining 20% for SERFIN.
c. 70% for BANCEN, until obtaining a 10% IYR (internal yield rate in dollars) on the investment and the remaining 30% for SERFIN.
d. 60% for BANCEN, until obtaining a 20% IYR on the investment and the remaining 40% for SERFIN.
e. 40% for BANCEN, until obtaining a 30% IYR on investment and the remaining 60% for SERFIN.
f. 40% of the remaining flows, once the previous scenarios have been covered. The hypothesis corresponding this paragraph until the end of the agreement.

The agreement is effective for 4 years, staring when the agreement was sign, up to the date on which BANCEN violates the agreement, whit an adverse effect on SERFIN's rights.

During 2003, BANCEN renegotiated a change to the portfolio administration contract entered into with the fiduciary division of SERFIN, including the retroactive effect of administering approximately $2,800,000 in additional assets, among which are stocks and securities and property fiduciary rights delivered since February 2000 to BANCEN.

Likewise, during 2004 BANCEN obtained an additional two-year extension with IPAB for the administration and collection of this trust, to be concluded in February 2006.

NOTE 13 - FORECLOSED ASSETS:

The amounts of foreclosed assets as of December 31, are summarized below:

Concept	2004	2003
Personal property	Ps 151,992	Ps 341,528
Real property	472,383	661,801
Promised-for-sale assets	264,392	301,408
	888,767	1,304,737
Allowance for write-off assets	(523,865)	(120,070)
Total foreclosed assets	Ps 364,902	Ps 1,184,667

At December 31, 2004 the amount generated from recovery of personal property and real property represented Ps49,174 (Ps35,571 in 2003).

At December 31, 2004, the foreclosed assets show the following ageing (monthly):

Personal property, collection rights and investment securities	Amount	% of allowance	Allowance for loss
Up to 6 months	Ps 10,954	0%	Ps -
More than 6 and up to 12 months	13,116	10%	1,312
More than 12 and up to 18 months	30,498	20%	6,100
More than 18 and up to 24 months	24,575	45%	11,059
More than 24 and up to 30 months	2,198	60%	1,319
More than 30 months	78,107	100%	78,107
	159,448		97,897
Real State			
Up to 12 months	16,077	0%	-
More than 12 and up to 24 months	9,923	10%	992
More than 24 and up to 30 months	3,238	15%	485
More than 30 and up to 36 months	9,971	25%	2,493
More than 36 and up to 42 months	24,132	30%	7,240
More than 42 and up to 48 months	10,254	35%	3,589
More than 48 and up to 54 months	22,026	40%	8,810
More than 54 and up to 60 months	11,993	50%	5,996
More than 60 months	396,605	100%	396,606
	504,219		426,211
Promised-for-sale property	264,393		(243)
Changes corresponding to December 2004	(39,293)		
Total foreclosed assets and preventive allowance	Ps 888,767		Ps523,865
Net amount of foreclosed assets	Ps 364,902		

NOTE 14 - PROPERTY, FURNITURE AND EQUIPMENT:

Property, furniture and equipment as of December 31 is summarized below:

Concept	2004	2003
Property (1)	Ps4,676,114	Ps4,255,679
Electronic computer equipment	1,060,884	1,064,435
Furniture and office equipment	879,738	888,933
Transportation equipment	678,399	585,580
Installations and improvements	1,373,812	1,519,224
Other equipment	2,117	4,169
	8,671,064	8,318,020
Accumulated depreciation	(2,730,066)	(2,293,716)
Total property, furniture and equipment, net	Ps 5,940,998	Ps 6,024,304

(1) Includes a property acquired on October 29, 2004 and recorded at a cost of Ps479,025 (US$39,763,071).

NOTE 15 - PERMANENT STOCK INVESTMENTS:

The HOLDING maintains permanent stock investments in non-consolidated affiliated and subsidiary companies. These investments were accounted for by the equity method at December 31, 2004 and 2003, as follows:

	2004			2003
Entity	Cost of acquisition	Surplus	Total	Total
Siefore Banorte Generali, S.A. de C.V. SIEFORE	Ps 252,763	Ps 119,176	Ps 371,939	Ps 314,594
Servicio Panamericano de Protección, S.A. de C.V.	50,958	48,887	99,845	221,200
Sólida Administradora de Portafolios, S.A. de	445,050	146,567	591,617	569,709
Fianzas Banorte, S.A. de C.V.	39,302	40,715	80,017	101,349
Seguros Banorte Generali, S.A. de C.V.	194,470	187,087	381,557	208,906
Controladora Prosa, S.A. de C.V	47,486	4,698	52,184	51,514
Pensiones Banorte Generali, S.A. de C.V.	57,324	56,858	114,182	100,214
Sociedades de Inversión Bancen	11,719	3,144	14,863	14,525
Sociedades de Inversión Banorte	40,164	29,379	69,543	66,779
Bolsa Mexicana de Valores, S.A. de C.V.	25,200	-	25,200	21,483
Seguros Generali México, S.A. de C.V. (See Note 2)	-	-	-	48,351
Others	52,471	23,303	75,774	77,956
	Ps 1,216,907	Ps 659,814	Ps 1,876,721	Ps 1,796,580

NOTE 16 - OTHER ASSETS:

The other assets as of December 31 were as follows:

Concept	2004	2003
Investments of provisions for personnel pensions (see Note 20)	Ps 1,486,087	Ps 1,403,777
Provision for labor obligations (see Note 20)	(1,376,088)	(1,312,592)
Other unamortized expenses	2,001,531	1,498,241
Accumulated amortization of other expenses	(801,882)	(549,094)
Storage inventory	112,192	206,083
Organization expenses	140,364	195,039
Goodwill (see Note 2s.)	74,306	94,954
Collateral deposits	28,834	29,350
Investments of the contingency reserves	3,256	3,230
Provisions for the contingency reserve	(3,256)	(3,230)
Other assets	1,299	63,477
Total	Ps 1,666,643	Ps 1,629,235

NOTE 17 - DEMAND DEPOSITS:

The balance of this item is summarized below:

	Local Currency		Valued Foreign Currency		Total	
Concept	2004	2003	2004	2003	2004	2003
Non-interest-bearing checking accounts	Ps 22,784,532	Ps23,212,032	Ps 260,333	Ps 36,004	Ps23,044,865	Ps23,248,036
Interest-bearing checking accounts	21,176,252	26,393,180	142,018	3,813,960	21,318,270	30,207,140
US dollar denominated checking accounts	-	-	4,543,546	-	4,543,546	-
Border US dollar denominated checking accounts	-	-	2,187,851	2,167,352	2,187,851	2,167,352
Savings accounts	4,077	9,591	-	-	4,077	9,591
Demand deposits in current account	13,921,360	10,177,637	-	-	13,921,360	10,177,637
IPAB checking accounts	235,160	3,806,852	15,223	148,315	250,383	3,955,167
Total	Ps 58,121,381	Ps63,599,292	Ps7,148,971	Ps6,165,631	Ps65,270,352	Ps69,764,923

These liabilities accrue interest, depending on the type of instrument and average balance maintained in investments; consequently, the average interest rates and the currency they are denominated in are shown below:

	2004				2003			
Foreign currency	March	June	September	December	March	June	September	December
Local currency and UDIs	1.59%	1.81%	1.32%	1.82%	2.16%	1.86%	1.45%	1.60%
Foreign currency	0.61%	0.70%	0.75%	0.85%	0.62%	0.60%	0.56%	0.61%

At December 31, 2004 and 2003, these liabilities showed deposit ranges (with and without interest) and criteria for the assignment of funding rates, as shown below:

	2004			2003
Currently payable deposits Range of deposits	Local currency and valued UDI's	Foreign currency	Total	Total
Without interest:				
Up to 9,000 UDIs	Ps 490,932	Ps -	Ps 490,932	Ps 1,845,873
From 9,001 to 18,000 UDIs	1,543,521	-	1,543,521	1,419,074
From 18,001 to 36,000 UDIs	2,168,189	-	2,168,189	1,990,796

From 36,001 to 90,000 UDIs	3,670,288	-	3,670,288	3,433,353
More than 90,000 UDIs	15,004,744	-	15,004,744	14,558,413
Total without interest	22,877,674	-	22,877,674	23,247,509
With interest:				
Up to 9,000 UDIs	7,399,517	-	7,399,517	8,310,769
From 9,001 to 18,000 UDIs	3,510,411	-	3,510,411	3,678,027
From 18,001 to 36,000 UDIs	3,694,225	-	3,694,225	3,792,559
From 36,001 to 90,000 UDIs	4,523,591	-	4,523,591	4,622,400
More than 90,000 UDIs	16,115,963	-	16,115,963	19,948,167
Total with interest UDIs	35,243,707	-	35,243,707	40,351,922
Without interest:				
Up to 2,500 USD	-	27,920	27,920	2,257
From 2,501 to 5,000 USD	-	12,826	12,826	1,622
From 5001 to 10,000 USD	-	21,622	21,622	3,692
From 10,001 to 25,000 USD	-	43,128	43,128	5,996
More than 25,000 USD	-	475,750	475,750	22,821
Total without interest in USD	-	581,246	581,246	36,388
With interest:				
Up to 2,500 USD	-	113,011	113,011	129,776
From 2,501 to 5,000 USD	-	127,419	127,419	135,455
From 5,001 to 10,000 USD	-	227,926	227,926	254,756
From 10,001 to 25,000 USD	-	525,076	525,076	524,926
More than 25,000 USD	-	5,574,293	5,574,293	5,084,191
Total with interest in USD	-	6,567,725	6,567,725	6,129,104
Grand total	Ps 58,121,381	Ps 7,148,971	Ps 65,270,352	Ps69,764,923

Currently payable deposits

Range of deposits

	2004			2003
	Local currency and valued UDI's	Foreign currency	Total	Total
Without interest:	Ps 24,359,814	Ps 566,023	Ps 24,925,837	Ps23,282,294
With interest:				
Low Cost (1)	32,378,033	4,978,992	37,357,025	31,642,082
Medium Cost (2)	2,280,542	1,588,733	3,869,275	9,239,062
Medium-High Cost (3)	268,541	-	268,541	1,419,744
High Cost (4)	159,622	-	159,622	275,014
Very High Cost (5)	(1,325,171)	15,223	(1,309,948)	3,906,727
Grand total	Ps 58,121,381	Ps 7,148,971	Ps 65,270,352	Ps69,764,923

NY3:#7364244v1

Funding rates used by the HOLDING as reference are: a). for local currency, Interbank Equilibrium Interest Rate (TIIE), Average Cost of Deposit-taking Operations (CCP) and, b). for foreign currency, London Interbank Offered Rate (LIBOR), respectively.

Following are the parameters of the funding rate:

(1) <=30% of the above-mentioned rate
(2) >=30% and <=55% of the above-mentioned rate
(3) >=55% and <=75% of the above-mentioned rate
(4) >=75% and <=85% of the above-mentioned rate
(5) >85% of the above-mentioned rate

NOTE 18 - TERM DEPOSITS:

Balances as of December 31, were as follows:

	Local Currency		Valued Foreign Currency		Total	
Concept	2004	2003	2004	2003	2004	2003
Over-the-counter promissory notes	Ps 43,377,404	Ps73,122,098	Ps -	Ps -	Ps 43,377,404	Ps 73,122,098
Money desk promissory notes	10,975,928	19,685,113	-	-	10,975,928	19,685,113
Fixed term deposits	100,000	1,310,956	7,292,302	6,280,812	7,392,302	7,591,768
Bank term deposits	319,709	319,709	-	-	319,709	319,709
Provision for interest	1,052,465	811,136	9,719	4,331	1,062,184	815,467
Total	Ps 55,825,506	Ps 95,249,012	Ps 7,302,021	Ps6,285,143	Ps 63,127,527	Ps101,534,155

These deposits accrue interest at rates depending on the type of instrument and average balance maintained in investments, consequently, the average interest rates and their respective currency are shown below:

	2004				2003			
Foreign currency	March	June	September	December	March	June	September	December
General Public								
Local currency and UDIs	4.75%	5.23%	5.72%	6.39%	7.15%	5.58%	4.03%	4.47%
Foreign currency	0.42%	0.64%	0.83%	1.12%	0.74%	0.67%	0.60%	0.49%
Money Market								

Local currency and UDIs	7.52%	8.12%	8.60%	9.14%	7.97%	6.99%	5.79%	6.88%

At December 31, 2004 and 2003, the terms at which term deposits are negotiated are shown below:

2004				
Concept	From 1 to 179 days	From 6 to 12 months	More than 1 year	Contractual Value
Over-the-counter and money desk, promissory notes, and fixed term deposits (local currency)	Ps 49,710,819	Ps 1,217,422	Ps3,525,091	Ps 54,453,332
Fixed term deposits (foreign currency)	6,393,087	716,196	183,019	7,292,302
Bank term deposits	-	-	319,709	319,709
Interest provision	145,211	47,565	869,408	1,062,184
Total	Ps 56,249,117	Ps 1,981,183	Ps 4,897,227	Ps 63,127,527

2003				
Concept	From 1 to 179 days	From 6 to 12 months	From 1 to 2 years	Contractual Value
Over-the-counter and money desk promissory notes, and fixed term deposits (local currency)	Ps88,668,873	Ps 445,344	Ps 3,692,994	Ps92,807,211
Fixed term deposits (foreign currency)	5,284,068	455,503	1,852,197	7,591,768
Bank term deposits	-	-	319,709	319,709
Interest provision	815,467	-	-	815,467
Total	Ps 94,768,408	Ps 900,847	Ps5,864,900	Ps101,534,155

At December 31, 2004 and 2003, these liabilities showed deposit ranges (taken from the public and the Money Desk), as follows:

	2004			2003
Term deposits	Local Currency and Valued UDI's	Foreign currency	Total	Total
Range of deposits				
From the public:				
Up to 9,000 UDIs	Ps 2,601,839	Ps -	Ps2,601,839	Ps2,486,804
From 9,001 to 18,000 UDIs	3,371,903	-	3,371,903	3,262,280
From 18,001 to 36,000 UDIs	5,123,861	-	5,123,861	4,878,243
From 36,001 to 90,000 UDIs	7,481,108	-	7,481,108	7,063,501
From 90,001 to 360,000 UDIs	11,717,609	-	11,717,609	13,437,501
More than 360,001 UDIs	13,207,268	7,302,021	20,509,289	48,388,257

Total	43,503,588	7,302,021	50,805,609	79,516,586
Money Market:				
Up to 360,000 UDIs	1,047	-	1,047	761
From 360,001 to 3,600,000 UDIs	201,842	-	201,842	222,314
From 3,600,001 to 36,000,000 UDIs	3,443,358	-	3,443,358	4,223,686
From 36,000,001 to 180,000,000 UDIs	5,489,376	-	5,489,376	6,115,962
From 180,000,001 to 360,000,000 UDIs	1,777,843	-	1,777,843	5,173,986
More than 360,000,001 UDIs	1,408,452	-	1,408,452	6,280,860
Total	12,321,918	-	12,321,918	22,017,569
Grand total	Ps 55,825,506	Ps7,302,021	Ps63,127,527	Ps101,534,155

NOTE 19 - INTERBANK AND OTHER ENTITY LOANS:

The balances as of December 31 are comprised as follows:

	Mexican Pesos		Valued Foreign Currency		Total	
Concept	2004	2003	2004	2003	2004	2003
Deposits and bank loans	Ps 2,901,390	Ps12,731,160	Ps -	Ps 80,268	Ps2,901,390	Ps12,811,428
Deposits and foreign bank loans	366	-	1,304,406	948,249	1,304,772	948,249
Loans on rediscounted portfolio	10,194,102	8,619,148	1,524,252	1,896,633	11,718,354	10,515,781
Securitization of remittances	-	-	102,873	320,543	102,873	320,543
Call money	3,165,745	1,938,494	-	-	3,165,745	1,938,494
FOVI rediscounts	3,800,676	4,340,355	-	-	3,800,676	4,340,355
Interest provision	26,603	30,976	13,145	8,642	39,748	39,618
Total	Ps 20,088,882	Ps27,660,133	Ps2,944,676	Ps3,254,335	Ps 23,033,558	Ps30,914,468

These loans accrue interest, depending on the type of instrument and average balance maintained in interbank and other entities' loans, consequently, the average interest rates and their currency of reference is shown below:

BANORTE

	2004				2003			
FOREIGN CURRENCY	March	June	September	December	March	June	September	December
Call money								
Mexican pesos and UDIs	5.98%	6.60%	7.22%	8.26%	9.96%	7.74%	4.35%	5.78%
Other interbank loans								

Mexican pesos and UDIs	7.28%	7.83%	6.91%	9.07%	8.68%	7.05%	5.24%	6.45%
Foreign currency	4.57%	4.56%	4.36%	4.80%	7.57%	5.01%	4.93%	4.93%

BANCEN

	2004				2003			
FOREIGN CURRENCY	March	June	September	December	March	June	September	December
Call money								
Mexican pesos and UDIs	5.50%	6.34%	7.02%	8.67%	8.88%	6.09%	4.56%	5.67%
Other interbank loans								
Mexican pesos and UDIs	6.55%	3.90%	2.53%	7.65%	5.40%	3.20%	1.97%	4.14%
Foreign currency	7.38%	7.07%	7.49%	8.31%	7.61%	7.35%	7.45%	7.50%

At December 31, 2004 and 2003, the negotiation terms of these interbank and other entities' loans are as follows:

2004

Concept	From 1 to 179 days	From 6 to 12 months	More than 1 year	Contractual value
Deposits and loans of national banks	Ps 2,554,004	Ps 347,386	Ps -	Ps2,901,390
Deposits and loans of foreign banks	119,123	190,790	994,859	1,304,772
Loans of rediscounted portfolio	1,852,773	3,981,187	5,884,394	11,718,354
Securitization of remittances	-	-	102,873	102,873
Call money	3,165,745	-	-	3,165,745
FOVI rediscounts	-	-	3,800,676	3,800,676
Interest provision	20,290	-	19,458	39,748
Total	Ps 7,711,935	Ps4,519,363	Ps10,802,260	Ps23,033,558

2003

Concept	From 1 to 179 days	From 6 to 12 months	More than 1 year	Contractual value
Deposits and loans of national banks	Ps2,161,779	Ps 10,649,649	Ps -	Ps12,811,428
Deposits and loans of foreign banks	9,501	267,710	671,038	948,249
Loans of rediscounted portfolio	1,616,147	4,024,535	4,875,099	10,515,781
Securitization of remittances	-	-	320,543	320,543
Call money	1,938,494	-	-	1,938,494
FOVI rediscounts	-	-	4,340,355	4,340,355
Interest provision	39,618	-	-	39,618

Total	Ps 5,765,539	Ps14,941,894	Ps10,207,035	Ps30,914,468

NOTE 20 - LABOR LIABILITIES:

The HOLDING recognizes liabilities for pension plans and seniority premiums using the "Projected Unit Credit Method". This method considers the accrued benefits at the date of valuation, as well as the benefits generated during the plan year.

During the year, some events generated a loss from the advance reduction of labor obligations amounting to Ps192,400, as shown within the administrative expenses in the statement of income.

The actuarial present value of benefit obligations and projected benefits as of December 31, 2004 and 2003, corresponding to the "Defined Benefit Pension and Seniority Premium Plan", determined by independent actuarial experts, is summarized below:

	2004			
Concept	Personnel pensions	Seniority premiums	Medical insurance to retired personnel	Total
Projected benefit obligations (PBO)	Ps 582,186	Ps 97,699	Ps 845,741	Ps1,525,626
Plan assets at market value	634,742	117,166	337,955	1,089,863
Financial situation of the plans	(52,556)	(19,467)	507,786	435,763
Unamortized transition (assets) liabilities	(81,268)	13,852	(432,380)	(499,796)
Unamortized prior services and plan amendments	21,756	2,772	-	24,528
Unamortized changes in assumptions and adjustments from experience	(82,518)	(22,234)	24,594	(80,158)
Projected net (assets) liabilities (1)	(Ps194,586)	(Ps 25,077)	Ps 100,000	(Ps 119,663)
Current benefit obligations (CBO)	Ps 512,567	Ps 60,323	Ps -	Ps 572,890

	2003			
Concept	Personnel pensions	Seniority premiums	Medical expenses to retired personnel	Total
Projected benefits obligations (PBO)	Ps 571,694	Ps 116,150	Ps 866,512	Ps1,554,356
Plan assets at market value	735,044	106,159	219,159	1,060,361
Financial situation of the plans	(163,350)	9,991	647,353	493,995
Unamortized transitions (assets) liabilities	(99,927)	18,275	(463,227)	(544,879)
Unamortized prior services and plan amendments	27,116	2,799	-	29,915
Unamortized changes in assumptions and adjustments from experience	(30,813)	(33,084)	(14,359)	(78,256)

Projected net (assets) liabilities (1)	(Ps 266,974)	(Ps 2,019)	Ps 169,767	(Ps 99,225)
Current benefit obligations (CBO)	Ps 491,687	Ps 69,861	Ps -	Ps 561,548

(1) The HOLDING has a net accounting accrued liability with a zero balance, since the same amount of the provision is invested in an external fund for an amount equal to Ps1,423,021 (Ps1,021,199 in 2003), which covers the aforementioned amount of obligations, in conformity with Statement D-3 of the MIPA. This last amount is recorded in the item "Other Assets" (see Note 16).

At December 31, 2004 and 2003, the net cost for the year was as follows:

Concept	2004	2003
Labor cost	Ps 64,603	Ps68,381
Financing cost	74,372	77,520
Expected return on assets	(69,338)	(78,526)
Amortizations:		
Transition liability	28,445	28,964
Plan improvements	(1,072)	(1,131)
Actuary losses	2,312	2,911
Deferred losses to previous years	5,521	8,131
Cost of the period	104,843	106,250
Inflationary adjustment of the cost for the period	3,850	5,187
Net adjustment cost of the period	108,693	111,437
Cost from reduction and extinction effect	15,165	(1,289)
Inflationary adjustment on reduction and extinction effect	255	(64)
Annual cost	124,113	110,084
Maximum contribution to the "Ensure Your Future" Plan	45,677	-
Total net cost for the period	Ps169,790	Ps110,084

Rates used in the calculation of projected benefit obligations and returns from the plan at December 31, 2004 and 2003 are shown below:

	2004	2003
Discount rate	5.25% a 5.50%	5.25% a 5.50%
Salary increase rate	1.00%	2.50%
Estimated long term rate of returns on plan assets	6.25% a 6.50%	6.25% a 7.50%

Dismissal payments and direct labor costs are expensed in the year they are paid.

Labor obligations for pension plans presented in this note correspond to the defined benefit pension plan (the plan), covering the personnel, which elected to remain in this plan.

In the other hand, the HOLDING has an optional defined contribution pension plan, that replaces the defined benefit pension plan. Employees participating in the new plan, do so voluntarily; therefore, there are employees that preferred to stay in the first plan denominated "Defined Benefit Pensions Plan". At December 31, 2004 it includes an amount of Ps420,589 (Ps382,578 in 2003); likewise, the “Ensure Your Future” pension plan includes an amount of Ps429,542 (See Note 16).

Employees who elected to participate in the new defined contribution pension plan have the right to receive a benefit for prior services as follows: 50% of the benefit immediately and the remaining 50% over a 10-year period (with the first installment as of the date of implementation of the new plan).

Labor obligations from the defined contribution pension plan do not require an actuarial valuation in accordance with Statement D-3 of the MIPA, because the cost of this plan is equal to the contributions made in favor of the participants.

The initial assignment of benefits from services rendered was financed by the definite benefit fund associated with the advance extinction of obligations, recognized under the standards established in Statement D-3 of the MIPA.

NOTE 21 - OUTSTANDING SUBORDINATED NOTES:

The balance of this item is analyzed as follows:

	2004	2003
---Issue of preferred subordinated notes not convertible to capital stock, denominated in US dollars with an interest rate of 5.875% payable twice a year and with principal payable at the end of the 10-year period (See Note 2 paragraph a.).	Ps 3,334,238	Ps -
---Issue of notes (BANORTE 02D), payable in November 2012 with interest at an annual rate of 8.00% for the first 10 six-month periods. In the fifth year, the remaining 10 six-month periods shall be reviewed and such rate will not represent annual interest of less than 8.00%, or more than 10.00%. (1)	1,247,435	1,325,778
---Issue of notes (BANORTE 01U), payable in June 2009 with interest at a fixed annual net rate of 8.00%. (See Note 2 paragraph a.).	-	1,541,136
Accrued interest payable	28,247	13,148
	Ps 4,609,920	Ps 2,880,062

At December 31, 2004 and 2003, interest included in the statement of income amounted to Ps321,000 (Ps224,936 in 2003).

(1) In an extraordinary general meeting held on June 16, 2003, the stockholders agreed to reduce the total amount of notes BANORTE 02D issued to reach an amount of Ps1,136,000 at nominal value through the issuance of 11,360,000 subordinated notes with nominal value of Ps100 each. This decision was made based on the seventh clause of the issuance document, which establishes that in case the issuer does not quote the total subordinated notes within a maximum term of 161 days, as from the date of issuance, unquoted certificates shall be cancelled and consequently the amount of the issuance reduced.

NOTE 22 - CONTINGENCIES AND COMMITMENTS:

As of December 31, 2004 and 2003, the HOLDING has the following contingent obligations and commitments:

a. The HOLDING (through BANORTE and BANCEN), has commitments due to guarantees granted, other contingent obligations and the opening of irrevocable letters of credit in the amount of Ps10,562,000 (Ps19,551,961 in 2003), which are recorded in memorandum accounts. Furthermore, through its Stock Exchange, it has commitments arising from the stock brokerage contracts entered into.

b. Tax differences that could result from an audit of the tax returns filed by the HOLDING as a result of differing interpretations of legal provisions between the HOLDING and the tax authorities.

c. There are suits and commitments filed against the HOLDING for ordinary, civil, labor, commercial and other matters. In the opinion of the lawyers of the HOLDING, as of December 31, 2004, the suits filed are considered unfavorable in the amount of Ps105,592, (mainly from BANORTE´s subsidiary) for which only Ps76,160 are provisioned. Additionally, there are suits filed against the HOLDING for Ps9,857 (mainly from BANORTE´s subsidiary) in its role as fiduciary entity.

d. Some property and equipment used in operations are leased. Lease payments may be adjusted based on changes in various future economic factors. The total payments for the years ended December 31, 2004 and 2003 amounted to Ps124,000 and Ps104,000, respectively.

e. Differences derived from the results of the GEL audits described in Note 2 b.

NOTE 23 - ASSETS AND LIABILITIES DENOMINATED
IN FOREIGN CURRENCY AND UDIs:

Foreign currency transactions

The amounts shown in this note are stated in thousands of US dollars, since this is the currency in which most of the HOLDING's transactions are carried out.

The regulations of BANXICO set forth the following standards and limits for purposes of foreign currency transactions:

The (short or long) position in US dollars should be equivalent to a maximum of 15% of the HOLDING's net capital.

Permitted foreign currency denominated liabilities should not exceed 183% of the basic capital of the HOLDING.

The rules governing foreign currency transactions require maintaining a minimum level of liquid assets, in accordance with a calculation mechanism established by BANXICO, based on the maturity date of the foreign currency transactions.

As of December 31, 2004 and 2003, the HOLDING had a foreign currency position denominated in US dollars, as summarized below:

	Thousands of US dollar	
	2004	2003
Assets	1,729,882	1,199,720
Liabilities	1,694,385	1,211,932
Long (short) position	35,497	(12,212)

As of December 31, 2004, the exchange rate set by BANXICO for the valuation of liabilities was Ps11.1495 per US dollar (Ps11.2372 in 2003).

Transactions denominated in UDIs

As of December 31, 2004 and 2003, the value of the UDI determined by BANXICO and used by the HOLDING to value its assets and liabilities denominated in UDIs was Ps3.534716 (Ps3.352003 in 2003). At those same dates, the HOLDING had assets and liabilities in UDIs as shown below:

	Thousands of UDIs	
	2004	2003
Assets	124,455	200,332
Liabilities	96,474	572,028
(Short) long position	27,981	(371,696)

NOTE 24 - STOCKHOLDERS' EQUITY:

In General Meetings held on April 29 and October 4, 2004, respectively, the stockholders approved among others, the following resolutions:

a. To apply the profits corresponding to 2003 in the amount of Ps2,339,417 (Ps2,218,490 at nominal value) to income from prior years, and increase the legal reserve by Ps114,815 (Ps110,924 at nominal value) equal to 10%.

b. To declare a dividend in cash in the amount of Ps511,899 (Ps504,587 at nominal value). The dividend aforementioned was paid after October 18, through the S. D. Indeval, S. A. de C. V.

After the aforementioned resolutions, the capital stock of the HOLDING at December 31, 2004, was represented by 504,586,887 common Series "O" shares with a face value of three pesos and fifty cents each one, fully subscribed and paid. The capital stock is summarized below:

Description	Number of shares		Amount	
	2004	2003	2004	2003
Series "O" shares	504,586,887	504,551,887	Ps 1,766,054	Ps 1,765,932
Increase from restatement			3,854,722	3,854,723
Total			Ps 5,620,776	Ps 5,620,655

The HOLDING is required to create a legal reserve fund by appropriating 5% of its earnings each fiscal year until that fund is equivalent to 20% of its capital stock.

Dividends paid will be exempt from income tax if they are paid out of the Net Taxable Income Account or "CUFIN" and will be subject to income tax at a 4.62% and 7.69% rate if they are paid out of the Reinvested CUFIN. Dividends paid in excess of the balance of such CUFIN are subject to a 42.86%, 40.85% and 38.89% tax if paid during 2005, 2006 and 2007, respectively. The resulting tax will be payable by the HOLDING and may be credited against its income tax for the year or that of the two following years. Dividends paid will not be subject to any withholding.

In the event of capital stock reductions, any excess over capital contributions, the latter inflation-indexed in accordance with the procedures established by the Mexican Income Tax Law, is accorded the same tax treatment as dividends.

c. The HOLDING through BANORTE, adopted a long-term incentive plan under a program denominated "Option plan for the purchase of shares" aimed at certain Executives and/or Directors appointed by the corresponding Committee. In accordance with this plan, a trust was constituted through a Mexican financial institution in charge of managing the share packages of the HOLDING, which are acquired by the trust itself. The term for the Executives and/or Directors to begin exercising the share purchase option is 33% the first year, 33% the second year and the remaining 34% the third year.

Under the terms of this purchase option plan, the benefit for those Executives and/or Directors of the HOLDING is constituted by the difference existing between the initial assignment price and the price when the option is exercised.

The HOLDING does not include the economic benefit arising from the purchase of shares through the aforementioned purchase option plan in income for the year.

d. In conformity with the Bank Savings Protection Law, the IPAB will be in charge of managing the Savings Protection System, which shall be gradually reformulated in conformity with the guidelines laid down for the transition mechanics established by the IPAB. The new savings protection system will become effective as of January 1, 2005 and establishes, among other changes, that the protection of customer deposits (savings accounts, checking accounts or other type of over-the-counter deposits; deposit certificates issued by banks on behalf of the customer and other types of term deposits with prior notification; as well as promissory notes with interest payable at maturity issued by the banks in favor of the customer; and credit balances on credit and debit cards) shall amount to 400,000 UDIs valued at Ps1,414 (5,000,000 UDIs valued at Ps16,760 in 2003), excluding, among other things, the deposits in favor of the stockholders and top bank officials.

NOTE 25 - CAPITALIZATION:

The standards issued by BANXICO for calculating the capitalization index take into account the credit and market risk of the various assets, graded by the market risk and the credit risk.

Capitalization indexes of bank subsidiaries are summarized as follows:

a. BANORTE

By considering only the credit risk, the capitalization index determined by BANORTE at December 31, 2004 and 2003 reached 17.57% (14.33% in 2003), with a basic capital of 12.26% (11.32% in 2003). By including market risks in the determination of assets weighted by risk, the total capitalization index of BANORTE reached 13.92% (10.90% in 2003), with a basic capital of 9.71% (8.61%in 2003). The index exceeds the legal requirements in both years.

Relevant events discussed in Note 2 affected the determination of the net capital of BANORTE as follows:

(Balances stated in millions of Mexican Pesos)	2004		2003	
% of Assets under Risk	Credit risk	Credit and market risk	Credit risk	Credit and market risk
Basic capital	12.26%	9.71%	11.32%	8.61%
Complementary capital	5.31%	4.21%	3.01%	2.29%
Net capital	17.57%	13.92%	14.33%	10.90%
Assets subject to credit risk		Ps 82,508		Ps 81,884
Assets subject to market risk		21,651		25,836

Total assets subject to risk	Ps 104,159	Ps 107,720

At December 31, 2004 and 2003, the net capital of BANORTE was analyzed as follows:

(Amounts stated in millions of Mexican pesos)	2004	2003
Basic capital	Ps 10,112	Ps 9,776
Complementary capital	Ps 4,385	Ps 2,603
Net capital	Ps 14,497	Ps 12,379

At December 31, 2004 and 2003, the amount of weighted positions exposed to market risk was as shown below:

(Amounts stated in millions of Mexican pesos)	**Amount of equivalent positions**	
Integration Group I	2004	2003
Transactions in local currency with nominal rate	Ps 11,279	Ps 23,170
Interest rate of transactions in foreign currency with nominal rate	9,760	2,368
Other	612	298
	Ps 21,651	Ps 25,836

At December 31, 2004 and 2003, the amount of weighted positions exposed to credit risks is shown below:

(Amounts stated in millions of Mexican pesos)	**Amount of equivalent positions**	
Integration of Group II	2004	2003
For debt certificates position	Ps 2,224	Ps 3,297
For deposits and loans	75,985	73,392
Other	46	17
For permanent shares, personal and real property, prepaid expenses and deferred charges	4,253	5,178
	Ps 82,508	Ps 81,884

The amount of weighted assets subject to market and credit risk is detailed as follows:

(Amounts stated in millions of Mexican pesos)	**Risk-weighted assets**	
Concept	2004	2003
Group I	Ps 21,651	Ps 25,836
Group II	82,508	81,884
	Ps 104,159	Ps 107,720

The quarterly behavior of the capitalization index and its components are shown below:

Concept	4T03	1T04	2T04	3T04	4T04
Net capital / Assets subject to credit risk	14.34%	18.8%	16.32%	16.1%	17.6%
Net capital / Assets subject to credit and market risk	10.90%	14.76%	12.95%	13.9%	13.9%
Liquidity = Liquid assets / liquid liabilities	48.9%	48.8%	52.0%	49.6%	66.1%
Min = Quarterly financial margin / Average productive assets	3.9%	3.9%	3.7%	3.9%	4.3%
Operating efficiency	4.6%	4.7%	4.6%	4.7%	4.8%
ROE = Net quarterly income / Average stockholders' equity	11.2%	14.2%	16.8%	14.8%	18.0%
ROA = Net quarterly income / Total average assets	0.5%	0.7%	0.8%	0.7%	0.9%

b. BANCEN

The standards of BANXICO to calculate the capitalization index, adjust weighted assets subject to risk, accordance with the market and credit risk. By considering only the credit risk, the capitalization index determined by the BANCEN at December 31, 2004 reached 122% (107.28% in 2003), with a basic capital of 121.44% (106.03% in 2003). By including market risks in the determination of assets weighted by risk, the total capitalization index of BANCEN reached 66.74% (66.79% in 2003), with a basic capital of 66.43% (66.01% in 2003). The index exceeds the legal requirements for both years.

Relevant events discussed in Note 2, affected the determination of net capital of the BANCEN as follows:

		2003		2002
Risk assets %	Credit risk	Credit and market risk	Credit risk	Credit and market risk
Basic capital	121.44%	66.43%	106.01%	66.01 %
Complementary capital	0.56%	0.31%	1.27%	0.78%
Net capital	122.00%	66.74%	107.28%	66.79%
Assets subject to credit risk		Ps 2,604		Ps 2,279
Assets subject to market risk		2,156		1,381
Total assets subject to risk		Ps 4,760		Ps 3,660

At December 31, 2004 and 2003, the net capital of BANCEN is comprised as follows:

(Amounts stated in millions of Mexican pesos)	2004	2003
Basic capital	Ps 3,162	Ps 2,549
Complementary capital	Ps 15	Ps 30
Net capital	Ps 3,177	Ps 2,579

At December 31, 2004 and 2003, the amount of weighted positions exposed to market risk is shown below:

(Amounts stated in millions of Mexican pesos)	**Amount of equivalent positions**	
Integration of Group I	2004	2003
Transactions in local currency with nominal rate	Ps 148	Ps 95
Transactions with effective interest rate	17	12
Foreign currency with nominal rate	1	1
Balance in shares or with yield indexed to a share or group or shares' price	6	9
	Ps 172	Ps 117

At December 31, 2004 and 2003, the amount of weighted positions exposed to credit risks is shown below:

(Amounts stated in millions of Mexican pesos)	**Amount of equivalent positions**	
Integration of Group II	2004	2003
Per debt certificates position	Ps 8	Ps 1
Per deposits and loans	200	192
	Ps 208	Ps 193

The amount of weighted assets subject to market and credit risks is detailed as follows:

(Amounts stated in millions of Mexican pesos)	**Risk-weighted assets**	
Concept	2004	2003
Group I	Ps 172	Ps 117
Group II	208	193
	Ps 380	Ps 310

The quarterly behavior of the capitalization index and its components is shown below:

Concept	4T03	1T04	2T04	3T04	4T04
Net capital / Assets subject to credit risk	107.28%	88.52%	70.59%	91.40%	122%
Net capital / Assets subject to credit and market risk	66.79%	20.77%	41.98%	32.33%	66.74%
Liquidity = Liquid assets / Liquid liabilities	114.90%	277.1%	545.7%	17408.7%	272.5%
Financial margin / Average productive assets	2.1%	2.6%	3.7%	2.6%	0.8%
Operating efficiency	12.8%	13.7%	12.8%	13.2%	13.1%
ROE = Net income for the quarter /Average stockholders' equity	28.3%	16.1%	11.6%	12.3%	13.5%
ROA = Net income for the quarter / Total average					

assets	19.0%	12.3%	8.5%	9.0%	9.9%

The net capital calculations and capital requirement are performed during the first week after the closing of each quarter with information at that same date, in order to determine how changes occurring in the capital structure have an impact on the financial ratios and the position of such capital. The aforementioned information is filed with the Risk Policies Committee, which analyzes and determines the feasibility of the new plans and/or investment projects.

Finally, at December 6, 2004, the General Rules issued by the COMMISSION became effective in order to classify Multiple Purpose Banking Institutions considering their capitalization indexes, and when required, to apply the necessary corrective measures to guarantee an adequate capital amount in responding to any liquidity problem faced by this type of institutions.

The categorization of Multiple Purpose Banking Institutions is performed in accordance with their capitalization index and the corrective measures applicable in conformity with each category are shown below:

Category	Capitalization index
I	10% or more
II	8% - 9.9%
III	7% - 7.9%
IV	4% - 6.9%
V	Less than 4%

Multiple Purpose Banking Institutions will be notified in writing by the COMMISSION with respect to their categorization, as well as of the corresponding Minimum and/or Special Additional Corrective Measures.

The Minimum Corrective Measures include reports to the board of directors of such institutions, the prohibition of transactions that could reduce the capitalization index of the institution, the preparation and presentation of a capital restructuring plan, the suspension of payment of dividends to stockholders, as well as benefits and bonuses to employees and officials, obtaining authorization from the COMMISSION to open new branches or purchase assets, among others things.

Special Additional Corrective Measures may be applied by the COMMISSION in addition to the minimum corrective measures, which depending on the category, could include from the presentation of more detailed reports to the board of directors of the institutions and the COMMISSION, the hiring of special auditors for specific situations with external auditors and authorized by the COMMISSION, to the substitution of officials, directors, statutory auditors and auditors, the change of policies on interest rates and the withdrawal of the authorization under which the banking institution operates.

NOTE 26 - COMPREHENSIVE INCOME :

In conformity with the new Statement B-4 issued by the MIPA, comprehensive income for the years ended December 31, 2004 and 2003, is summarized below:

	2004	2003
Net income, as shown in statement of income	Ps 2,621,149	Ps 2,339,417
Gain (loss) from holding non-monetary assets	(41,796)	(95,272)
Foreclosed assets reserve, methodology dated August 20, 2004 by the COMMISSION	(524,108)	
Loss from cancellation of portfolio (1)	(258,539)	-
Foreclosed assets written-off and creation of allowance for loan losses of Arrendadora Banorte, S. A. de C. V.	(15,066)	-
Income of Generali Mexico Compañía, de Seguros S. A. (see Note 2).	17,049	-
Comprehensive income	Ps1,798,689	Ps 2,244,145

(1) At the end of the first quarter of 2004, the HOLDING's Management applied official letter number 601-II-34966 issued by the COMMISSION, proceeding to recognize an amount of Ps258,539 in "Prior Year Retained Earnings", referring to the restitution of preventive allowances for loan losses that were previously cancelled. Such cancellation was made in the amount of Ps1,577,981 and it constituted the difference between the sales price and the book value of the portfolio at the date of the transaction, instead of the allowances that were associated when such transaction was settled, in the amount of Ps1,319,442.

NOTE 27 - NET EARNINGS PER SHARE:

As provided for by Statement B-14, "Earnings per share", issued by the MIPA, earnings per share were calculated as follows:

- Basic earnings per share are the result of dividing the net earnings by the weighted average shares outstanding of the HOLDING.

- Diluted earnings per share consider the effect of future capitalizations of mandatorily convertible subordinated debentures into outstanding capital stock.

- Net earnings are adjusted by adding thereto the comprehensive financing cost (interest paid less the monetary gain) of the subordinated debentures. Earnings adjusted as aforementioned are then divided by the weighted average outstanding shares, including those applicable to future capitalizations of outstanding debentures.

Following are the results of the aforementioned calculations, as well as the income effects from ongoing and discontinued operations:

	2004			2003
	Earnings	Weighted average of shares	Earnings per share	Earnings per share
Earnings from continuing operations attributable to paid-in capital	Ps 2,621,149	504,526,919	Ps5.1953	Ps 4.6612
Net earnings per share	2,621,149	504,526,919	5.1953	4.6612
Diluted earnings per share	2,621,149	504,526,919	5.1953	4.6612

NOTE 28 - INCOME TAX, EMPLOYEES' PROFIT SHARING AND ASSET TAX:

a. As a result of the amendments to the Income Tax Law, approved on November 13, 2004, the income tax rate will be 30%, 29% and 28%, in 2005, 2006 and 2007, respectively. Consequently, the effect of these reductions in the tax rate was considered in the valuation of the deferred income tax, resulting in the reduction of the relative liability in 2004 of Ps345,117, and an increase in net income of Ps216,489.

b. At December 31, 2004 and 2003, the concept of "current and deferred income tax and employees' profit sharing", shown in the HOLDING's statement of income, comprised the following:

	2004	2003
Asset tax currently payable	Ps 31,103	Ps 40,105
Consolidated subsidiaries' income tax currently payable	230,312	198,853
Employees' profit sharing currently payable	228,189	120,125
Deferred income tax and profit sharing	214,884	(102,974)
Restatement effect	9,977	980
	Ps 714,465	Ps257,089

c. The tax incurred by the HOLDING is calculated on the tax result of the year, by applying the currently effective tax regulations; however, due to temporary differences in the recognition of income and expenses for accounting and tax purposes, as well as differences between accounting and tax values of assets and liabilities, the HOLDING has recognized a net deferred tax asset in the amount of Ps677,915 (Ps1,023,032 in 2003) determined, in the case of income tax, at the rates at which the temporary differences are expected to reverse, and in the case of profit sharing at 10%, as follows:

CONCEPT	2004 Temporary differences	2004 Deferred Income tax	2004 Deferred Profit sharing	2003 Temporary differences	2003 Deferred Income tax	2003 Deferred Profit sharing
Allowance for loan losses (non-deducted)	Ps -	Ps -	Ps -	Ps 15,812	Ps 5,059	Ps -
Shared loss with FOBAPROA (2)	2,175,529	640,758	-	2,220,024	710,408	-
Tax loss carry forwards (1)	2,241,459	693,231	-	1,535,284	508,740	-
Deficit from valuation of certificates	626,351	187,905	62,635	660,493	217,963	66,049
Excess of tax value over accounting value of foreclosed assets	418,122	125,461	-	474,820	156,690	-
Other provisions	389,497	116,853	35,762	362,266	119,526	30,768
Past-due portfolio's principal and interest reserves	37,269	10,435	-	-	-	-
IA receivable	1,437	1,437	-	-	973	-
Unrealized surplus from interests in Siefore	(63,399)	(19,020)	-	-	-	-
TOTAL DEFERRED ASSETS	Ps 5,826,265	Ps 1,757,060	Ps 98,397	Ps 5,268,699	Ps 1,719,359	Ps 96,817

CONCEPT	2004 Temporary differences	2004 Deferred Income tax	2004 Deferred Profit sharing	2003 Temporary differences	2003 Deferred Income tax	2003 Deferred Profit sharing
Excess of accounting value over tax value of fixed assets and prepaid expenses	(Ps1,855,420)	(Ps 547,605)	(Ps 70,,472)	(Ps1,948,139)	(Ps 633,094)	(Ps 57,941)
Unrealized surplus from interests in Siefore	-	-	-	(61,892)	(20,425)	-
Inventory deduction	-	-	-	(206,082)	(70,068)	-
Acquisition of portfolios	(1,705,736)	(511,721)	-	-	-	-
Income tax payable for UDI Trusts	(42,689)	(14,086)	-	(35,202)	(11,616)	-
Reversion of cost of sales	(112,192)	(33,658)	-	-	-	-
TOTAL DEFERRED LIABILIITES	(Ps3,716,037)	(Ps1,107,070)	(Ps 70,472)	(Ps2,251,315)	(Ps 735,203)	(Ps 57,941)
NET ASSET	Ps 2,110,228	Ps 649,990	Ps 27,925	Ps 3,017,384	Ps 984,156	Ps 38,876
DEFERRED TAX			Ps 677,915			Ps1,023,032

(1) Based on the analysis performed by the HOLDING's Management at the end of 2004, an amount of Ps2,241,459 (Ps1,455,921 in 2003) is expected with respect to tax loss carryforwards. Management has prepared financial and tax projections, based on economic conditions estimated as conservative, which justify relying upon the recovery of the deferred tax asset against future taxable profits in the normal course of operations of the HOLDING.

(2) The deferred tax determined by this item was calculated at a 29% rate, since the maturity date of FOBAPROA promissory notes is identified.

Items affecting the deferred tax asset account during 2004 and 2003, are shown below:

	2004	2003
Balance at beginning of year	Ps 1,023,032	Ps 853,420
Loss shared with FOBAPROA	(47,187)	(49,934)
Tax loss carry forwards	344,609	77,430
Excess in accounting value over value of foreclosed assets	(30,143)	(137,206)
Other provisions	47,913	63,071
Past-due portfolio principal and interest reserves	(661)	-

Income asset receivable	141	199
Excess of accounting value over tax value of fixed assets and prepaid expenses	(61,506)	63,651
Income tax payable of UDI Trusts	-	116,370
Inventory deduction	-	33,473
Deficit from valuation of certificates	-	2,558
Reversion of cost of sales	(33,682)	-
Acquisition of loan portfolios	(511,721)	-
Restatement effect	(52,880)	-
Balance at end of year	Ps 677,915	Ps 1,023,032

d. At December 31, 2004, the HOLDING and subsidiaries had the following tax profits (losses):

Entity	Tax profit (loss) for the year	Tax losses from prior years
	(Amounts stated in thousands of Mexican pesos)	
Banco Mercantil del Norte, S. A.	Ps 1,704,750	(Ps 695,629)
Banco del Centro, S.A.	1,889,163	(1,970,623)
Arrendadora Banorte, S.A. de C.V	(62,564)	(1,063,141)
Almacenadora Banorte, S. A. de C. V.	100,595	(71,814)

Accumulated tax loss carryforwards are restated by applying historical values to the NCPI factors, published by BANXICO, and may be applied against taxable profits in the following years, for a maximum period of ten years as from the year following their origination.

e. At December 31, 2004, the HOLDING incurred in PTU amounting to Ps228,189 (Ps113,916 in 2003), shown in the statement of income, under the item denominated “Currently payable income tax and employees’ profit sharing”.

f. The HOLDING is subject to asset tax, calculated by applying the 1.8% rate on the average of assets not subject to financial brokerage, less the average of the debts used for the acquisition of such assets. Asset tax is payable only when the amount is higher than that of the income tax currently payable in the same year. The asset tax payments may be recovered to the extent of the excess of income tax over asset tax in the three prior years and the ten subsequent years. At December 31, 2004, the HOLDING incurred asset tax in the amount of Ps31,103 (Ps38,032 in 2003), as an individual entity. Deferred asset tax, shown by subsidiary, are as follows:

	2004	2003
Banco Mercantil del Norte, S. A.	Ps 604,812	Ps 1,605,349
Banco del Centro, S.A.	69,321	(93,716)
Casa de Bolsa Banorte, S.A de C.V.	22,494	22,728
Almacenadora Banorte, S. A. de C. V.	(25,554)	(24,233)
Factor Banorte, S.A. de C.V.	6,453	24
Grupo Financiero Banorte (Holding)	389	-

NOTE 29 - MEMORANDUM ACCOUNTS:

	2004	2003
Transactions on behalf of third parties		
Customer banks (current accounts)	Ps 7,728	Ps 4,947
Liquidation of customer transactions	9,590	(8,078)
Securities of customers received in custody	106,766,161	155,186,223
Customer repo transactions	29,293,534	18,264,087
Purchase transaction (option price)	-	9,035
Administrative trusts	1,700,170	2,513,537
	Ps137,777,183	Ps175,969,751
Transactions for own account		
Guarantees given	Ps 60,274	Ps 34,166
Other contingent liabilities	8,208,153	18,695,966
Opening of irrevocable credits	2,293,617	821,811
Amounts committed in transactions with FOBAPROA	418,689	7,108,828
Asset deposits	643,846	720,945
Securities of the company delivered in custody	253,540	241,083
Government securities of the company in custody	46,229	643
Assets in trust or mandate	61,445,770	86,814,946
Assets in custody or administration	76,581,514	114,927,184
Investments of the funds of the retirement savings system	-	260,709
Investment banking transactions on behalf of third parties, net	80,638,741	57,840,085
Amounts contracted in derivative instruments	27,080,596	10,986,511
	Ps257,670,969	Ps298,452,877
Repo transactions		
Securities receivable under repo agreements	Ps145,583,119	PPs 86,148,785
Less: Payables under repo agreements	145,582,274	86,320,147
	Ps 845	(Ps 171,362)
Receivables under repo agreements	$ 51,011,324	$ 25,675,509
Less: Securities deliverable under repo agreements	51,038,354	25,676,880
	(Ps 27,030)	(Ps 1,371)

NOTE 30 - SECURITIZATION:

The HOLDING, through the BANORTE has undertaken securitization operations whereby the rights on specified future U.S. dollar remittances have been transferred to a trust and in turn, the trust has issued securities to be placed among the investing public. The foregoing results in the right to the yields or proceeds of the sale of the assets traded (securitization), which is found within the cash and cash equivalents item (see Note 6) as a restricted asset.

Certificates of BANORTE have been placed on the international capital markets. At year-end, the balances thereof amounted to Ps102,876 (Ps302,765 in 2003), equivalent to US$9,277,000 (US$27,155,000 in 2003). These securitizations allowed BANORTE to obtain long-term financing in US dollars, in reliance on the cash flows from the US dollar remittances acquired from its customers through the branch network.

The U.S. dollar remittances and cash flows derived therefrom belong to a trust established in New York in favor of the foreign investors. The certificates issued ("CPOs") backed by the securitized remittances mature in the year 2006. They were originally for seven years and monthly installments of principal are paid. However, certain covenants must be complied with: coverage of remittance deposits should not fall below a 5 to 1 ratio for more than 3 months in a given year; if this occurred it could result in the advance cancellation of the financing.

The main characteristics of these securitizations are summarized below:

	2004	2003
CPOs - Series 1999-2A that cover 300 certificates with a face value amounting to US$250,000 each (US$75 million) payable in a 7-year term at a fixed interest rate of 8.94 %	Ps102,876	Ps170,414
CPOs - Series 1999-2B that cover 100 certificates with a face value amounting to US$250,000 each (US$25 million) payable in a 5-year term at a fixed interest rate of 9.49%	-	150,128
Accrued interest payable	407	1,233
	Ps 103,283	Ps 321,775

The HOLDING recognized interest expense in connection with these securitizations in the amount of Ps16,245 (Ps42,457 in 2003).

NOTE 31 - RISK MANAGEMENT:

From July 1, 2004, the new Standards regarding Comprehensive Risk Management applicable to credit institutions and issued by the COMMISSION became effective. These standards cancel Circulars 1423 and 1473 issued by the same authority. Also, a term of 90 working days as from the aforementioned date was established for the HOLDING to prepare and file before the COMMISSION a Strategic Implementation Plan for the new standards, and the deadline for their comprehensive implementation in the HOLDING was established at June 30, 2005, except for the implementation of the quantifiable non-discretionary risks (Operating, Technological and Legal Risk) for which the deadline is June 30, 2007.

Pursuant to the aforementioned, the HOLDING filed its Strategic Implementation Plan with the COMMISSION on November 5, 2004. In this Plan, the HOLDING describes actions to be taken, commitment dates and follow-up responsibility areas.

The role of identifying, measuring, monitoring and reporting the different types of risks to which the HOLDING is exposed is the responsibility of the Chief Risk Office.

The Chief Risk Office reports to the Chief Executive Officer of the HOLDING, thereby complying with the new Standards regarding Comprehensive Risk Management, with regard to the independence of the Business Areas.

In order to maintain appropriate Risk Management, the HOLDING has Corporate Bodies that set forth risk policies and strategies and that further follow-up thereon by properly overseeing their performance.

The Risk Policy Committee was established within those Corporate Bodies. In turn, the Institution has the following operating committees:

- Credit Committee
- National Credit Committee
- Recovery Committee
- Money Market and Treasury Committee
- Assets and Liabilities Committee
- Technology and Investment Committee
- Fiduciary Business Committee
- Communication and Control Committee

The Chief Risk Office channels the Risk Management efforts of the following management offices:

- Credit Risk Management;
- Market Risk Management;
- Operations Risk Management; and
- Risk Policies.

At present, the HOLDING has methodologies for risk management in its various areas such as credit, legal, liquidity, market and operations.

The main objectives of the Chief Risk Office are summarized below:

- Provide the different business areas with clear rules to help them have a correct understanding in order to minimize risk and to assure they are within the parameters established and approved by HOLDING's Top Management.
- Establish mechanisms that allow monitoring risk taking within HOLDING striving to make them mostly preventive and supported on advanced systems and processes.
- Standardize risk measurement and control.
- Protect the capital of the institution against unexpected losses due to market changes, bankruptcy and operating risks.
- Develop valuation models for the different type of risks.
- Establish procedures to improve the loan portfolio and portfolio management.

The HOLDING has divided risk evaluation and management as follows:

1. <u>Credit risk</u>: Volatility of income due to potential loan losses from unpaid balances of creditors or counterparties.

2. Market risk: Volatility of income due to changes in the market that influence the valuation of positions on asset and liability operations or those resulting in contingent liabilities, such as: interest rates, exchange rates, price indexes, etc.

3. Operating risk: The potential loss due to failures or deficiencies in information systems, in internal controls or due to mistakes in the processing of operations.

4. Liquidity risk: The potential loss due to the impossibility of renewing liabilities or contracting others in normal conditions for the HOLDING, due to the advance or forced sale of assets at unusual discounts in order to cover its obligations.

5. Legal risk: The potential loss due to non-compliance with applicable legal and administrative rules, the issuance of unfavorable administrative and judicial resolutions and the application of fines, in connection with HOLDING's operations.

At December 1997, the Board of Directors approved the Manual of Risk Policies. As of that date, HOLDING has continued updating and improving the policies and procedures for risk management in accordance with the objectives established and with the participation of all areas involved, continuously maintaining the communication of the manual through presentations via satellite, organizational communications and the continuous updating of HOLDING's Intranet.

Market Risk

At January 2003, the Board of Directors approved the calculation of Value at Risk (VaR) through the non-parametric historical simulation method, replacing the previous methodology applied up to December 2002, which determined VaR through parametric historical simulation. This change was approved with the purpose of applying the best international practices available for the measurement of VaR.

This new methodology is used for the market risk calculation as well as for the establishment and control of internal limits, considering a 99% confidence level for this purpose, in addition to multiplying it by a security factor that depends on the behavior of the main risk factors affecting the valuation of the current portfolios of the HOLDING.

This methodology is applied to all the HOLDING's portfolios exposed to variations of risk factors directly affecting their market valuation (local interest rates, foreign interest rates, exchange rates, among others).

The meaning of VaR under this methodology is the potential one-day loss that could arise from the valuation of portfolios at a given date, with a 99% confidence level, in the event that the last 500 historical scenarios were to be repeated in the future, and multiplying such result by a security factor that ensures covering volatilities not foreseen by the main risk factors affecting such portfolios.

In order to show the VaR behavior and its correlation with the net worth of the HOLDING during 2004, following are the quarterly values.

BANORTE

(Amounts stated in millions of Mexican pesos)

	4T03	1T04	2T04	3T04	4T04
VaR (1)	$ 217	$ 258	$ 239	$ 366	$ 253
Net Worth (2)	11,739	15,153	14,595	14,953	14,497
VaR / Net Worth	1.85%	1.70%	2.01%	2.45%	1.75%

BANCEN

(Amounts stated in millions of Mexican pesos)

	4T03	1T04	2T04	3T04	4T04
VaR (1)	$ 51	$ 12	$ 27	$ 25	$ 25
Net Worth (2)	2,445	2,603	2,675	2,793	3,177
VaR / Net worth	2.09%	0.46%	1.01%	0.90%	0.79%

(1) Quarterly average.
(2) Net worth at the end of the corresponding quarter.

Furthermore, the VaR average per risk factor of the instruments portfolio (including bonds, shares, money market transactions, swaps, forwards, futures, and other derivative instruments included or outside the balance sheet) for the financial sector (including BANORTE and BANCEN), behaved as follows during the fourth quarter of 2004 and 2003:

Risk factors (amounts stated in millions of Mexican Pesos)		VaR 04	VaR 03
Domestic interest rate	Ps	110	97
Foreign interest rate		256	106
Exchange rate		284	209
Capital		1	-
Prices of eurobonds		200	184
Total VaR	Ps	249	Ps 217

The VaR for each of the aforementioned risk factors is determined by simulating 500 historical scenarios of the variables integrating each of such factors, maintaining variables affecting the rest of the risk factors constant. Furthermore, the consolidated VaR for the banking sector considers the correlation of all the risk factors that influence the portfolios’ valuation; therefore, the arithmetic sum of VaR per risk factor does not coincide.

Liquidity Risk

The Chief Risk Office has continued with the processes related to the updating and improvement of policies and procedures for risk management, especially in the case of liquidity risks. It has done this through the application of additional methodologies for the calculation of gaps, a wider and deeper analysis of the composition of assets and liabilities in the balance sheet, complemented with the calculation of financial ratios. These measures are intended to measure and monitor the liquidity risk.

Credit Risk

The Credit Risk constitutes the risk of customers not complying with their payment obligations; therefore, its correct administration is essential to maintain a high-quality credit portfolio.

The objectives of the credit risk management in the HOLDING are:

– To develop and execute credit risk policies related to the strategic objectives of the HOLDING.
– To support the decision-making strategies, by maximizing the creation of value for stockholders and guaranteeing customer security.
– To establish specific policies and procedures for the identification of the debtors' risk level, using such procedures as a basis for the granting and monitoring of loans.
– To calculate the credit risk exposure over time, considering and evaluating the exposure concentration per risk ratings, geographic regions, economic activities, foreign currencies, and type of product.
– To create strategies for the diversification of the credit portfolio, defining limits for such portfolio.
– To implement a global credit risk management, by supervising all operations and aspects relative to credit risk.

Individual Credit Risk

The individual risk is identified and measured in the HOLDING through the Credit Risk Rating, the Objective Markets and the Risk Acceptance Criteria.

a. With respect to the Credit Risk Rating for the Portfolio, as from the fourth quarter of 2004 it is rated in conformity with the "General Rules applicable to loan portfolio rating methodologies for credit institutions", published in the Official Gazette on August 20, 2004. In the case of commercial loans with a balance equal to or higher than 900,000 UDIs, the internal rating methodology "Internal Risk Rating Banorte (CIR Banorte)" is used as authorized by the COMMISSION to determine the debtor's rating. In the other hand, loans below 900,000 UDIs, as well as mortgage and consumer loans, are evaluated through risk parametrical systems and rated in conformity with the aforementioned rules.

b. The Objective Markets and Risk Acceptance Criteria are tools that form part of the HOLDING's credit strategy. These tools support the determination of the individual credit risk level by CIR-Banorte. Objective Markets are activities selected by region and economic activity, supported by economic and quality studies relative to portfolios in which the HOLDING is interested in placing credits. The Risk Acceptance Criteria are parameters that describe the risks identified by industry, allowing for the identification of the risk faced by the HOLDING upon granting a credit to a customer, depending on the economic activity performed by the latter. Types of risk considered by the Risk Acceptance Criteria are: financial, operating, market, useful life of the company, legal and statutory, credit experience and management quality.

Portfolio Credit Risk

The HOLDING has designed a portfolio credit risk methodology that besides complying with the international practices regarding the identification, measurement, control and monitoring of risks, has been adapted to work within the context of the Mexican Financial System.

This methodology allows the HOLDING to know the exposure of all its credit portfolios (including those of BANORTE and BANCEN), allowing the monitoring of risk concentration levels per risk rating, geographic regions, economic activities, currencies and types of products, in order to know the profile of the portfolio and take the necessary actions to focus it towards a diversification with the objective of maximizing profitability with less risk.

The calculation of the credit exposure entails the generation of cash flow from each of the loans and from capital, as well as interest to further discount it. This calculation is made under different economic scenarios.

This methodology, besides considering the exposure of loans, takes into account the non-compliance probability, the loss severity, the recovery level associated with each customer and the borrowers' modeling based on the Merton model. The non-compliance probability is the probability of a borrower's not complying with its debt obligation with the HOLDING in accordance with the terms and conditions originally agreed; this probability is based on the transition matrix calculated from the migration of borrowers at different levels of risk rating. The recovery rate is the percentage of total exposure estimated to be recovered in the event that the borrower falls into breach of contract. The severity of the loss is the percentage of the total exposure estimated to be lost in case the borrower falls into breach. The borrowers' modeling, based on the Merton model, is focused on associating the future behavior of the borrower with credit and market factors.

Among the main results obtained from the foregoing are the expected loss and the unexpected loss in a one-year term. The expected loss is the distribution mean of a loan portfolio's losses, with which the average loss for the following year from the lack of compliance or changes in the credit quality of debtors is measured. The unexpected loss is the difference between the maximum loss, given the distribution of losses, at a specific confidence level and the expected loss.

The results obtained are used as a tool to improve decision-making with regard to the granting of credit and the portfolio diversification, in accordance with the global strategy of the HOLDING. The identification tools of individual risk and the credit risk methodology of the portfolio are reviewed and updated periodically in order to create new techniques to support or strengthen them.

At December 31, 2004 and 2003, the credit VaR or unexpected loss to consider for the current and past due loan portfolio of the Banking sector (BANORTE and BANCEN) was as follows:

	2004	2003
	(amounts stated in millions of Mexican pesos)	
Expected loss	Ps 1,876	Ps 3,025
Current portfolio	789	812
Past due portfolio	1,087	2,213
Unexpected loss	3,625	3,994

General rules for the diversification of risks regarding the realization of lending and borrowing transactions applicable to credit institutions.

In March 2003, the COMMISSION issued "General Rules for the Diversification of Risks with regard to the realization of lending and borrowing transactions applicable to credit institutions", which are obligatory from 2003.

These dispositions establish that the HOLDING should perform an analysis of its borrowers and/or financing on the existence of "Common Risk"; also, the HOLDING should have information and documentation necessary to verify if a person or group of persons represent a common risk in conformity with assumptions referred to in the aforementioned Rules.

The HOLDING, upon granting financing to a single person or group of persons, that due to their representing a Common Risk, should adjust to the maximum financing limit resulting from applying to the basic capital a factor connected to the capitalization level of the HOLDING.

On the other hand, in relation with customer deposits, the HOLDING should diversify its risks, aiming at an adequate integration of its liabilities, in accordance with the placing of these deposits.

In compliance with the risk diversification rules for lending and borrowing transactions, the following information is presented:

Description (amounts stated in millions of Mexican pesos)	BANORTE	BANCEN
Basic capital as of September 30, 2004	Ps 10,527	Ps 2,775
I. Financing for which the individual amount represents more than 10% of the basic capital:		
– Number of loans	3	-
– Amount of total loans (i)	Ps 4,978	Ps -
– % in proportion to the basic capital	47%	0%

II. Maximum amount of financing with the 3 major debtors representing a Common Risk (ii)	Ps 7,747	Ps 617

(i) 78% of the amount of loans granted are rated A.
(ii) 68% of the amount of loans granted are rated A.

Operating and Legal Risk

The Operating Risk (OR) is defined as the risk of direct loss resulting from failed or inadequate internal processes, human error, system failures and external events. This definition includes the Legal Risk, which involves the potential loss from sanctions derived from the lack of compliance with legal and administrative dispositions or the issuance of unfavorable legal resolutions in relation with the transactions of the HOLDING. The HOLDING also considers the Strategic and Reputation Risks. This group of risks in the HOLDING is known as Operating Risk.

As from 2003, the HOLDING created a formal OR area denominated "Executive Direction of Operating Risk Management" (ORA), within the General Direction of Comprehensive Risk Management. This area has prepared a master implementation plan (comprising from 2004 to 2007), in accordance with local requirements and approved by the CPR. The plan comprises in general terms the institutional management of OR, the recording of losses and the calculation of the Operation Value at Risk (Op VaR).

The master plan comprises the following phases:

a. Close coordination with the Controller's, Internal Audit and Risk-generating areas,
b. Identifying the main information sources,
c. Creating databases,
d. Defining the type of software for the Op VaR calculation,
e. Acquire the software and implementing it,
f. Implementing the software and performing related tests, and
g. Generating reports through the Management Information System.

As the first pillar of OR management and considering the Basel II Agreement, a record of events including an actual or potential economic loss in the OR database has been initiated, classifying and recording events by Business Line and Category or type of event, also grouping them by their cause-effect relation (Human Factor, Systems, Processes, External Causes), also by their economic loss frequency and severity. The aforementioned is done with the objective of obtaining the basis to calculate the Op VaR in accordance with the Advanced Method (AMA) recommended by Basel II and assigning the capital to cover OR.

To record operating losses, a system called "Operating Losses Recording System"(SCERO) has been developed. This system is in the implementation stage and allows central information-supplying areas to record directly and on line loss situations analyzed permanently by ORA.

The Executive Direction of Operating Risk is in coordination with the Internal Audit and Controller's Direction, as part of the Governance and management of Operating Risk, in order to promote and contribute to the other two pillars, which are constituted by having an effective Internal Control to establish procedures for processes and their compliance and, on the other hand, the permanent supervision of the Audit department. There is also coordination with Business and Technology and Operating Directions, who have developed RO mitigation strategies.

In order to face the OR provoked by a high-impact external event, the HOLDING has started a development to implement a Business Continuity Plan (BCP) and a Business Recovery Plan (BRP). The BCP project leader is the General Controller's Direction due to its relationship with procedures and the compliance with standards. However, the Technology, Operating and Business areas and the ORA Direction participate in a fundamental way, since the first success factor of a BCP is teamwork. Regardless of the aforementioned, BANORTE continues counting on the services of an internationally recognized external supplier to backup the critical business systems, guaranteeing ongoing operations in case of a contingency or disaster.

In order to manage and control the legal risk, policies and procedures have been defined for its measurement and analysis. The legal risk reports include the expected loss from trials in process and an estimated liability is recognized, representing a hedge against contingencies.

NOTE 32 - RELATED PARTIES:

The HOLDING identifies those balances and transactions with its parent, subsidiaries and other affiliated companies. The principal activities with related parties carried out during the year comprise:

a. Granting loans.
b. Money market transactions.
c. Rendering administrative services.
d. Leasing assets.
e. Rendering software services.
f. Royalties services for the use and benefit of the brand and know-how.
g. Management and recovery of loan portfolio.

The operations and balances with related parties pertaining to the financial sector are summarized below:

	Inco me		Accounts receivable	
Institution	2004	2003	2004	2003
Arrendadora Banorte, S. A. de C. V.	Ps 59,681	Ps 47,835	Ps 585,697	Ps 574,516
Casa de Bolsa Banorte, S. A. de C. V.	50,963	61,716	-	-
Banco del Centro, S. A.	189,650	3,250,430	1,534,713	983,443
Banorte Generali, S. A. de C. V. AFORE	73	125	-	-
Almacenadora Banorte, S. A. de C. V.	8,186	19,797	111,875	97,181
Factor Banorte, S. A. de C. V.	38,747	40,841	173,744	340,811
Inmobiliaria Bancrecer, S. A. de C. V.	3	-	229,080	241,566
Inmobiliaria Innova, S. A. de C. V.	2	-	79,068	83,378
Inmobiliaria Banorte, S. A. de C. V.	-	-	23,976	27,839
Total	Ps 347,305	Ps 3,420,744	Ps 2,738,153	Ps 2,348,734

Institution	Expense 2004	Expense 2003	Accounts payable 2004	Accounts payable 2003
Grupo Financiero Banorte, S. A. de C. V.	Ps 5,200	Ps 3,244	Ps 58,274	Ps 90,536
Arrendadora Banorte, S. A. de C. V.	67,194	15,467	49,751	10,416
Casa de Bolsa Banorte, S. A. de C. V.	1,333,611	153,879	4,412	186
Banco del Centro, S. A.	5,934	104,860	1,725,640	31,467
Banorte Generali, S. A. de C. V. AFORE	26	8	2,434	2,652
Almacenadora Banorte, S. A. de C. V.	2,489	1,168	69,017	3,453
Factor Banorte, S. A. de C. V.	147	143	36,492	24,073
Inmobiliaria Banorte, S. A. de C. V.	48,631	38,477	42,942	34,716
Constructora Primero, S. A. de C. V.	23,038	21,129	15,740	11,821
Inmobiliaria Bancrecer, S.A. de C. V.	32,501	33,973	29,770	25,208
Inmobiliaria Innova, S.A. de C. V.	10,349	7,825	25,750	17,586
Inmobiliaria Banormex, S.A. de C. V.	796	773	6,369	7,176
Inmobiliaria Finsa, S.A. de C. V.	2,397	2,421	16,530	19,261
Inmobiliaria Bra, S.A. de C. V.	12,804	5,140	6,178	33,803
Inmuebles de Occidente, S.A. de C. V.	1,646	1,499	12,873	10,246
Inmuebles de Tijuana, S.A. de C. V.	170	53	3,034	4,977
Derivados Banorte, S. A. de C. V.	-	-	181	194
Total	Ps 1,546,933	Ps 390,059	Ps 2,105,387	Ps 327,771

NOTE 33 - SEGMENT INFORMATION:

In order to analyze the financial information of the HOLDING, the most significant information, classified by sector, excluding consolidation adjustments as of December 31, 2004, is as follows:

a. The amounts per service sector of the HOLDING are comprised as follows:

	2004
Banking sector:	
Net income	Ps 2,388,031
Stockholders' equity	14,125,854
Total portfolio	100,236,940
Past due portfolio	1,765,643
Allowance for loan losses	2,693,245
Net total assets	169,943,206
Brokerage sector:	
Net income	Ps 76,584
Stockholders' equity	522,950
Portfolio in custody	106,991,951
Net total assets	635,044

Long-term savings sector:

Net income	Ps 463,942
Stockholders' equity	1,923,528
Net total assets	11,057,610

Auxiliary credit organizations sector:

Net income	Ps 113,800
Stockholders' equity	615,435
Total portfolio	5,212,361
Past due portfolio	38,471
Allowance for loan losses	58,913
Net total assets	5,786,930

b. The current loan portfolio grouped by economic sector and geographic area is the following:

Economic sector	North	Center	West	South	Total
Agriculture	Ps 1,053,423	Ps 678,912	Ps 443,213	Ps 285,864	Ps 2,461,412
Mining	47,586	69,787	9,219	3,881	130,473
Manufacturing	5,958,514	2,491,702	1,093,507	318,388	9,862,111
Construction	1,576,555	1,264,837	285,443	145,632	3,272,467
Energy, gas and water	1,659	6,159	821	217	8,856
Commerce, restaurants and hotels	4,263,795	3,222,563	2,083,954	839,385	10,409,697
Transportation and communications	2,380,129	311,903	60,580	78,463	2,831,075
Financial services	4,083,211	4,986,995	474,736	201,797	9,746,739
Community social and personal services	1,489,527	1,341,969	344,370	275,098	3,450,964
Professional, social, political and mercantile association	12,210	1,088	25,886	585	39,769
Public administration services	4,103,404	4,273,617	614,130	3,964,053	12,955,204
International organization services	1,871	252	308	-	2,431
Subtotal current loan portfolio					55,171,198
Credit card					3,756,024
Consumer					7,653,305
Mortgage loans					18,523,263
Hedging swaps					(81,887)
Loans to FOBAPROA or IPAB, ADE, FOPYME and FINAPE					12,568,186
Consumer					907
Leasing loans					1,678,221
Factoring loans					3,043,983
Total current loan portfolio					Ps 102,313,200

Economic sector	North	Center	West	South	Total
Agriculture	1,040,110	23,564	409,560	193,736	Ps 1,666,970
Mining	134,915	1,618	3,207	5,805	145,545
Manufacturing	7,345,601	2,159,686	981,308	264,149	10,750,744
Construction	1,481,356	505,954	283,983	124,038	2,395,331
Energy, gas and water	5,565	5,670	852	207	12,294
Commerce, restaurants and hotels	4,576,364	2,042,026	1,534,710	675,090	8,828,190
Transportation and communications	677,121	704,632	49,696	64,114	1,495,563
Financial services	3,046,387	3,348,855	283,721	32,443	6,711,406
Community, social and personal services	2,126,895	1,614,247	324,781	158,964	4,224,887
Professional, social, political and mercantile association	49,471	11,838	1,219	175	62,703
Public administrations services	3,395,068	6,903,522	375,127	905,217	11,578,934
International organization services	2,019	78	38	-	2,135

Subtotal current loan portfolio	47,874,702
Credit card	2,800,561
Consumer	6,383,351
Mortgage loans	15,534,619
Loans to FOBAPROA or IPAB, ADE, FOPYME and FINAPE	79,975,809
Hedging swaps	(120,925)
Leasing loans	1,243,570
Factoring loans	3,362,855
Total current loan portfolio	Ps 157,054,542

c. Past due loan portfolio grouped by economic sector and geographic area is summarized as shown below:

2004

Economic Sector	North	Center	West	South	Total
Agriculture	Ps 30,747	Ps 23,124	Ps 24,221	Ps 883	Ps 78,975
Mining	613	475	197	-	1,285
Manufacturing	44,525	76,248	49,249	3,535	173,557
Construction	7,469	22,861	2,965	1,928	35,223
Energy, gas and water	-	59	-	-	59
Commerce, restaurants and hotels	67,619	57,190	91,140	13,318	229,267
Transportation and communications	7,188	10,710	1,701	90	19,689
Financial services	4,513	2,250	473	133	7,369
Community, social and personal services	11,621	20,339	4,126	3,603	39,689
Professional, social, political and mercantile association	-	4,912	-	-	4,912
Public administration services	8,505	-	-	-	8,505
International organization services	900	-	-	-	900
Subtotal current loan portfolio					599,430
Credit card					165,089
Consumer					174,032
Mortgage loans					819,777
Others					7,314
Leasing loans					24,527
Factoring loans					13,944
Total past-due loan portfolio					Ps 1,804,113

2003

Economic sector	North	Center	West	South	Total
Agriculture	Ps 73,187	Ps 4,874	Ps 18,579	Ps 1,377	Ps 98,017
Mining	295,295	32	480	111	295,918
Manufacturing	540,276	109,856	322,112	2,341	974,585
Construction	90,242	997	8,001	325	99,565
Energy, gas and water	-	13	-	-	13
Commerce, restaurants and hotels	231,860	43,222	97,673	9,988	382,743
Transportation and communications	20,938	7,210	2,124	2,724	32,996
Financial services	10,526	972	5,474	142	17,114
Community, social and personal services	50,647	9,788	5,926	1,855	68,216
Professional, social, political and mercantile association	-	-	-	-	-
Public administration services	8,549	-	-	-	8,549
Other past due loans					10,155
Subtotal current loan portfolio					1,987,871
Credit card					178,465
Consumer					295,728
Mortgage loans					1,247,019
Leasing loans					31,837
Factoring loans					15,645
Total past-due loan portfolio					Ps 3,756,565

d. Deposits by product and geographic area were as follows:

2004

Product	Monterrey	Northeast	México	West	Northwest	Southeast	Treasury and others	Total
Non-interest bearing checking	Ps 5,107,849	Ps -	Ps 8,093,300	Ps 4,435,150	Ps 3,083,860	Ps 1,209,550	(Ps 20,620)	21,909,089
Interest bearing checking	3,949,750	-	9,686,010	3,728,410	2,466,260	1,637,380	(1,040)	21,466,770
Savings accounts	1,110	-	1,450	980	350	190	-	4,080
Current account in Mexican pesos and pre-established	3,432,570	-	4,773,060	2,372,460	2,334,940	842,490	151,950	13,907,470
Non-interest US dollar demand	110,430	-	96,290	125,700	221,900	11,700	-	566,020
Interest-bearing US dollar demand	1,699,480	-	1,953,760	644,140	2,205,110	64,480	750	6,567,720
Over the counter note	5,411,090	-	11,796,280	5,416,170	3,391,390	2,357,490	20	28,372,440
Term deposits in US dollars	2,328,680	-	2,202,670	1,691,490	817,650	238,030	13,790	7,292,310
Money desk customers	4,892,010	-	4,305,330	3,882,890	1,149,610	775,140	-	15,004,980
Financial brokers	-	-	-	-	-	-	11,994,430	11,994,430
FOBAPROA checking	250,060	-	-	-	-	-	1,063,180	1,313,240
Hedging swaps	-	-	-	-	-	-	(670)	(670)
Total deposits	Ps27,183,029	Ps -	Ps 42,908,150	Ps 22,297,390	Ps 15,671,070	Ps 7,136,450	Ps 13,201,790	Ps 128,397,879

2003

Product	Monterrey	Northeast	México	West	Northwest	Southeast	Treasury and others	Total
Non-interest bearing checking	Ps 5,922,205	Ps 3,697,634	Ps 4,298,019	Ps 3,163,779	Ps 3,105,728	Ps 2,545,341	Ps 465,502	Ps 23,198,208
Interest bearing checking	4,932,949	4,371,856	8,693,137	3,093,401	2,853,426	2,509,108	-	26,453,877
Savings accounts	2,715	2,193	1,118	1,128	506	1,930	-	9,590
Current account in Mexican pesos and pre-established	1,862,668	1,729,911	1,541,924	1,204,512	2,118,518	1,700,342	19,761	10,177,636
Non-interest US dollar demand	1,392,058	1,043,521	733,147	401,451	2,177,676	222,617	-	5,970,470
Over the counter note	5,520,492	5,297,113	6,021,529	3,919,081	3,447,537	3,659,387	21	27,865,160
Term deposits in US dollar	1,206,612	1,327,110	788,604	1,356,414	769,454	818,046	14,573	6,280,813
Money desk customers	14,653,551	7,659,813	6,665,897	8,406,395	3,637,496	3,863,225	370,564	45,256,941
Financial brokers	-	-	-	-	-	-	21,318,059	21,318,059
FOBAPROA checking	-	-	-	-	-	-	4,770,605	4,770,605
Hedging swaps	-	-	-	-	-	-	(2,281)	(2,281)
Total deposits	Ps 35,493,250	Ps 25,129,151	Ps 28,743,375	Ps21,546,161	Ps 18,110,341	Ps 15,319,996	Ps 26,956,804	Ps 171,299,078

NOTE 34 - SUBSEQUENT EVENT:

1. Through official letter DGSIF “A” 601-II-96084 dated December 13, 2004, the HOLDING received from the COMMISSION the authorization for “Créditos Pronegocios Banorte,S.A.de C.V.”(Pronegocio), to be organized and to operate as a limited purpose financial corporation.

   At January 11, 2005, the Official Gazette published the number of shares owned by Pronegocio, which is comprised by the HOLDING with 99.9%.

2. During January 2005, a restructuring was agreed with Celulosa y Derivados, S. A. de C. V. (CYDSA), through which BANORTE requested the exchange of securities owned by it for shares of its capital stock with market value of Ps36,000 and convertible debt notes with nominal value of USD$1,363 thousand with a negotiated interest rate of 5%.

   In February 2005, this transaction had an impact on the accounting records of BANORTE upon the exchange of securities for the aforementioned shares and new debt, respectively.

3. Through official letter number DGSIF”A”-601-II-52011 dated February 24, 2005, the COMMISSION states to BANORTE, in the case of recognition in the stockholders’ equity of the initial effect from the application of General Dispositions Applicable to the Credit Portfolio Rating Methodology, these should be recognized in income from prior years net from Income tax and Employees’ profit sharing. Derived from the aforementioned, the HOLDING recognized an amount of Ps144,526 and Ps2,210, respectively in accounting records of subsidiaries BANORTE and BANCEN, corresponding to deferred income tax from the reserve of foreclosed assets to be recorded in the first quarter of 2005.

NOTE 35 - SIGNIFICANT DIFFERENCES BETWEEN MEXICAN BANKING GAAP AND U.S. GAAP

Mexican banks prepare their financial statements in accordance with Mexican Banking GAAP as prescribed by the CNBV. Mexican Banking GAAP consists of the specific circulars issued by the CNBV as well as Mexican GAAP as prescribed by the Mexican Institute of Public Accountants (MIPA). Mexican Banking GAAP differs in certain significant respects from U.S. GAAP. A summary of the significant differences is presented below. This summary should not be taken as exhaustive of all differences between Mexican Banking GAAP and U.S. GAAP. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented in the Financial Statements, including the notes thereto.

Set forth below is a description of the significant differences between Mexican Banking GAAP and U.S. GAAP.

FOBAPROA Loans

Pursuant to certain programs related to recapitalization and the purchase of loan portfolios in exchange for a commitment on the part of certain banks to increase their capital within a certain time frame, the Group transferred loans, net of allowances for loan losses, to FOBAPROA. The loans are held in trusts and are generally managed by the Group in accordance with its collection policy. The Group received from FOBAPROA interest-bearing Notes issued by FOBAPROA, in exchange for such loans. The collection of the principal amount of the Notes and the accrued interest is subject to loss sharing. In the event that the cash flows from the loans and related interest is not sufficient to repay the interest bearing notes plus accrued interest, the Group is liable for 25% and 29% of the insufficiency, as the case may be. The Group may be liable for additional losses under certain circumstances. Under Mexican Banking GAAP, the loans, net of applicable allowances for loan losses, transferred to FOBAPROA were derecognized and the interest bearing notes from FOBAPROA were recorded.

In addition, the Group recognizes loan loss reserves equal to its loss contingency exposure under the applicable FOBAPROA program based upon actual cash collections. Interest on the Notes issued by FOBAPROA is recognized on an accrual basis, net of provisions for loss sharing.

Under U.S. GAAP, transfers of financial receivables with recourse that occurred before December 31, 1996, were treated as sales for accounting purposes if all of the following criteria were met:

- The transferor surrendered control of the future economic benefits embodied in the receivables;
- The transferor could reasonably estimate its obligation under the recourse provisions; and
- The transferee could not return the receivables to the transferor except pursuant to the recourse provisions.

If any of the above conditions was not met, then the amount of the proceeds from the transfer would be reported as a liability and the loans would have to be recorded in the balance sheet and evaluated under SFAS No. 114 "Accounting by Creditors for Impairment of a Loan".

For transfers of receivables that occurred after December 31, 1996, Statement of Financial Accounting Standards ("SFAS") No. 125 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" which was later superseded in September 2000 by SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" establishes conditions that must be met in order to apply sale accounting treatment rather than secured borrowing treatment:

- The transferred assets must be isolated from the transferor;
- The transferee's right to pledge or exchange the transferred assets must not be restricted; and
- The transferor must not maintain effective control over the transferred assets through an agreement that both entitles and obligates the transferor to repurchase or redeem the transferred assets before their maturity or through an agreement that entitles the transferor to repurchase or redeem transferred assets that are not readily obtainable.

If the transfer qualifies as a sale than the transferor should:

- Derecognize all assets sold;
- Recognize at fair value all assets obtained and liabilities incurred in consideration as proceeds of the sale, including cash, guarantees given and servicing assets or liabilities; and
- Recognize in earnings any gain or loss on the above sale.

Government Sponsored Restructurings

Mexican banks have participated in a number of debtor relief programs that began in 1995, which caused the Mexican banks to reduce their claims to the outstanding balances of loans (including mortgage loans) meeting certain criterion in accordance with program guidelines. In connection with government sponsored restructurings, Mexican banks had the option of accounting for the full amounts of the loss on the date of the restructuring or deferring the loss and amortizing this loss on the statement of income in subsequent periods. For individual loan restructurings, the Group generally charges off any difference in the carrying amount of the original loan and the restructured loan.

Under U.S. GAAP, as provided in SFAS No. 114, "*Accounting by Creditors for Impairment of a Loan*" a restructuring deemed to be a "trouble debt restructuring" would be measured for impairment based on the *present value* of the expected cash flows specified by the new terms of the loan discounted at the original effective interest rate implicit in the loan, except that, as a practical expedient, the Bank may measure the impairment based on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. If the restructuring was not deemed to be a "troubled debt restructuring" any forgiveness of the principal balance of the loans would be charged off at the time of restructuring.

Provision and Allowance for Loan Losses

Under Mexican Banking GAAP, effective December 1, 2004, the New Rules for Loan Portfolio Rating established general methodologies for the rating and constitution of preventive allowances for loan losses for each type of loan and allowed credit institutions to rate and develop preventive allowances based on internal methodologies, previously authorized by the CNBV.

The Group's internal methodology assigns an individual risk category to each commercial loan in accordance with established procedures for risk classification based on the borrower's financial and operating risk level, its credit experience and the nature and value of the loans' collateral. Thus, a loan loss reserve is determined for each loan considering a prescribed range of reserves associated to each risk category. In the case of the consumer and mortgage loan portfolio, the rating procedure and the constitution of loan reserves considers the accounting periods reporting past-due, the probability of noncompliance, the severity of the loss in proportion to its amount and the nature of loan guarantees. (See Note 3j. and Note 9 to these financial statements for a more detailed description of the loan portfolio rating methodology).

Mexican banks can make additional loan loss allowances in excess of those required by the CNBV.

Under Mexican Banking GAAP, all portfolio write-offs, cancellations or discounts are charged to the preventive allowance for loan losses. In addition, any recovery of loans previously charged off is also applied to the allowance for loan losses.

For loans that have been transferred to the UDI Trusts, a loan loss allowance should be established that is equal to any amount of net income that is recorded in the trust.

U.S. GAAP for recognition of loan losses is provided by SFAS No. 5, "Accounting for Contingencies" (SFAS No. 5) and SFAS No. 114, "Accounting by Creditors for Impairment of a Loan" (SFAS No. 114). An estimated loss should be accrued when, based on information available prior to the issuance of the financial statements, it is probable that a loan has been impaired at the date of the financial statements and the amount of the loss can be reasonably estimated.

For larger non-homogeneous loans, specific provisions are required to be calculated when it is determined that it is probable that the bank will not realize the full contractual principal and interest on a loan (impaired loan), in accordance with the original contractual terms.

Estimated losses on impaired loans, which are assessed on an individual loan basis, are required to be measured as the difference between the carrying amount of the loan and one of the following under U.S. GAAP:

- The present value of the expected future cash flows, discounted at the loan's effective interest rate; or
- The loan's observable market price; or
- The fair value of the collateral if the loan is collateral dependent.

For groups of smaller-balance homogeneous loans that are collectively evaluated for impairment, specific provisions are calculated based on historical loss ratios adjusted for qualitative factors.

Changes in the values of the allowances for loan losses calculated above are reflected in the statement of income through the provision for loan losses.

Under Mexican Banking GAAP, loans may be charged-off when collection efforts have been exhausted or when they have been fully provisioned.

Under U.S. GAAP, loans (or portions of particular loans) should be written-off in the period that they are deemed uncollectible. For banks located in the U.S., loans classified (or partially classified) as "loss" are considered uncollectible and therefore, are written-off.

Recognition of Interest Income

Under Mexican Banking GAAP, the recognition of interest income is suspended when the following loans become past due for the following periods:

Commercial loans:	
When it is known that the creditor has declared bankruptcy, in conformity with the Mexican Bankruptcy Law	
Promissory notes	30 days
Contractual with scheduled payments	90 days
Mortgage loans	
Through December 31, 2002	150 days
From January 1, 2003	90 days
Consumer credit	60 days

Under U.S. GAAP, the accrual of interest is generally discontinued when, in the opinion of management, there is an indication that the borrower may be unable to meet payments as they become due. As a general practice, this occurs when loans are 90 days or more overdue. Any accrued but uncollected interest is reversed against interest income at that time.

Loan portfolios purchased

Mexican Banking GAAP has no specific rules covering the accounting treatment of loan portfolios purchases. As collections on the purchased loan portfolios are received, the Group recognizes the amounts recovered as an investment income. In addition, the Group amortizes the cost of the investment based on the percentage of amounts recovered to the acquisition cost of the portfolio acquired, as adjusted by financial projections. Unamortized amounts, if any, are written off when the collection process has ceased.

These loan portfolios (generally consisting of troubled loans), purchased at a discount, would represent a purchase of a loan portfolio where it is not probable that the undiscounted future cash collections will be sufficient to recover the face amount of the loan and contractual interest. Consequently, under U.S. GAAP, at the time of acquisition, the sum of the acquisition amount of the loan and the discount to be amortized should not exceed the undiscounted future cash collections that are both reasonably estimable and probable. The discount on an acquired loan should be amortized over the period in which the payments are probable of collection only if the amounts and timing of collections, whether characterized as interest or principal, are reasonably estimable and the ultimate collectibility of the acquisition amount of the loan and the discount is probable. If these criteria are not satisfied, the loan should be accounted for using the cost-recovery method. Application of the cost-recovery method requires that any amounts received be applied first against the recorded amount of the loan; when that amount has been reduced to zero, any additional amounts received are recognized as income.

If the acquirer's assessment of factors affecting collectibility indicate that collection of the acquisition amount and the discount is probable and the amounts and timing of collections are reasonably estimable, then in accordance with FAS 91 "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases" discounts should be amortized using the interest method. .

Extraordinary Items

Under Mexican Banking GAAP, certain non recurring transactions or results of transactions or events, are treated as extraordinary items upon special authorizations from the CNBV.,

Under U.S. GAAP extraordinary items are limited to items that are unusual in nature and infrequent in occurrence, such as losses arising from natural disasters and expropriation of assets if such occurrences are truly unusual and infrequent given the geographic and other factors to which the company is normally subject.

Deferred Loan Origination Fees and Costs

Under Mexican Banking GAAP, loan origination fees are recognized on a cash basis and loan origination costs are expensed as incurred to the extent that they do not represent a fee that is in excess of a standard market fee. Any excess over a standard market fee would be deferred and amortized over the life of the loan.

Under U.S. GAAP, direct loan origination fees and costs are deferred and subsequently amortized over the life of the loan as an adjustment of yield using the effective interest method.

Assets Repossessed or Assets Received as Payment in Kind

Under Mexican Banking GAAP, assets repossessed or received as payment in kind are recorded at the value at which they were judicially repossessed by order of the courts. If the book value of the loan to be foreclosed on the date of foreclosure is lower than the value of the repossessed asset as judicially determined, the value of the asset is adjusted to the book value of the loan. Assets received as payment in kind are recorded at the lower of either the appraised value or the book value of the loan on which payment in kind is made.

In the event that the book value of the asset repossessed or received as payment in kind exceeds the value at which the asset can be sold, a preventive allowance is recorded. During 2004, additional provisions recognizing potential value losses due to the passage of time on assets repossessed or received as payment in kind are determined based on an aging scale (see footnote 3 p.).

Under U.S. GAAP, assets repossessed or received as payment in kind are reported at the time of foreclosure or physical possession at their fair value less estimated costs to sell. Subsequent impairment adjustments should be recognized in the fair value of the asset if it decreases below its book value.

Investments

Under Mexican Banking GAAP, investments are divided into the categories below:

- Trading securities are defined as those in which management invests to obtain gains from short-term price fluctuations. The unrealized gains or losses resulting from the mark-to-market of these investments are recognized in the statement of income for the period.

- For-sale securities are those in which management invests to obtain medium-term earnings. The unrealized gains or losses resulting from the mark-to-market of these investments, net of deferred taxes and inflation, is recognized in stockholders' equity.

- Held-to-maturity investments are those instruments in which management invests with the intention of holding them until maturity and are recorded at amortized cost.

Certain reclassification of investments from one line item to another require the CNBV's approval.

Under Mexican Banking GAAP, the fair value amounts are determined by independent third party price vendors. The fair value adjustment for available-sale-securities is reflected in equity and includes the related deferred income tax effects and loss from monetary position. All amounts are reversed into earnings upon sale or maturity of the securities.

Under Mexican Banking GAAP, provisions must be made for permanent impairment of for-sale securities or held-to-maturity securities. If the conditions that led to the provision being established improve sufficiently, then the provision can be reversed.

Under U.S. GAAP SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities":

- Debt securities must be classified, according to management's intent and ability to hold the security, within one of the following categories: held-to-maturity, trading, or available-for-sale. Marketable equity securities must be classified as either trading securities or available-for-sale securities.

- Trading securities are those actively bought and sold. Such securities are recorded at fair value, with resulting unrealized gains and losses recognized in the statement of income. Exchange traded securities should be valued using the last quoted price at the year-end.

- Securities which management has the intent and ability to hold to maturity are classified as held-to-maturity, a classification allowed only for debt securities, except for preferred stock with required redemption dates. Held-to-maturity securities are carried at amortized cost.

- All other debt securities and marketable equity securities that are not classified as debt securities or held-to-maturity securities are classified as available-for-sale securities. Available-for-sale securities are recorded at fair value with the resulting unrealized gains and losses recorded net of related deferred taxes as other comprehensive income, a separate component of shareholders' equity until realized, at which time the gain or loss is recorded as income.

Non-marketable equity securities are valued at cost, less a provision for other than temporary diminution in value.

U.S. GAAP has specific criteria limiting reclassifications of securities within the held-to-maturity classification. If any sales are made from the held-to-maturity portfolio other than in certain specific circumstances, then all held-to-maturity securities are deemed to be tainted and are consequently classified as available-for-sale.

U.S. GAAP does not contemplate the monetary position effect which is presently recognized under Mexican GAAP. Nevertheless, under U.S. GAAP, if a decline in fair value of an available-for-sale or held-to-maturity security is judged to be other than temporary, the cost basis of the individual security is written down to fair value and the amount of the write-down is charged to income. The new written down value of the security forms the new cost basis of the security and the impairment loss cannot be reversed if conditions improve.

Repurchase and Reverse Repurchase Agreements

Repurchase and resale agreements represent the temporary purchase or sale of certain financial instruments in exchange for a specified premium to be paid or received and with the obligation to resell or repurchase the underlying securities.

Under Mexican Banking GAAP, repurchase and reverse repurchase agreements are recorded as sales and purchases of securities, respectively. A net asset or liability is recorded at the fair value of the forward commitment to repurchase or resell the securities, respectively.

Under Mexican Banking GAAP, the use of a held-to-maturity security as collateral in a repurchase agreement could taint its held-to-maturity classification. The use of the repurchase agreement to increase liquidity could cause the regulatory authorities to call into question the ability of the bank to hold the instrument to maturity.

Under U.S. GAAP, repurchase and reverse repurchase agreements are transfer transactions subject to specific provisions and conditions that must be met in order for a transaction to qualify as a sale rather than a secured borrowing, In most cases, banks in the US enter into repurchase and reverse repurchase transactions that qualify as secured borrowings. , Accordingly, the bank's assets subject to a repurchase agreement would not be derecognized. Collateral for a reverse repurchase agreement should only be recognized on the balance sheet of the secured party where such party has control over the collateral, based on the rights and obligations of the collateral agreement. In addition, under U.S. GAAP, the use of held-to-maturity securities as collateral in a repurchase agreement would not call into question the bank's ability to hold the investment to maturity.

Transfers of financial assets

The Group enters into transfers of specific financial assets (usually loan portfolios) to special purpose securitization companies in exchange for cash and/or securities, as the case may be. The securitization company then issues securities, backed by the loan portfolio transferred, that are placed among the general investment public.

Under Mexican Banking GAAP, the Group usually recognizes these transactions as a sale and accordingly recognizes in income the difference between book value of the loans sold and the proceeds from the sale.

Under U.S. GAAP, pursuant to SFAS 140, a transfer of financial assets in which the transferor surrenders control over those financial assets is accounted for as a sale to the extent that consideration other than beneficial interests in the transferred assets is received in exchange. SFAS 140 sets forth the conditions that must be met for control over transferred assets to be considered to have been surrendered (failure to meet any one of the conditions would prevent the transferor from derecognizing the transferred financial assets and the transaction would be accounted for as a secured borrowing):

- The transferred assets must be isolated from the transferor;
- The transferee's right to pledge or exchange the transferred assets must not be restricted; and
- The transferor must not maintain effective control over the transferred assets through an agreement that both entitles and obligates the transferor to repurchase or redeem the transferred assets before their maturity or through an agreement that entitles the transferor to repurchase or redeem transferred assets that are not readily obtainable.

If the transfer qualifies as a sale then the transferor (seller) should:

- Derecognize all assets sold;
- Recognize at fair value all assets obtained and liabilities incurred in consideration as proceeds of the sale, including cash, guarantees given and servicing assets or liabilities; and
- Recognize in earnings any gain or loss on the above sale.

Range Operations

Under Mexican Banking GAAP, range operations involving the short-term purchase or sale of securities are accounted for as follows: The buyer records at fair value its asset position reflecting the securities receivable (with changes in the fair value of the securities accounted for in the statement of income), whereas the liability position is maintained at its agreed value. The seller records and values the contract in the opposite manner, by maintaining the asset position at the agreed value and the liability position is valued at fair value. Those asset and liabilities positions are shown net on the balance sheet. At settlement, a loss or gain in the transaction is recognized in the statement of income.

Under U.S. GAAP, Interpretation No. 39, ‘‘Offsetting of Amounts Related to Certain Contracts’’ (‘‘FIN 39’’), requires that exchange contracts be carried at their fair value and not offset, unless the following four provisions are satisfied:

• Each of two parties owes the other determinable amounts;

• The reporting party has the right to set off the amount owed with the amount owed by the other party;

• The reporting party intends to set off; and

• The right of set off is enforceable at law.

A debtor meeting the above conditions may offset the related asset and liability and report the net amount. However, FIN 39 provides for an exception to the intent condition for certain contracts reported at fair value if they are executed with the same counterparty under a master netting arrangement.

Derivatives

Up until 2004, under Mexican Banking GAAP, option contracts, whether held for trading or hedging purposes and other derivatives that are held for trading purposes are recorded at fair value, with unrealized gains and losses accounted for in the statement of income.

Changes in the fair value of forward and future contracts that qualify as hedges are recorded if the underlying item being hedged is carried at market value. The initial discount or premium on forward and future contracts is included in net income over the life of the contract, on a straight line basis. For swap contracts that qualify as hedges, the Group recognizes an asset (cash flow receivable) and a liability (cash flow payable) which are carried on the same basis of valuation as the underlying item being hedged, and which are shown as a net figure on the balance sheet.

Under Mexican Banking GAAP, the designation of a derivative instrument as a hedge of a net position (“macro hedging”) is allowed.

Under U.S. GAAP, prior to the issuance of SFAS No. 133 “Accounting for Derivative Financial Instruments” (applicable for all fiscal years beginning after June 15, 2000), there was no single authoritative source of accounting guidance for derivative financial instruments. The accounting for derivatives was influenced by the company’s motivation, the risks being managed, products being used, and the type of market for the product. Generally, derivatives were required to be marked-to-market unless they qualified for hedge accounting or synthetic instrument accounting. SFAS No. 133 as amended by SFAS No.138 “Accounting for Certain Derivative Instruments and Certain Hedging Activities – an Amendment of FASB Statement No. 133” and SFAS No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities” (collectively “SFAS 133”) expands the definition of derivative financial instruments, , significantly increases the documentation and measurement requirements for a derivative instrument to qualify as a hedging transaction, and requires that all derivatives be recorded as assets and liabilities on the balance sheet at fair value. Specifically SFAS No. 133 provides that:

- For all derivative instruments that do not qualify as hedges, the change in fair value should be recorded in earnings.

- For all derivative instruments that qualify as hedges of the fair value of existing assets or liabilities or firm commitments, the change in fair value of the derivative should be accounted for in the statement of income, however this should be fully or partially offset in the statement of income by the change in fair value of the underlying hedged item; and

- For all derivative contracts that qualify as hedges of future cash flows, the change in the fair value of the derivative should be initially recorded in Other Comprehensive Income ("OCI") in stockholders' equity. Once the underlying hedged transaction produces an effect in the statement of income, the amounts from OCI are transferred to the statement of income to partially offset the statement of income effect of the hedged transaction.

All derivative instruments that qualify as hedges are subject to period testing for effectiveness. Effectiveness is the derivative instrument's ability to generate offsetting changes in the fair value or cash flows of the underlying hedged item. Any ineffectiveness in the derivative instrument's ability to generate offsetting changes in the fair value or cash flows of the underlying hedged item is recognized in earnings immediately.

Macro hedging is not permitted under U.S. GAAP.

In addition, current Mexican accounting rules outstanding as of December 31, 2004 do not consider the existence of derivative instruments embedded in other contract and therefore, they are not reflected in our financial statements.

Under U.S. GAAP, certain implicit or explicit terms included in host contracts that affect some or all of the cash flows or the value of other exchanges required by the contract in a manner similar to a derivative instrument, must be separated from the host contract and accounted for at fair value.

Acquisition Accounting

Under Mexican Banking GAAP the excess of the purchase price over the adjusted book value of net assets acquired is recorded as goodwill (negative goodwill if book value exceeds the purchase price).

Under U.S. GAAP, for acquisitions prior to June 30, 2001, the excess of purchase price over the book value of assets and liabilities acquired must be ascribed to the fair value of separately identifiable assets and liabilities acquired. Retail depositor relationships associated with an acquisition of a financial institution by a bank, termed the core deposit intangible, is generally identified and valued separately. In July 2001, the FASB issued FASB Statement No. 141 (SFAS 141) "Business Combinations", effective for fiscal years beginning after December 15, 2001. SFAS 141 does not change the methodology for measuring goodwill in a business combination. However, it differs from the previous provisions in the following ways, among others,: (1) the purchase method of accounting must be used for all business combinations initiated after June 30, 2001 (i.e., the pooling-of-interests method is no longer permitted); (2) more-specific guidance is provided on how to determine the accounting acquirer; (3) specific criteria are provided for recognizing intangible assets apart from goodwill; and, (4) any negative goodwill is first allocated to reduce long-lived assets acquired and if any negative goodwill remains, then that amount must be written off immediately as an extraordinary gain (instead of being deferred and amortized).

Amortization of Goodwill and Other Intangible Assets

Under Mexican GAAP, goodwill is amortized over a period not to exceed twenty years and not to exceed five years, in the case of negative goodwill. Moreover, prior to the adoption of Bulletin C-8 "Intangible Assets" (effective as of January 1, 2003) the Mexican accounting rules were silent as to a separate recognition of identifiable intangible assets acquired in a business combination, as well as to impairment reviews of goodwill and other intangible assets.

Under U.S. GAAP, FASB Statement No. 142 (SFAS 142) "Goodwill and Other Intangible Assets" (which supersedes APB 17 "Intangible Assets" and which is effective January 1, 2002), addresses the accounting that must be applied to goodwill and other intangible assets subsequent to their initial recognition. Under SFAS 142: (1) goodwill (including the goodwill included in the carrying value of investments accounted for using the equity method of accounting) and indefinite-lived intangible assets are not amortized; (2) goodwill is tested for impairment at the reporting unit level (which is an operating segment as defined by FASB Statement No. 131 or one reporting level below an operating segment) at least annually; (3) intangible assets deemed to have an indefinite life are tested for impairment at least annually; and (4) amortizable intangible assets are tested for impairment when events and circumstances warrant such review.

Pension plan

Under Mexican GAAP, pension plan costs and seniority premiums are determined in accordance with Bulletin D-3 "Labor Obligations".

Under U.S. GAAP, pension plan costs are accounted for in accordance with SFAS No. 87 "Employers' Accounting for Pensions", whereby the liability is measured, similar to Mexican GAAP, by projecting the future expected payments using an assumed salary progression rate net of inflation adjustments, mortality and turnover assumptions, and discontinuing the resulting amounts to their present value using real interest rates.

SFAS No. 87 became effective on January 1, 1989 whereas Bulletin D-3 became effective on January 1, 1993. Therefore, a difference between Mexican GAAP and U.S. GAAP exists due to the accounting for the transition adjustments at different implementation dates.

Post-retirement Benefits

Under U.S. GAAP, post-retirement benefits are accounted for in accordance with SFAS No. 106, "Employers' Accounting for Post-retirement Benefits Other Than Pension." SFAS No. 106 "Employers' Accounting for Post-retirement Benefits Other Than Pensions" applies to all post-retirement benefits relating to life insurance provided outside a pension plan or to other post-retirement health care and welfare benefits expected to be provided by an employer to current and former employees. The cost of post-retirement benefits plan should be recognized over the employees' service periods and actuarial assumptions are used to project the cost of health care benefits and the present value of those benefits.

Under Mexican Banking GAAP, the Group accounts for such benefits in a manner similar to U.S. GAAP, with the exception that a difference between Mexican GAAP and U.S. GAAP exists due to the determination of the transition adjustments at different implementation dates, and the different amortization periods that result..

Employee Stock Option Plan

Under Mexican Banking GAAP, the Group recognizes no compensation expense for the employee stock option plan.

U.S. GAAP has two primary standards on accounting for stock-based compensation: Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), which is an intrinsic-value-based model and SFAS No. 123, "Accounting for Stock- Based Compensation," which is a fair-value-based model. When measuring compensation cost for stock compensation plans, companies preparing their financial statements in accordance with U.S. GAAP may choose between the measurement principles included in these standards. Under APB 25, a compensation charge is recognized for the difference between the price of the security on the date of purchase and the price the employee is required to pay. Under SFAS No. 123 a compensation charge is recognized based on a fair value model which is based on various assumptions. The timing and measurement of compensation charges vary depending on the terms of specific awards.

Restructuring Reserves

Under Mexican Banking GAAP, the establishment of reserves for costs to be incurred in connection with future events (such as restructurings, integrations, etc.) is permitted. In 2001, the Mexican Institute of Public Accountants issued Bulletin C-9 "Liabilities, Provisions, Contingent Assets and Liabilities and Commitments" which is effective January 1, 2003 with earlier adoption permitted. Bulletin C-9, among other things, establishes the guidelines for the valuation, presentation and disclosure of liabilities and provisions. It establishes certain requirements as to when reserves can be established.

Under U.S. GAAP, pursuant to, EITF 94-13 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring) ("Issue 94-3") very stringent requirements applied in order to be able to recognize these types of reserves prior to the incurrence of the cost. The costs of a plan to (1) exit an activity of an acquired company, (2) involuntarily terminate employees of an acquired company, or (3) relocate employees of an acquired company should be recognized as liabilities assumed in a purchase business combination and included in the allocation of the acquisition cost if specified conditions are met. In July 2002 the Financial Accounting Standards Board SFAS 146 "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146") (effective for exit or disposal activities initiated after December 31, 2002) established that a liability for a cost associated with an exit or disposal activity shall be recognized and measured initially at its fair value in the period in which the liability is incurred and eliminated the definition and requirements for recognition of exit costs in Issue 94-3

Research costs and Pre-operating Expenses

Under Mexican GAAP, prior to Bulletin C-8, "Intangible Assets", all expenses incurred while a company or a project is in the pre-operating or development stages are capitalized. Upon adoption of Bulletin C-8, research costs and pre-operating costs should be expensed as a period cost, unless they can be classified as development costs to be amortized on a straight-line basis after operations commence for a period not exceeding 20 years.

Under U.S. GAAP, such research and pre-operating expenses are expensed as incurred.

Retained Earnings Adjustments

Where specific approval is given by the CNBV, certain adjustments and provisions which are created during the year may be charged to retained earnings and not to the statement of income for the period.

Under U.S. GAAP, when adjustments which relate to correction of errors in the prior year occur, the prior period financial statements are required to be restated. Under U.S. GAAP, provisions recognized are charged to earnings rather than directly against retained earnings.

Deferred Income Taxes

Under Mexican Banking GAAP, deferred taxes are calculated using the balance sheet approach and include a deferred tax provision for accumulated timing differences arising from fixed assets. Under Mexican Banking GAAP, deferred taxes are recognized only when it is highly probable that sufficient future taxable income will be generated to recover such deferred tax assets.

Under U.S. GAAP, the method of calculating deferred taxes is similar to the method that is prescribed under Mexican Banking GAAP, with the primary differences relating to presentation and the carrying amount of deferred tax assets that is subject to a "more likely than not" consideration as to whether sufficient future taxable income will be generated to recover such asssets. U.S. GAAP differences in other areas that affect tax accounts impact U.S. GAAP deferred tax balances.

Statutory Profit Sharing

Under Mexican GAAP, the cost of employee profit sharing is included with income taxes.

For US GAAP purposes, the profit sharing expense should be classified as an operating expense.

Consolidation

Under Mexican Banking GAAP, the Group's consolidated financial statements include all the subsidiaries within the financial sector, as well as those providing complementary services, and exclude those that are not contained in the financial sector. The determination of which companies are deemed to be within the financial sector is not based solely on the application of a conceptual framework. The Mexican Ministry of Finance and Public Credit has the right to determine if a company is or is not within the financial sector, and therefore is required to be consolidated. Companies that may seem to fall within the financial sector based on their operations may not be consolidated due to decisions of the Mexican Ministry of Finance and Public Credit.

Under U.S. GAAP, the basic rule is that when a company has a controlling interest (either through a majority voting interest or through the existence of other control factors) in an entity, such entity's financial statements should be consolidated, irrespective of whether the activities of the subsidiary are dissimilar to those of the parent.

Effects of Inflation

Under Mexican Banking GAAP and in accordance with CNBV rules, which are substantially the same as those provisions set forth in Bulletin B-10, the effects of inflation have been recognized in the financial information. Fixed assets, stockholders' equity and other non-monetary assets are restated to constant purchasing power by applying the change in the UDI Index published as of the end of each reporting period. Depreciation is calculated using the straight-line method, based on the remaining useful lives of the assets.

The gain or loss from monetary position, which represents the erosion of the purchasing power of monetary items caused by inflation, is determined by applying at each month-end through the end of the year an inflation factor derived from the NCPI to the monthly average variation in net monetary assets or liabilities. This effect is recorded on the statement of income.

Under U.S. GAAP, historical costs must be maintained in the basic financial statements. Business enterprises are encouraged to disclose certain supplemental information concerning changing prices on selected statement of income and balance sheets items. Typically, however, no gain or loss on monetary position is recognized in the financial statements.

The recording of appraisals of fixed assets is prohibited, with the objective of maintaining historical cost in the balance sheet, except in the event of a business combination accounted for under the purchase method and under certain other circumstances.

Although the effects of inflation are not recognized in the financial statements under U.S. GAAP, the SEC recognizes that presentation indicating the effects of inflation is more meaningful than historical cost-based financial reporting for Mexican entities because it represents a comprehensive measure of the effects of price level changes in the inflationary Mexican economy. For this reason, the effects of inflation accounting are generally not eliminated from the financial statements of Mexican companies making offerings in the United States securities markets in situations when Mexican GAAP is reconciled to U.S. GAAP.

SUPPLEMENTAL INDENTURE

SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of November 30, 2004 between Gruma, S.A. de C.V, a corporation (*sociedad anónima de capital variable*) organized under the laws of the United Mexican States ("Gruma"), and JPMorgan Chase Bank, N.A., a national banking association (as successor to JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank), as trustee under the Indenture referred to below (the "Trustee").

W I T N E S S E T H:

WHEREAS, Gruma and the Trustee heretofore executed and delivered an Indenture, dated as of October 9, 1997 (the "Indenture"), providing for the issuance of the 7.625% Notes Due 2007 (the "Notes") (capitalized terms used herein but not otherwise defined have the meanings ascribed thereto in the Indenture);

WHEREAS, in accordance with Section 9.3 of the Indenture, the Trustee and Gruma, together with the written consent of the Holders of at least a majority in aggregate principal amount of the Notes outstanding as of the date hereof or by the adoption of a resolution at a meeting of Holders of at least a majority in the aggregate principal amount of the Notes outstanding as of the date hereof, may amend or waive certain terms and covenants in the Indenture as described below;

WHEREAS, Gruma is undertaking to execute and deliver this Supplemental Indenture to amend certain terms and covenants in the Indenture in connection with the Offer to Purchase and Consent Solicitation Statement of Gruma, dated as of November 16, 2004, and any amendments, modifications or supplements thereto (the "Offer and Consent Solicitation"); and

WHEREAS, this Supplemental Indenture has been duly authorized by all necessary corporate action on the part of Gruma.

NOW, THEREFORE, in consideration for the premises and for other good and valuable consideration, the receipt of which is hereby acknowledged, Gruma and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders as follows:

PART IV

Amendments and Waivers

Section 1.1 Applicability of Certain Indenture Provisions to the Offer and Consent Solicitation

. The application of the provisions of Article X of the Indenture are hereby waived to the extent that such provisions might otherwise interfere with the ability to enter into agreements contemplated by, and to consummate, the Offer and Consent Solicitation.

Section 1.2 Amendments to the Indenture and Notes

. Effective at the time of payment or deposit with DTC of an amount of money sufficient to pay for all Notes validly tendered and accepted pursuant to the Offer and Consent Solicitation and to make all consent payments required under the Offer and Consent Solicitation:

(i) Sections 10.2, 10.3, 10.6, 10.7, 10.8, and 10.9 are hereby amended by deleting all such Sections in their entirety and all references thereto contained elsewhere in the Indenture and any corresponding provisions in the Notes in their entirety (including, without limitation, references to such Sections contained in the Event of Default contained in Section 5.1 of the Indenture);

(ii) Section 8.1 is hereby amended by deleting clause (ii) and (iii) thereof and all references thereto contained elsewhere in the Indenture and any corresponding provisions in the Notes in their entirety (including, without limitation, references to such Section contained in the Event of Default contained in Section 5.1 of the Indenture);

(iii) Section 5.1 is hereby amended by deleting clauses (3) and (6) thereof in their entirety and all references thereto contained elsewhere in the Indenture and any corresponding provisions in the Notes in their entirety, and all references to Section 5.1 in the Indenture shall mean Section 5.1 as amended hereby; and

(iv) All definitions set forth in Section 1.01 of the Indenture and any corresponding definitions in the Notes that relate to defined terms used solely in sections deleted by this Supplemental Indenture are hereby deleted in their entirety.

III. Miscellaneous

Section 2.1 Effect of Supplemental Indenture

. Upon the execution and delivery of this Supplemental Indenture by Gruma and the Trustee, the Indenture shall be supplemented in accordance herewith, and this Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of Notes heretofore or hereafter authenticated and delivered under the Indenture shall be bound hereby.

Section 2.2 Indenture Remains in Full Force and Effect

Except as supplemented hereby, all provisions in the Indenture shall remain in full force and effect.

Section 2.3 Indenture and Supplemental Indenture Construed Together

This Supplemental Indenture is an indenture supplemental to and in implementation of the Indenture, and the Indenture and this Supplemental Indenture shall henceforth be read and construed together.

Section 2.4 Confirmation and Preservation of Indenture

The Indenture as supplemented by this Supplemental Indenture is in all respects confirmed and preserved.

Section 2.5 Conflict with the Trust Indenture Act

If any provision of this Supplemental Indenture limits, qualifies or conflicts with any provision of the TIA that is required under the TIA to be a part of and govern any provision of this Supplemental Indenture, the provision of the TIA shall control. If any provision of this Supplemental Indenture modifies or excludes any provision of the TIA that may be so modified or excluded, the provision of the TIA shall be deemed to apply to the Indenture as so modified or to be excluded by this Supplemental Indenture, as the case may be.

Section 2.6 Severability

In case any provision in this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 2.7 Benefits of Supplemental Indenture

Nothing in this Supplemental Indenture or the Notes, express or implied, shall give to any Person, other than the parties hereto and thereto and their successors hereunder and thereunder and the Holders of the Notes, any benefit of any legal or equitable right, remedy or claim under the Indenture, this Supplemental Indenture or the Notes.

Section 2.8 Successors

All agreements of Gruma in this Supplemental Indenture shall bind its successors. All agreements of the Trustee in this Supplemental Indenture shall bind its successors.

Section 2.9 Certain Duties and Responsibilities of the Trustee

In entering into this Supplemental Indenture, the Trustee shall be entitled to the benefit of every provision of the Indenture and the Notes relating to the conduct or affecting the liability or affording protection to the Trustee, whether or not elsewhere herein so provided.

Section 2.10 Governing Law

This Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 2.11 Multiple Originals

The parties may sign any number of copies of this Supplemental Indenture, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 2.12 Headings

The Article and Section headings herein are inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

Section 2.13 The Trustee

The Trustee shall not be responsible in any manner for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which are made by Gruma.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first written above.

Gruma, S.A. de C.V.

By: ______________________________________
Name: Raúl Peláez
Title: Chief Financial Officer

By: ______________________________________
Name: Raúl Cavazos
Title: Senior Vice President, Finance

Exhibit 2(b)(2)

JPMorgan Chase Bank, N.A.,
as trustee

By: ______________________________________
Name:
Title:

Exhibit 2(b)(4)

GRUMA, S.A. de C.V.,
as Company

and

JPMORGAN CHASE BANK, N.A.
as Trustee

INDENTURE

Dated as of December 3, 2004

7.75% Perpetual Bonds

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

EXHIBITS

Exhibit A	—	[FORM OF FACE OF BOND]
Exhibit B	—	FORM OF TRANSFER CERTIFICATE FOR TRANSFER FROM RESTRICTED GLOBAL BOND TO REGULATION S GLOBAL BOND (Transfers pursuant to Section 3.7(c)(ii) of Indenture)
Exhibit C	—	FORM OF TRANSFER CERTIFICATE FOR TRANSFER FROM REGULATION S GLOBAL BOND TO RESTRICTED GLOBAL BOND PRIOR TO EXPIRATION OF RESTRICTED PERIOD (Transfers pursuant to Section 3.7(c)(iii) of Indenture)

INDENTURE, dated as of December 3, 2004, between GRUMA, S.A. de C. V. (herein called the "Company"), a corporation (*sociedad anónima de capital variable*) organized and existing under the laws of the United Mexican States ("Mexico") and JPMORGAN CHASE BANK, N.A., a national banking association, as Trustee (herein called the "Trustee").

RECITALS OF THE COMPANY

The creation of an issue of its 7.75% Perpetual Bonds (the "Bonds") as hereinafter set forth, has been duly authorized by the Company, and to provide therefor the Company has duly authorized the execution and delivery of this Indenture.

All things necessary to be done by the Company to make the Bonds, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company upon payment therefor by the purchasers thereof, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company, in accordance with their and its terms, respectively, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Bonds by the Holders (as hereinafter defined) thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Bonds, as follows:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Definitions.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

the terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;

all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with Mexican GAAP (as hereinafter defined) (whether or not such is indicated herein);

unless the context otherwise requires, any reference to an "Article" or a "Section" refers to an Article or a Section, as the case may be, of this Indenture; and

the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article.

For purposes of the following definitions and the Indenture generally, unless otherwise specified, all calculations and determinations shall be based upon the latest available audited annual or unaudited quarterly consolidated financial statements of the Company and its Subsidiaries prepared in accordance with Mexican GAAP (as defined herein).

"Act" when used with respect to any Holder has the meaning specified in Section 1.4.

"Additional Amounts" has the meaning specified in the Bonds.

"Additional Bonds" means Bonds, other than the Initial Bonds, issued pursuant to the provisions of Section 3.1(a).

"Affiliate" means, with respect to any specified Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such specified Person, where "control" means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person whether by contract, ownership of securities or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Attributable Debt" means, with respect to a Sale/Leaseback Transaction, as at the time of determination, the present value (discounted at the interest rate borne by the Bonds, compounded annually) of the total net obligations of the lessee for rental payments (excluding any amounts required to be paid by the lessee for maintenance and repairs, insurance, taxes and similar items) during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended).

"Authenticating Agent" means any Person authorized by the Trustee to authenticate Bonds under Section 6.15.

"Authorized Newspaper" means, so long as the Bonds are listed on a securities exchange and such exchange so requires, a newspaper published in the city in which such securities exchange is located; *provided, however*, that for so long as the Bonds are listed on the Luxembourg Stock Exchange, the term "Authorized Newspaper" shall include the Luxembourg Wort (in each case, subject to the next sentence). If, because of temporary or permanent suspension of publication or general circulation of any newspaper or for any other reason, it is impossible or, in the opinion of the Trustee, impracticable to make reasonable publication of any notice required herein in a newspaper published in the city in which the securities exchange is located, "Authorized Newspaper" shall mean any publication in an English language newspaper of general circulation in Europe.

"Board" means the Board of Directors of the Company, or any duly authorized committee of the Board of Directors recognized in the *estatutos sociales* of the Company and formed in accordance with applicable law.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board and to be in full force and effect on the date of such certification and delivered to the Trustee.

"Bonds" has the meaning specified in the first recital of this Indenture and includes the Initial Bonds and any Additional Bonds.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in the Borough of Manhattan, The City of New York or, with respect to any payment on the Bonds, if there is a Paying Agent in Luxembourg, in Luxembourg or, with respect to any place of payment, in such place of payment, are authorized or obligated by law, executive order or regulation to close.

"Capital Lease Obligation" means, with respect to any Person, any obligation which is required to be classified and accounted for as a capital lease on the face of a balance sheet of such Person prepared in accordance with Mexican GAAP (or, in the case of any Subsidiary organized under the laws of any State of the United States, U.S. GAAP); the amount of such obligation shall be the capitalized amount thereof, determined in accordance with Mexican GAAP (or, in the case of any Subsidiary organized under the laws of any State of the United States, U.S. GAAP); and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"Capital Stock" means, with respect to any Person, any shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests (however designated) in such Person.

"Clearstream" means Clearstream Banking, S.A. and its successors.

"Closing Date" means, (i) with respect to the Initial Bonds, the date of closing of the sale of such Initial Bonds pursuant to the provisions of the Purchase Agreement, and (ii) with respect to any Additional Bonds, the date of issuance and first delivery of such Additional Bonds to the initial Holder(s) thereof.

"Commission" means the United States Securities and Exchange Commission.

"Company" means the Person named as the "Company" in the introductory paragraph of this Indenture, until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company and delivered to the Trustee by or on behalf of any two executive officers of the Company, one of which is Chairman of the Board, President, Chief Executive Officer, Executive Vice President, Chief Administrative Officer, General Counsel, Chief Financial Officer, the Corporate Treasurer or the Subdirector of Financial Development and the other of which may be any other executive officer of the Company or Person who has a power of attorney granted by the shareholders of the Company, the Board or any authorized attorney-in-fact of the Company and delivered to the Trustee, which shall comply with Section 1.2.

"Consolidated Net Tangible Assets" means, as of any date of determination, the total assets appearing on the Company's most recent internally available consolidated balance sheet, less goodwill and other intangibles (other than patents, trademarks, copyrights, licenses and other intellectual property) shown on the Company's most recent internally available consolidated balance sheet.

"Corporate Trust Office" means the principal office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office is, at the date of execution of this instrument, located at 4 New York Plaza, 15th Floor, New York, New York 10004; Attention: Institutional Trust Services.

"corporation" includes corporations, associations, companies and business trusts.

"Debt" means, with respect to any Person (without duplication):

(i) the principal of and premium, if any, in respect of (A) indebtedness of such Person for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable;

(ii) all Capital Lease Obligations of such Person;

(iii) all obligations of such Person issued or assumed as the deferred and unpaid purchase price of Property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business or other obligations in the ordinary course of business which are outstanding for not more than 60 days);

(iv) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in (i) through (iii) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit);

(v) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Redeemable Stock (but excluding any accrued dividends);

(vi) any liability under any agreements or instruments in respect of interest rate or currency swap, exchange or hedging transactions or other financial derivatives transactions;

(vii) all obligations of the type referred to in clauses (i) through (v) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Guarantee (excluding any Guarantee by the Company of any obligations of its Subsidiaries or Guarantees by any Subsidiary of obligations of the Company or any other Subsidiary); and

(viii) all obligations of the type referred to in clauses (i) through (vi) of other Persons secured by any Lien on any Property of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such Property or the amount of the obligation so secured.

For purposes of Section 5.1(3) the term "Debt" shall not be deemed to include clauses (iii), (vi), (vii) and (viii) above (to the extent that such clauses (vii) and (viii) relate to clause (iii) or (vi)).

"Default" means any event, act or condition the occurrence of which is, or after notice or the passage of time or both would be, an Event of Default.

"Defaulted Interest" has the meaning specified in Section 3.9.

"DTC" means The Depository Trust Company, New York, New York, or any successor thereto registered as a clearing agency under the Exchange Act or other applicable statute or regulation.

"U.S.$" or "U.S. dollar" means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

"DWAC" means Deposit and Withdrawal at Custodian Service.

"Euroclear" means Euroclear Bank S.A./N.V., a Belgian bank, as operator of the Euroclear System and its successors.

"Event of Default" has the meaning specified in Section 5.1.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations promulgated thereunder, and any successor statute thereto.

"Exchange Bonds" means the Bonds, if any, issued pursuant to an Exchange Offer which shall have substantially identical terms, other than in respect of transfer restrictions in transactions subject to the United States federal securities laws, as the Bonds they are exchanged for.

"Exchange Offer" means an offer that may be made by the Company, pursuant to an effective registration statement filed with the Commission under the Securities Act, to issue Exchange Bonds in exchange for Bonds theretofore issued by the Company under this Indenture.

"global Bond" has the meaning specified in Section 2.2(a).

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Debt or other obligation of any Person and any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

provided, however, that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Holder" means each Person in whose name a Bond is registered in the Register, and, for so long as the Bonds are represented by global Bonds registered in the name of DTC or its nominee, shall mean DTC or such nominee.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

"Initial Bonds" means the $300,000,000.00 aggregate principal amount of Bonds issued on or about the date of this Indenture and sold by the Company pursuant to the Purchase Agreement.

"Interest Payment Date" means the Stated Maturity of an installment of interest on the Bonds.

"Lien" means any mortgage, pledge, lien, security interest or other charge or encumbrance, including any equivalent right created or arising under the laws of Mexico.

"Market Exchange Rate" means, when used in respect of the U.S. dollar equivalent on any date of any obligation denominated in a currency other than U.S. dollars, (i) the Noon Buying Rate for such other currency on such day as published by the Federal Reserve Bank of New York, (ii) in the event the Federal Reserve Bank of New York does not publish a Noon Buying Rate for such other currency on such day, the exchange rate quoted or published on such day by the relevant central bank as the rate for buying such other currency in the U.S. dollar or (iii) if no such rate is quoted or published, the rate determined by the Trustee based on a quotation or an average of the quotations given to the Trustee by commercial banks which conduct foreign exchange operations or based on such other method as the Trustee may reasonably determine to calculate a market exchange rate; *provided* that if such Market Exchange Rate is not then available, the Market Exchange Rate most recently available prior thereto shall be used.

"Material Subsidiary" means any Subsidiary of the Company which, as of any date of determination, either (a) had assets which, as of the date of the Company's most recent quarterly consolidated balance sheet, constituted at least 10% of the Company's total assets on a consolidated basis as of such date, or (b) had revenues for the twelve-month period ending on the date of the Company's most recent quarterly consolidated statement of income which constituted at least 10% of the Company's total net sales on a consolidated basis for such period.

"Maturity" means, when used with respect to any Bond, the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether by declaration of acceleration, call for redemption or otherwise.

"Mexican GAAP" means generally accepted accounting principles in Mexico as in effect from time to time, including those set forth in the opinions and pronouncements of the Mexican Institute of Public Accountants or in such other statements by such other entity as approved by a significant segment of the accounting profession in Mexico.

"Mexican Taxes" has the meaning specified in the Bonds.

"Mexico" has the meaning specified in the introductory paragraph of this Indenture.

"Noon Buying Rate" means the rate published for customs purposes by The Federal Reserve Bank of New York for cable transfers payable in pesos.

"Officers' Certificate" means a certificate signed by any two executive officers of the Company, one of which is Chairman of the Board, President, Chief Executive Officer, Executive Vice President, Chief

Financial Officer, Chief Administrative Officer, General Counsel, Corporate Treasurer or any Vice President of Finance and the other of which may be any other executive officer of the Company or Person who has a power of attorney granted by the shareholders of the Company, the Board or any authorized attorney-in-fact of the Company and delivered to the Trustee, which shall comply with Section 1.2.

"Opinion of Counsel" means a written opinion of legal counsel, who may be an employee of or counsel for the Company, which is delivered to the Trustee and shall comply with Section 1.2.

"Outstanding", when used with respect to the Bonds, means, as of the date of determination, all Bonds theretofore authenticated and delivered under this Indenture, except:

(i) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Bonds, or portions thereof, for whose payment money or securities in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Bonds; *provided* that, if such Bonds are to be redeemed (as provided in Article XI), notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and

(iii) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to this Indenture;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by the Company or any Affiliate of the Company shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon such request, demand, authorization, direction, notice, consent or waiver, only Bonds which a Responsible Officer of the Trustee knows to be so owned shall be so disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Company or any Affiliate of the Company.

"Paying Agent" has the meaning specified in Section 3.6.

"Person" means any individual, corporation, limited liability company, limited or general partnership, joint venture, association, joint-stock company, trust, unincorporated association or governmental or any agency or political subdivision thereof.

"pesos" means the lawful currency of Mexico.

"Predecessor Bond" of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond; and, for the purposes of this definition, any Bond authenticated and delivered under Section 3.8 in exchange for or in lieu of a mutilated, lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Bond.

"Property" means any asset, plant, facility, revenue or other property, whether tangible or intangible, real or personal, including any right to receive income.

"Public Company Period" means any period with respect to which the Company is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act.

"Purchase Agreement" means the Purchase Agreement, dated November 30, 2004, between the Company and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, and the other initial purchasers listed on Schedule 1 attached thereto, as such agreement may be amended, modified or supplemented from time to time.

"Qualified Institutional Buyer" has the meaning set forth in Rule 144A.

"Record Date" for the interest payable on any Interest Payment Date means the date specified in Section 3.9(a).

"Redeemable Stock" means any Capital Stock that by its terms or otherwise is required to be redeemed by the Company on a Stated Maturity date or that is required to be redeemed by the Company at the option of the Holder thereof.

"Redemption Date" means, when used with respect to any Bond to be redeemed hereunder, the date fixed for redemption of such Bond pursuant to Article XI of this Indenture and the Bonds.

"Register" has the meaning specified in Section 3.7.

"Registrar" has the meaning specified in Section 3.7.

"Regulation S" means Regulation S under the Securities Act and any successor regulation thereto.

"Regulation S Global Bond" has the meaning specified in Section 2.2(a).

"Responsible Officer", when used with respect to the Trustee, means any officer of the Trustee having direct responsibility for the administration of this Indenture and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Global Bond" has the meaning specified in Section 2.2(a).

"Restricted Bonds" has the meaning specified in Section 2.3.

"Restricted Period" has the meaning specified in Section 2.2(a).

"Restrictive Legend" has the meaning specified in Section 2.2(a).

"Rule 144" means Rule 144 under the Securities Act and any successor rule thereto.

"Rule 144A" means Rule 144A under the Securities Act and any successor rule thereto.

"Sale/Leaseback Transaction" means an arrangement relating to Property now owned or hereafter acquired whereby the Company or a Subsidiary transfers such property to a Person and the Company or a Subsidiary leases it from such Person.

"Securities Act" means the U.S. Securities Act of 1933, as amended, and any successor statute.

"Special Record Date" for the payment of Defaulted Interest means a date fixed by the Trustee pursuant to Section 3.9(d)(i).

"Stated Maturity" means, with respect to (i) any security, the date specified in such security as the fixed date on which the principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the Holder thereof upon the happening of any contingency unless such contingency has occurred), or (ii) any installment of interest on any security, the date specified in such security as the fixed date on which such installment of interest is due and payable.

"Subsidiary" means, with respect to any Person, any other Person as to which a majority of the total voting power of shares of Capital Stock (or, if such other Person is not a corporation, other ownership interests) is, as of the date of determination, beneficially owned or held, directly or indirectly, by such Person and/or one or more other Subsidiaries thereof. The term “voting power” means, in turn, power to vote in the election of directors or members of the governing body of such other Person.

“Transfer Agent” has the meaning specified in Section 3.6.

“Trustee” means the Person named as the “Trustee” in the introductory paragraph of this indenture until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Trustee” shall mean or include each Person who is such a successor Trustee.

“Trust Indenture Act” means the U.S. Trust Indenture Act of 1939, as amended, as in effect on such date, if any, on which this Indenture is qualified under the Trust Indenture Act.

“United States” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

“U.S. GAAP” means generally accepted accounting principles in the United States as in effect from time to time, including those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession in the United States.

“U.S. Government Obligations” means direct obligations (or certificates representing an ownership interest in such obligations) of the United States (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States is pledged and which are not callable or redeemable at the issuer’s option.

“Unrestricted Global Bonds” has the meaning specified in Section 2.2.

Whenever this Indenture refers to a provision of the Trust Indenture Act, such provision is, subsequent to the date, if any, on which this Indenture is qualified under the Trust Indenture Act, incorporated by reference in and made a part of this Indenture. The following Trust Indenture Act terms used in this Indenture have the following meanings:

“indenture securities” means the Bonds.

“indenture security holder” means a Bond holder.

“indenture to be qualified” means this Indenture.

“indenture trustee” or “institutional trustee” means the Trustee.

“obligor” on the indenture securities means the Company and any other obligor on the indenture securities.

All other Trust Indenture Act terms used in this Indenture that are defined by the Trust Indenture Act, defined by Trust Indenture Act reference to another statute or defined by Commission rule have the meanings assigned to them by such definitions.

Compliance Certificates and Opinions.

Upon any application or request by the Company to the Trustee to take any action or to refrain from taking any action under any provision of this Indenture, the Company shall, if requested by the Trustee, furnish to the Trustee an officers’ Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel, all conditions precedent, if any, have been complied with. Each such certificate or opinion shall be given in the form of an Officers' Certificate, if to be given by officers of the Company, or an Opinion of Counsel, if to be given by counsel, and, subsequent to the date, if any, on which this Indenture is qualified under the Trust Indenture Act, shall comply with the requirements of the Trust Indenture Act and any other requirement set forth in this Indenture.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than the certificates provided pursuant to Section 10.3) shall include

a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

a statement that, in the opinion of each such individual, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been complied with; and

a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Subsequent to the date, if any, on which this Indenture is qualified under the Trust Indenture Act, the Company shall furnish the Trustee such certificates and opinions as may be required under the Trust Indenture Act.

Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any such certificate or Opinion of Counsel delivered by a Person on behalf of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such Person knows that the certificate or opinion or representations with respect to the matters upon which such Person's certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Acts of Holders; Record Dates.

Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be (i) embodied in and evidenced by one or any number of concurrent written instruments of substantially similar tenor signed by such Holders in Person or by any agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company or (ii) approved by a resolution of Holders at a meeting of Holders conducted in accordance with Section 9.1. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments or causing it to be signed or voting in favor of such resolution. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.2) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section 1.4.

The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner which the Trustee deems reasonably sufficient.

The ownership of Bonds shall be proved by the Register.

Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of any Bond issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, suffered or omitted to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Bond.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to take any action under this Indenture by vote or consent. Such record date shall be the later of 10 days prior to the first solicitation of such consent or vote or the date of the most recent list of Holders furnished to the Trustee pursuant to Section 7.1 prior to such solicitation. If such a record date is fixed, those Persons who were Holders of Bonds at such record date (or their duly designated proxies), and only those Persons, shall be entitled to take such action by vote or consent or to revoke any vote or consent previously given, whether or not such Persons continue to be Holders after such record date; *provided, however*, that unless such vote or consent is obtained from the Holders (or their duly designated proxies) of the requisite principal amount of Bonds that are Outstanding prior to the date which is the 120th day after such record date, any such vote or consent previously given shall automatically and without further action by any Holder be cancelled and of no further effect.

Notices, etc., to Trustee and Company.

Any request, demand, authorization, direction, notice, consent, waiver or other Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if in writing and (a) delivered in Person, (b) delivered by telecopy and sent by registered mail, return receipt requested, or (c) delivered by overnight courier, to the Trustee at its Corporate Trust Office, Attention: Institutional Trust Services, or

the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and (a) delivered in Person, (b) delivered by telecopy or telex and sent by first class mail postage prepaid or (c) delivered by overnight courier, to the Company, addressed to it at Calzada del Valle Ote. 407, Colonia del Valle, San Pedro Garza Garcia, Nuevo León, 66220, Mexico, or at any other address previously furnished in writing to the Trustee by the Company, Attention: Chief Financial Officer.

Notice to Holders; Waiver.

Where this Indenture provides for the giving of notice to Holders of any event, the Company shall or shall cause the Trustee, at the Company's expense, to (i) publish such notice at least once in an Authorized

Newspaper (if applicable), (ii) in the case of the global Bonds, mail such notice by overnight mail to DTC and (iii) in the case of Bonds other than the global Bonds, mail such notice by first-class mail to the Holders thereof at the address appearing on the Register. Any such notice shall be conclusively presumed to have been received by such Holders. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In the event of suspension of regular mail service or for any other reason it shall become impracticable to give such notice by mail, then such a notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

All requests, demands, authorizations, directions, notices, consents, waivers and other communications required or permitted under this Indenture shall be in writing in the English language. Notice to any Holder will be deemed to have been given on the date of such publication or mailing.

Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience of reference only and shall not affect the construction hereof.

Successors and Assigns.

All covenants and agreements of the parties hereto under this Indenture shall bind their respective successors and assigns, whether or not so expressed herein.

Separability Clause.

In case any term or provision in this Indenture or in the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining terms or provisions shall not in any way be affected or impaired thereby. To the extent permitted by applicable law, the parties hereby waive any provision of law which renders any term or provision hereof invalid or unenforceable in any respect.

Benefits of Indenture.

Nothing contained in this Indenture or in the Bonds, express or implied, shall give to any Person, other than the parties hereto and their successors and assigns and the Holders from time to time of the Bonds, any benefits or any legal or equitable right, remedy or claim under this Indenture.

Trust Indenture Act Controls.

Subsequent to the date, if any, on which this Indenture is qualified under the Trust Indenture Act, if and to the extent that any provision of this Indenture limits, qualifies or conflicts with the duties imposed by, or with another provision (an "incorporated provision") included or required to be included in this Indenture by operation of, Sections 310 to 318, inclusive, of the Trust Indenture Act, such imposed duties or incorporated provision shall control.

Governing Law.

THIS INDENTURE AND THE BONDS SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Contract Currency.

Except as otherwise expressly set forth herein, the U.S. dollar is the sole currency of account and payment for all sums payable by the Company under or in connection with the Bonds, including damages. Except as otherwise expressly set forth herein, any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Company or otherwise) by any Holder of the Bonds in respect of any sum expressed to be due to it from the Company shall only constitute a discharge to the Company to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If such U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Bond, the Company shall indemnify the recipient against any loss sustained by it as a result. In any event, the Company shall indemnify the recipient against the cost of making any such purchase. If the U.S. dollar amount so purchased is greater than the U.S. dollar amount expressed to be due to the recipient under any Bond, the recipient agrees to pay to the Company an amount equal to the excess of such U.S. dollar amount so purchased over the U.S. dollar amount expressed to be due to the recipient under any Bond. These indemnities constitute a separate and independent obligation from the other obligations of the Company, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of the Bonds and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Bond.

Submission to Jurisdiction.

Each of the parties hereto agrees that any suit, action or proceeding arising out of or based upon this Indenture or the Bonds, or the transactions contemplated hereby or thereby, may be instituted in any of the Federal Courts of the United States for the Southern District of New York and the courts of the State of New York, in each case located in the Borough of Manhattan, City and State of New York, and further agrees to submit to the jurisdiction of any competent court in the place of its corporate domicile. In addition, each such party irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of such suit, action or proceeding brought in any such court and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Each such party hereby irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or relating to this Indenture or the transactions contemplated hereby. Each such party agrees that final judgment in any proceedings brought in such a court shall be conclusive and binding upon it and may be enforced in any court to the jurisdiction of which it is subject by a suit upon such judgment.

For purposes of any such suit, action or proceeding brought in any of the foregoing courts, the Company irrevocably designates CT Corporation System, whose address on the date hereof is 111 Eighth Avenue, New York, New York 10011, U.S.A., to receive for and on behalf of its property service of copies of the summons and complaints and any other process, by personal service or by mail, which may be served in any such proceeding. Such service may be made by mailing or delivering a copy of such process to such agent at the above address. In the event that such agent for service of process resigns or ceases to serve as the agent of the Company, the Company agrees to give notice (as provided herein) to the Trustee of the name and address of any new agent for service of process with respect to it appointed hereunder. The Company agrees that the failure of its agent for service of process to forward such service to it shall not impair or affect the validity of such service or of any judgment based thereon.

If, despite the foregoing, in any such suit, action or proceeding brought in any of the aforesaid courts, there is for any reason no such agent for service of process of each of the parties available to be served, then to the extent that service of process by mail shall then be permitted by applicable law, each of such parties further irrevocably consents to the service of process on it in any such suit, action or proceeding in any such court by the mailing thereof by registered or certified mail, postage prepaid, to it at its address given in or pursuant to Section 1.5 hereof.

Nothing herein contained shall preclude any party from effecting service of process in any lawful manner or from bringing any suit, action or proceeding in respect of this Indenture in any other state, country or place.

To the extent that the Company may in any jurisdiction claim for itself or its assets any immunity from suit, execution, attachment (whether in aid of execution, before judgment, or otherwise) or other legal process and to the extent that in any such jurisdiction there may be attributed to itself or its assets such immunity (whether or not claimed), the Company irrevocably agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

Legal Holidays.

Whenever any payment to be made hereunder shall be stated to be due on a date which is not a Business Day, then (notwithstanding any other provision of this Indenture or of the Bonds) payment of interest on or principal of such Bond need not be made on such payment date, but may be made on the next succeeding Business Day with the same force and effect as if made on such payment date and, for the purpose of such payment, no interest shall accrue for the period from and after such payment date.

Counterparts.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

ARTICLE II

FORM OF BONDS

Forms Generally.

The Bonds and the Trustee's certificate of authentication shall be in substantially the forms set forth in Exhibit A hereto, which is hereby incorporated in and made an integral part of this Indenture in its entirety, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon, as may be required to comply with the rules of any securities exchange or market or clearance system, or as may, consistently herewith, be determined by the authorized officers executing such Bonds, as evidenced by their execution of the Bonds. Any portion of the text of any Bond may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Bond.

Any definitive Bonds shall be printed, lithographed or engraved or produced by any combination of these methods on steel engraved borders or may be produced in any other manner permitted by the rules of any securities exchange on which the Bonds may be listed, all as determined by the officers executing such Bonds, as evidenced by their execution of the Bonds. Global Bonds do not need to be printed, lithographed or engraved.

Global Bonds.

Generally. Except as otherwise provided herein, upon issuance, the Bonds will be represented by one or more fully registered Bonds in global form ("Global Bonds"). The Company shall execute and the Trustee shall, in accordance with Section 3.4 and the Company Order delivered to the Trustee thereunder, authenticate and deliver such global Bonds, which shall represent, and shall be denominated in an amount equal to the aggregate principal amount of, the Outstanding Bonds to be represented by such global Bonds.

Restricted Global Bond. Bonds initially offered and sold to Qualified Institutional Buyers in reliance on Rule 144A shall be issued in the form of one or more permanent global

Bonds (each, a "Restricted Global Bond") in definitive, fully registered form without interest coupons, substantially in the form of Exhibit A hereto, with the legend (the "Restrictive Legend,") in substantially the form indicated in Exhibit A hereto and such other legends as may be applicable thereto, which Restricted Global Bonds shall be deposited on behalf of the holders of the Bonds represented thereby with the Trustee, at its New York office, as custodian for DTC, and registered in the name of DTC or its nominee, duly executed by the Company and authenticated by the Trustee or the Authenticating Agent as provided herein. The aggregate principal amount of a Restricted Global Bond may from time to time be increased or decreased by adjustments made on the records of the Trustee, as the custodian for DTC, or the records of DTC or its nominee, as the case may be, as hereinafter provided.

Regulation S Global Bond. Bonds initially offered and sold outside the United States in reliance on Regulation S shall be issued in the form of one or more permanent global Bonds (each, a "Regulation S Global Bond") in definitive, fully registered form without interest coupons, substantially in the form of Exhibit A hereto, with the legend in substantially the form set forth in Exhibit A hereto and such other legends as may be applicable thereto, which Regulation S Global Bonds shall be deposited on behalf of the holders of the Bonds represented thereby with the Trustee, at its New York office, as custodian for DTC, and registered in the name of DTC or its nominee, duly executed by the Company and authenticated by the Trustee or an Authenticating Agent as provided herein, for credit to the accounts of the respective depositaries for Euroclear and Clearstream (or such other accounts as they may direct). Prior to or on the 40th day after the later of the commencement of the offering of the Bonds and the Closing Date (the "Restricted Period"), interests in a Regulation S Global Bond may be exchanged for interests in a Restricted Global Bond only in accordance with the certification requirements described in Section 3.7(c)(iii) below. The aggregate principal amount of the Regulation S Global Bonds may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for DTC, or the records of DTC or its nominee, as the case may be, as hereinafter provided.

After consummation of any Exchange Offer, the Bonds shall be issued in the form of one or more permanent global Bonds (each an "Unrestricted Global Bond") in definitive, fully registered form without interest coupons, substantially in the form of the Regulation S Global Bonds, each of which Unrestricted Global Bonds shall be deposited on behalf of the holders of the Bonds represented thereby with the Trustee, at its New York office, as custodian for DTC, and registered in the name of a nominee of DTC, duly executed by the Company and authenticated by the Trustee or the Authenticating Agent as provided herein.

Book-Entry Provisions. This Section 2.2(b) shall apply only to global Bonds deposited with DTC or its custodian.

The Company shall execute and the Trustee shall, in accordance with this Section 2.2(b), authenticate and deliver initially one or more global Bonds that (a) shall be registered in the name of DTC or the nominee of DTC, (b) shall be held by the Trustee as custodian for DTC or pursuant to DTC's instructions and (c) shall bear legends substantially to the following effect:

> "Unless this certificate is presented by an authorized representative of The Depository Trust Company to the Company or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of The Depository Trust Company (and any payment hereon is made to Cede & Co. or to such other entity as is requested by an authorized representative of The Depository Trust Company), any transfer, pledge or other

use hereof for value or otherwise by or to any person is wrongful since the registered owner hereof, Cede & Co., has an interest herein."

"Transfers of this global Bond shall be limited to transfers in whole, but not in part, to nominees of The Depository Trust Company or to a successor thereof or such successor's nominee, and transfers of portions of this global Bond shall be limited to transfers made in accordance with Section 3.7 of the Indenture referred to herein."

Members of, or participants in, DTC shall have no rights under this Indenture with respect to any global Bond held on their behalf by DTC, and DTC may be treated by the Company, the Trustee, and any agent of the Company or the Trustee as the absolute owner and Holder of such global Bond for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall impair, as between DTC and its agent members, the operation of customary practices governing the exercise of the rights of a holder of any Bond.

Interests in a global Bond deposited with DTC pursuant to Section 2.2(b) shall be transferred to the beneficial owners thereof in the form of definitive Bonds only if such transfer complies with Section 3.7 and DTC notifies the Company that it is unwilling or unable to continue as the depositary for such global Bond or if at any time DTC ceases to be a "clearing agency" registered under the Exchange Act and a successor depositary is not appointed by the Company within 90 days of such notice, or the Company elects to discontinue the use of the system of book-entry transfers through DTC or a successor depository, or an Event of Default has occurred and is continuing.

If interests in any global Bond are to be transferred to the beneficial owners thereof in the form of definitive Bonds pursuant to Section 2.2(c), such global Bond shall be surrendered by DTC to the Trustee to be so transferred, without charge, and the Trustee shall authenticate and deliver, upon such transfer of interests in such global Bond, an equal aggregate principal amount of definitive Bonds of authorized denominations. The definitive Bonds transferred pursuant to this Section 2.2 shall be executed, authenticated and delivered only in the denominations specified in Section 3.3 and registered in such names as DTC shall direct in writing. Any definitive Bond delivered in exchange for an interest in a Restricted Global Bond shall bear the Restrictive Legend.

Subject to the provisions of Section 2.2(b), the registered Holder may grant proxies and otherwise authorize any Person, including agent members and Persons that may hold interests through agent members, to take any action that a Holder is entitled to take under this Indenture or the Bonds.

In the event of the occurrence of any of the events specified Section 2.2(c), the Company will promptly make available to the Trustee a reasonable supply of certificated Bonds in definitive, fully registered form, without interest coupons.

Restrictive Legends on Restricted Bonds.

All Bonds issued to Qualified Institutional Buyers in reliance upon Rule 144A shall be represented by the Restricted Global Bonds (subject to Section 2.2(c) above), and all such Bonds and Bonds issued upon registration of transfer of, or in exchange for, such Bonds, shall be "Restricted Bonds" and shall be subject to the restrictions on transfer provided in the Restrictive Legend; *provided, however*, that the term "Restricted Bonds" shall not include (a) Bonds which are issued upon transfer of, or in exchange for, Bonds which are not Restricted Bonds, (b) Bonds as to which such restrictions on transfer have been terminated in accordance with Section 3.7 or (c) any Exchange Bonds. All Restricted Bonds shall bear the Restrictive Legend.

Exchange Bonds.

Any Exchange Bonds issued by the Company shall be issued solely pursuant to an Exchange Offer and only in exchange for and against receipt for cancellation by the Trustee of an equal aggregate principal amount of Bonds theretofore issued by the Company under this Indenture.

After an Exchange Offer, the Bonds, including the Exchange Bonds, shall be represented by one or more Unrestricted Global Bonds, except for any Bonds that are not surrendered for exchange pursuant to the Exchange Offer.

ARTICLE III

ISSUE, EXECUTION, DENOMINATION AND REGISTRATION OF BONDS

Additional Bond; Title and Terms.

The Company may, if authorized by Board Resolution at any time after the issuance of the Initial Bonds, issue Additional Bonds the terms and conditions of which shall be (i) set forth in an Indenture Supplement executed by the Company without the consent of the Holders or the Trustee, and (ii) identical in all respects to those of the Initial Bonds, as then in effect, except in respect of (a) date of issuance, (b) first Interest Payment Date, (c) the minimum denominations thereof, and (d) date when they first become redeemable at the election of the Company pursuant to the provisions of Section 11.1(b).

The Bonds shall be known and designated as the "7.75% Perpetual Bonds" of the Company. The Bonds shall have no Stated Maturity with respect to principal and shall bear interest at the rate of 7.75% per annum, from the date of issuance or from the most recent Interest Payment Date to which interest has been paid or duly provided for, as the case may be, payable quarterly in arrears on March 3, June 3, September 3 and December 3 of each year, commencing March 3, 2005 (or, with respect to any Additional Bonds, on the first Interest Payment Date following the date of issuance thereof, unless otherwise provided in the Indenture Supplement pursuant to which such Additional Bonds shall be issued), until the principal thereof is paid or made available for payment.

The principal of and interest on the Bonds shall be payable as provided in the form of Bonds set forth in Exhibit A hereto.

The Bonds shall be redeemable in accordance with Article XI.

Ranking of the Bonds.

The Initial Bonds and any Additional Bonds shall constitute direct senior unsecured obligations of the Company and will rank at least *pari passu* in priority of payment amongst themselves and with all other present and future unsecured and unsubordinated Debt of the Company.

Denominations of Bonds.

The Bonds will be issued only in fully registered form, without coupons, in minimum denominations of U.S.$2000 in the case of Regulation S Global Bonds and U.S.$100,000 in the case of Restricted Global Bonds and integral multiples of U.S.$1000 in excess thereof.

<u>Execution, Authentication, Delivery and Dating</u>.

The Bonds shall be executed on behalf of the Company by any two executive officers of the Company, one of which is its Chairman of the Board, President, Chief Executive Officer, Executive Vice President or Chief Financial Officer and the other of which may be any other executive officer of the Company (including its Corporate Treasurer or its Subdirector of Financial Development) or Person who has a power of attorney granted by the shareholders of the Company, the Board or any attorney-in-fact of the Company.

Bonds bearing the manual or facsimile signatures of individuals who at the time of signature were the proper officers or attorneys-in-fact of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices or to be attorneys-in-fact prior to the authentication and delivery of such Bonds or did not hold such offices or were not attorneys-in-fact at the date of such Bonds.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Bonds executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Bonds; and the Trustee in accordance with such Company Order shall authenticate and deliver such Bonds as in this Indenture provided and not otherwise. Each Bond shall be dated the date of its authentication.

A Bond shall not be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless executed and issued by the Company and authenticated by the manual signature of the Trustee as provided herein. The signature of the Trustee shall be conclusive evidence, and the only evidence, that the Bond has been authenticated and delivered under this Indenture.

<u>Temporary Bonds</u>.

Pending the preparation of any definitive Bonds, the Company may execute, and pursuant to a Company Order the Trustee shall authenticate and deliver, temporary Bonds which are printed, lithographed, or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Bonds in lieu of which they are issued and with such appropriate insertions, omissions, or such other variations as the officers executing such Bonds may determine, as conclusively evidenced by their execution of such Bonds.

If temporary Bonds are issued, the Company shall cause any definitive Bonds to be prepared without unreasonable delay. After the preparation of definitive Bonds, the temporary Bonds shall be exchangeable for definitive Bonds upon surrender of the temporary Bonds at any office or agency of the Company designated for such purpose, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Bonds, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like Outstanding principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits under this Indenture as definitive Bonds.

<u>Trustee; Paying Agents and Transfer Agents</u>.

The Company hereby appoints JPMorgan Chase Bank, N.A., at its Corporate Trust Office, as Trustee hereunder. The Trustee shall have the powers and authority granted to and conferred upon it in this Indenture and the Bonds and such further powers and authority to act on behalf of the Company as may be mutually agreed upon by the Company, and the Trustee shall keep a copy of this Indenture available for inspection during normal business hours at its Corporate Trust Office. The Trustee or any Paying Agent shall also act as Transfer Agent. All of the terms and provisions with respect to such powers and authority contained in the Bonds are subject to and governed by the terms and provisions hereof.

The Company may, at its discretion, appoint one or more agents (a "<u>Paying Agent</u>" or "<u>Paying Agents</u>") for the payment (subject to applicable laws and regulations) of the principal of, interest and Additional Amounts on, the Bonds and one or more agents (a "<u>Transfer Agent</u>" or "<u>Transfer Agents</u>") for the transfer and exchange of Bonds; *provided, however*, that the Company shall at all times maintain a Paying Agent, Transfer Agent and Registrar in the Borough of Manhattan, The City of New York (any or all of which may be the Trustee) and, so long as the Bonds are listed on the Luxembourg Stock Exchange and such Exchange so requires, a Paying Agent and a Transfer Agent in Luxembourg. The Company hereby initially appoints the Trustee, at its Corporate Trust Office, as Paying Agent, Transfer Agent and Registrar in The City of New York, and the Trustee hereby accepts such appointment, and the Company has also separately appointed J.P. Morgan Bank Luxembourg S.A. as Paying Agent and Transfer Agent in Luxembourg. The Company shall promptly notify the Trustee of the name and address of any Paying Agent or Transfer Agent appointed by it and of the country or countries in which a Paying Agent or Transfer Agent may act in that capacity, and shall notify the Trustee of the resignation or termination of any such Paying Agent or Transfer Agent. Whenever the Company shall appoint a Paying Agent other than the Trustee, it will cause such Paying Agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, that (i) it will hold all sums received by it as Paying Agent in trust for the benefit of the Holders or of the Trustee, until such money shall be paid to the Holders or be otherwise disposed of as provided herein, (ii) it will give the Trustee notice of any failure by the Company to make any payment of the principal of, or interest or any Additional Amounts on, the Bonds and any other payments to be made by or on behalf of the Company under this Indenture, when the same shall be due and payable, and (iii) at any time during the continuance of a failure referred to in clause (ii) above, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent and account for any funds disbursed; and, upon such payment and accounting by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money. Subject to the provisions of this Section 3.6, the Company may vary or terminate the appointment of the Registrar or any Paying Agent or Transfer Agent at any time with or without cause upon giving 30 days' notice to the Registrar, such Paying Agent or Transfer Agent, as the case may be, and the Trustee.

Registrar; Registration, Registration of Transfer and Exchange.

The Company shall maintain an office or agency where the Bonds may be presented for registration of transfer or for exchange. The Company shall cause to be kept at such office a register (the register maintained in such office and in any other office or agency designated for such purpose being herein sometimes referred to as the "Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Bonds and of transfers of Bonds entitled to be registered or transferred as provided herein. The Trustee, at its Corporate Trust Office, is initially appointed as "Registrar" for the purpose of registering Bonds and transfers of Bonds as herein provided. The Company may, upon written notice to the Trustee, change the designation of the Trustee as Registrar and appoint another Person to act as Registrar for purposes of this Indenture. If any Person other than the Trustee acts as Registrar, the Trustee shall have the right at any time, upon reasonable notice, to inspect or examine the Register and to make such inquiries of the Registrar as the Trustee shall in its discretion deem necessary or desirable in performing its duties hereunder.

The Company shall enter into an appropriate agency agreement with any Person designated by the Company as Registrar or Paying Agent that is not a party to this Indenture, which agreement shall, subsequent to the date, if any, on which this Indenture is qualified under the Trust Indenture Act, incorporate the terms of the Trust Indenture Act. The agreement shall implement the provisions of this Indenture that relate to such Registrar or Paying Agent. Prior to the designation of any such Person, the Company shall, by written notice (which notice shall include the name and address of such Person), inform the Trustee of such designation. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such for so long as such failure shall continue.

Upon presentation for transfer or exchange of any Bond at the office of any Transfer Agent, accompanied by a written instrument of transfer or exchange in the form approved by the Company (it being understood that, until notice to the contrary is given to Holders, the Company shall be deemed to have approved the form of instrument of transfer or exchange, if any, printed on any Bond), executed by the registered Holder, in Person or by such Holder's attorney thereunto duly authorized in writing, such Bond shall be transferred upon the Register, and a new Bond shall be authenticated and issued in the name of the transferee.

Notwithstanding any provision to the contrary herein, so long as a global Bond remains Outstanding and is held by or on behalf of DTC, transfers of a global Bond, in whole or in part, and transfers of beneficial interests therein, shall be made only in accordance with this Section 3.7(c).

Global Bond Transfers. Subject to clauses (ii) through (vii) of this Section 3.7(c), transfers of a global Bond shall be limited to transfers of such global Bond in whole, but not in part, to nominees of DTC or to a successor of DTC or such successor's nominee.

Restricted Global Bond to Regulation S Global Bond. If a holder of a beneficial interest in the Restricted Global Bond deposited with DTC wishes at any time to exchange its interest in such Restricted Global Bond for an interest in the Regulation S Global Bond, or to transfer its interest in such Restricted Global Bond to a Person who wishes to take delivery thereof in the form of an interest in such Regulation S Global Bond, such holder may, subject to the rules and procedures of DTC and to the requirements set forth in the following sentence, exchange or cause the exchange or transfer or cause the transfer of such interest for an equivalent beneficial interest in such Regulation S Global Bond. Upon receipt by the Trustee, as Transfer Agent, at its office in The City of New York of (1) instructions given in accordance with DTC's procedures from or on behalf of a holder of a beneficial interest in the Restricted Global Bond, directing the Trustee (via DWAC), as Transfer Agent, to credit or cause to be credited a beneficial interest in the Regulation S Global Bond in an amount equal to the beneficial interest in the Restricted Global Bond to be exchanged or transferred, (2) a written order given in accordance with DTC's procedures containing information regarding the Euroclear or Clearstream account to be credited with such increase and the name of such account, and (3) a certificate in the form of Exhibit B given by the holder of such beneficial interest stating that the exchange or transfer of such interest has been made pursuant to and in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 under the Securities Act, the Trustee, as Transfer Agent, shall promptly deliver appropriate instructions to DTC (via DWAC), its nominee, or the custodian for DTC, as the case may be, to reduce or reflect on its records a reduction of the Restricted Global Bond by the aggregate principal amount of the beneficial interest in such Restricted Global Bond to be so exchanged or transferred from the relevant participant, and the Trustee, as Transfer Agent, shall promptly deliver appropriate instructions (via DWAC) to DTC, its nominee, or the custodian for DTC, as the case may be, concurrently with such reduction, to increase or reflect on its records an increase of the principal amount of such Regulation S Global Bond by the aggregate principal amount of the beneficial interest in such Restricted Global Bond to be so exchanged or transferred, and to credit or cause to be credited to the account of the Person specified in such instructions a beneficial interest in such Regulation S Global Bond equal to the reduction in the principal amount of such Restricted Global Bond.

Regulation S Global Bond to Restricted Global Bond. If a holder of a beneficial interest in the Regulation S Global Bond wishes at any time to exchange its interest in such Regulation S Global Bond for an interest in the Restricted Global Bond, or to transfer its interest in such Regulation S Global Bond to a Person who wishes to take delivery thereof in the form of an interest in such Restricted Global Bond, such holder may, subject to the rules and procedures of Euroclear or Clearstream and DTC, as the case may be, and to the requirements set forth in the following sentence, exchange or cause the exchange or transfer or cause the transfer of such interest for an equivalent beneficial interest in such Restricted Global Bond. Upon receipt by the Trustee, as Transfer Agent, at its office in The City of New York of (1) instructions given in accordance with the procedures of Euroclear or Clearstream and DTC, as the case may be, from or on behalf of a beneficial owner of an interest in the Regulation S Global Bond directing the Trustee, as Transfer Agent, to credit or cause to be credited a beneficial interest in the Restricted Global Bond in an amount equal to the beneficial interest in the Regulation S Global Bond to be exchanged or transferred, (2) a written order given in accordance with the procedures of Euroclear or Clearstream and DTC, as the case may be, containing information regarding the account with DTC to be credited with such increase and the name of such account, and (3) prior to the expiration of the Restricted Period, a certificate in the form of Exhibit C given by the holder of such beneficial interest and stating that the Person transferring such interest in such Regulation S Global Bond reasonably believes that the Person acquiring such interest in such Restricted Global Bond is a Qualified Institutional Buyer (as defined in Rule 144A) and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A and any applicable securities laws of any state of the United States or any other jurisdiction, the Trustee, as Transfer Agent, shall promptly deliver (via DWAC) appropriate instructions to DTC, its nominee, or the custodian for DTC, as the case may be, to reduce or reflect on its records a reduction of the Regulation S Global Bond by the aggregate principal amount of the beneficial interest in such Regulation S Global Bond to be exchanged or transferred, and the Trustee, as Transfer Agent, shall promptly deliver (via DWAC) appropriate instructions to DTC, its nominee, or the custodian for DTC, as the case may be, concurrently with such reduction, to increase or reflect on its records an increase of the principal amount of such Restricted Global Bond by the aggregate principal amount of the beneficial interest in such Regulation S Global Bond to be so exchanged or transferred, and to credit or cause to be credited to the account of the Person specified in such instructions a beneficial interest in such Restricted Global Bond equal to the reduction in the principal amount of such Regulation S Global Bond. After the expiration of the Restricted Period, the certification requirement set forth in clause (3) of the second sentence of this Section 3.7(c)(iii) will no longer apply to such transfers.

Bonds of the Company and its Subsidiaries. Any Bonds that are repurchased or otherwise acquired by the Company or any of its Subsidiaries may not be resold or otherwise transferred.

Beneficial Interest in Global Bond upon Transfer. Any beneficial interest in one of the global Bonds that is transferred to a Person who takes delivery in the form of an interest in the other global Bond will, upon transfer, cease to be an interest in such global Bond and become an interest in the other global Bond and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interest in such other global Bond for as long as it remains such an interest.

Other Exchanges. In the event that a global Bond is exchanged for certificated Bonds in definitive registered form without interest coupons, pursuant to Section 2.2(c), such Bonds may be exchanged or transferred for one another only in accordance with such procedures as are substantially consistent with the provisions of clauses (ii), (iii) and (iv) above (including the certification requirements intended to ensure that such exchanges or transfers comply with Rule 144, Rule 144A or Regulation S, as the case may be) and as may be from time to time adopted by the Company and the Trustee; *provided* that interests in Regulation S Global Bonds may not be exchanged for certificated Bonds prior to the expiration of the Restricted Period.

The procedures for, and restrictions relating to, transfers of Bonds set forth in clauses (ii), (iii), (iv) and (v) shall not apply to Exchange Bonds or to the Initial Bonds following the date that is two years after the original issue date of such original Bonds (or any Predecessor Bond of such Initial Bonds).

Successive registrations and registrations of transfers and exchanges as aforesaid may be made from time to time as desired, and each such registration shall be noted on the Register. No service charge shall be made for any registration of transfer or exchange or conversion of the Bonds, but the Company, Trustee or other agent may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Any Transfer Agent appointed pursuant to Section 3.6 shall provide to the Trustee such information as the Trustee may reasonably require in connection with the delivery by such Transfer Agent of Bonds upon transfer or exchange of Bonds.

Neither the Trustee, nor any Registrar or Transfer Agent shall be required to make registrations of transfer or exchanges of definitive Bonds for a period from the Record Date to the due date for any payment of principal (including upon conversion) of, or interest on, the Bonds or register the transfer of or exchange any Bonds for 15 days prior to selection for redemption through the Redemption Date.

Upon the transfer, exchange or replacement of definitive Bonds not bearing the Restrictive Legend, the Bonds so issued shall not bear the Restrictive Legend. Upon the transfer, exchange or replacement of definitive Bonds bearing the Restrictive Legend, or upon specific request for removal of the Restrictive Legend on a definitive Bond, the Company will deliver only definitive Bonds that bear such Restrictive Legend, or will refuse to remove such Restrictive Legend, as the case may be, unless there is delivered to the Company such satisfactory evidence, which may include an opinion of counsel, as may be reasonably required by the Company, that neither the Restrictive Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Upon provision of such satisfactory evidence, the Trustee, at the direction of the Company, shall authenticate and deliver a Bond that does not bear the Restrictive Legend.

Any Bonds which are presented to the Registrar for exchange pursuant to any Exchange Offer shall be exchanged for Exchange Bonds of equal principal amount upon surrender to the Registrar of the Bonds to be exchanged; *provided, however*, that the Bonds so surrendered for exchange shall be duly endorsed and accompanied by a letter of transmittal or written instrument of transfer in form satisfactory to the Company duly executed by the Holder thereof or his attorney who shall be duly authorized in writing to execute such document. Whenever any Bonds are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver to the Registrar the same aggregate principal amount of Exchange Bonds as Bonds that have been surrendered.

Mutilated, Destroyed, Lost and Stolen Bonds.

In the event that any Bond shall become mutilated, defaced, destroyed, lost or stolen, the Company will execute and, upon the Company's request, the Trustee will authenticate and deliver a new Bond, of like tenor (including the same date of issuance) and equal principal amount, registered in the same manner, and bearing interest from the date to which interest has been paid on such Bond, in exchange and substitution for such Bond (upon surrender and cancellation thereof) or in lieu of and substitution for such Bond. In the event that such Bond is destroyed, lost or stolen, the applicant for a substitute Bond shall furnish to the Company and the Trustee such security or indemnity as may be required by them to hold each of them harmless, and, in every case of destruction, loss or theft of such Bond, the applicant shall also furnish to the Company and the Trustee satisfactory evidence of the destruction, loss or theft of such Bond and of the ownership thereof.

In case any such mutilated, defaced, destroyed, lost or stolen Bond has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Bond, pay such Bond.

Upon the issuance of any new Bond under this Section 3.8, the Company may require the payment by the Holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other fees and expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Bond issued pursuant to this Section 3.8 in lieu of any destroyed, lost or stolen Bond shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Bonds duly issued hereunder.

The provisions of this Section 3.8 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds.

Payment; Payment Rights Preserved.

Interest and any Additional Amounts on any Bond which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name such Bond (or one or more Predecessor Bonds) is registered at the close of business on the Record Date for such payment, which shall be the February 15, May 15, August 15 or November 15 (whether or not a Business Day) immediately preceding such Interest Payment Date by U.S. dollar check drawn on a bank in The City of New York or, for Holders of at least U.S.$1,000,000 in aggregate principal amount of Bonds, by wire transfer, each as set forth below.

For so long as the Trustee is acting as Paying Agent hereunder, the Company shall provide, or cause to be provided, to the Trustee outside Mexico in same day funds on the Business Day immediately preceding, each date on which a payment of principal of, interest or any Additional Amounts on, the Bonds shall become due, as set forth in the text of the Bonds, such amount, in such coin or currency, as is necessary to make such payment. Any overnight interest which may be agreed in a separate writing to be paid by the Trustee to the Company and which shall accrue in accordance with such separate writing, if any, on amounts received by the Trustee from the Company on or prior to any such date on which a payment of principal of, interest or any Additional Amounts on, the Bonds shall become due, up to but not including such payment date, shall be for the Company's account. The Company hereby authorizes and directs the Trustee from funds so provided to it to make or cause to be made payment of the principal of, interest and any Additional Amounts on, the Bonds as set forth herein and in the text of such Bonds. Payments in respect of the principal of, interest and any Additional Amounts on, the Bonds will be made at the Corporate Trust Office of the Trustee or at the office of the Paying Agent in Luxembourg. Payments in respect of principal of Bonds will be made only against surrender of such Bonds. The Trustee shall arrange directly with any other Paying Agent which may have been appointed by it pursuant to the provisions of Section 3.6 for the payment of funds so paid by the Company of the principal of, interest and any Additional Amounts on, the Bonds as set forth herein and in the text of the Bonds. Notwithstanding the foregoing, the Company may provide, or cause to be provided, directly to a Paying Agent funds for the payment of the principal of, interest and any Additional Amounts on, the Bonds under an agreement with respect to such funds containing substantially the same terms and conditions set forth in this Section 3.9, *provided* that the Company shall cause such Paying Agent to notify the Trustee that such Paying Agent has received such funds not later than the Business Day prior to the date on which a payment of principal of, interest and any Additional Amounts on, the Bonds is due, and the Trustee shall have no responsibility with respect to any funds so provided by the Company to any such Paying Agent.

The obligation of the Trustee to make payment on any date on which a payment in respect of Bonds is to be made is subject to timely receipt by the Trustee of sufficient funds to make such payment at the times specified herein.

If any payment in respect of a Bond is due on a day that is, in New York City or at any other place of payment, not a Business Day, then, at each such place of payment with respect to such Bond, such payment need not be made on such day but may be made on the next succeeding Business Day, with the same force and effect as if made on the date for such payment, and no interest will accrue on such payment for the period from and after such date.

Payments of principal of, interest and any Additional Amounts on, the Bonds will be made to the Person in whose name such Bonds are registered at the close of business on the Record Date immediately preceding such payment date by U.S. dollar check drawn on a bank in The City of New York or, in the case of payments of interest to a Holder of at least U.S.$1,000,000 in aggregate principal amount of Bonds, by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States or in Europe, *provided* that a written request from such Holder to such effect designating such account is received by the Trustee or the Paying Agent no later than 30 calendar days immediately preceding such Interest Payment Date. Unless such designation is revoked, any such designation made by such Holder with respect to such Bonds shall remain in effect with respect to any future payments with respect to such Bonds payable to such Holder. The Company shall pay any duly documented administrative costs imposed by banks in connection with making payments by wire transfer.

The Company shall provide each Paying Agent and any withholding agent under relevant tax regulations, upon the request of such entity, with copies of each certificate, declaration or other document received by the Trustee from a Bondholder pursuant to the terms of the Bonds. Each such Paying Agent shall, and the Company shall instruct each such withholding agent to, retain each such certificate, declaration or other document received by it for so long as any Bond is Outstanding and in no event for less than four years after its receipt, and for such additional period thereafter as such certificate, declaration or other document may become material in the administration of applicable tax laws, as is indicated by the Company in writing to each such Paying Agent and withholding agent.

Any interest or Additional Amount on, any Bond which is payable, but which is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall cease to be payable to the Holder on the relevant Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (i) or (ii) below:

The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Bonds (or their respective Predecessor Bonds) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause (i) provided. Thereupon the Trustee shall fix a special record date ("Special Record Date") for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be given to Holders in accordance with Section 1.6 hereof, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so given, such Defaulted Interest shall be paid to the Persons in whose names the Bonds (or their respective Predecessor Bonds) are registered at the close of business on such Special Record Date and shall no longer be payable to the Holder on the original Record Date.

The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Bonds may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause (ii), each manner of payment shall be deemed reasonably practicable by the Trustee.

Withholding Taxes; Payment of Additional Amounts; Tax Documentation.

In respect of the Bonds issued hereunder, at least 10 days prior to the first date of payment of interest on the Bonds and at least 10 days prior to each subsequent date, if any, for the payment of principal of, interest or Additional Amounts on, the Bonds if there has been any change with respect to the matters set forth in Section 3.9(c), the Company shall furnish the Trustee and each Paying Agent with a certificate of an authorized officer of the Company instructing such Paying Agent as to whether such payment on or with respect to such Bonds shall be made without withholding or deduction for or on account of any taxes, duties, assessments or other governmental charges of whatever nature. If any such withholding or deduction shall be required, then such certificate shall specify the amount required to be withheld on or deducted from such payment to Holders, and the Company shall pay or cause to be paid to such Paying Agent Additional Amounts, if any, required by the terms of such Bonds to be paid and shall certify that the Company shall pay such withholding or deduction. The Company agrees to indemnify each Paying Agent for, and to hold it harmless against, any loss, liability or expense reasonably incurred without negligence or bad faith on its part arising out of or in connection with actions taken or omitted by it in reliance on any certificate furnished pursuant to this Section 3.10 or Section 3.9.

Upon request, the Company shall provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of Mexican Taxes in respect of which the Company has paid any Additional Amounts (which documentation shall not be deemed to include original receipts). Copies of such documentation shall be made available to the Holders or the Paying Agents, as applicable, upon request therefor.

All references in this Indenture to principal of, and interest on, the Bonds shall, unless the context otherwise requires, be deemed to mean and include all Additional Amounts, if any, payable to the Holders in respect thereof as set forth in the text of the Bonds.

Persons Deemed Owners.

Prior to due presentment of a Bond for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Bond is registered as the owner or Holder of such Bond for the purpose of receiving payment of principal of, interest (subject to Section 3.9) and any Additional Amounts on, such Bond and for all other purposes whatsoever, whether or not such Bond be overdue, and none of the Company, the Trustee or any agent of the Company or the Trustee shall be affected by notice to the contrary. So long as DTC, or its nominee, is the registered owner or Holder of a global Bond, DTC or such nominee, as the case may be, will be considered the sole owner or Holder of the Bonds represented by such global Bond for all purposes hereunder and under the Bonds.

Cancellation.

All Bonds surrendered for payment, registration of transfer or exchange shall be marked “cancelled” and, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Company may at any time deliver to the Trustee (or to any other Person for delivery to the Trustee) for cancellation any Bonds previously authenticated and delivered hereunder that the Company or any of its Subsidiaries may have acquired in any manner whatsoever (including any Bonds which the Company has not issued and sold), and all Bonds so delivered shall be promptly cancelled by the Trustee. No Bonds shall be authenticated in lieu of or in exchange for any Bonds cancelled as provided in this Section 3.12, except as expressly permitted by this Indenture. All cancelled Bonds held by the Trustee shall be destroyed by the Trustee in accordance with its customary procedures, and the Trustee shall, upon written request, deliver a certificate of such destruction to the Company.

Computation of Interest.

Interest on the Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

CUSIP Number.

The Company in issuing the Bonds may use "CUSIP" numbers and, if so, the Trustee shall use the applicable CUSIP number in any notices to Holders as a convenience to such representation is made as to the correctness or accuracy of any CUSIP number printed in the notice or on the Bonds. The Company shall promptly notify the Trustee in writing of any change in the CUSIP numbers.

ARTICLE IV

DISCHARGE OF INDENTURE; DEFEASANCE

Discharge of Liability on Bonds; Defeasance. (a) When (i) all Outstanding Bonds (other than Bonds replaced pursuant to Section 3.8) have been delivered to the Trustee for cancellation or (ii) all Outstanding Bonds have become due and payable, whether at Maturity or otherwise, and the Company irrevocably deposits with the Trustee funds sufficient to pay at Maturity or otherwise all amounts payable with respect to all outstanding Bonds (other than Bonds replaced pursuant to Section 3.8), and if in either case the Company pays all other amounts payable hereunder by the Company, then this Indenture shall, subject to Section 4.1(c), cease to be of further effect. The Trustee shall acknowledge satisfaction and discharge of this Indenture on demand of the Company (accompanied by an Officers' Certificate and an opinion of Counsel stating that all conditions precedent specified herein relating to the satisfaction and discharge of this Indenture have been complied with) and at the cost and expense of the Company.

Subject to Sections 4.1(c) and 4.2, the Company at any time may terminate (i) all its obligations under the Bonds and this Indenture ("legal defeasance option") or (ii) its obligations under Sections 10.1 through 10.6, and the operation of Sections 5.1(2) (with respect to Sections 10.1 through 10.6), 5.1(3), 5.1(4) and 5.1(5) ("covenant defeasance option"). The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option.

If the Company exercises its legal defeasance option, payment of the Bonds may not be accelerated because of an Event of Default. If the Company exercises its covenant defeasance option, payment of the Bonds may not be accelerated because of an Event of Default specified in Sections 5.1(2) (with respect to Sections 10.1 through 10.6), 5.1(3), 5.1(4) and 5.1(5).

Upon satisfaction of the conditions set forth herein and upon request of the Company, the Trustee shall acknowledge in writing the discharge of those obligations that the Company terminates.

Notwithstanding the provisions of Sections 4.1(b), the Company's obligations in Article III, Sections 6.8, 6.11, 4.4, 4.5 and 4.6 shall survive until the Bonds have been paid in full. Thereafter, the Company's obligations in Sections 6.8, 4.4 and 4.5 shall survive.

Conditions to Defeasance. The Company may exercise its legal defeasance option or its covenant defeasance option only if:

the Company irrevocably deposits in trust with the Trustee money or U.S. Government Obligations for the payment of principal of, and interest on, the Bonds to Maturity or, if the defeasance occurs prior to the date on which the Company can redeem the Bonds pursuant to Section 11.1(b), to such date;

the Company delivers to the Trustee a certificate from an internationally recognized firm of independent accountants expressing their opinion that the payments of principal and interest when due and without reinvestment on the deposited U.S. Government Obligations plus any deposited money without investment will provide cash at such times and in such amounts as will be sufficient to pay when due principal of, and interest on, all the Bonds to Maturity or to the Redemption Date;

the Company shall have delivered to the Trustee an Opinion of Counsel, subject to certain customary qualifications, to the effect that the funds so deposited will not be subject to any rights of any other holders of Debt of the Company;

the deposit does not constitute a default under any other agreement binding on the Company;

the Company delivers to the Trustee an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940;

in the case of the legal defeasance option, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (i) the Company has received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (ii) since the date of this Indenture there has been a change in the applicable United States federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders will not recognize income, gain or loss for United States federal income tax purposes as a result of such defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred;

in the case of the covenant defeasance option, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred; and

the Company delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance and discharge of the Bonds and this Indenture as contemplated by this Article IV have been complied with.

Application of Trust Money. The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to this Article IV. The Trustee shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agents and in accordance with this Indenture to the payment of principal of, and interest on, the Bonds.

Repayment to Company. The Trustee and the Paying Agents shall promptly turn over to the Company upon request any excess money or securities held by them upon payment of all the obligations under this Indenture.

Subject to any applicable abandoned property law, the Trustee and the Paying Agents shall pay to the Company upon request any money held by them for payments with respect to the Bonds that remain unclaimed for two years, and, thereafter, Holders entitled to the money must look to the Company for payment as general creditors.

Indemnity for U.S. Government Obligations. The Company shall pay, and indemnify the Trustee against, any tax, fee or other charge imposed on or assessed against deposited U.S. Government Obligations or the principal and interest received on such U.S. Government Obligations to the extent required to ensure payment in full of all amounts required to be paid in respect of the Bonds in accordance with this Article IV.

Reinstatement. If the Trustee or any Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with this Article IV by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the obligations of the Company under this Indenture and the Bonds shall be revived and reinstated as though no deposit had occurred pursuant to this Article IV until such time as the Trustee or any Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with this Article IV; *provided*, *however*, that, if the Company has made any payment of and interest on, any Bonds because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Bonds to receive such payment from the money or U.S. Government Obligations held by the Trustee or any Paying Agent.

ARTICLE V

REMEDIES

Events of Default.

"Event of Default", wherever used herein with respect to the Bonds, means any one of the following events (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law, pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

default in the payment of the principal of any Bond after any such principal becomes due in accordance with the terms thereof, upon redemption or otherwise; or default in the payment of any interest, Additional Amounts, or other amounts in respect of the Bonds if such default continues for 30 days after any such interest, Additional Amounts or other amount becomes due in accordance with the terms thereof;

failure to observe or perform any other covenant or agreement contained in the Bonds or the Indenture in any material respect, and such failure continues for 90 days after notice specifying such failure and requiring it to be remedied has been sent to the Company by the Trustee;

failure by the Company or any of its Material Subsidiaries to pay when due, whether at maturity, upon redemption or acceleration or otherwise, the principal of any Debt in excess, individually or in the aggregate, of U.S. $35 million (or the equivalent thereof in other currencies), if such failure shall continue for more than the period of grace, if any, applicable thereto and the period for payment has not been expressly extended;

a decree or order by a court having jurisdiction shall have been entered adjudging the Company or any of its Material Subsidiaries as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or *concurso mercantil* of or by the Company or any of its Material Subsidiaries and such decree or order shall have continued undischarged or unstayed for a period of 120 days; or a decree or order of a court having jurisdiction for the appointment of a receiver or liquidator or *síndico* or for the liquidation or dissolution of the Company or any of its Material Subsidiaries, shall have been entered, and such decree or order shall have continued undischarged and unstayed for a period of 120 days; *provided, however*, that any such Material Subsidiary may be liquidated or dissolved if, pursuant to such liquidation or dissolution, all or substantially all of its assets are transferred to the Company or another Material Subsidiary of the Company; or

the Company or any of its Material Subsidiaries shall institute any proceeding to be adjudicated as voluntary bankrupt, or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization or *concurso mercantil*, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or *síndico* or trustee or assignee in bankruptcy or insolvency of it or its Property.

For purposes of clause (3) above, the equivalent of the specified U.S. dollar amount shall be translated at the Market Exchange Rate on the date on which an Event of Default occurs.

Acceleration of Maturity; Rescission and Annulment.

If an Event of Default occurs and is continuing, then and in every case (other than in the case of an Event of Default specified in Section 5.1(4) or (5)) the Trustee or the Holders of not less than 25% of the aggregate principal amount of the Bonds then Outstanding may declare an amount equal to the principal of, accrued interest and any unpaid Additional Amounts on, all the Bonds to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal, interest and Additional Amounts shall become immediately due and payable; *provided, however*, that if an Event of Default specified in Section 5.1(4) or (5) occurs and is continuing the principal of, interest and Additional Amounts in respect of all the Bonds shall automatically become due and payable immediately.

At any time after such a declaration of acceleration has been made or such acceleration has automatically occurred and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article *provided*, the Holders of a majority in principal amount of the Outstanding Bonds, by written notice to the Company and the Trustee, may rescind and annul such declaration or automatic acceleration and its consequences if:

the Company has paid or deposited with the Trustee a sum sufficient to pay:

all overdue interest and Additional Amounts on all Bonds,

the principal of any Bonds that have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Bonds,

to the extent that payment of such interest is lawful, interest upon overdue interest on the Bonds at the rate borne by the Bonds, and

all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expense, disbursements and advances of the Trustee, its agents and counsel;

and

all Events of Default, other than the non-payment of the principal of Bonds that have become due solely by such declaration of acceleration or automatic acceleration, have been cured or waived as provided in Section 9.3.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

In the event of a declaration of acceleration because an Event of Default set forth in Section 5.1(3) has occurred and is continuing, such declaration of acceleration shall be automatically annulled if the default in payment or declaration of acceleration in respect of the indebtedness which is the subject of such Event of Default shall have been cured or rescinded within 120 days thereof and the Company has delivered a notice of such cure or rescission to the Trustee and no other Event of Default has occurred before or during such 120 day period which has not been cured or waived.

Collection of Debt and Suits for Enforcement by Trustee.

If the Company fails to pay amounts due and owing under the Bonds upon demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company upon such Bonds and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company wherever situated.

If an Event of Default with respect to the Bonds occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Trustee May File Proofs of Claim.

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders allowed in any judicial proceedings relative to the Company, its creditors or its property, and any custodian, *síndico* or other similar official in any such judicial proceeding is hereby authorized by each Holder to make payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and its counsel, and any other amounts due the Trustee under Section 6.8.

Nothing contained herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Trustee May Enforce Claims Without Possession of the Bonds.

All rights of action and claims under this Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name, as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders in respect of which such judgment has been recovered.

Application of Money Collected.

Any money collected by the Trustee pursuant to this Article V shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal, interest or any Additional Amounts upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 6.8;

SECOND: To the payment of the amounts then due and unpaid for principal of, and interest and any Additional Amounts on, the Bonds in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Bonds for principal of, interest and any Additional Amounts, respectively; and

THIRD: To the Company.

Limitation on Suits.

Except as provided in Section 5.8, no Holder shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture or the Bonds or for any remedy hereunder or thereunder, unless

such Holder has previously given to the Trustee written notice of a continuing Event of Default;

the Holders of at least 25% in aggregate principal amount of the Outstanding Bonds shall have made a written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

the Trustee for 60 calendar days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Bonds;

it being understood and intended that no one or more Holders shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided.

Unconditional Right of Holders to Receive Payment.

Notwithstanding any other provision in this Indenture to the contrary, each Holder shall have the right, which is absolute and unconditional, to receive payment of the principal of, and (subject to Section 3.9(d)) interest and any Additional Amounts on, such Bond at Maturity, any Interest Payment Date or other scheduled payment date therefor and individually to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy or in the exercise of any power under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case the Company, the Trustee and the Holders shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions and rights hereunder, and thereafter all rights, powers and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Rights and Remedies Cumulative.

Except as otherwise provided herein, no right, power or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right, power or remedy, and every right, power and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right, power and remedy given hereunder or now or hereafter existing at law or in equity or otherwise any may be exercised from time to time and in such order as may be deemed expedient by the Trustee or the Holders. The assertion or employment of any right, power or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article V or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

Control by Holders.

Subject to subsection (e) of Section 6.4, the Holders of a majority in aggregate principal amount of the Outstanding Bonds shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, *provided* that:

such direction shall not be in conflict with any rule of law or with this Indenture or unduly prejudicial to the rights of other Holders or involve the Trustee in personal liability; and

the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Undertaking for Costs.

All parties to this Indenture agree, and each Holder by such Holder's acceptance of the Bonds issued pursuant hereto shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.13 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in aggregate principal amount of the Outstanding Bonds, or to any suit instituted by any Holder for the enforcement of the payment of the principal of, or interest or any Additional Amounts on, any Bond on or after any Interest Payment Date or other scheduled payment date therefor (including, in the case of a redemption pursuant to Article XI, on or after the applicable Redemption Date).

Waiver of Usury, Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury, stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture or any obligations arising under the Bonds; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it shall not hinder, delay or impede the execution of any power herein granted to the Trustee but shall suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE VI

THE TRUSTEE

Acceptance of Trusts.

The Trustee hereby accepts the trusts imposed by it by this Indenture, and covenants and agrees to perform the same as herein expressed and agrees to receive and disburse all moneys in accordance with the terms hereof.

Certain Duties and Responsibilities.

Except during the continuance of an Event of Default,

the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

In case an Event of Default shall have occurred and be continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

this subsection (c) shall not be construed to limit the effect of subsection (a) of this Section 6.2;

the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

the Trustee shall not be liable with respect to any action taken, suffered or omitted to be taken by it with respect to the Bonds in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 6.2.

Any provision hereof relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 6.2 and, subsequent to date, if any, on which this Indenture is qualified under the Trust Indenture Act, to the provisions of the Trust Indenture Act.

Notice of Defaults.

As promptly as practicable, and in any event within 60 days after the occurrence of any Default or Event of Default hereunder of which a Responsible Officer of the Trustee or any member of the Corporate Trust Department of the Trustee has knowledge and which has not been cured or waived, the Trustee shall give notice to the Holders in accordance with Section 1.6 hereof of such Default or Event of Default; *provided, however*, that, except in the case of a Default in the payment of the principal of, interest or any Additional Amounts on, any Bond, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interests of such Holders. Upon receipt by the Trustee of a certificate from the Company pursuant to Section 10.3, the Trustee shall promptly notify the Holders of receipt by the Trustee of such certificate and the matters described therein.

Certain Rights of Trustee.

Except as otherwise provided in Section 6.2:

the Trustee may rely and shall be protected in acting or refraining from acting in reliance upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board shall be sufficiently evidenced by a Board Resolution;

whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

the Trustee may consult with counsel of its selection and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, at the direction of Holders of a majority of principal amount of Outstanding Bonds, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company relevant to the facts or matters that are the subject of its inquiry, personally or by agent or attorney;

the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

in taking any action under Section 5.1(2) of this Indenture, the Trustee shall be entitled to rely upon a certificate from the Company in determining whether there has been a failure to perform in any "material respect";

the Trustee shall not be deemed to have notice of a Default or an Event of Default unless (i) a Responsible Officer of the Trustee has received written notice thereof from the Company or any Holder at the Corporate Trust Office of the Trustee, or (ii) a Responsible Officer of the Trustee shall have actual knowledge thereof; and

the permissive rights of the Trustee ennumerated herein shall not be construed as duties.

Not Responsible for Recitals or Issuance of Bonds.

The recitals contained herein and in the Bonds, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Bonds. The Trustee shall not be accountable for the use or application by the Company of any Bonds or the proceeds thereof. The Trustee, in its capacity as such, shall not be accountable for any calculations made or required to be made by the Company or any other Person under this Indenture.

May Hold Bonds.

The Trustee, any Paying Agent, any Transfer Agent, any Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Bonds, and, subject to Sections 6.9 and 6.14, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Registrar or such other agent.

Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Company.

Compensation and Reimbursement.

The Company agrees

to pay to the Trustee from time to time such reasonable compensation as the Company and the Trustee shall from time to time agree for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) ;

except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the reasonable expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense, incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust or performance of its duties hereunder, including the reasonable costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

As security for the performance of the obligations of the Company under this Section 6.8 the Trustee shall have a claim or lien prior to the Bonds upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of, or interest or Additional Amounts on, particular Bonds. When the Trustee incurs expenses after the occurrence of a Default specified in Section 5.1(4) with respect to the Company, the expenses are intended to constitute expenses of administration under any bankruptcy law or similar law for the relief of debtors. The provisions of this Section shall survive the satisfaction and discharge of this Indenture, the resignation or removal of the Trustee, payment in full of the Bonds and the termination for any reason of this Indenture.

Disqualification; Conflicting Interests.

Subsequent to the date, if any, on which this Indenture is qualified under the Trust Indenture Act, (i) the Trustee shall at all times satisfy the requirements of Trust Indenture Act Section 310(a), and (ii) the Trustee shall comply with Trust Indenture Act Section 310(b); *provided, however*, that there shall be excluded from the operation of Trust Indenture Act Section 310(b)(1) any indenture or indentures under which other securities or certificates of interest or participation in other securities of the Company are outstanding if the requirements for such exclusion set forth in Trust Indenture Act Section 310(b)(1) are met; and *provided, further*, that nothing herein shall prevent the Trustee from filing with the Commission the application referred to in the penultimate paragraph of Trust Indenture Act Section 310(b).

Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America, any State or the District of Columbia, authorized under such laws to exercise corporate trust powers, and subject to supervision or examination by Federal, State or District of Columbia authority, having a combined capital and surplus of at least U.S.$50,000,000, being acceptable to the Company and having its Corporate Trust Office in the Borough of Manhattan, The City of New York. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 6.10, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Neither the Company nor any Affiliate of the Company shall serve as Trustee hereunder. If at any time the Trustee shall cease to be eligible to serve as Trustee hereunder pursuant to the provisions of this Section 6.10, it shall resign immediately in the manner and with the effect hereinafter specified in this Article VI.

Resignation and Removal; Appointment of Successor.

No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article VI shall become effective until the acceptance of appointment by the successor Trustee under Section 6.12. Until such acceptance, the Trustee shall continue to carry out its duties hereunder.

The Trustee may resign at any time by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee required by Section 6.12 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

The Trustee may be removed at any time, and a successor Trustee appointed, by Act of the Holders of a majority in aggregate principal amount of the Outstanding Bonds, delivered to the Trustee and to the Company.

If at any time:

> subsequent to the date, if any, on which this Indenture is qualified under the Trust Indenture Act, the Trustee shall fail to comply with Section 310(b) of the Trust Indenture Act pursuant to Section 6.9 hereof after written request therefor by the Company or by any Holder who has been a bona fide Holder for at least six months, unless the Trustee's duty to resign is stayed in accordance with the provisions of Section 310(b) of the Trust Indenture Act, or

> the Trustee shall cease to be eligible under Section 6.10 hereof and shall fail to resign after written request therefor by the Company or by any such Holder, or

> the Trustee shall become incapable of acting or a decree or order for relief by a court of competent jurisdiction shall have been entered in respect of the Trustee in an involuntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or State bankruptcy, insolvency or similar law; or a decree or order by a court of competent jurisdiction shall have been entered for the appointment of a receiver, custodian, liquidator, assignee, trustee, sequestrator (or other similar official) of the Trustee or of its property or affairs, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation, winding up or liquidation, or

> the Trustee shall commence a voluntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or State bankruptcy, insolvency or similar law or shall consent to the entry of an order for relief in an involuntary case under any such law or to the appointment of or taking possession by a receiver, custodian, liquidator, assignee, trustee, sequestrator (or other similar official) of the Trustee or its property or affairs, or shall make an assignment for the benefit of creditors, or shall fail to pay its debts generally as they become due, or shall take corporate action in furtherance of any such action, or

> the Trustee shall otherwise become incapable of acting,

then, in any such case, (i) the Company, by a Board Resolution, may remove the Trustee with respect to the Bonds, or (ii) subject to Section 5.13, any Holder who has been a bona fide Holder of a Bond for at least six months may, on behalf of such Holder and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee for the Bonds.

If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by or pursuant to a Board Resolution, shall promptly appoint a successor Trustee and shall comply with the applicable requirements of Section 6.12. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in aggregate principal amount of the Outstanding Bonds delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, upon its acceptance of such appointment in accordance with the applicable requirements of Section 6.12, become the successor Trustee and to that extent replace the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and shall have accepted appointment in the manner hereinafter *provided*, any Holder that has been a bona fide Holder of a Bond for at least six months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by mailing or causing to be mailed written notice of such resignation, removal and appointment to the Holders pursuant to Section 1.6. Each notice shall include the name of the successor Trustee with respect to the Bonds and the address of its Corporate Trust Office.

Acceptance of Appointment by Successor.

In the event of an appointment hereunder of a successor Trustee, each such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all Property and money held by such former Trustee hereunder, subject to its lien, if any, provided for in Section 6.8.

Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in Section 6.12(a).

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article VI.

Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, *provided* that such corporation shall be otherwise qualified and eligible under this Article VI, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Bonds shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Bonds so authenticated with the same effect as if such successor Trustee had itself authenticated such Bonds. In the event that any Bonds shall not have been authenticated by such predecessor Trustee, any such successor Trustee may authenticate and deliver such Bonds, in either its own name or that of its predecessor Trustee, with the full force and effect which this Indenture provides for the certificate of authentication of the Trustee.

Preferential Collection of Claims Against Company.

The Trustee shall, subsequent to the date, if any, on which this Indenture is qualified under the Trust Indenture Act, comply with Trust Indenture Act Section 311(a), excluding any creditor relationship listed in Trust Indenture Act Section 311(b). A Trustee who has resigned or been removed shall, once this Indenture has been qualified under the Trust Indenture Act, be subject to Trust Indenture Act Section 311(a) to the extent indicated.

Appointment of Authenticating Agent.

At any time when any of the Bonds remain Outstanding the Trustee, with the approval of the Company, may appoint an Authenticating Agent or Agents with respect to the Bonds which shall be authorized to act on behalf of the Trustee to authenticate the Bonds issued upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 3.8, and Bonds so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Bonds by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to act as an Authenticating Agent, having a combined capital and surplus of not less than U.S.$50,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section 6.15, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section 6.15, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section 6.15.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, *provided* such corporation shall be otherwise eligible under this Section 6.15, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section 6.15, the Trustee, with the approval of the Company, may appoint a successor Authenticating Agent which shall be acceptable to the Company, and shall give notice of such appointment in the manner provided in Section 1.6 to all Holders of Bonds of the series with respect to which such Authenticating Agent will serve, as their names and addresses appear in the Register. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section 6.15.

The Company shall pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section 6.15.

If an appointment with respect to the Bonds is made pursuant to this Section 6.15, the Bonds may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication in the following form:

This is one of the Bonds referred to in the within-mentioned Indenture.

____
JPMorgan Chase Bank, N.A.
as Trustee

By: ____________________________________
As Authenticating Agent

By: ____________________________________
Authorized Officer

ARTICLE VII

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

Company to Furnish Trustee Names and Addresses of Holders.

The Company shall furnish or cause to be furnished to the Trustee: (a) semiannually, not less than ten days prior to each Interest Payment Date, a list, in such form as the Trustee may reasonably require, containing all information in the possession or control of the Company or any Paying Agent (other than the Trustee) as to the names and addresses of the Holders as of the Record Date immediately preceding such Interest Payment Date, and (b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished; excluding from any such list names and addresses received by the Trustee in its capacity as Registrar.

Preservation of Information; Communications to Holders.

The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 7.1 and the names and addresses of Holders received by the Trustee in its capacity as Registrar, if so acting. The Trustee may destroy any list furnished to it as provided in Section 7.1 upon receipt of a new list so furnished.

Subsequent to the date, if any, on which this Indenture is qualified under the Trust Indenture Act, (i) Holders may communicate pursuant to Trust Indenture Act Section 312(b) with other Holders with respect to their rights under this Indenture or the Bonds, and (ii) the Company, the Trustee, and anyone else shall have the protection of Trust Indenture Act Section 312(c).

Each Holder of Bonds, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with Section 7.2(b), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 7.2(b).

Reports by the Trustee.

Subsequent to the date, if any, on which this Indenture is qualified under the Trust Indenture Act, the Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto. To the extent that any such report is required by the Trust Indenture Act, it shall be transmitted as of May 15 by the next succeeding July 15.

Subsequent to the date, if any, on which this Indenture is qualified under the Trust Indenture Act, a copy of each report at the time of its mailing to Holders shall be filed with the Commission and each stock exchange (if any) on which the Notes are listed. The Company agrees to promptly notify the Trustee whenever the Bonds become listed on any stock exchange and of any delisting thereof.

Reports by the Company.

Subsequent to the date, if any, on which this Indenture is qualified under the Trust Indenture Act, the Company shall comply with the provisions of Section 314 of the Trust Indenture Act.

ARTICLE VIII

CONSOLIDATION, MERGER, CONVEYANCE, LEASE OR TRANSFER

Company May Consolidate, etc., Only on Certain Terms.

The Company shall not merge, consolidate or amalgamate with or into, or convey, transfer or lease its Property substantially as an entirety to any Person, unless, immediately after giving effect to such transaction:

the resulting, surviving or transferee Person (if not the Company) shall be a Person organized and existing under the laws of Mexico or the United States (or any State thereof or the District of Columbia) and such Person shall expressly assume, by an indenture supplemental to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Bonds and this Indenture;

immediately after giving effect to such transaction (and treating any Debt which becomes an obligation of the resulting, surviving or transferee Person or any Subsidiary as a result of such transaction as having been incurred by such Person or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing; and

the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such transaction and such supplemental indenture, if any, comply with this Indenture.

Successor Corporation Substituted.

Upon any consolidation with or merger by the Company into any other Person, or any sale, lease or conveyance of the assets of the Company as or substantially as an entirety in accordance with Section 8.1, the successor entity formed by such consolidation or into which the Company is merged or the successor entity to which such conveyance, lease or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor had been named as the Company herein, and thereafter the Company as the predecessor entity shall be relieved of all obligations and covenants under this Indenture and the Bonds, except that, in the case of any such lease, the Company shall not be released from the obligation to pay the principal of, and interest and any Additional Amounts on, the Bonds.

ARTICLE IX

MEETINGS; AMENDMENTS; SUPPLEMENTAL INDENTURES

Calling of Meetings, Notice and Quorum.

A meeting of Holders may be called at any time and from time to time to make, give or take any request, demand, authorization, direction, notice, consent, waiver (which term as used in this Section 9.1 shall include waivers of past Defaults) or other action provided by this indenture or the Bonds to be made, given or taken by Holders or to approve a Supplemental Indenture as provided in Section 9.2. The Trustee may at any time call a meeting of Holders for any such purpose to be held at such time and at such place in the Borough of Manhattan, the City of New York as the Trustee shall determine. Notice of every meeting of Holders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given as provided in the terms of the Bonds, not less than 30 nor more than 60 days prior to the date fixed for the meeting. In case at any time the Company, or the Holders of at least 10% in aggregate principal amount of the Outstanding Bonds shall have requested the Trustee to call a meeting of the Holders for any such purpose, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, the Trustee shall call such meeting for such purposes by giving notice thereof.

To be entitled to vote at any meeting of Holders, a Person shall be a holder of Outstanding Bonds or a Person duly appointed by an instrument in writing as proxy for such a Holder. The quorum at any meeting called to adopt a resolution will be Persons holding or representing at least a majority in aggregate principal amount of the outstanding Bonds and at any adjourned meeting will be Persons holding or representing a majority in aggregate principal amount of the outstanding Bonds. Any instrument given by or on behalf of any Holder of a Bond in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of such Bond. Any modifications, amendments or waivers to the Indenture or to the terms and conditions of the Bonds will be conclusive and binding on all Holders, whether or not they have given such consent or were present at any meeting. The Trustee may make such reasonable and customary regulations as it shall deem advisable for any meeting of Holders of Bonds with respect to the proof of the appointment of proxies in respect of Holders, the record date for determining the registered owners of Bonds who are entitled to vote at such meeting (which date shall be set forth in the notice calling such meeting hereinabove referred to and which shall be not less than 30 nor more than 60 days prior to such meeting), the adjournment and chairmanship of such meeting, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. A record, at least in triplicate, of the proceedings of each meeting of Holders shall be prepared by the party calling the meeting and one such copy shall be delivered to the Company and another to the Trustee to be preserved by the Trustee.

<u>Amendments and Supplemental Indentures without Consent of Holders</u>.

Without the consent of any of the Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may amend this Indenture or enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

to evidence the succession of another Person to the Company and the assumption by such successor of the covenants of the Company contained herein and in the Bonds; or

to add to the covenants of the Company, for the benefit of the Holders of all of the Bonds, or to surrender any right or power herein conferred upon the Company; or

to add any additional Events of Default for the benefit of the Holders of all of the Bonds; or

to evidence and provide for the acceptance of appointment hereunder by a successor Trustee; or

to secure the Bonds; or

to cure any ambiguity or defect, to cure, correct or supplement any defective provision herein contained or in any manner which the Company and the Trustee may mutually deem necessary or desirable and which shall not adversely affect the interests of any of the Holders in any material respect, to all of which each Holder of the Bonds, by acceptance thereof, consent; or

to modify the restrictions on the transferability of any Bonds, and the procedures for resales and other transfers of the Bonds to reflect any change in applicable law or regulation (or the interpretation thereof) or to provide alternative procedures in compliance with applicable law and practices relating to the resale or other transfer of restricted securities generally; or

to comply with the requirements of the Commission in connection with qualifying this Indenture under the Trust Indenture Act.

Amendments and Supplemental Indentures with Consent of Holders.

With the written consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Bonds or by the adoption of a resolution at a meeting of Holders of Bonds by the Holders of at least a majority of the Outstanding Bonds, the Company, when authorized by a Board Resolution, and the Trustee may make modifications and amendments to this Indenture or to the terms and conditions of the Bonds, and future compliance herewith or therewith or past Default by the Company (other than a Default in the payment of any amount, including in connection with redemption, due on the Bonds or in respect of a covenant or provision which cannot be modified or amended without the consent of all the Holders of all Bonds so affected) may be waived, and may enter into one or more indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders; *provided, however*, that no such modification or amendment to the Indenture or to the terms and provisions of the Bonds and no such supplemental indenture shall, without the consent or the affirmative vote of each Outstanding Bond,

change the Interest Payment Date in respect of any installment of interest or any Additional Amounts on any Bond, or reduce the principal amount thereof or the rate of interest thereon (including any interest that may be payable thereon pursuant to the terms hereof and the Bonds) upon redemption thereof, or the prices at which the Bonds may be redeemed by the Company pursuant to Article XI, or modify the provisions of this Indenture with respect to the ranking of the Bonds in a manner adverse to the Holders, or change the obligation of the Company to pay Additional Amounts or change the coin or currency in which, or change the place of payment at which, the principal of, interest or any Additional Amounts, on any Bond is payable, or impair the right of any Holder to institute suit for the enforcement of any such payment on or after the Maturity thereof (or, in the case of redemption, on or after the Redemption Date); or

reduce the aggregate principal amount of the Outstanding Bonds, the consent of the Holders of which is required to modify or amend the Indenture or the terms and conditions of the Bonds, or the consent of the Holders of which is required for any waiver of future compliance with certain provisions of this Indenture or the Bonds or certain past Defaults hereunder and thereunder and their consequences provided for in this Indenture; or

modify any of the provisions of this Section 9.3 except to increase the percentage of Holders whose consent is required to take any action under this Section 9.3 or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Bond affected thereby; or

reduce the percentage in principal amount of Bonds Outstanding the consent of the Holders of which is required for the adoption of a resolution or the quorum required at any meeting of Holders at which a resolution is adopted.

It shall not be necessary for any Act of Holders under this Section 9.3 to approve the particular form of any proposed amendment or supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Any Default which is waived shall be deemed cured.

<u>Execution of Amendments or Supplemental Indentures</u>.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article IX or the modifications and amendments thereby of the trusts created by this Indenture, the Trustee, upon request, shall be entitled to receive, and (subject to Section 6.2) shall be fully protected in relying upon, in addition to the documents required by Section 1.2, an Officers' Certificate and an Opinion of Counsel stating that the execution of such modification or amendment of this Indenture or such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such modification or amendment or supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Promptly after the execution by the Trustee and the Company of any modification or amendment or any Supplemental Indenture under this Article IX, the Trustee shall, at the Company's expense, duly mail a conformed copy of such modification or amendment or supplemental indenture which copies shall be provided by the Company to all Holders. The validity of any such modification or amendment of supplemental indenture, however, shall not be impaired or affected by failure to give such notice or by any defect therein.

<u>Effect of Modifications, Amendments and Supplemental Indentures</u>.

Upon the execution of any modification or amendment or any supplemental indenture under this Article IX, this Indenture shall be modified or amended in accordance therewith, and such modification or amendment or supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Bonds theretofore or thereafter authenticated and delivered hereunder shall be bound thereby to the extent provided therein.

<u>Reference in Bonds to Modifications, Amendments and Supplemental Indentures</u>.

Bonds authenticated and delivered after the execution of any modification or amendment or any supplemental indenture pursuant to this Article IX may bear a notation in form approved by the Trustee as to any matter provided for in such modification or amendment or supplemental indenture. If the Company shall so determine, new Bonds so modified as to conform, in the opinion of the Trustee and the Board, to any such modification or amendment or supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Bonds.

<u>Compliance with the Trust Indenture Act</u>.

Subsequent to the date, if any, on which this Indenture is qualified under the Trust Indenture Act, every amendment to this Indenture or the Bonds shall comply with the Trust Indenture Act as then in effect.

ARTICLE X

COVENANTS

<u>Corporate Existence</u>.

The Company shall, and shall cause each of its Subsidiaries to, (i) maintain in effect their respective corporate existence and all registrations necessary therefor, (ii) take all reasonable actions to maintain all rights, privileges, titles to property, assets, franchises and the like necessary or desirable in the normal conduct of their respective business, activities or operations and (iii) keep all their respective property and assets in good working order or condition; *provided*, *however*, that this paragraph shall not prohibit any transaction by the Company otherwise permitted under Section 8.1 and, in addition, shall not require the Company to maintain any such right, privilege, title to property, assets or franchise or to preserve the corporate existence of any Subsidiary if the Company shall determine in good faith that the maintenance or preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries and that the loss thereof is not, and will not be, adverse in any material respect to the holders of the Bonds.

Maintenance of Books and Records.

The Company shall, and shall cause each of its Subsidiaries organized under the laws of Mexico to, maintain books, accounts and records in accordance with Mexican GAAP. The Company shall cause each of its Subsidiaries organized under the laws of the United States to maintain its books and records in accordance with U.S. GAAP. The Company and its Subsidiaries shall not be required to maintain books, accounts and records as provided in the preceding two sentences if the Company shall determine in good faith that the maintenance thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries and that the loss thereof is not, and will not be, adverse in any material respect to the holders of the Bonds.

Reporting Requirements.

The Company shall provide the Trustee with:

an English language version of its annual audited consolidated financial statements prepared in accordance with Mexican GAAP (including, during any Public Company Period, a quantitative reconciliation of net income, shareholders' equity and other key line items to U.S. GAAP), promptly upon such statements becoming available but not later than 180 days after the close of its fiscal year;

an English language version of its unaudited quarterly consolidated financial statements prepared in accordance with Mexican GAAP, promptly upon such statements becoming available but not later than 90 days after the close of the applicable quarterly fiscal period (it being recognized that no quarterly financial statements need be prepared or provided for the fourth quarter of the fiscal year);

simultaneously with the delivery of each set of financial statements referred to in clause (i) and (ii) above, an Officers' Certificate of an officer of the Company stating whether a Default or Event of Default exists on the date of such certificate and, if a Default or Event of Default exists, setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto; and

upon any officer of the Company becoming aware of the existence of a Default or Event of Default, an Officers' Certificate of an officer of the Company setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto.

Delivery of the documents referred to in clauses (a) and (b) above to the Trustee is for informational purposes only and the Trustee's receipt of such documents shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officer's Certificates).

The Company shall take all action necessary to provide information to permit resales of the Bonds pursuant to Rule 144A under the Securities Act, including furnishing to any Holder of a Bond or beneficial interest in a global Bond, or to any prospective purchaser designated by such Holder, upon request of such Holder, financial and other information required to be delivered under Rule 144A(d)(4) (as amended from time to time and including any successor provision) unless, at the time of such request, the Company is subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act or is exempt from such requirements pursuant to Rule 12g3-2(b) under the Exchange Act (as amended from time to time and including any successor provision).

Limitation on Liens.

The Company shall not, and shall not permit any of its Subsidiaries to, create any Lien upon or with respect to any of its present or future Properties, unless the Company shall have made or caused to be made effective provision whereby the Bonds are at least equally and ratably secured, except for the following:

any Lien on any Property (or, in the case of Debt secured by accounts receivable or inventory, class of Property) existing on the date of the Indenture;

any Lien on any Property securing all or any part of the purchase price of Property acquired or any portion of the cost of construction, development, alteration or improvement of any Property or Debt incurred or assumed solely for the purpose of financing all or any part of the cost of acquiring or constructing, developing, altering or improving such Property, which Lien attached solely to such Property during the period that such Property was being constructed, developed, altered or improved or concurrently with or within 270 days after the acquisition, construction, development, alteration or improvement thereof;

Liens on Property of any Subsidiary of the Company existing prior to the time such Subsidiary became a Subsidiary of the Company which (a) do not secure Debt exceeding the aggregate principal amount of Debt subject to such Lien prior to the time such Subsidiary became a Subsidiary of the Company, (b) do not attach to Property other than that attached pursuant to such Lien prior to the time such Subsidiary became a Subsidiary of the Company, and (c) were not created in connection with, or in contemplation of, such Subsidiary becoming a Subsidiary of the Company;

any Lien on any Property existing thereon at the time of acquisition of such Property and not created in connection with, or in contemplation of, such acquisition;

any Lien on any Property (or, in the case of Debt secured by inventory or accounts receivable, class of Property) securing an extension, renewal, refunding or replacement of Debt secured by a Lien referred to in clause (i), (ii), (iii) or (iv) above, *provided* that (a) such new Lien is limited to the Property (or, in the case of Debt secured by inventory or accounts receivable, class of Property) which was subject to the prior Lien immediately before such extension, renewal, refunding or replacement and (b) the aggregate principal amount of Debt secured by the prior Lien is not increased immediately in connection with, or contemplation of, such extension, renewal, refunding or replacement;

any Lien securing taxes, assessments and other governmental charges, the payment of which is not yet due or the payment of which is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and for which such reserves or other appropriate provision, if any, as shall be required by Mexican GAAP (or, in the case of any Subsidiary organized under the laws of any State of the United States, U.S. GAAP) shall have been made therefor;

Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security;

statutory Liens of landlords and Liens of carriers, warehousemen, mechanics and materialmen incurred in the ordinary course of business for amounts not yet due or the payment of which is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and for which such reserves or other appropriate provision, if any, as shall be required by Mexican GAAP (or, in the case of any Subsidiary organized under the laws of any State of the United States, U.S. GAAP) shall have been made therefor;

any Liens created by attachment or judgment, unless the judgment secured thereby shall not, within 120 days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall not have been discharged within 120 days after the expiration of any such stay;

Liens on accounts receivable or inventories to secure Debt constituting working capital borrowings not exceeding in the aggregate the greater of (a) U.S.$200,000,000 (or the equivalent thereof in other currencies) and (b) 50% of the total consolidated amount of accounts receivable and inventories of the Company and its Subsidiaries;

any Lien created in connection with (a) interest rate swaps, (b) currency swaps, (c) commodities contracts or (d) any derivative or similar transaction, in each case entered into in connection with hedging transactions entered into in the ordinary course of business;

Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeals bonds, government contracts, performance of return-of-money bonds and other obligations of a similar nature, in each case other than obligations for the payment of borrowed money;

Liens on the Property of a Subsidiary, which only secure indebtedness owed by the Subsidiary to another Subsidiary or to the Company;

Liens securing the Bonds; and

in addition to the foregoing Liens, Liens securing Debt of the Company or any Subsidiary and/or securing Guarantees by the Company or any Subsidiary of, or in respect of, any other Person's Debt not exceeding in the aggregate principal amount at any time of determination 20% of the Consolidated Net Tangible Assets of the Company.

<u>Limitation on Sale/Leaseback Transactions</u>.

The Company shall not, and shall not permit any Subsidiary to, enter into a Sale/Leaseback Transaction with respect to any Property unless at least one of the following conditions is satisfied:

the lease is between the Company and a Subsidiary or between Subsidiaries; *provided*, *however*, that any subsequent transfer of such lease or any subsequent issuance or transfer of any Capital Stock which results in any such Subsidiary ceasing to be a Subsidiary shall be deemed to constitute the entering into of such Sale/Leaseback Transaction by the parties thereto;

the Company or such Subsidiary could create a Lien under Section 10.4 hereof on the Property to secure Debt in an amount at least equal to the Attributable Debt in respect of such Sale/Leaseback Transaction; or

the Company or such Subsidiary shall apply or cause to be applied, in the case of a sale or transfer for cash, an amount equal to at least 75% of the net proceeds thereof, to (x) the retirement, within 270 days after the effective date of such Sale-Leaseback Transaction, of Debt of the Company ranking at least *pari passu* in priority of payment with the Bonds and owing to a Person other than the Company or an affiliate of the Company or (y) to the purchase, construction or improvement of Property used by the Company or any Subsidiary in the ordinary course of business; and, in the case of a sale or transfer otherwise than for cash, the Property received by the Company or such Subsidiary shall be used or useful in the ordinary course of business of the Company or any Subsidiary.

The foregoing restrictions shall not apply to transactions providing for a lease for a term, including any renewal thereof, of not more than three years.

Further Assurances.

The Company shall, at its own cost and expense, execute and deliver to the Trustee all such other documents, instruments and agreements and do all such other acts and things as may be reasonably required, in the opinion of the Trustee, to enable the Trustee to exercise and enforce its rights under the Indenture and under the documents, instruments and agreements required under the Indenture and to carry out the purposes of the Indenture.

ARTICLE XI

REDEMPTION OF BONDS

Right of Redemption.

The Bonds are subject to redemption at the option of the Company in the following circumstances:

Optional Tax Redemption. The Bonds may be redeemed at the option of the Company, in whole, but not in part, at any time, at a redemption price equal to 100% of the principal amount, together with accrued and unpaid interest (including any Additional Amounts) to but excluding the Redemption Date, if, as a result of any change in, or amendment to, the laws (or any rules, regulations or rulings promulgated thereunder) of Mexico or any political subdivision thereof or any taxing authority therein, or any change in the application, administration or official interpretation of such laws, rules, regulations or rulings including the holding of a court of competent jurisdiction, the Company has, will or would become obligated to pay Additional Amounts in connection with payments on the Bonds in respect of Mexican Withholding Taxes imposed at a rate of withholding or deduction in excess of 10% (the "Maximum Withholding Rate"), which change or amendment becomes effective on or after the date of this Indenture, and such obligation cannot be avoided by the Company taking reasonable measures available to it; *provided*, *however*, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts in respect of Mexican Withholding Taxes assessed at a rate above the Maximum Withholding Rate were a payment in respect of the Bonds then due. Prior to the giving of any notice of redemption of such Bonds pursuant to this Section 11.1(a), the Company will deliver to the Trustee (i) an Officers' Certificate stating that the Company is entitled to effect such redemption pursuant to this Section 11.1(a) and setting forth a statement of facts showing that the conditions precedent to the right of the Company so to redeem have occurred and (ii) an opinion of Counsel of independent Mexican counsel of recognized standing to the effect that the Company has or will become obligated to pay such Additional Amounts in respect of Mexican Taxes assessed at a rate above the Maximum Withholding Rate as a result of such change or amendment.

Redemption at the Option of the Company. The Bonds are redeemable at the option of the Company in whole, but not in part, at any time on or after December 3, 2009 at a redemption price equal to 100% of their principal amount, together with accrued and unpaid interest (including any Additional Amounts) to but excluding the Redemption Date.

No Other Optional Redemption. The Bonds may not be redeemed at the option of the Company or any Holder, except as set forth in Sections 11.1(a) and 11.1(b) hereof.

Open Market Purchases. The Company may at any time purchase Bonds in the open market or otherwise at any price, in each case subject to compliance with applicable law.

Conditions Precedent. Any redemption pursuant to this Section 11.1 may, in the Company's sole discretion, be subject to one or more conditions precedent.

Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Bonds pursuant to Section 11.1 shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date. Prior to the giving of any such notice of redemption pursuant to Section 11.1(a), the Company shall deliver to the Trustee the Officer's Certificate and Opinion of Counsel set forth in Section 11.1(a).

Notice of Redemption.

Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Bonds to be redeemed, at its address appearing in the Register.

All notices of redemption shall state:

the Redemption Date,

the redemption price,

that on the Redemption Date the redemption price will become due and payable upon each such Bond to be redeemed and that interest thereon will cease to accrue on and after said date, and

the place or places where such Bonds are to be surrendered for payment of the redemption price, Additional Amounts, if any, and accrued interest, if any.

Notice of redemption of Bonds to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company in accordance with Section 1.6 hereof.

Deposit of Redemption Price.

On or prior to the Business Day prior to the Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent, outside Mexico in funds available on or prior to the Redemption Date, an amount in U.S. dollars sufficient to pay the redemption price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on, all the Bonds which are to be redeemed on that date.

Bonds Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the redemption price therein specified, and from and after such date (unless the Company shall default in the payment of the redemption price and accrued interest), such Bonds shall cease to bear interest. Upon surrender of any such Bond for redemption in accordance with said notice, such Bond shall be paid by the Company at the redemption price, together with accrued interest to but excluding the Redemption Date; *provided, however*, that installments of interest whose Stated Maturity is prior to the Redemption Date shall be payable to the Holders of such Bonds, or one or more Predecessor Bonds, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 3.7.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed and attested, all as of the day and year first above written.

GRUMA, S.A. de C.V.

Attest: /s/_________________________
Name: Rogelio Sánchez

By: /s/ ___________________________________
Name: Raul Pelaez
Title: Chief Financial Officer

Attest: /s/______________________________
Name: Rogelio Sánchez

By: /s/___________________________________
Name: Raul Cavazos
Title: Senior Vice President, Finance

JPMORGAN CHASE BANK, N.A.,
as Trustee

By: /s/___________________________________
Name: William Potes
Title: Assitant Treasurer

EXHIBIT A

[FORM OF FACE OF BOND]

[UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL BOND SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF THE DEPOSITORY TRUST COMPANY OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE, AND TRANSFERS OF PORTIONS OF THIS GLOBAL BOND SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH SECTION 3.7 OF THE INDENTURE REFERRED TO HEREIN.][2]

[THE BONDS EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHO, THE SELLER REASONABLY BELIEVES, IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (4) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (BASED UPON AN OPINION OF COUNSEL IT THE COMPANY SO REQUESTS), OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND (B) IN ACCORDANCE WITH ALL APPLICABLE BLUE SKY LAWS OF THE STATES OF THE UNITED STATES.][3]

[THE BONDS EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1993, AS AMENDED (THE "SECURITIES ACT"), AND ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.][4]

2 Include only if Bond is a global Bond.
3 Include only if Bond is Restricted Bond.
4 Include only if Note is a Regulation S Note (during the Restricted Period only).

GRUMA, S.A. de C.V.

7.75% PERPETUAL BONDS

No. ________________ CUSIP No. [ ]
CINS No. [ ]
Original Principal Amount: U.S.$ _______ ISIN No. [ ]

New York, New York

GRUMA, S.A. de C.V. (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), a corporation (*sociedad anónima de capital variable*) organized and existing under the laws of the United Mexican States ("Mexico"), for value received, hereby promises to pay at Maturity (as defined in the Indenture) to Cede & Co., or registered assigns, the unpaid principal amount (as adjusted from time to time on Schedule A hereto, referred to herein as the "Principal Amount") hereof; the Company promises to pay said principal sum and to pay interest on said principal sum in such coin or currency of the United States of America as at the time is used for payment of public and private debts from [ ] or from the most recent Interest Payment Date to which interest has been paid or duly provided for, quarterly in arrears on March 3, June 3, September 3 and December 3 of each year, commencing on [ ], at the rate of 7.75% per annum, until the principal hereof (including payment of the redemption price) is paid or made available for payment. The Bonds have no fixed Stated Maturity for the payment of principal. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on the Record Date for such interest, which shall be the February 15, May 15, August 15 or November 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Except as otherwise provided in the Indenture, any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Record Date and may either be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders in accordance with Section 1.6 of the Indenture not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Bonds may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture. Payment of the principal of, interest and any Additional Amounts (as defined below) on this Bond will be made at the Corporate Trust Office of the Trustee or at the office of the Paying Agent in Luxembourg, if any, by U.S. dollar check drawn on a bank in The City of New York or, subject to the conditions set forth in the Indenture, in U.S. dollars by wire transfer to a U.S. dollar account maintained by the payee as set forth in the Indenture, as per a written request of a Holder to such effect, therein designating such account. Unless such designation is revoked, any such designation made by such Holder with respect to this Bond shall remain in effect with respect to any future payments with respect to this Global Bond payable to such Holder. The Company shall pay any duly documented administrative costs imposed by banks in connection with making payments by wire transfer.

All payments made by the Company in respect of this Global Bond to the holders will be made free and clear of and without deduction or withholding for or on account of any present or future taxes, duties, assessments or other governmental charges imposed or levied by or on behalf of Mexico or any political subdivision thereof or any authority therein having power to tax ("Mexican Withholding Taxes") unless the deduction or withholding of such Mexican Withholding Taxes is required by law. In the event that any Mexican Withholding Taxes are required to be so deducted or withheld, the Company will (i) pay such additional amounts ("Additional Amounts") as will result in the payment to holders of the Bonds of the amounts that would otherwise have been received by them in respect of payments on such Bonds in the absence of such deduction or withholding, (ii) deduct or withhold such Mexican Withholding Taxes, and (iii) remit the full amount so deducted or withheld to the relevant taxing or other authority. Notwithstanding the foregoing, no such Additional Amounts shall be payable for or on account of:

(a) any Mexican Withholding Taxes which would not have been imposed or levied on a holder but for the existence of any present or former connection between the holder or beneficial owner of the Bond and Mexico (or any political subdivision or taxing authority thereof or therein), including such holder or beneficial owner (i) being or having been a citizen or resident thereof, (ii) maintaining or having maintained an office, permanent establishment, fixed base or branch therein, or (iii) being or having been present or engaged in trade or business therein, except for a connection solely arising from the mere ownership of, or receipt of payment under, such Bond or the exercise of rights under such Bond or the Indenture;

(b) except as otherwise provided, any estate, inheritance, gift, sales, transfer, or personal property or similar tax, assessment or other governmental charge;

(c) any Mexican Withholding Taxes that are imposed or levied by reason of the failure by the holder or beneficial owner of such Bond to comply with any certification, identification, information, documentation, declaration or other reporting requirement which is required or imposed by a statute, treaty, regulation, general rule or administrative practice as a precondition to exemption from, or reduction in the rate of, the imposition, withholding or deduction of any Mexican Withholding Taxes, *provided* that at least 60 days prior to (i) the first payment date with respect to which the Company shall apply this clause (c) and (ii) in the event of a change in such certification, identification, information, documentation, declaration or other reporting requirement, the first payment date subsequent to such change, the Company shall have notified the Trustee, in writing, that the holders or beneficial owners of the Bonds will be required to provide such certification, identification, information or documentation, declaration or other reporting;

(d) any Mexican Withholding Taxes that are imposed or levied by reason of the failure by the holder or beneficial owner of such Bond timely to comply (subject to the conditions set forth below) with a written request by or on behalf of the Company to provide information, documentation or other evidence concerning the nationality, residence, identity, or registration with the Mexican Ministry of Finance and Public Credit of the holder or beneficial owner of such Bond that is necessary from time to time to determine the appropriate rate of deduction or withholding of Mexican Withholding Taxes applicable to such holder or beneficial owner, *provided* that at least 60 days prior to the first payment date with respect to which the Company shall apply this clause (d), the Company shall have notified the Trustee, in writing, that such holders or beneficial owners of the Bonds will be required to provide such information, documentation or other evidence;

(e) the presentation of such Bond (where presentation is required) for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later, except to the extent that the holder or the beneficial owner of such Bond would have been entitled to Additional Amounts in respect of such Mexican Withholding Taxes on presenting such Bond for payment on any date during such 30-day period;

(f) any Mexican Withholding Taxes that are payable other than by withholding or deduction; or

(g) any combination of items (a), (b), (c), (d), (e) or (f) above.

Notwithstanding the foregoing, the limitations on the Company's obligation to pay Additional Amounts set forth in clauses (c) and (d) above shall not apply if the provision of the certification, identification, information, documentation, declaration or other evidence described in such clauses (c) and (d) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a Bond (taking into account any relevant differences between U.S. and Mexican law, regulation or administrative practice) than comparable information or other applicable reporting requirements imposed or provided for under U.S. federal income tax law (including the U.S.-Mexico Income Tax Treaty), regulation (including temporary or proposed regulations) and administrative practice. In addition, the limitations on the Company's obligation to pay Additional Amounts set forth in clauses (c) and (d) above shall not apply if Article 195 Section II(a) of the Mexican Income Tax Law providing for a reduced 4.9% withholding rate on interest payments (or a substantially similar successor of such article) is in effect, unless (i) the provision of the certification, identification, information, documentation, declaration or other evidence described in clauses (c) and (d) is expressly required by statute, regulation, general rules or administrative practice in order to apply Article 195 (or a substantially similar successor of such article), the Company cannot obtain such certification, identification, information, or satisfy any other reporting requirements, on its own through reasonable diligence and the Company otherwise would meet the requirements for application of Article 195 (or such successor of such article) or (ii) in the case of a holder or beneficial owner of a Bond that is a pension fund or other tax-exempt organization, such holder or beneficial owner would be subject to Mexican Withholding Taxes at a rate less than that provided by Article 195 if the information, documentation or other evidence required under clause (d) above were provided. In addition, clauses (c) and (d) above shall not be construed to require that a non-Mexican pension or retirement fund, a non-Mexican tax-exempt organization, a non-Mexican financial institution or any other holder or beneficial owner of a Bond register with the Mexican Ministry of Finance and Public Credit for the purpose of establishing eligibility for an exemption from or reduction of Mexican Withholding Taxes.

The Company will, upon written request, provide the Trustee with documentation evidencing the payment of Mexican Withholding Taxes. Copies of such documentation will be made available to any Holder or any Paying Agent, as applicable, upon written request therefor.

In the event that Additional Amounts actually paid with respect to the Bonds are based on rates of deduction or withholding of Mexican Withholding Taxes in excess of the appropriate rate applicable to the holder or beneficial owner of such Bonds, and, as a result thereof, such holder or beneficial owner is entitled to make a claim for a refund or credit of such excess, then such holder or beneficial owner shall, by accepting the Bonds, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to the Company. However, by making such assignment, the holder or beneficial owner makes no representation or warranty that the Company will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto.

All references in the Indenture or this Bond to payments in respect of the Bonds shall include any Additional Amounts payable by the Company in respect of such payments.

Reference is hereby made to the further provisions of this Bond hereinafter set forth, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee (as defined below) by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated:

GRUMA, S.A. de C.V.

By ____
Name:
Title:

By ____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds referred to in the within-mentioned Indenture.

Dated:

JPMORGAN CHASE BANK, N.A., as Trustee

By ____
Authorized Officer

[FORM OF REVERSE OF NOTE)

This Bond is one of a duly authorized issue of Bonds of the Company designated as its 7.75% Perpetual Bonds (herein called the "Bonds") issued and to be issued under an Indenture, dated as of December 3, 2004 (herein called the "Indenture"), between the Company and JPMorgan Chase Bank, N.A., as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Bonds and of the terms upon which the Bonds are, and are to be, authenticated and delivered. The provisions of the Indenture are hereby incorporated by reference herein and shall be binding on the Company, the Trustee and the Holders as if fully set forth herein. Capitalized terms used herein but not defined herein shall have the meanings given them in the Indenture.

This Global Bond may be redeemed at the Company's option, in whole but not in part, upon not more than 60 days' nor less than 30 days' prior notice (given in accordance with the provisions of the Indenture) to the Holders hereof at a redemption price equal to 100% of the principal amount, together with Additional Amounts, if any, and accrued and unpaid interest to, but excluding, the Redemption Date (i) at any time on or after December 3, 2009, or (ii) if, as a result of any change in, or amendment to, the laws (or any rules, regulations or rulings promulgated thereunder) of Mexico or any political subdivision thereof or any taxing authority therein, or any change in the application, administration or official interpretation of such laws, rules, regulations or rulings in such jurisdiction, including the holding of a court of competent jurisdiction, the Company has, will or would become obligated to pay Additional Amounts in connection with payments on the Bonds in respect of Mexican Withholding Taxes imposed at a rate of withholding or deduction in excess of 10% (the "Maximum Withholding Rate") which change or amendment becomes effective on or after the date of the Indenture, and such obligation cannot be avoided by the Company taking reasonable measures available to it; *provided*, *however*, that no such notice of redemption in connection with the matters described in this clause (ii) shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts in respect of Mexican Withholding Taxes assessed at a rate above the Maximum Withholding Rate were a payment in respect of the Bonds then due.

Prior to the giving of any notice of redemption pursuant to clause (ii) of the preceding paragraph, the Company shall deliver to the Trustee (i) an Officers' Certificate stating that the Company is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Company to so redeem have occurred and (ii) an Opinion of Mexican Counsel of recognized standing to such effect based upon such statement of facts.

The Bonds are issuable only in fully registered form, without coupons, in minimum denominations of U.S.$2000 in the case of Regulation S Global Bonds and U.S.$100,000 in the case of Restricted Global Bonds and integral multiples of U.S.$1000 in excess thereof.

This Bond constitutes a direct senior unsecured obligation of the Company and will rank at least *pari passu* in priority of payment with all other Bonds from time to time outstanding and all other present and future unsecured and unsubordinated Debt of the Company.

If an Event of Default shall occur and be continuing, the principal of all of the Bonds (together with interest and Additional Amounts, if any) may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Bonds under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding and in certain other circumstances without the consent of the Holders. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Bonds at the time Outstanding, on behalf of the Holders of all of the Bonds, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest and Additional Amounts, if any, on, this Bond at the times, place and rate, and in the coin or currency, herein prescribed or as provided in the Indenture.

As provided in the Indenture and subject to certain restrictions and limitations herein and therein set forth, the transfer of this Bond is registrable in the Register, upon surrender of this Bond for registration of transfer at the offices or agencies maintained by the Company for that purpose, duly endorsed by, or accompanied by a written instrument of transfer in the form satisfactory to the Company and the Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Bonds, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

No service charge shall be made for any such registration of transfer or exchange, but the Company or the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Bond for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Bond is registered as the owner hereof for all purposes, whether or not this Bond be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Company has submitted to jurisdiction and appointed an agent for service of process in the United States, all as set forth in the Indenture. All terms used in this Bond that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

The Indenture and the Bonds shall be governed by, and construed in accordance with, the laws of the State of New York.

SCHEDULE A

SCHEDULE OF EXCHANGES

The original principal amount of this global Bond is U.S.$[ ],000,000. The following exchanges of a part of this global Bond for an interest in other global Bond have been made:

Date of or Exchange	Principal Amount Added on Exchange of Interest in Global Bond	Principal Amount Exchanged for Global Bond	Remaining Principal Amount Outstanding Following such Transactions	Notation Made by or on behalf of the Trustee

EXHIBIT B

FORM OF TRANSFER CERTIFICATE
FOR TRANSFER FROM RESTRICTED GLOBAL
BOND TO REGULATION S GLOBAL BOND
(Transfers pursuant to Section 3.7(c)(ii)
of Indenture)

JPMorgan Chase Bank, N.A.
as Trustee

4 New York Plaza
15th Floor
New York, New York 10004
Attention: Institutional Trust Services

Re: GRUMA, S.A. de C.V.
7.75% Perpetual Bonds (the "Bonds")

Reference is hereby made to the Indenture dated as of December 3, 2004 (the "Indenture") between GRUMA, S.A. de C.V. and JPMorgan Chase Bank, N.A., as Trustee. Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

This letter relates to U.S.$_______ (being U.S.$2,000 and any integral multiple thereof) principal amount of Bonds beneficially held through interests in the Restricted Global Bond (CUSIP No. _________) with DTC in the name of ________________ (the "Transferor") account no. _______. The Transferor hereby requests that on [INSERT DATE] such beneficial interest in the Restricted Global Bond be transferred or exchanged for an interest in the Restricted Global Bond (CUSIP (CINS) No. _______) in the same principal denomination and transfer to (account no. _____________). If this is a partial transfer, a minimum amount of U.S.$100,000 and any integral multiple of $1,000 in excess thereof represented by the Restricted Global Bond will remain outstanding.

In connection with such request and in respect of such Bonds, the Transferor does hereby certify that such transfer has been effected in accordance with the transfer restrictions set forth in the Indenture and the Bonds and pursuant to and in accordance with Rule 903 or 904 of Regulation S under the United States Securities Act of 1933, as amended (the "Securities Act"), and accordingly the Transferor further certifies that:

(A) (1) the offer of the Bonds was not made to a Person in the United States;

(2) either (a) at the time the buy order was originated, the transferee was outside the United States or we and any Person acting on our behalf reasonably believed that the transferee was outside the United States, or (b) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any Person acting on our behalf knows that the transaction was prearranged with a buyer in the United States,

(3) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable; and

(4) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

OR

(B) Such transfer is being made in accordance with Rule 144 under the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company. Terms used in this certificate and not otherwise defined in the Indenture have the meanings set forth in Regulation S under the Securities Act.

Dated: ____________________

[Name of Transferor]

By: ______________________________________
Name:
Title:
Telephone No.:

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Transfer Agent, which requirements include membership or participation in STAMP or such other "signature guarantee program" as may be determined by the Transfer Agent in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

____
Signature Guarantee

Please print name and address (including zip code number)

cc: The Company

EXHIBIT C

FORM OF TRANSFER CERTIFICATE
FOR TRANSFER FROM REGULATION S GLOBAL
BOND TO RESTRICTED GLOBAL BOND
PRIOR TO EXPIRATION OF RESTRICTED PERIOD
(Transfers pursuant to Section 3.7(c)(iii)
of Indenture)

JPMorgan Chase Bank, N.A.
as Trustee

4 New York Plaza
15th Floor
New York, New York 10004
Attention: Institutional Trust Services

Re: GRUMA, S.A. de C.V.
7.75% Perpetual Bonds (the "Bonds")

Reference is hereby made to the Indenture dated as of December 3, 2004 (the "Indenture") between GRUMA, S.A. de C.V. and JPMorgan Chase Bank, N.A., as Trustee. Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

This letter relates to U.S.$__________ (being U.S.$100,000 and integral multiples of $1,000 thereof) principal amount of Bonds beneficially held through interests in the Regulation S Global Bond (CUSIP (CINS) No. _________) with [Euroclear] [Clearstream] (Common Code No. ___________) or otherwise through DTC in the name of _____________ (the "Transferor") [Euroclear] [Clearstream] [other] account no. . The Transferor hereby requests that on [INSERT DATE] such beneficial interest in the Regulation S Global Bond be transferred or exchanged for an interest in the Restricted Global Bond (CUSIP No. _____________) in the same principal denomination and transfer to (DTC account no. _____________). If this is a partial transfer, a minimum of U.S.$2,000 and any integral multiple thereof of the Regulation S Global Bond will remain outstanding.

In connection with such request, and in respect of such Bonds, the Transferor does hereby certify that such Bonds are being transferred in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act"), to a transferee that the Transferor reasonably believes is purchasing the Bonds for its own account or an account with respect to which the transferee exercises sole investment discretion and the transferee and any such account is a "qualified institutional buyer" within the meaning of Rule 144A, in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

Dated: ____________________

[Name of Transferor]

By: __________________________________
Name:
Title:
Telephone No.:

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Transfer Agent, which requirements include membership or participation in STAMP or such other "signature guarantee program" as may be determined by the Transfer Agent in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

____
Signature Guarantee

Please print name and address (including zip code number)

cc: The Company

Exhibit 2(b)(6)
EXECUTION COPY

US $250,000,000

LOAN AGREEMENT

Dated as of September 30, 2004

among

GRUMA, S.A. de C.V.,
as Borrower,

and

BARCLAYS CAPITAL,
The Investment Banking
division of Barclays Bank PLC,
as Administrative Agent and Joint Bookrunner,

and

COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.,
as Joint Bookrunner

and

The Several Banks Party Hereto,
as Banks

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(Continued)

TABLE OF CONTENTS
(Continued)

TABLE OF CONTENTS
(Continued)

TABLE OF CONTENTS
(Continued)

Page

LOAN AGREEMENT

This LOAN AGREEMENT is entered into as of September 30, 2004, among GRUMA, S.A. de C.V., a sociedad anonima de capital variable organized under the laws of Mexico (the "Company"), the several financial institutions from time to time party to this Agreement (collectively, the "Banks" and individually, a "Bank"), BARCLAYS CAPITAL, the Investment Banking Division of BARCLAYS BANK PLC, as Administrative Agent for the Banks (the "Administrative Agent") and Joint Bookrunner, and COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A. ("Rabobank"), as Joint Bookrunner (together with BARCLAYS CAPITAL, the "Joint Bookrunners").

WHEREAS, the Company desires to obtain Loans from the Banks in an aggregate principal amount of up to US$250,000,000; and

WHEREAS, the Banks are willing, on the terms and subject to the conditions hereinafter set forth (including Article IV), to make such Loans to the Company;

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

1.01 Certain Defined Terms. As used in this Agreement and in any Schedules and Exhibits to this Agreement, the following terms have the following meanings:

"Administrative Agent" means Barclays Capital in its capacity as administrative agent for the Banks hereunder, and any successor administrative agent appointed pursuant to Section 9.09.

"Administrative Agent's Payment Office" means the address for payments set forth on the signature pages hereto, or such other address as the Administrative Agent may from time to time specify to the other parties hereto.

"Administrative Questionnaire" means an administrative details form supplied by the Administrative Agent or the Joint Bookrunners and completed by a Bank.

"Affiliate" means, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, by contract, or otherwise.

"Agreement" means this Loan Agreement, as from time to time amended, supplemented, restated or otherwise modified.

"Alternate Base Rate" means, for any day, a fluctuating rate of interest per annum equal to the higher of (a) the rate of interest most recently announced by Barclays as its "prime rate" and (b) the Federal Funds Rate most recently determined by the Administrative Agent plus 0.50%. The "prime rate" is a rate set by Barclays based upon various factors, including Barclays' costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Barclays shall take effect at the opening of business on the day specified in the public announcement of such change.

"Applicable Margin" means the margin, expressed as an interest rate per annum, to be added to the rate of interest selected by the Company in respect of the Loans as set forth below:

(a) from and including the Closing Date, to but excluding the third anniversary of the Closing Date, the Applicable Margin shall mean a rate per annum equal to 0.55%;

(b) from and including the third anniversary of the Closing Date, to and including the Maturity Date, the Applicable Margin shall mean a rate per annum equal to 0.65%.

"Assignee" has the meaning specified in Section 10.08(a).

"Assignment and Acceptance" has the meaning specified in Section 10.08(a).

"Attorney Costs" means and includes all reasonable and documented fees and disbursements of any law firm or other external counsel, and, without duplication, the allocated cost of internal legal services and all reasonable and documented disbursements of internal counsel.

"Bank" has the meaning specified in the introductory clause hereto, and includes each Substitute Bank and each Assignee which becomes a Bank pursuant to Section 10.08.

"Barclays" means Barclays Bank PLC.

"Barclays Capital" means Barclays Bank PLC, acting through its investment banking division, Barclays Capital.

"Base Rate Loan" means a Loan bearing interest at a fluctuating rate of interest per annum determined by reference to the Alternate Base Rate.

"Borrowing" means any borrowing hereunder consisting of Loans to the Company of the same type made on the same day by the Banks under Article II, and, in the case of LIBOR Loans, having the same Interest Period.

"Borrowing Date" means any date of any Borrowing of Loans as specified in the relevant Notice of Borrowing.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in New York City or Mexico City, Mexico are authorized or required by law or administrative rule to close and, if such day relates to any LIBOR Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank market.

"Capital Adequacy Regulation" means any general guideline, request or directive of any central bank or other Governmental Authority, or any other law rule or regulation, whether or not having the force of law, in each case, regarding capital adequacy of any bank or of any corporation controlling a bank.

"Capital Expenditures" means the amount of all expenditures of the Company and its Subsidiaries for fixed or capital assets related to the Company's Core Business which, in accordance with Mexican GAAP, would be classified as capital expenditures.

"Cash Equivalent Investment" means, at any time:

(a) any direct obligation of (or unconditionally guaranteed by) the United States of America or a State thereof, any OECD country or other foreign government in a jurisdiction in which the Company or any of its Subsidiaries currently has or could have operations (or any agency or political subdivision thereof, to the extent such obligations are supported by the full faith and credit of the United States of America or a State thereof, any OECD country or other foreign government in a jurisdiction in which the Company or any of its Subsidiaries currently has or could have operations) maturing not more than one year after such time;

(b) commercial paper maturing not more than 270 days from the date of issue, which is issued by either:

1. (i) any corporation rated A-l or higher by S&P or P-l or higher by Moody's, or

2. (ii) any Bank (or its holding company); or

(c) any certificate of deposit, time deposit or bankers acceptance, maturing not more than one year after its date of issuance, which is issued by any bank which has (x) a credit rating of A2 or higher from Moody's or A or higher from S&P and (y) a combined capital and surplus greater than US$500,000,000.

"Closing Date" means the date on which all conditions precedent set forth in Section 4.01 are satisfied or waived by all the Banks.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" means, with respect to each Bank, its Term Commitment and its Revolving Commitment.

"Company" has the meaning specified in the introductory clause hereto.

"Compliance Certificate" means a certificate substantially in the form of Exhibit D.

"Consolidated EBITDA" means, for any Measurement Period, for the Company and its Consolidated Subsidiaries, an amount equal to the sum of (a) consolidated operating income (determined in accordance with Mexican GAAP) and (b) the amount of depreciation and amortization expense deducted in determining such consolidated operating income.

"Consolidated Interest Charges" means, for any Measurement Period, for the Company and its Consolidated Subsidiaries, the sum of (a) all interest, premium payments, fees, charges and related expenses of the Company and its Consolidated Subsidiaries in connection with borrowed money (including capitalized interest) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with Mexican GAAP, and (b) the portion of rent expense of the Company and its Consolidated Subsidiaries with respect to such period under capital or financial leases that is treated as interest in accordance with Mexican GAAP.

"Consolidated Net Worth" means, at any time, all amounts which, in accordance with Mexican GAAP, would be included under shareholders' equity on a consolidated balance sheet of the Company and its Subsidiaries.

"Consolidated Subsidiary" means, with respect to the Company, any Subsidiary or other entity the accounts of which would, under Mexican GAAP, be consolidated with those of the Company in the consolidated financial statements of the Company and, at any date with respect to any Person, any Subsidiary or other entity the accounts of which would be consolidated with those of such Person in the consolidated financial statements of such Person as of such date.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other instrument, document or agreement to which such Person is a party or by which it or any of its property is bound.

"Continuation/Conversion Date" means any date on which, under Section 2.04, the Company converts the Loans from one type to the other, or continues the Loans as the same type. In the case of a LIBOR Loan, the Continuation/Conversion Date must be the last day of any Interest Period for such LIBOR Loan.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Core Business" means, with respect to the Company and its Subsidiaries, the production and distribution of corn flour, the production and distribution of tortillas and other related products, the production and distribution of wheat flour and any other food related business in which the Company and its Subsidiaries are engaged in, or may engage in, from time to time.

"Default" means any event or circumstance which, with the giving of notice, the lapse of time, the making of a determination, or any combination thereof, would (if not cured, waived or otherwise remedied during such time) constitute an Event of Default.

"Disposition" or "Dispose" means the sale, transfer, license or other disposition (including any sale and leaseback transaction) of any property by any Person, other than in the ordinary course of business, including any sale, assignment, transfer or other disposition, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith; provided, however, that any financing involving, or secured by, the future sale of accounts receivable (or any similar financing transaction) will not be considered to be a sale or disposition in the ordinary course of business.

"Dollars" and "US$" each means lawful money of the United States.

"Environmental Laws" means all federal, national, state, provincial, departmental, municipal, local and foreign laws, including common law, statutes, rules, regulations, ordinances, normas técnicas (technical standards) and codes, together with all orders, decrees, judgments or injunctions issued, promulgated, approved or entered thereunder by any Governmental Authority having jurisdiction over the Company, its Subsidiaries or their respective properties, in each case relating to environmental, health and safety, natural resources or land use matters.

"ERISA" means the Employee Retirement Income Security Act of 1974 as amended, and any successor statute thereto, as interpreted by the rules, and regulations thereunder, all as the same may be in effect from time to time. References to sections of ERISA shall be construed also to refer to any successor sections.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Company within the meaning of Section 4001(a)(14) of ERISA, or is a member of a group that includes the Company and that is treated as a single employer under Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

"ERISA Event" means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Company or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Company or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate the treatment of a Plan amendment as a termination under Sections 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of, a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Company or any ERISA Affiliate.

"Event of Default" means any of the events or circumstances specified in Section 8.01.

"Existing Facility" means the US$300,000,000 Loan Agreement, as amended, modified, supplemented or restated, dated as of December 18, 2002, among the Company, the several banks party thereto, Bank of America, as Administrative Agent, Banc of America Securities, LLC, as Lead Arranger and Sole Book Manager and the Arrangers named therein.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Barclays on such day on such transactions as determined by the Administrative Agent.

“Fiscal Quarter” means a quarter ending on the last day of March, June, September or December.

“Fiscal Year” means any period of twelve consecutive calendar months ending on December 31.

“Gimsa” means Grupo Industrial Maseca, S.A. de C.V.

“Governmental Authority” means, with respect to any Person, any nation or government, any state, province or other political or administrative subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity or branch of power exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity exercising such functions and owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing having jurisdiction over such Person.

“Guaranty Obligation” means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guarantying or having the economic effect of guarantying any Indebtedness or other obligation payable or performable by another Person (the “primary obligor”) in any manner, whether directly or indirectly, and including an *aval* and any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligees in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligees against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person provided that the term “Guaranty Obligation” shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guaranty Obligation shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guaranty Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guarantying Person in good faith.

“IMSS” means the *Instituto Mexicano del Seguro Social* of Mexico.

“Indebtedness” of any Person means at any date, without duplication:

(a) any obligation of such Person in respect of borrowed money, any obligation of such Person evidenced by bonds, notes, debentures or similar instruments;

(b) any obligation of such Person in respect of a lease or hire purchase contract which would, under Mexican GAAP (or, in the case of Persons organized under the laws of any State of the United States, US GAAP), be treated as a financial or capital lease;

(c) any indebtedness of others secured by a Lien on any asset of such Person, whether or not such indebtedness is assumed by such Person;

(d) any obligations of such Person to pay the deferred purchase price of fixed assets or services if such deferral extends for a period in excess of 60 days and with respect to the Company shall include guarantees by the Company of obligations of third parties unrelated to the Company’s existing Core Business as of the date hereof; and

(e) all Guaranty Obligations of such Person in respect of the foregoing;

provided, however, that the following liabilities shall be explicitly excluded from the definition of the term “Indebtedness”:

(i) trade accounts payable, including any obligations in respect of letters of credit that have been issued in support of trade accounts payable;

(ii) expenses that accrue and become payable in the ordinary course of business;

(iii) customer advance payments and customer deposits received in the ordinary course of business; and

(iv) obligations for ad valorem taxes, value added taxes, or any other taxes or governmental charges.

"Indemnified Liabilities" has the meaning set forth in Section 10.05.

"Indemnitees" has the meaning set forth in Section 10.05.

"INFONAVIT" means *Instituto Nacional del Fondo de Vivienda para los Trabajadores* of Mexico.

"Interest Coverage Ratio" means the ratio of Consolidated EBITDA to Consolidated Interest Charges.

"Interest Payment Date" means (a) as to any LIBOR Loan, the last day of each Interest Period applicable to such Loan; provided that if any Interest Period for a LIBOR Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan, the last Business Day of each Fiscal Quarter, the date of any repayment or prepayment of the principal of such Loan and the Maturity Date.

"Interest Period" means, as to each LIBOR Loan, the period commencing on the date of such LIBOR Loan (including conversions, extensions or renewals) and ending on the date one, two, three or six months thereafter, as selected by the Company in its Notice of Borrowing or Notice of Continuation/Conversion; provided, however, that:

(a) if any Interest Period would otherwise end on a day that is not a Business Day, that Interest Period shall be extended to the following Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the next preceding Business Day;

(b) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month in which such Interest Period is to end) shall end on the last Business Day of the calendar month in which such Interest Period is to end;

(c) no Interest Period shall extend beyond a Principal Payment Date; and

(d) no Interest Period shall extend beyond the Maturity Date.

"Investment" means, as to any Person, any acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of capital stock or other securities of another Person, (b) a loan, advance or capital contribution to, guaranty of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

"IRS" means the United States Internal Revenue Service.

"Lending Office" means, as to any Bank, the office or offices of such Bank specified as its "Lending Office" in the Administrative Questionnaire, as from time to time amended, or such other office or offices as such Bank may from time to time notify the Company and the Administrative Agent.

"LIBOR" means for any Interest Period with respect to any LIBOR Rate Loan:

(a) the rate per annum (rounded, if necessary, to the nearest 1/100th of 1%) equal to the rate determined by the Administrative Agent to be the offered rate that appears on the Telerate Page 3750 (or any successor or equivalent thereto) as the London interbank offered rate for deposits in Dollars with a term comparable to such Interest Period, determined as of approximately two Business Days prior to the first day of such Interest Period with respect to any Interest Period (the "Determination Date"), or

(b) if the rate referenced in the preceding clause (a) does not appear on such page or service or such page or service shall not be available, the rate per annum (rounded, if necessary, to the nearest 1/100th of 1%) equal to the rate determined by the Administrative Agent to be the London Interbank offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars with a term comparable to such Interest Period, determined as of approximately 11:00 a.m. (London time) on the Determination Date, or

(c) if the rates referenced in the preceding clauses (a) and (b) are not available, the rate per annum (rounded, if necessary, to the nearest 1/100th of 1%) determined by the Administrative Agent as the rate per annum that deposits in Dollars for delivery on the first day of such Interest Period quoted by Barclays to prime banks in the London interbank market for deposits in Dollars at approximately 11:00 a.m. (London time) on the relevant Determination Date in an amount approximately equal to the principal amount of the Loans to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

"LIBOR Loan" means a Loan bearing interest, at all times during an Interest Period applicable to such Loan, at a fixed rate of interest determined by reference to LIBOR.

"Lien" means any security interest, mortgage, deed of trust, pledge, charge or deposit arrangement, encumbrance, lien (statutory or other) or preferential arrangement of any kind or nature whatsoever in respect of any Property.

"Loan" means a Term Loan or a Revolving Loan.

"Loan Documents" means this Agreement, the Notes, the Notice of Borrowing, and each Notice of Continuation/Conversion, Assignment and Acceptance Agreement, the Fee Letter, and all other related agreements and documents issued or delivered hereunder or thereunder or pursuant hereto or thereto, in each case as such Loan Document may be amended, supplemented or otherwise amended from time to time.

"Majority Banks" means at any time Banks then holding at least 51% of the then aggregate unpaid principal amount of the Loans, or, if no such principal amount is then outstanding, Banks then having at least 51% of the Commitments.

"Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect upon, the operations, business, assets, liabilities (actual or contingent), properties or condition (financial or otherwise) or operating results of the Company and its Subsidiaries taken as a whole; (b) a material impairment of the ability of the Company to perform its obligations under any Loan Document; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Company of any Loan Document.

"Material Subsidiary" means, at any time, any Subsidiary of the Company that meets any of the following conditions:

(a) the Company's and its Subsidiaries' investments in or advances to such Subsidiary exceed 10% of the total assets of the Company and its Consolidated Subsidiaries as of the end of the Company's most recently completed Fiscal Year; or

(b) the Company's and its Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of such Subsidiary exceeds 10% of the total assets of the Company and its Consolidated Subsidiaries as of the end of the Company's most recently completed Fiscal Year; or

(c) the Company's and its Subsidiaries' equity in the earnings before income tax and employee statutory profit sharing of such Subsidiary exceeds 10% of such earnings of the Company and its Consolidated Subsidiaries as of the end of the Company's most recently completed Fiscal Year, all as calculated by reference to the then latest audited financial statements (or consolidated financial statements, as the case may be) of such Subsidiary and the then latest audited consolidated financial statements of the Company and its Subsidiaries.

"Maturity Date" means the fifth anniversary of the Closing Date, or if such day is not a Business Day, the next succeeding Business Day.

"Maximum Leverage Ratio" means, as of the end of the most recently completed Fiscal Quarter, the ratio of (a) Total Funded Debt of the Company and its Consolidated Subsidiaries on such day to (b) Consolidated EBITDA of the Company and its Consolidated Subsidiaries determined for the relevant Measurement Period.

"Measurement Period" means any period of four consecutive Fiscal Quarters of the Company, ending with the most recently completed Fiscal Quarter, taken as one accounting period.

"Mexican GAAP" means accounting principles and practices generally accepted in Mexico.

"Mexico" means the United Mexican States.

"Ministry of Finance" means the Ministry of Finance and Public Credit (*Secretaria de Hacienda y Credito Publico*) of Mexico.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Multiemployer Plan" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Company or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding three calendar years, has made or been obligated to make contributions.

"Note" means a Revolving Note or a Term Note.

"Notice of Borrowing" means a notice in substantially the form of Exhibit A.

"Notice of Continuation/Conversion" means a notice in substantially the form of Exhibit B.

"Obligations" means all advances, debts, liabilities, obligations, covenants and duties arising under any Loan Document owing by the Company to any Bank, the Administrative Agent, or any Indemnified Person, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising.

"OECD" means the Organization for Economic Cooperation and Development.

"Other Currency" has the meaning set forth in Section 10.17(b).

"Other Taxes" means, with respect to any Person, any present or future stamp, court or documentary taxes or any other excise or property taxes, or charges, imposts, duties, fees or similar levies which arise from any payment made hereunder or any other Loan Document or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Loan Document and which are actually imposed, levied, collected or withheld by any Governmental Authority.

"Participant" has the meaning specified in Section 10.08(e).

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

“Pension Plan” means any “employee pension benefit plan” (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Company or any ERISA Affiliate or to which the Company or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five plan years.

“Person” means any natural person, partnership, limited liability company, corporation, business trust, joint stock company, trust, unincorporated association, joint venture or Governmental Authority or other entity.

“Plan” means any “employee benefit plan” (as such term is defined in Section 3(3) of ERISA) established by the Company or any ERISA Affiliate.

“Principal Payment Date” means each of April 5, 2008, October 5, 2008, April 5, 2009, and the Maturity Date.

“Process Agent” has the meaning specified in Section 10.15(d).

“Property” means any asset, revenue or any other property, whether tangible or intangible, including any right to receive income.

“Pro Rata Share” means with respect to each Bank its Term Pro Rata Share or its Revolving Pro Rata Share, as applicable.

“Register” has the meaning set forth in Section 10.08(c).

“Reportable Event” means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30 day notice period has been waived.

“Requirement of Law” means, as to any Person, any law (statutory or common), treaty, rule or regulation or order, decree or other determination of an arbitrator or a court or other Governmental Authority, including any Environmental Law, in each case applicable to or binding upon such Person or any of its property or to which the Person or any of its property is subject.

“Responsible Officer” means the chief executive officer or the president of the Company, or the general manager or any other officer having substantially the same authority and responsibility or the chief financial officer or the treasurer of the Company, or any other officer having substantially the same authority and responsibility.

“Restricted Payment” means any dividend or other distribution (whether in cash, securities or other Property) with respect to any shares of capital stock of the Company or any Subsidiary, or any payment (whether in cash, securities or other Property), including any sinking fund or similar deposit on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such shares of capital stock or of any option, warrant or other right to acquire any such shares of capital stock.

“Revolving Availability Period” means the period commencing on, and including, the Closing Date and ending on, but excluding, the Maturity Date.

“Revolving Commitment” means, with respect to each Bank, the obligation of such Bank to make Revolving Loans to the Company hereunder in a principal amount at any time outstanding not to exceed the amount set forth opposite such Bank’s name on Schedule 1.01 under the heading “Revolving Commitments,” as the same may be adjusted pursuant to Section 2.06 hereof. “Revolving Commitments” means the aggregate amount of the Revolving Commitment of all Banks.

“Revolving Loan” has the meaning specified in Section 2.01(b).

“Revolving Loan Percentage” means, with respect to each Bank, a fraction (expressed as a decimal, rounded to the fourth decimal place), the numerator of which is the aggregate principal amount of the outstanding Revolving Loans of such Bank and the denominator of which is the aggregate principal amount of all outstanding Revolving Loans.

“Revolving Note” means a promissory note of the Company payable to a Bank, in the form of Exhibit C-2 (as such promissory note may be replaced from time to time) evidencing the Indebtedness of the Company to such Bank resulting from such Bank’s Revolving Loans, and also means all other promissory notes evidencing Revolving Loans accepted from time to time in substitution therefor.

“Revolving Pro Rata Share” means, with respect to each Bank, a fraction (expressed as a decimal, rounded to the fourth decimal place) the numerator of which is the Revolving Commitment of such Bank at the time and the denominator of which is the Revolving Commitments of the Banks. The initial Revolving Pro Rata Share for each Bank is the Pro Rata Share set forth as such opposite the name of such Bank on Schedule 1.01.

“S&P” means Standard & Poor’s Ratings Service, presently a division of The McGraw-Hill Companies, Inc. and its successors.

“SAR” means Sistema de Ahorro para el Retiro of Mexico.

“Subsidiary” of a Person means any corporation, partnership, joint venture, limited liability company, trust, estate or other entity of which more than 50% of the voting stock or other equity interests (in the case of Persons other than corporations), is owned or controlled directly or indirectly by such Person, or one or more of the Subsidiaries of such Person, or a combination thereof. Unless the context otherwise clearly requires, references herein to a “Subsidiary” refer to a Subsidiary of the Company.

“Substitute Bank” means a commercial bank (i) registered with the Ministry of Finance for purposes of Article 195 of the Mexican Income Tax Law and (ii) resident (or having its principal office as a resident if lending through a branch or agency) for tax purposes in a jurisdiction (or a branch or agency of a financial institution that is a resident of a jurisdiction) that is party to an income tax treaty with Mexico that is in effect on the date of substitution, acceptable to the Company and the Administrative Agent, each of whose consent will not be unreasonably withheld (including a bank that is already a Bank hereunder) that assumes the Commitment of a Bank, or is an assignee of the Loan of a Bank, pursuant to the terms of this Agreement.

“Taxes” means any and all present or future taxes, duties, levies, assessments, imposts, deductions, withholdings or similar charges, and all liabilities with respect thereto, including any related interest or penalties, imposed by Mexico or any political subdivision or taxing authority thereof or therein or by any jurisdiction from which the Company shall make any payment hereunder or under the Notes, excluding, however, income, real property, franchise or similar taxes imposed on the Administrative Agent or any Bank by a jurisdiction as a result of the Administrative Agent or such Bank being organized under the laws of such jurisdiction or being a resident of such jurisdiction to which income under this Agreement is attributable or having a permanent establishment in such jurisdiction or its Lending Office being located in such jurisdiction.

“Term Availability Termination Date” means the date that is the earlier of five Business Days after the Closing Date and 14 days after the date of execution of this Agreement.

“Term Commitment” means with respect to each Bank, the obligation of such Bank to make a Term Loan to the Company hereunder in the principal amount set forth opposite such Bank’s name on Schedule 1.01 under the heading “Term Commitments.” “Term Commitments” means the aggregate amount of Term Commitments of all Banks.

“Term Loan” has the meaning specified in Section 2.01(a).

“Term Loan Percentage” means, with respect to each Bank, a fraction (expressed as a decimal, rounded to the fourth decimal place), the numerator of which is the aggregate principal amount of the outstanding Term Loan of such Bank and the denominator of which is the aggregate principal amount of all outstanding Term Loans.

“Term Note” means a promissory note of the Company payable to a Bank, in the form of Exhibit C-1 (as such promissory note may be replaced from time to time), evidencing the Indebtedness of the Company to such Bank resulting from such Bank’s Term Loans, and also means all other promissory notes accepted from time to time in substitution therefore.

“Term Pro Rata Share” means, with respect to each Bank, a fraction (expressed as a decimal, rounded to the fourth decimal place) set forth as such opposite the name of such Bank on Schedule 1.01.

“Total Funded Debt” means, at any time, without duplication, the outstanding principal balance of all Indebtedness for borrowed money of the Company and its Consolidated Subsidiaries and guarantees by the Company of obligations of third parties unrelated to the Company’s Core Business.

“type” means, with respect to any Loan, its character as a Base Rate Loan or a LIBOR Loan.

“Unfunded Pension Liability” means the excess of a Pension Plan’s benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Pension Plan’s assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

“United States” and “US” each means the United States of America.

“US GAAP” means generally accepted accounting principles in the United States.

1.02 Other Interpretive Provisions.

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) The words “hereof”, “herein”, “hereunder” and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement; and Section, paragraph, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) The terms “including” and “include” are not limiting and mean “including without limitation” and “include without limitation”.

(d) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including”; the words “to” and “until” each means “to but excluding”, and the word “through” means “to and including”.

(e) The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

1.03 Accounting Principles.

(a) Unless the context otherwise clearly requires, all accounting terms not expressly defined herein shall be construed, and all financial computations required under this Agreement shall be made, in accordance with Mexican GAAP, consistently applied.

(b) References herein to “Fiscal Year” and “Fiscal Quarter” refer to such fiscal periods of the Company.

2
THE LOANS

2.01 Commitments to Make the Loans.

(a) **(i)** Each Bank, severally and not jointly with the other Banks, agrees, on the terms and subject to the conditions hereinafter set forth, to make a term loan in Dollars (each such loan, a “Term Loan”) to the Company in a single disbursement on any Business Day on or prior to the Term Availability Termination Date, in a principal amount not to exceed such Bank's Term Commitment.

(ii) No amounts prepaid or repaid with respect to any Term Loan may be reborrowed.

(ii) The Term Loans shall be made from the Banks ratably in accordance with their Term Pro Rata Shares.

(b) (i) Each Bank, severally and not jointly with the other Banks, agrees, on the terms and subject to the conditions hereinafter set forth, to make revolving loans in Dollars (each such loan, a "Revolving Loan") to the Company from time to time, on any Business Day during the Revolving Availability Period, in an aggregate principal amount not to exceed at any time outstanding such Bank's Revolving Commitment for the purposes hereinafter set forth; provided, however, that after giving effect to any Borrowing of Revolving Loans, the aggregate principal amount of all outstanding Revolving Loans shall not exceed the Revolving Commitments then in effect.

(ii) Within the limits of each Bank's Revolving Commitment, and subject to the other terms and conditions hereof, Revolving Loans may consist of Base Rate Loans or LIBOR Loans, or a combination thereof, as the Company may request, and may be repaid, prepaid and reborrowed in accordance with the provisions hereof.

(iii) The Revolving Loans shall be made from the Banks ratably in accordance with their Revolving Pro Rata Shares.

(c) If any Loan shall be made on the Closing Date or within three (3) Business Days thereafter such Loan may be a LIBOR Loan only if the Company delivers to the Administrative Agent a funding indemnity letter in form and substance satisfactory to the Administrative Agent.

2.02 Evidence of Indebtedness.

(a) Each Bank's Term Loan shall be evidenced by a Term Note payable to the order of such Bank in a principal amount equal to such Bank's Term Loan, maturing on the Maturity Date.

(b) Each Bank's Revolving Loans shall be evidenced by a Revolving Note payable to the order of such Bank in a principal amount equal to such Bank's Revolving Commitment, maturing on the Maturity Date.

(c) It is the intent of the Company that the Term Notes and the Revolving Notes qualify as a pagaré under Mexican Law. To the extent of any inconsistencies between any Note and this Agreement, this Agreement shall prevail.

2.03 Procedure for Borrowing.

(a) Each Borrowing shall be made upon the Company's irrevocable written notice delivered to the Administrative Agent in the form of a Notice of Borrowing (which notice must be received by the Administrative Agent prior to 11:00 a.m. (New York City time) (i) three Business Days prior to the date of a proposed Borrowing comprised of LIBOR Loans, and (ii) on the requested date of a proposed Borrowing comprised of Base Rate Loans), specifying:

(i) the requested Borrowing Date, which shall be a Business Day;

(ii) the aggregate amount of the Borrowing, which (A) in the case of the Borrowing of Term Loans shall not exceed the aggregate Term Commitments and (B) in the case of any Borrowing of Revolving Loans, (x) shall not exceed the unused portion of the aggregate Revolving Commitments and (y) shall be in a minimum principal amount of US$5,000,000 or an integral multiple of US$1,000,000 in excess thereof; and

(iii) in the case of any Borrowing comprised of LIBOR Loans, the duration of the initial Interest Period applicable to such Loans. If the Notice of Borrowing shall fail to specify the duration of the Interest Period for any Borrowing, such Interest Period shall, subject to clauses (c) and (d) of the definition of "Interest Period," be three months.

(b) The Administrative Agent will promptly notify each Bank of its receipt of any Notice of Borrowing and of the amount of such Bank's Pro Rata Share of such Borrowing.

(c) Each Bank will make each Loan to be made by it hereunder on any Borrowing Date to the Administrative Agent for the account of the Company by, with respect to LIBOR Loans, 11:00 a.m. (New York City time) or, with respect to Base Rate Loans, 1:00 p.m. (New York City time) by wire transfer of immediately available funds to the account held by the Administrative Agent for such purposes most recently designated by it by notice to the Banks. The proceeds of all such Loans will then be made available to the Company by the Administrative Agent, pursuant to Section 6.06, in like funds as received by the Administrative Agent, by wire transfer in accordance with the Notice of Borrowing.

(d) (i) The Company may request more than one Borrowing per day; provided, however, all Loans comprising one Borrowing shall have the same Interest Period.

(ii) All Term Loans shall be of the same type and have the same Interest Period.

(e) After giving effect to any Borrowing of Revolving Loans, there may not be more than ten Interest Periods in effect with respect to Revolving Loans that are LIBOR Loans.

2.04 Continuation and Conversion Elections.

(a) (i) The Company may, upon irrevocable written notice to the Administrative Agent, elect, as of the last day of any Interest Period for any Borrowing of LIBOR Loans, to continue such LIBOR Loans for a further Interest Period or to convert such LIBOR Loans to Base Rate Loans.

(ii) The Company may, upon irrevocable written notice to the Administrative Agent, elect as of any Business Day, to convert Base Rate Loans to LIBOR Loans.

(b) The Company shall deliver a Notice of Continuation/Conversion to be received by the Administrative Agent not later than 11:00 a.m. (New York City time) three Business Days prior to the date of any proposed conversion of Base Rate Loans to, or continuation of, LIBOR Loans or of any conversion of LIBOR Loans to Base Rate Loans, specifying:

(i) the Continuation/Conversion Date, which shall be a Business Day;

(ii) the principal amount of the Loans to be continued or converted;

(iii) whether the Company is requesting a conversion of LIBOR Loans to Base Rate Loan or of Base Rate Loans to LIBOR Loans, or a continuation of LIBOR Loans as LIBOR Loans; and

(iv) if applicable, the duration of the next Interest Period with respect thereto.

(c) If upon the expiration of any Interest Period for a Borrowing of LIBOR Loans, the Company has failed to select timely a new Interest Period, the Company shall, subject to clauses (c) and (d) of the definition of "Interest Period," be deemed to have elected to continue such Borrowing as LIBOR Loans having an Interest Period of one month. Any such automatic continuation shall be effective as of the last day of the Interest Period then in effect with respect to the applicable LIBOR Loans.

(d) The Administrative Agent will promptly notify each Bank of its receipt of a Notice of Continuation/Conversion, or, if no timely notice is provided by the Company, the Administrative Agent will promptly notify each Bank of the Company's deemed election of continuation.

(e) During the existence of a Default or an Event of Default, no Loans may be converted to or continued as LIBOR Loans without the consent of the Majority Banks, and the Majority Banks may demand that any or all of the then outstanding LIBOR Loans be converted immediately to Base Rate Loans.

(f) After giving effect to the continuation or conversion of any Borrowing (i) there may not be more than ten Interest Periods in effect with respect to Revolving Loans and (ii) the aggregate principal amount of Revolving Loans then outstanding shall not exceed the aggregate Revolving Commitments then in effect. All Term Loans, if LIBOR Loans, shall have the same Interest Period.

2.05 Prepayments.

(a) Subject to Section 3.05, the Company may, at any time or from time to time, upon not less than three Business Days' irrevocable notice to the Administrative Agent, voluntarily prepay the Term Loans in whole or in part, in minimum amounts of US$10,000,000 or any multiple of $1,000,000 in excess thereof. The notice of prepayment shall specify the date and amount of such prepayment. The Administrative Agent will promptly notify each Bank of its receipt of any such notice, and of such Bank's Term Loan Percentage of such prepayment. Any prepayment of the Term Loans shall be applied to all Term Loans on a pro rata basis according to each Bank's Term Loan Percentage.

(b) Subject to Section 3.05, the Company may, at any time or from time to time, upon not less than three Business Days' irrevocable notice to the Administrative Agent, voluntarily prepay the Revolving Loans in whole or in part, in minimum amounts of US$5,000,000 or any multiple of $1,000,000 in excess thereof. The notice of prepayment shall specify the date and amount of such prepayment. The Administrative Agent will promptly notify each Bank of its receipt of any such notice, and of such Bank's Revolving Loan Percentage of such prepayment. Any prepayment of the Revolving Loans shall be applied to all Revolving Loans on a pro rata basis according to each Bank's Revolving Loan Percentage.

2.06 Termination or Reduction of Commitments; Conversion to Term Loans.

(a) (i) Prior to the Term Availability Termination Date, the Company may, upon three Business Days' irrevocable notice to the Administrative Agent, terminate or reduce the Term Commitments; provided that any partial reduction of the Term Commitments shall be in a minimum aggregate amount of US$10,000,000 or an integral multiple of US$5,000,000 in excess thereof.

(ii) The Term Commitments shall automatically terminate at the close of business on the earlier to occur of (i) the date of the Borrowing of Term Loans and (ii) the Term Availability Termination Date.

(b) The Company may, upon three Business Days' irrevocable notice to the Administrative Agent, terminate the Revolving Commitments or, from time to time permanently reduce the Revolving Commitments then in effect; provided that any partial reduction of the Revolving Commitments (i) shall be in a minimum aggregate amount of US$5,000,000 or an integral multiple of US$1,000,000 in excess thereof and (ii) the Company shall not so terminate or reduce the Revolving Commitments if, after giving effect to such termination or reduction, the aggregate principal amount of Revolving Loans then outstanding would exceed the aggregate Revolving Commitments.

(c) On each Principal Payment Date, the Revolving Commitments shall be permanently reduced as set forth below:

Principal Payment Date	% of the Outstanding Revolving Commitment
April 5, 2008	5%
October 5, 2008	15%
April 5, 2009	35%
The Maturity Date	Remaining Balance

If on the relevant Principal Payment Date, the aggregate amount of Revolving Loans then outstanding exceeds the amount of the Revolving Commitments, after giving effect to such mandatory reduction (the "excess amount"), Revolving Loans, to the extent of such excess amount, shall be repaid by the Company.

(d) The Administrative Agent shall promptly notify the Banks of its receipt of any notice of termination or reduction of the Commitments. Any reduction of the Term Commitment or the Revolving Commitments shall be applied to the Term Commitment or the Revolving Commitment of each Bank, as applicable, according to its Pro Rata Share.

2.07 Repayment of the Loans.

(a) Commencing on the first Principal Payment Date, the Company shall repay the principal amount of the Term Loans in four (4) consecutive semi-annual installments as follows, unless accelerated sooner pursuant to Section 8.02:

Principal Payment Date	Outstanding Principal Amount
April 5, 2008	5%
October 5, 2008	15%
April 5, 2009	35%
The Maturity Date	Remaining Balance

(b) All amounts repaid hereunder shall be paid to each Bank on a pro rata basis in accordance with its Term Loan Percentage.

(c) All Revolving Loans then outstanding shall be repaid on the Maturity Date.

2.08 Interest.

(a) Subject to the provisions of paragraph (c) below, (i) each LIBOR Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to LIBOR for such Interest Period plus the Applicable Margin, and (ii) each Base Rate Loan shall bear interest on the outstanding principal amount thereof from the applicable Borrowing Date or date of conversion at a rate per annum equal to the Alternate Base Rate plus the Applicable Margin.

(b) Interest on each Loan shall be paid in arrears on each Interest Payment Date. Interest shall also be paid on the date of any prepayment of Loans under Section 2.05 with respect to the portion of the Loans so prepaid, upon the repayment of Term Loans under Section 2.07 and upon payment (including prepayment) in full of the Loans. During the existence of any Event of Default, interest shall be payable on demand.

(c) Any overdue principal and, to the extent permitted by applicable law, overdue interest or other amount payable hereunder shall bear interest payable on demand, for each day from the date payment thereof was due to the date of actual payment, at a rate per annum equal to (i) in the case of the principal amount of any Loan, (A) the interest rate then in effect, including the Applicable Margin then in effect plus (B) 2% and (ii) in the case of interest or any other amount, (A) the Alternate Base Rate plus (B) the Applicable Margin then in effect plus (C) 2%.

(d) Anything herein to the contrary notwithstanding, the obligations of the Company to any Bank hereunder shall be subject to the limitation that payments of interest shall not be required for any period for which interest is computed hereunder, to the extent (but only to the extent) that contracting for or receiving such payment by such Bank would be contrary to the provisions of any law applicable to such Bank limiting the highest rate of interest that may be lawfully contracted for, charged or received by such Bank, and in such event the Company shall pay such Bank interest at the highest rate permitted by applicable law.

2.09 Fees.

(a) On the Closing Date, the Company shall pay to the Administrative Agent for the account of each Bank, an up-front fee as agreed upon by the Company and the Joint Bookrunners in accordance with the fee letter, dated as of September 1, 2004, in all cases free and clear of any and all withholding or equivalent taxes.

(b) The Company agrees to pay to the Administrative Agent for the account of each Bank a commitment fee (the "Commitment Fee") on the average daily unused portion of such Bank's Revolving Commitment at a rate per annum equal to 0.25%.

(c) The Commitment Fee shall accrue from, and including, the Closing Date to, but excluding, the date such Revolving Commitment terminates and shall be payable quarterly in arrears on the last day of each calendar quarter and on the effective date of any termination or reduction of the Revolving Commitments, commencing on the first such date to occur after the date hereof.

2.10 Computation of Interest and Fees.

(a) Computation of interest on Base Rate Loans, when the Alternate Base Rate is determined based on Barclays' prime rate, shall be calculated on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed (including the first day but excluding the last day). All other computations of interest and fees which are computed on a per annum basis shall be calculated on the basis of a year of 360 days and the actual number of days elapsed (including the first day but excluding the last day).

(b) Each determination of LIBOR or the applicable Alternate Base Rate by the Administrative Agent shall be conclusive and binding on the Company and the Banks in the absence of manifest error.

(c) The Administrative Agent shall notify the Company and the Banks of any change in Barclays' prime rate used in determining the Alternate Base Rate promptly following the public announcement of such change.

2.11 Payments by the Company.

(a) Subject to 3.01, all payments to be made by the Company shall be made without condition or deduction for any set-off, counterclaim or other defense. Except as otherwise expressly provided herein, all payments by the Company shall be made to the Administrative Agent for the account of the Banks at the Administrative Agent's Payment Office, and shall be made in Dollars and in immediately available funds, no later than 12:00 noon (New York City time) on the date specified herein. The Administrative Agent will promptly distribute to each Bank its pro rata share (or other applicable share as expressly provided herein) of such payment in like funds as received by wire to such Bank's Lending Office. Any payment received by the Administrative Agent later than 12:00 noon (New York City time) may be deemed, at the election of the Administrative Agent to have been received on the following Business Day and any applicable interest or fee shall continue to accrue.

(b) Subject to the provisions set forth in the definition of “Interest Period” herein, whenever any payment is due on a day other than a Business Day, such payment shall be made on the following Business Day, and such extension of time shall in such case be included in the computation of interest.

(c) Unless the Administrative Agent receives notice from the Company prior to the date on which any payment is due to the Banks that the Company will not make such payment in full as and when required, the Administrative Agent may assume that the Company has made such payment in full to the Administrative Agent on such date in immediately available funds and the Administrative Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent the Company has not made such payment in full to the Administrative Agent, each Bank shall forthwith on demand repay to the Administrative Agent amount distributed to such Bank to the extent not paid by the Company, together with interest thereon at the Federal Funds Rate for each day from the date such amount is distributed to such Bank until the date recovered by the Administrative Agent; provided that if any amount remains unpaid by any Bank for more than five Business Days, such Bank shall pay interest thereon to the Administrative Agent at a rate per annum equal to the Alternate Base Rate, plus the Applicable Margin then in effect, plus 2%.

2.12 Payments by the Banks to the Administrative Agent.

(a) Unless the Administrative Agent receives notice from a Bank that such Bank will not make available, as and when required hereunder to the Administrative Agent for the account of the Company the amount of such Bank’s Pro Rata Share of any Borrowing, the Administrative Agent may, but shall not be required to, assume that each Bank has made such amount available to the Administrative Agent on such date in accordance with this Agreement and the Administrative Agent may in its sole discretion (but shall not be so required), in reliance upon such assumption, make available to the Company on such date a corresponding amount. If and to the extent any Bank shall not have made its full amount available to the Administrative Agent in immediately available funds and the Administrative Agent in such circumstances has made available to the Company such amount, such Bank shall on the Business Day following such Borrowing Date make such amount available to the Administrative Agent, together with interest at the Federal Funds Rate for each day during such period. If such amount is so made available, such payment to the Administrative Agent shall constitute such Bank’s Loan on such Borrowing Date for all purposes of this Agreement. If such amount is not made available to the Administrative Agent on the Business Day following such Borrowing Date, the Administrative Agent will notify the Company of such failure to fund and, upon demand by the Administrative Agent, the Company shall pay such amount to the Administrative Agent for the Administrative Agent’s account, together with interest thereon for each day elapsed since such Borrowing Date, at a rate per annum equal to the interest rate applicable at the time to the Loans comprised in such Borrowing; provided that if the Company fails to pay such amount to the Administrative Agent within five Business Days after the date of notification of such failure from the Administrative Agent, the Company shall pay interest thereon to the Administrative Agent at a rate per annum equal to the Alternate Base Rate, plus the Applicable Margin then in effect, plus 2%.

(b) If any Bank makes available to the Administrative Agent funds for any Loan to be made by such Bank as provided in this Article II, and such funds are not made available to the Company by the Administrative Agent because the conditions to the applicable Borrowing set forth in Article IV are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Bank) to such Bank, without interest.

(c) The obligations of the Banks hereunder to make Loans are several and not joint. The failure of any Bank to make any Loan on any Borrowing Date shall not relieve any other Bank of any obligation hereunder to make a Loan on such date, but no Bank shall be responsible for the failure of any other Bank to make the Loan to be made by such other Bank on such Borrowing Date.

2.13 Sharing of Payments, Etc. If, other than as expressly provided elsewhere herein, any Bank shall obtain on account of the Loans made by it any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its pro rata share of such payment (or other share contemplated hereunder), such Bank shall immediately (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans of the other Banks to the extent necessary to cause such purchasing Bank to share the benefit of all such excess payments pro rata with each of them; provided, however, that (A) if any such participations are purchased and all or any portion of such excess payment is thereafter recovered from the purchasing Bank, such participations shall, to that extent, be rescinded and each other Bank shall repay to the purchasing Bank the purchase price paid therefor, together with an amount equal to such paying Bank's ratable share (according to the proportion of (i) the amount of such paying Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered, and (B) the provisions of this paragraph shall not be construed to apply to any payment made by the Company pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Bank as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Company or any Subsidiary thereof (as to which the provisions of this paragraph shall apply). The Company agrees that any Bank so purchasing an interest from another Bank may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of the Company in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of interests purchased under paragraph (b) above and will in each case notify the Banks and the Company following any such purchases or repayments. Each Bank that purchases an interest in the Loans pursuant to paragraph (b) above shall from and after such purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to the portion of the Obligations purchased to the same extent as though the purchasing Bank were the original owner of the Obligations purchased.

3
TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 Taxes.

(a) Any and all payments by the Company to or for the account of any Bank or the Administrative Agent pursuant to this Agreement and any other Loan Document shall be made free and clear of, and without deduction or withholding for, any Taxes. In addition, the Company shall pay all Other Taxes.

(b) If the Company shall be required by law to deduct or withhold any Taxes or Other Taxes from or in respect of any sum payable hereunder or under any other Loan Document to any Bank or the Administrative Agent, then:

(i) the sum payable shall be increased as necessary so that, after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section 3.01), such Bank or the Administrative Agent, as the case may be, receives and retains an amount equal to the sum it would have received and retained had no such deductions or withholdings been made;

(ii) the Company shall make such deductions and withholdings;

(iii) the Company shall pay the full amount deducted or withheld to the relevant taxing authority or other authority in accordance with applicable law; and

(iv) in the event of an increase, after the date of this Agreement, in the Mexican withholding tax rate to a rate in excess of the rate applicable to each Bank party hereto on the date hereof, the Company shall also pay to each Bank or the Administrative Agent for the account of such Bank, at the time interest is paid, all additional amounts that such Bank specifies as necessary to preserve the after-tax yield such Bank would have received if such Taxes or Other Taxes had not been imposed.

(c) The Company agrees to indemnify and hold harmless each Bank for the full amount of (i) Taxes and (ii) Other Taxes in the amount that such Bank specifies as necessary to preserve the after-tax yield such Bank would have received if such Taxes or Other Taxes had not been imposed, and any liability (including penalties, interest, additions to tax and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other

Taxes were correctly or legally asserted. Payment under this paragraph (d) indemnification shall be made within 30 days after the date any Bank or the Administrative Agent makes written demand therefor.

(d) Within 30 days after the date of any payment by the Company of Taxes or Other Taxes, the Company shall furnish to the Administrative Agent (which shall forward the same to each Bank) the original or a certified copy of a receipt, or other evidence satisfactory to the Administrative Agent, evidencing payment thereof.

(e) Each Bank shall, from time to time at the request of the Company or the Administrative Agent (as the case may be), promptly furnish to the Company or the Administrative Agent (as the case may be), such forms, documents or other information (which shall be accurate and complete) as may be reasonably required to establish any available exemption from, or reduction in the amount of, applicable Taxes; provided, however, that none of any Bank or the Administrative Agent shall be obliged to disclose information regarding its tax affairs or computations to the Company in connection with this paragraph (e). Each of the Company and the Administrative Agent shall be entitled to rely on the accuracy of any such forms, documents or other information furnished to it by any Person and shall have no obligation to make any additional payment or indemnify any Person for any Taxes, in excess of applicable Taxes under Article 195, Section I, subsection a (or any successor provision) of Mexico's Income Tax Law, interest or penalties that would not have became payable by such Person had such documentation been accurate.

3.02 Illegality.

(a) If any Bank determines that any Requirement of Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Bank or its applicable Lending Office to make, maintain or fund any Commitment or any Loan contemplated by this Loan Agreement, or materially restricts the authority of such Bank to purchase or sell, or to take deposits of, Dollars in the London interbank market, or to determine or charge interest rates based upon LIBOR, then, on notice thereof by such Bank to the Company through the Administrative Agent, such Bank, together with Banks giving notice, shall be an "Affected Bank" and by written notice to the Company and to the Administrative Agent:

(i) any obligation of such Bank to make or continue Loans of that type or to convert Base Rate Loans to LIBOR Loans or vice-versa, shall be suspended until the circumstances giving rise to such determination no longer exist;

(ii) such Affected Bank may declare that such Loans will not thereafter (for the duration of such unlawfulness or impossibility) be made by such Affected Bank hereunder, whereupon, in the case of any request for a LIBOR Loan, as to such Affected Bank, such request shall only be deemed a request for a Base Rate Loan (unless it should also be illegal for the Affected Bank to provide a Base Rate Loan, in which case such Loan shall bear interest at a commensurate rate to be agreed upon by the Administrative Agent and the Affected Bank, and so long as no Event of Default shall have occurred and be continuing, the Company), unless such declaration shall be subsequently withdrawn;

(iii) such Affected Bank may require, only if such Requirement of Law prohibits the maintenance of LIBOR Loans, that all outstanding LIBOR Loans, made by it be converted to Base Rate Loans, in which event all such LIBOR Loans shall be automatically converted to Base Rate Loans as of the effective date of such notice as provided in paragraph (b) below; and

(iv) if it is also illegal for the Affected Bank to make Base Rate Loans, such Loans shall bear interest until the end of the next Interest Period at a commensurate rate to be agreed upon by the Administrative Agent and the Affected Bank and, so long as no Event of Default shall have occurred and be continuing, the Company, unless it is unlawful for such Affected Bank to do so or it would materially restrict the authority of such Affected Bank to purchase or sell, or to take deposits of Dollars in the London Interbank Market; in such case or after the end of such Interest Period such Affected Bank may continue such Loans at such rate or declare all amounts owed to them by the Company to the extent of such illegality to be due and payable; provided, however, the Company has the right, with the consent of the Administrative Agent to find an additional Bank to purchase the Affected Banks' rights and obligations.

In the event any Bank shall exercise its rights under (i) or (ii) above with respect to any Loans, all payments and prepayments of principal that would otherwise have been applied to repay the Loans that would have been made by such Bank or the converted LIBOR Loans of such Bank shall instead be applied to repay the Base Rate Loans made by such Bank in lieu of, or resulting from the conversion, of such LIBOR Loans. Upon any such prepayment or conversion, the Company shall also pay interest on the amount so prepaid or converted.

(b) For purposes of this Section 3.02, a notice to the Company by any Bank shall be effective as to each identified Loan, if lawful, on the last day of the Interest Period currently applicable to such Loan; in all other cases such notice shall be effective on the date of receipt by the Company.

3.03 Inability to Determine Rates. If the Administrative Agent determines, or in the case of clause (c) below is informed by the Majority Banks, in connection with any request for a LIBOR Loan or a conversion to or continuation thereof that (a) Dollar deposits are not being offered to banks in the London interbank market for the applicable amount and Interest Period of such LIBOR Loan, (b) adequate and reasonable means do not exist for determining LIBOR applicable to such Interest Period, or (c) LIBOR for such LIBOR Loan does not adequately and fairly reflect the cost to the Majority Banks of making or maintaining such LIBOR Loan, the Administrative Agent will promptly notify the Company and each Bank. Thereafter, the obligation of the Banks to make or maintain LIBOR Loans shall be suspended until the Administrative Agent revokes such notice. Upon receipt of such notice, the Company may revoke any pending request for a Borrowing, conversion or continuation of LIBOR Loans or, failing that, will be deemed to have converted such request into a request for a Borrowing comprised of Base Rate Loans or a request for conversion to Base Rate Loans in the amount specified therein.

3.04 Increased Costs and Reduction of Return.

(a) If any Bank reasonably determines that, due to either (i) the introduction of, or any change in, or any change in the interpretation or application of, any Requirement of Law or (ii) the compliance by such Bank with any guideline, directive or request from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to such Bank of agreeing to make or making, funding or maintaining its Loans to the Company or to reduce any amount receivable hereunder (in either case other than payment on account of taxes), then the Company shall be liable for, and shall from time to time, upon demand (with a copy of such demand to be sent to the Administrative Agent), promptly pay to the Administrative Agent for the account of such Bank, additional amounts as are sufficient to compensate such Bank for such increased costs or reduced amount receivable.

(b) If any Bank reasonably determines that (i) the introduction of any Capital Adequacy Regulation, (ii) any change in any Capital Adequacy Regulation, (iii) any change in the interpretation or administration of any Capital Adequacy Regulation by any central bank or other Governmental Authority charged with the interpretation or administration thereof, or (iv) compliance by the Bank (or its Lending Office) with any Capital Adequacy Regulation affects or would affect the amount of capital required or expected to be maintained by such Bank or any corporation controlling such Bank and determines that the amount of such capital is increased as a consequence of its Commitment, Loans or obligations under this Agreement, then, upon demand of such Bank to the Company through the Administrative Agent, the Company shall pay to the Administrative Agent for the account of such Bank, from time to time as specified by such Bank, additional amounts sufficient to compensate the Bank for such increase.

3.05 Funding Losses. The Company shall reimburse each Bank and hold each Bank harmless from (in each case by prompt payment of any relevant amounts to the Administrative Agent for the account of such Bank) any loss or expense that the Bank may sustain or incur, including but not limited to, any loss incurred in obtaining, liquidating or redeploying deposits bearing interest by reference to LIBOR from third parties ("Funding Losses") as a consequence of:

(a) the failure of the Company to make on a timely basis any payment of principal of any Loan;

(b) the failure of the Company to borrow or continue or convert a Loan after the Company has given (or is deemed to have given) a Notice of Borrowing or a Notice of Continuation/Conversion;

(c) the failure of the Company to make any prepayment in accordance with any notice delivered under Section 2.05; or

(d) the prepayment (including pursuant to Section 2.05, Section 2.06 or Section 2.07) or other payment (including after acceleration thereof) of any Loan on a day that is not the last day of the relevant Interest Period therefor; including any such loss or expense arising from the liquidation or reemployment of funds obtained by such Bank to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained. The Borrower shall also pay any customary and reasonable administrative fees charged by such Bank in connection with the foregoing.

3.06 Reserves on Loans. The Company shall pay to each Bank, as long as such Bank shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of such Bank's LIBOR Loans equal to the actual costs of such reserves allocated to such LIBOR Loans by such Bank (as determined by such Bank in good faith, which determination shall be conclusive, absent manifest error), payable on each date on which interest is payable on such Loans, provided the Company shall have received at least 15 days' prior written notice (with a copy to the Administrative Agent) of such additional interest from such Bank. If a Bank fails to give notice 15 days prior to the relevant Interest Payment Date, such additional interest shall be payable 15 days from receipt of such notice.

3.07 Certificates of Banks.

(a) Any Bank claiming reimbursement or compensation under this Article III shall deliver to the Company (with a copy to the Administrative Agent) a certificate setting forth in reasonable detail the amount payable to such Bank hereunder and the reasons for such claim and such certificate shall be conclusive and binding on the Company in the absence of manifest error.

(b) Each Bank agrees to notify the Company of any claim for reimbursement pursuant to Section 3.04 or 3.06 not later than 60 days after any officer of such Bank responsible for the administration of this Agreement receives actual knowledge of the event giving rise to such claim. If any Bank fails so to give notice, the Company shall only be required to reimburse or compensate such Bank, retroactively, for claims pertaining to the period of 60 days immediately preceding the date the claim was made.

3.08 Change of Lending Office. Each Bank agrees that, upon the occurrence of any event giving rise to an obligation of the Company under Section 3.01, Section 3.02, Section 3.04 or Section 3.06 with respect to such Bank, it will, if requested by the Company, use reasonable efforts (subject to overall policy considerations of such Bank) to designate another Lending Office for any Loans affected by such event or take other action; provided that such Bank and its Lending Office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the obligation under any such Section. Nothing in this Section shall affect or postpone any of the Obligations of the Company or the right of any Bank provided in Section 3.01, Section 3.02, Section 3.04 or Section 3.06.

3.09 Substitution of Bank. Upon the receipt by the Company from any Bank of a claim for compensation under Section 3.01 (including, in particular, Section 3.01(b)(iv)), 3.02, Section 3.04 or Section 3.06, or giving rise to the operation of Section 3.02, the Company may, at its option, (i) request such Bank to use its best efforts to seek a Substitute Bank willing to assume such Bank's Term Commitment (or, after the date of termination of the Term Commitments, acquire such Bank's Term Loan) and Revolving Commitment and Revolving Loans or (ii) replace such Bank with a Substitute Bank or Substitute Banks that shall succeed to the rights and obligations of such Bank under this Agreement upon execution of an Assignment and Acceptance; or (iii) remove such Bank, reduce the Commitments by the amount of the Commitments of such Bank, and adjust the Pro Rata Share of each Bank such that the percentage of each other Bank shall be increased to equal the percentage equivalent of a fraction, the numerator of which is the Commitment of such other Bank and the denominator of which is the Commitments of the Banks minus the Commitments of the Bank who demanded payment pursuant to

Sections 3.01, 3.02, 3.04, or 3.06 or giving rise to the operation of Section 3.02; provided, however, that such Bank shall not be replaced or removed hereunder until such Bank has been repaid in full all amounts owed to it pursuant to this Agreement and the other Loan Documents (including Sections 2.09, 3.01, 3.04, and 3.06) unless any such amount is being contested by the Borrower in good faith.

3.10 Survival. The agreements and obligations of the Company in this Article III shall survive the payment of all other Obligations.

4
CONDITIONS PRECEDENT

4.01 Conditions to Effectiveness. The obligation of each Bank hereunder is subject to the condition that the Administrative Agent shall have received on or before the Closing Date all of the following, in form and substance satisfactory to the Administrative Agent and each Bank, and, except for the Notes, in sufficient copies for each Bank:

(a) Loan Agreement and Notes. This Agreement duly executed by each of the parties hereto and the Term Notes and Revolving Notes duly executed by the Company;

(b) Organizational Documents. Copies of each of the (i) acta constitutiva and (ii) the estatutos sociales of the Company as in effect on the Closing Date, certified as of the Closing Date by a notary public and by the Secretary or Assistant Secretary of the Company;

(c) Resolutions; Incumbency.

(i) Copies of all applicable powers of attorney designating the Persons authorized to execute this Agreement and the other Loan Documents on behalf of the Company, certified by a notary public and by the Secretary or an Assistant Secretary of the Company; and

(ii) A certificate of the Secretary or Assistant Secretary of the Company (1) certifying the names and true signatures of the officers of the Company authorized to execute, deliver and perform, as applicable, this Agreement and all other Loan Documents to be delivered by it hereunder; and (2) attaching copies of all documents evidencing all necessary corporate action and governmental approvals, if any, with respect to the authorization for the execution, delivery and performance of each such Loan Document and the transactions contemplated hereby and thereby.

(iii) Such certificates shall state that the resolutions or other information referred to in such certificates have not been amended, modified, revoked or rescinded as of the date of such certificates.

(d) Governmental Authorizations. Evidence satisfactory to the Administrative Agent that all approvals, authorizations or consents of, or notices to, or registrations with, any Governmental Authority (including exchange control approvals) or third parties, if any, required in connection with the execution and performance by the Company of this Agreement have been obtained and are in full force and effect. If no such approvals, authorizations, consents, notices or registrations are necessary, a certificate shall be delivered to the Administrative Agent so stating;

(e) Process Agent. The acceptance by the Process Agent to act as agent for service of process for the Company in connection with any proceeding relating to this Agreement or the Notes brought in New York together with a copy certified by a Mexican public notary of the power-of-attorney granted by the Company in favor of the Process Agent;

(f) Legal Opinions. (i) A favorable opinion of Salvador Vargas, Esq., General Counsel of the Company; substantially in the form of Exhibit F, (ii) a favorable opinion of Milbank, Tweed, Hadley & McCoy LLP, special New York counsel to the Company, substantially in the form of Exhibit G; (iii) a favorable opinion of

Sullivan & Cromwell LLP, special New York counsel to the Administrative Agent and (iv) a favorable opinion of Ritch, Heather y Mueller, S.C. special Mexican counsel to the Administrative Agent;

(g) Payment of Fees. Evidence of payment by the Company (or irrevocable instructions of the Company to use the proceeds of the Loans for the payment) of (i) all fees payable to the Banks, the Administrative Agent and the Joint Bookrunners on the Closing Date, and (ii) all reasonable costs and expenses to the extent due and payable to the Administrative Agent or the Joint Bookrunners on the Closing Date, together with Attorney Costs for the preparation and execution of this Agreement of the Administrative Agent to the extent invoiced prior to or on the Closing Date, plus such additional amounts of Attorney Costs as shall constitute its reasonable estimate of Attorney Costs incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude a final settling of accounts between the Company and the Administrative Agent), and (iii) any other amounts then due and payable under the Term Loans and Revolving Loans;

(h) Certificate. A certificate signed by a Responsible Officer of the Company, dated as of the Closing Date, stating that**:**

(i) the representations and warranties contained in Article V are true and correct on and as of such date, as though made on and as of such date;

(ii) no Default or Event of Default has occurred and is continuing; and

(iii) there has occurred since December 31, 2003, (A) no event or circumstance that has had or could reasonably be expected to have a Material Adverse Effect and (B) no event or circumstance of a financial, political or economic nature in Mexico which has had or could reasonably be expected to have a material adverse effect on the ability of the Company to perform its obligations under this Agreement or any other Loan Document;

(i) Repayment of Existing Facility. Evidence that the Existing Facility has been or on or prior to the Closing Date will be cancelled or terminated in accordance with its respective terms, any promissory notes issued thereunder shall have been cancelled or returned to the Borrower, all outstanding loans issued under the Existing Facility, shall have been, or will be with the proceeds of the first Borrowing hereunder, paid in full and all commitments shall have been, or will on the same day be, terminated, or cancelled. The parties hereto agree that the first Notice of Borrowing may be given under this Agreement to repay or reimburse any outstanding obligations under the Existing Facility; and

(j) Other Documents. Such other certificates, powers of attorney, approvals, opinions, documents or materials as the Administrative Agent or any Bank (through the Administrative Agent) may reasonably request.

4.02 Conditions to All Borrowings. The obligation of each Bank to make any Loan to be made by it (including its initial Loan) is subject to the satisfaction of the following conditions on each Borrowing Date:

(a) Notice of Borrowing. The Administrative Agent shall have received a Notice of Borrowing from the Company;

(b) Representations and Warranties. The representations and warranties of the Company contained in this Agreement or in any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct in all material respects on and as of the date of such Borrowing Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date, and except that for purposes of this Section 4.02, the representations and warranties contained in paragraphs (a) and (b) of Section 5.06 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b) respectively, of Section 6.01; and

(c) No Existing Default. No Default or Event of Default shall have occurred and be continuing either prior to or after giving effect to the transactions contemplated on the Closing Date.

5
REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to the Administrative Agent and each Bank that:

5.01 Corporate Existence and Power. The Company and each of its Subsidiaries:

(a) is a corporation duly organized and validly existing under the laws of its corresponding jurisdiction;

(b) has all requisite corporate power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) conduct its business and to own its Properties except to the extent that the failure to obtain any such governmental license, authorization, consent or approval could not reasonably be expected to have a Material Adverse Effect and (ii) (with respect to the Company only) to execute, deliver and perform all of its obligations under this Agreement and the Notes; and

(c) is in compliance with all Requirements of Law, except to the extent that the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

5.02 Corporate Authorization; No Contravention. The execution and delivery of, and performance by the Company under this Agreement and each other Loan Document have been duly authorized by all necessary corporate action, and do not and will not:

(a) contravene the terms of the Company's estatutos sociales,

(b) conflict with or result in any breach or contravention of, or the creation of any Lien under, (i) any document evidencing any Contractual Obligation to which the Company is a party or (ii) any order, injunction, writ or decree of any Governmental Authority to which the Company or its Property is subject; or

(c) violate or contravene any Requirement of Law.

5.03 No Additional Governmental Authorization. No approval (including exchange control approval), consent, exemption, authorization, registration or other action by, or notice to, or filing with, any Governmental Authority or other third party is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Company of this Agreement or any other Loan Document other than as have been obtained pursuant to Section 4.01(d).

5.04 Binding Effect. This Agreement has been and each other Loan Document, when delivered hereunder, will have been, duly executed and delivered by the Company. This Agreement constitutes, and each other Loan Document when so delivered will constitute, a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, "concurso mercantil," or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability (regardless of whether enforcement thereof is sought in a proceeding at law or in equity).

5.05 Litigation. Except as disclosed in Schedule 5.05 on the date hereof and as otherwise disclosed by the Company in the Financial Statements delivered pursuant to Section 6.01(a) or in the most recent annual report of the Company either (i) on Form 20-F as filed with the Securities and Exchange Commission or (ii) in an annual report filed with the Mexican Stock Exchange, there are no actions, suits, proceedings, claims or disputes pending, or to the best knowledge of the Company, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, by or against the Company or any of its Material Subsidiaries, which:

(a) purport to affect the legality, validity or enforceability of this Agreement or any other Loan Document, or any of the transactions contemplated hereby or thereby; or

(b) if determined adversely to the Company or such Material Subsidiary, could reasonably be expected to have a Material Adverse Effect.

5.06 Financial Information; No Material Adverse Effect; No Default.

(a) The Company's audited consolidated financial statements for the Fiscal Year ended December 31, 2003 (copies of which have been furnished to the Administrative Agent and each Bank) are complete and correct in all material respects, have been prepared in accordance with Mexican GAAP and fairly present in accordance with Mexican GAAP the financial condition of the Company and its Consolidated Subsidiaries as of such date and the results of their operations for the Fiscal Year ended December 31, 2003.

(b) The Company's unaudited financial statements for the Fiscal Quarter ended June 30, 2004 (copies of which have been furnished to the Administrative Agent and each Bank) are complete and correct in all material respects, have been prepared in accordance with Mexican GAAP and fairly present in accordance with Mexican GAAP the financial condition of the Company and its Consolidated Subsidiaries as of such date and the results of their operations for the period covered thereby, subject to the absence of footnotes and to normal year-end audit adjustments.

(c) Since the date of the most recent audited financial statements, there has occurred no development, event or circumstance, either individually or in the aggregate, which has had, or could reasonably be expected to have, a Material Adverse Effect.

(d) As of the Closing Date and each Borrowing Date, neither the Company nor any of its Material Subsidiaries is in default under or with respect to any Contractual Obligation in any respect which, individually or together with all such defaults, could reasonably be expected to have a Material Adverse Effect, or that would, if such default had occurred after the Closing Date or such Borrowing Date, create an Event of Default under Section 8.01(e).

5.07 Pari Passu. The Obligations constitute direct, unconditional and general obligations of the Company and rank pari passu in all respects with all other unsecured and unsubordinated Indebtedness of the Company, except those ranking senior by operation of law (and not by contract or agreement).

5.08 Taxes. The Company and its Material Subsidiaries have filed all tax returns and reports required to be filed under the laws of Mexico, and have paid all taxes, assessments, fees and other governmental charges levied or imposed upon them or their Properties, including related interest and penalties, otherwise due and payable, except (i) those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with Mexican GAAP; and (ii) those to the extent that non-compliance therewith could not be reasonably expected to have a Material Adverse Effect.

5.09 Environmental Matters.

(a) The on-going operations of the Company and each of its Material Subsidiaries are in compliance in all material respects with all applicable Environmental Laws except as set forth on Schedule 5.05 and except to the extent that the failure to comply therewith could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect;

(b) The Company and each of its Material Subsidiaries have obtained all environmental, health and safety permits necessary or required for its operations, all such permits are in good standing, and the Company and each of its Material Subsidiaries is in compliance with all material terms and conditions of such permits, except as set forth on Schedule 5.05 and except to the extent that the failure to obtain, and maintain in full force and effect, any such permit, or to the extent that failure to comply with the material terms thereof, could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect;

(c) To the best of the knowledge of the Company, after reasonable investigation, no property currently or formerly owned or operated by the Company or any Material Subsidiary (including soils, groundwater, surface water, buildings or other structures) has been contaminated with any substance that could reasonably be expected to require investigations or remediation under any Environmental Law or has incurred any liability for any release of any substance on any third party property except as could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect; and

(d) Neither the Company nor any Material Subsidiary has received any notice, demand, letter, claim or request for information indicating that it may be in violation of or subject to liability under any Environmental Law or is subject to any order, decree, injunction or other arrangement with any Governmental Authority relating to any Environmental Law except as set forth on Schedule 5.05 and except as could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

5.10 Compliance with Social Security Legislation, Etc. The Company, and each of its Material Subsidiaries, is in compliance with all Requirements of Law relating to social security legislation, including all rules and regulations of INFONAVIT, IMSS and SAR except to the extent that non-compliance therewith could not be reasonably expected to have a Material Adverse Effect.

5.11 Assets; Patents; Licenses, Etc.

(a) The Company and each of its Material Subsidiaries has good and marketable title to all real property that is reasonably necessary or used in the ordinary conduct of their business.

(b) The Company and each of its Material Subsidiaries owns or are licensed or otherwise has the right to use all of the patents, contractual franchises, licenses, authorizations and other rights that are reasonably necessary for the operation of its business, without conflict with the rights of any other Person.

5.12 Subsidiaries.

(a) A complete and correct list of all Material Subsidiaries of the Company as of the Closing Date, showing the correct name thereof, the jurisdiction of its incorporation and the percentage of shares of each class outstanding owned by the Company and each Subsidiary of the Company is set forth in Schedule 5.12(a).

(b) A list of all agreements, which by their terms, expressly prohibit or limit the payment of dividends or other distributions to the Company by a Material Subsidiary or the making of loans to the Company by a Material Subsidiary is set forth in Schedule 5.12(b).

5.13 **Commercial Acts.** The obligations of the Company under this Agreement and the Notes are commercial in nature and are subject to civil and commercial law, and the execution and performance of this Agreement constitute private and commercial acts and not governmental or public acts and the Company is subject to legal action in respect of its Obligations.

5.14 Proper Legal Form. This Agreement is, and when executed and delivered, each Note will be, in proper legal form under the laws of Mexico for the enforcement thereof against the Company under the laws of Mexico; provided that in the event any legal proceedings are brought in the courts of Mexico, an official Spanish translation of the documents from a court-approved translator would be required in such proceedings, including this Agreement, shall be required.

5.15 Full Disclosure. All written information other than forward-looking information heretofore furnished by the Company to the Administrative Agent or any Bank for purposes of or in connection with this Agreement is, and all such information hereafter furnished by the Company to the Administrative Agent on any Bank will be, true and accurate in all material respects on the date as of which such information is stated or certified. All written forward-looking information heretofore furnished in writing to the Administrative Agent or the Banks has been prepared in good faith based upon assumptions the Company believes to be reasonable. The Company has disclosed to the Administrative Agent and the

Banks in writing any and all facts known to it that it believes are reasonably expected to have a Material Adverse Effect.

5.16 Investment Company Act**.** The Company is not, nor is it controlled by, an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

5.17 Margin Regulations. Neither the Company nor any of its Subsidiaries is generally engaged in the business of purchasing or selling "margin stock" (as such term is defined in Regulations T, U or X of the Board of Governors of the Federal Reserve System of the United States) or extending credit for the purpose of purchasing or carrying margin stock.

5.18 ERISA Compliance.

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state Laws. Each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the best knowledge of the Company, nothing has occurred which would prevent, or cause the loss of, such qualification. The Company and each ERISA Affiliate have made all required contributions to each Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There are no pending or, to the best knowledge of the Company, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could be reasonably expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could be reasonably expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred, or to the best knowledge of the Company, is reasonably expected to occur; (ii) no Pension Plan has any Unfunded Pension Liability; (iii) neither the Company nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA; (iv) neither the Company nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice, under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither the Company nor any ERISA Affiliate has engaged in a transaction that could be subject to Sections 4069 or 4212(c) of ERISA.

6
AFFIRMATIVE COVENANTS

The Company covenants and agrees that for so long as any Loan or other Obligation remains unpaid or any Bank has any Commitment hereunder:

6.01 Financial Statements and Other Information.

(a) The Company will deliver to the Administrative Agent:

(i) as soon as available and in any case within 120 days after the end of each Fiscal Year, consolidated financial statements for such Fiscal Year audited by independent accountants of recognized international standing, including an annual audited consolidated balance sheet and the related consolidated statements of income, changes in equity and changes in financial position, prepared in accordance with Mexican GAAP consistently applied (except as otherwise discussed in the notes to such financial statements), which financial statements shall present fairly in accordance with Mexican GAAP the financial condition of the Company and its Consolidated Subsidiaries as at the end of the relevant Fiscal Year and the results of the operations of the Company and its Consolidated Subsidiaries for such Fiscal Year, reported on by independent accountants of recognized international standing; and

(ii) as soon as available and in any event within 120 days after the end of each Fiscal Year, an English translation of the audited consolidated financial statements of the Company.

(b) The Company will deliver to the Administrative Agent:

(i) as soon as available and in any case within 60 days after the end of each of the first three Fiscal Quarters, unaudited consolidated financial statements for each such quarter period for the Company and its Consolidated Subsidiaries, including therein an unaudited consolidated balance sheet and the related consolidated statements of income prepared in accordance with Mexican GAAP, consistently applied (except as otherwise discussed in the notes to such statements), which financial statements shall present fairly in accordance with Mexican GAAP the financial condition of the Company and its Consolidated Subsidiaries as at the end of the relevant quarter and the results of the operations of the Company and its Consolidated Subsidiaries for such quarter and for the portion of the Fiscal Year then ended except for the absence of complete footnotes and except for normal, recurring year-end accruals and subject to normal year-end adjustments; and

(ii) as soon as available and in any event within 90 days after the end of each of the first three Fiscal Quarters, an English translation of the unaudited quarterly consolidated financial statements of the Company.

(c) Concurrently with the delivery of the financial statements pursuant to paragraphs (a)(i) and (b)(i) above, the Company will deliver to the Administrative Agent a Compliance Certificate, substantially in the form of Exhibit D, signed by a Responsible Officer of the Company.

(d) The Company will furnish to the Administrative Agent, promptly after they are publicly available, copies of all financial statements and financial reports filed by the Company with any Governmental Authority (if such statement or reports are required to be filed for the purpose of being publicly available) or filed with any Mexican or other securities exchange (including the Luxembourg Stock Exchange) and which are publicly available.

(e) The Company will furnish to the Administrative Agent, promptly upon request of the Administrative Agent or any Bank (through the Administrative Agent), such additional information regarding the business, financial or corporate affairs of the Company and its Material Subsidiaries as the Administrative Agent or any Bank may reasonably request.

(f) The Administrative Agent will promptly deliver to each of the Banks copies of the documents provided by the Company pursuant to this Section 6.01.

6.02 Notice of Default and Litigation. The Company will furnish to the Administrative Agent, not later than five Business Days after the Company obtains knowledge thereof (and the Administrative Agent will notify each Bank thereof):

(a) notice of any Default or Event of Default, signed by a Responsible Officer, describing such Default or Event of Default and the steps that the Company proposes to take in connection therewith;

(b) notice of any litigation, action or proceeding pending or threatened against the Company or any of its Material Subsidiaries before any Governmental Authority, in which there is a probability of success by the plaintiff on the merits and which, if determined adversely to the Company or such Subsidiary, individually or in the aggregate, could be reasonably expected to have a Material Adverse Effect;

(c) notice of the modification of any consent, license, approval or authorization referred to in Section 4.01(d); and

(d) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Company and its Subsidiaries in an aggregate amount exceeding US$5,000,000.

6.03 Maintenance of Existence; Conduct of Business**.**

(a) The Company will, and will cause each of its Material Subsidiaries to (i) maintain in effect its corporate existence and all registrations necessary therefor; (ii) take all reasonable actions to maintain all rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of its business, activities or operations; and (iii) keep all its Property in good working order or condition; provided, however, that this covenant shall not prohibit any transaction by the Company or any of its Material Subsidiaries otherwise permitted under Section 7.03 nor require the Company to maintain any such right, privilege, title to property or franchise or to preserve the corporate existence of any Subsidiary, if the Company shall determine in good faith that the maintenance or preservation thereof is no longer desirable in the conduct of the business of the Company or its Material Subsidiaries and that the loss thereof could not reasonably be expected to have a Material Adverse Effect.

(b) The Company will, and will cause its Material Subsidiaries to, continue to engage in business of the same general type as now conducted by the Company and its Material Subsidiaries**.**

6.04 Insurance. The Company will, and will cause each of its Subsidiaries to, maintain insurance with financially sound, responsible and reputable insurance companies in such amounts and covering such risks as are usually carried by companies of good repute engaged in similar businesses and owning and/or operating properties similar to those owned and/or operated by the Company or such Subsidiary, as the case may be, in the same general areas in which the Company or such Subsidiary owns and/or operates its properties; provided that the Company and its Subsidiaries shall not be required to maintain such insurance if the failure to maintain such insurance could not reasonably be expected to have a Material Adverse Effect.

6.05 Maintenance of Governmental Approvals. The Company will maintain in full force and effect all governmental approvals (including any exchange control approvals), consents, licenses and authorizations which may be necessary or appropriate under any applicable law or regulation for the conduct of its business (except that the failure to maintain any such approval, consent, license or authorization could not reasonably be expected to have a Material Adverse Effect) or for the performance of this Agreement and for the validity or enforceability hereof. The Company will file all applications necessary for, and shall use its reasonable best efforts to obtain, any additional authorization as soon as possible after determination that such authorization or approval is required for the Company to perform its obligations hereunder.

6.06 Use of Proceeds. (a) The Company will instruct the Administrative Agent to pay, on or immediately after the Closing Date, the proceeds of the Term Loans and, to the extent necessary, a portion of the Revolving Loans to Bank of America to repay the Existing Facility.

(b) The Company will use the proceeds of the Revolving Loans for general working capital purposes and for general corporate purposes, including the refinancing of existing Indebtedness.

6.07 Application of Cash Proceeds from Sales and Other Dispositions. The Company will, and will cause each of its Subsidiaries to, apply 100% of the net cash proceeds received from any sale, conveyance, transfer or Disposition of assets (including from any sale, conveyance, transfer or Disposition resulting from casualty or condemnation, and including any amounts received under any insurance policy representing any insurance payments that have not been and will not be applied in payment for repairs or for the replacement of any Property which has been damaged or destroyed) to (i) the repayment of any Indebtedness then outstanding, (ii) investment in assets relating to the Company's Core Business, or (iii) any combination thereof.

6.08 Payment of Obligations. The Company will, and will cause each of its Material Subsidiaries to, pay all taxes, assessments and other governmental charges imposed upon it or any of its Property in respect of any of its franchises, businesses, income or profits before any penalty or interest accrues thereon, and pay all claims (including claims for labor, services, materials and supplies) for sums which have become due and payable and which by law have or might become a Lien upon its Property, except if the failure to make such payment has no reasonable likelihood of having a Material Adverse Effect or if such charge or claim is being contested in good faith by appropriate provision promptly initiated and diligently conducted and if such reserves or other appropriate provision, if any, as shall be required by Mexican GAAP shall have been made therefor.

6.09 Pari Passu. The Company will cause the Loans to rank pari passu in all respects with all other unsecured and unsubordinated Indebtedness of the Company, except those ranking senior by operation of law (and not by contract or agreement).

6.10 Compliance with Laws. The Company will, and will cause each of its Material Subsidiaries to, comply in all respects with all applicable Requirements of Law, including all applicable Environmental Laws and all Requirements of Law relating to social security and ERISA, including INFONAVIT, IMSS and SAR, except where the necessity of compliance therewith is contested in good faith by appropriate proceedings promptly initiated and diligently conducted and if such reserves or other appropriate provision, if any, as shall be required by Mexican GAAP shall have been made therefor except where any non-compliance could not reasonably be expected to have a Material Adverse Effect.

6.11 Maintenance of Books and Records.

(a) The Company will, and will cause each of its Mexican Material Subsidiaries to, maintain books, accounts and other records in accordance with Mexican GAAP, and the Company will cause its Material Subsidiaries organized under laws of any other jurisdiction to maintain their books and records in accordance either with the generally accepted accounting principles of the applicable jurisdiction or Mexican GAAP.

(b) The Company will, and will cause each Material Subsidiary to, permit representatives of the Administrative Agent to visit and inspect any of their respective properties and to examine their respective corporate, financial and operating books and records, all at such reasonable times during normal business hours and as often as may be reasonably desired upon reasonable advance notice to the Company or such Subsidiary; provided, however, that when an Event of Default exists the Administrative Agent may do any of the foregoing at the expense of the Company at any time during normal business hours and without advance notice.

6.12 Subordination of Indebtedness to Gruma Corp. The Company will cause all Indebtedness of the Company to Gruma Corp. to be at all times subordinated to the Obligations.

6.13 Further Assurances. The Company will, at its own cost and expense, execute and deliver to the Administrative Agent all such other documents, instruments and agreements and do all such other acts and things as may be reasonably required in the opinion of the Administrative Agent or its counsel, to enable the Administrative Agent or any Bank to exercise and enforce its rights under this Agreement and any Note and to carry out the intent of this Agreement.

7
NEGATIVE COVENANTS

The Company covenants and agrees that for so long as any Loan or other Obligation remains unpaid or any Bank has any Commitment hereunder:

7.01 Negative Pledge. The Company will not, and will not permit any of its Material Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien upon or with respect to any of its present or future Property, except:

(a) any Lien on any Property (or, in the case of a line of credit secured by inventory or accounts receivable, class of Property) existing on the Closing Date and set forth in Schedule 7.01**;**

(b) any Lien on any asset securing all or any part of the purchase price of property or assets (including inventories) acquired or any portion of the cost of construction, development, alteration or improvement of any property, facility or asset or Indebtedness incurred or assumed solely for the purpose of financing all or any part of the cost of acquiring or constructing, developing, altering or improving such property, facility or asset, which Lien attached solely to such property, facility or asset during the period that such property, facility or asset was being constructed, developed, altered or improved or concurrently with or within 120 days after the acquisition, construction, development, alteration or improvement thereof;

(c) Liens of a Subsidiary existing prior to the time such Subsidiary became a Subsidiary of the Company which (i) do not secure Indebtedness exceeding the aggregate principal amount of Indebtedness subject to such Lien prior to the time such Subsidiary became a Subsidiary of the Company, (ii) do not attach to any Property other than the Property attached pursuant to such Lien prior to the time such Subsidiary became a Subsidiary of the Company, and (iii) were not created in contemplation of such Subsidiary becoming a Subsidiary of the Company;

(d) any Lien on any Property existing thereon at the time of the acquisition of such Property and not created in connection with or in contemplation of such acquisition;

(e) any Lien on any Property (or, in the case of a line of credit secured by inventory or accounts receivable, class of Property) securing an extension, renewal, refunding or replacement of Indebtedness or a line of credit secured by a Lien referred to in clauses (a), (b), (c) or (d) above; provided that such new Lien is limited to the Property (or, in the case of a line of credit secured by inventory or accounts receivable, class of Property) which was subject to the prior Lien immediately before such extension, renewal, refunding or replacement, and provided that the principal amount of Indebtedness or the amount of the line of credit secured by the prior Lien is not increased immediately before or in contemplation of or in connection with such extension, renewal, refunding or replacement;

(f) any Lien securing taxes, assessments and other governmental charges, the payment of which is not yet due or the payment of which is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and for which such reserves or other appropriate provision, if any, as shall be required by Mexican GAAP or, in the case of Material Subsidiaries organized under laws of any other jurisdiction, the applicable GAAP therein, shall have been made;

(g) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security;

(h) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen, repairmen or the like arising in the ordinary course of business for sums not yet due or the payment of which is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and for which such reserves or other appropriate provision, if any, as shall be required by Mexican GAAP or, in the case of Material Subsidiaries organized under the laws of any other jurisdiction, the applicable GAAP therein, shall have been made;

(i) any Lien created by attachment or judgment, unless the judgment it secures shall not, within 60 days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall not have been discharged within 60 days after the expiration of any such stay;

(j) any Lien created in connection with (i) interest rate swaps, (ii) currency swaps, (iii) commodities contracts or (iv) any derivative transaction in each case entered into in connection with hedging transactions entered into in the ordinary course of business; and

(k) Liens on accounts receivable or inventories created to secure working capital borrowings not exceeding in the aggregate the greater of (i) US$100,000,000 (or the equivalent in other currencies) or (ii) (A) 15% of the Consolidated Net Worth of the Company less (B) the amount of any Guaranty Obligations incurred by the Company or any of its Consolidated Subsidiaries for the account of parties other than the Company and its Consolidated Subsidiaries.

7.02 Investments. The Company will not, and will not permit any of its Material Subsidiaries to, make any Investment, except:

(a) Investments existing on the date hereof;

(b) Investments relating to the Company's Core Business;

(c) Cash Equivalent Investments;

(d) Investments by the Company in any Subsidiary or by any Material Subsidiary in the Company or in any Subsidiary;

(e) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the sale or lease of goods or services in the ordinary course of business;

(f) Capital Expenditures; and

(g) subject to the limitations set forth in Section 7.06 and 7.08, Guaranty Obligations of its Material Subsidiaries.

7.03 Mergers, Consolidations, Sales and Leases. The Company will not merge or consolidate with or into, or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless immediately after giving effect to any merger or consolidation:

(a) no Default or Event of Default has occurred and is continuing; and

(b) any corporation formed by any such merger or consolidation with the Company or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall expressly assume in writing the due and punctual payment of the principal of, and interest on all Obligations, according to their terms, and the due and punctual performance of all of the covenants and obligations of the Company under this Agreement by an instrument in form and substance reasonably satisfactory to the Administrative Agent and shall provide an opinion of counsel acceptable to the Administrative Agent, obtained at the Company's expense, on which the Administrative Agent and the Banks may conclusively rely.

7.04 Restricted Payments. The Company will not, and will not permit any Subsidiary to, declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, unless the Company's Maximum Leverage Ratio, after giving effect to the making of such Restricted Payment and, without duplication, any other Restricted Payment made since the end of the most recent fiscal quarter, was less than 3.50 to 1.00.

Notwithstanding the foregoing limitation, the Company or any Subsidiary may declare or make the following Restricted Payments:

(a) each Subsidiary may make Restricted Payments to the Company and to wholly-owned Subsidiaries (and, in the case of a Restricted Payment by a non-wholly-owned Subsidiary, to the Company and any Subsidiary and to each other owner of capital stock of such Subsidiary on a pro rata basis based on their relative ownership interests);

(b) the Company and each Subsidiary may declare and make dividend payments or other distributions payable solely in the common stock of such Person;

(c) each Subsidiary, may purchase, redeem or otherwise acquire shares of its common stock or warrants or options to acquire any such shares with the proceeds received from the substantially concurrent issue of new shares of its common stock;

(d) the Company and each Subsidiary may purchase any capital stock otherwise permitted as an Investment pursuant to Section 7.02;

(e) the Company may purchase the stock of Gimsa; and

(f) the Company and Gimsa may each purchase any shares of its own capital stock.

7.05 Limitations on Ability to Prohibit Dividend Payments by Subsidiaries. The Company will not, and will not permit its Material Subsidiaries to, enter into any agreement that, by its terms, expressly prohibits the payment of dividends or other distributions to the Company or the making of loans to the Company, other than in connection with the renewal or extension of any agreement listed in Schedule 5.12(b); provided that (i) the restrictions or prohibitions under such agreement are not increased as a result of such renewal or extension and (ii) in connection with any such renewal or extension of an agreement that does not already contain any such prohibition, the Company will not, and will not permit its Material Subsidiaries to, agree to or accept the inclusion of such prohibition.

7.06 Limitation on Incurrence of Indebtedness by Subsidiaries. The Company will not permit any Consolidated Subsidiary to create, incur, assume or suffer to exist any Indebtedness if, at the time of such incurrence and after giving pro forma effect thereto, the aggregate Indebtedness of all Consolidated Subsidiaries would exceed an amount equal to 25% of the Indebtedness of the Company and its Consolidated Subsidiaries.

7.07 Transactions with Affiliates. The Company will not, and will not cause or permit any Material Subsidiary to, enter into any transaction with any Affiliate of the Company, except upon fair and reasonable terms no less favorable to the Company or such Subsidiary than are obtainable in a comparable arm's-length transaction with a Person not an Affiliate of the Company or such Subsidiary.

7.08 No Subsidiary Guarantees of Certain Indebtedness. Other than in connection with its purchase of corn for its corn flour production or wheat for its wheat flour production, the Company will not permit any of its Material Subsidiaries, directly or indirectly, to guarantee or otherwise become liable or responsible for, in any manner, any Indebtedness of the Company.

7.09 Interest Coverage Ratio. The Company shall not permit its Interest Coverage Ratio, as determined for any Measurement Period, to be less than 2.50 to 1.00.

7.10 Maximum Leverage Ratio. The Company shall not permit its Maximum Leverage Ratio for any Measurement Period to be greater than 3.50 to 1.00.

8
EVENTS OF DEFAULT

8.01 Events of Default. Any of the following events shall constitute an "Event of Default":

(a) Non-Payment. The Company fails to pay (i) when and as required to be paid herein, any amount of principal of any Loan, or (ii) within five days after the same becomes due, any interest or any other amount payable hereunder or under any other Loan Document; or

(b) Representation or Warranty. Any representation or warranty by the Company made herein or in any other Loan Document, or which is contained in any certificate, document or financial or other statement by the Company or any Responsible Officer of the Company, furnished at any time under this Agreement or any other Loan Document, is incorrect in any material respect on or as of the date made; or

(c) Specific Defaults. The Company fails to perform or observe any term, covenant or agreement contained in Section 6.02(a), 6.03, 6.05, 6.06, 6.09 or 6.12, fails to perform or observe any term, covenant or agreement contained in Article VII (other than Section 7.05, 7.07 or 7.08) or fails to deliver new Notes in exchange for the existing Notes as provided in Section 2.02(c); or

(d) Other Defaults. The Company fails to perform or observe any other term or covenant contained in this Agreement or in any other Loan Document, and such default continues unremedied for a period of 30 days after the date upon which written notice thereof is given to the Company by the Administrative Agent or any Bank; or

(e) Cross-Default. The Company or any of its Material Subsidiaries (i) fails to make any payment in respect of any Indebtedness (other than Indebtedness hereunder and under the Notes) having an aggregate principal amount of more than US$20,000,000 (or the equivalent in another currency) when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) and such failure continues after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; or (ii) fails to perform or observe any other condition or covenant, or any other event shall occur or condition exist, under any agreement or instrument relating to any such Indebtedness, and such failure continues after the applicable grace or notice period, if any, specified in the relevant document on the date of such failure if the effect of such failure, event or condition is to cause, or to permit the holder or holders of such Indebtedness to cause, such Indebtedness to be declared to be due and payable prior to its stated maturity; or

(f) Involuntary Proceedings. (i) A decree or order by a court having jurisdiction has been entered adjudging the Company or any Material Subsidiary as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or "concurso mercantil" or bankruptcy of the Company or any Material Subsidiary and such decree or order shall have continued undischarged and unstayed for a period of 90 days; or (ii) a decree or order of a court having jurisdiction for the appointment of a receiver or liquidator or visitador, conciliador or sindico or trustee or assignee in bankruptcy or insolvency or any other similar official of the Company or any Material Subsidiary or of any substantial part of the Property of the Company or any Material Subsidiary or for the winding up or liquidation of the affairs of the Company or any Material Subsidiary has been entered, and such decree or order has continued undischarged and unstayed for a period of 90 days; or

(g) Voluntary Proceedings. The Company or any Material Subsidiary institutes proceedings to be adjudicated a bankrupt or consents to the filing of a bankruptcy proceeding against it, or files a petition or answer or consent seeking reorganization or "concurso mercantil" or bankruptcy or consents to the filing of any such petition, or consents to the appointment of a receiver or liquidator or trustee or visitador, conciliador or sindico or assignee in bankruptcy or insolvency or any other similar official of it or any substantial part of its Property; or

(h) Monetary Judgments. One or more judgments, orders, attachments ("embargo"), decrees or arbitration awards are entered against the Company or any of its Material Subsidiaries involving in the aggregate a liability (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) as to any single or related series of transactions, incidents or conditions, of US$20,000,000 or more (or the equivalent thereof in another currency), and the same shall remain unsatisfied, unvacated or unstayed pending appeal for a period of 90 days after the entry thereof; or

(i) Unenforceability. This Agreement or any of the Notes for any reason ceases to be in full force and effect in accordance with its respective terms or the binding effect or enforceability thereof is contested by the Company, or the Company denies that it has any further liability or obligation hereunder or thereunder or in respect hereof or thereof; or

(j) Expropriation. The Mexican government or an agency or instrumentality thereof nationalizes, seizes or expropriates all or a substantial portion of the assets of the Company and its Subsidiaries, taken as a whole, or of the common stock of the Company, or the Mexican government or an agency or instrumentality thereof assumes control of the business and operations of the Company and its Subsidiaries, taken as a whole; or

(k) Change of Control. Mr. Roberto Gonzalez Barrera and his family members (including his spouse, siblings and other lineal descendants, estates and heirs, or any trust or other investment vehicle for the primary benefit of any such Person or their respective family members or heirs) fail to elect the majority of the Board of Directors of the Company.

8.02 Remedies. (a) If any Event of Default occurs, the Administrative Agent shall, at the request of, or may, with the consent of, the Majority Banks, take any or all of the following actions:

(i) declare the Commitment of each Bank to be terminated, whereupon such Commitments shall be terminated;

(ii) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other Obligations owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Company; and

(iii) exercise on behalf of itself and the Banks all rights and remedies available to it and the Banks under the Loan Documents or applicable law;

- provided, however, that upon the occurrence of any event specified in Section 8.01(f) or (g), the Commitment of each Bank shall automatically terminate and the unpaid principal amount of all outstanding Loans and all interest and other Obligations shall automatically become due and payable without further act of the Administrative Agent or any Bank.

(b) After the exercise of remedies provided for in this Section 8.02 (or after the Loans have automatically become immediately due and payable), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order:

(i) First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including Attorney Costs and amounts payable under Article III) payable to the Administrative Agent in its capacity as such;

(ii) Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Banks (including Attorney Costs and amounts payable under Article III), ratably among them in proportion to the amounts described in this clause Second payable to them;

(iii) Third, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans, ratably among the Banks in accordance with their pro rata share of such Loans and in proportion to the respective amounts described in this clause Third payable to them;

(iv) Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loans, ratably among the Banks in accordance with their pro rata share of the total Loans outstanding and in proportion to the respective amounts described in this clause Fourth held by them; and

(v) Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by law.

8.03 Rights Not Exclusive. The rights provided for in this Agreement and the other Loan Documents are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law or in equity, or under any other instrument, document or agreement now existing or hereafter arising.

9
THE ADMINISTRATIVE AGENT

9.01 Appointment and Authorization. Each Bank hereby irrevocably appoints, designates and authorizes Barclays Capital, as the Administrative Agent under this Agreement, and each Bank hereby irrevocably authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Bank or any Participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" herein and in the other Loan Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

9.02 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

9.03 Liability of Administrative Agent. Neither the Administrative Agent nor any of its Affiliates, officers, directors, employees, agents or attorneys-in-fact shall (a) be liable for any action taken or omitted to be taken by it or any such Person under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (b) be responsible in any manner to any Bank or any Participant for any recital, statement, representation or warranty made by the Company, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Company to perform its obligations hereunder or thereunder. Except as otherwise expressly stated therein, the Administrative Agent shall not be under any obligation to any Bank or any Participant to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Company or any of its Subsidiaries.

9.04 Reliance by Administrative Agent.

(a) The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex, teletype or telephone message, electronic mail message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Company), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Majority Banks as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of failing to take, taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Majority Banks (or such greater number of Banks as may be expressly required hereby) and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Banks.

(b) For purposes of determining compliance with the conditions specified in Section 4.01, each Bank that has executed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by the Administrative Agent to such Bank for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to such Bank unless the Administrative Agent shall have received notice from such Bank prior to the proposed Closing Date specifying its objection thereto**.**

9.05 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Banks, unless the Administrative Agent shall have received written notice from a Bank or the Company referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "Notice of Default". The Administrative Agent will notify the Banks of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Default or Event of Default as may be directed by the Majority Banks in accordance with Article VIII; provided, however, that unless and until the Administrative Agent has received any such direction, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Banks.

9.06 Credit Decision. Each Bank acknowledges that neither the Administrative Agent nor any of its Affiliates, officers, directors, employees, agents or attorneys-in-fact have made any representation or warranty to it, and that no act by the Administrative Agent hereinafter taken, including any consent to and acceptance of any assignment or any review of the affairs of the Company and its Subsidiaries, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Bank as to any matter, including whether the Administrative Agent has disclosed material information in its possession. Each Bank represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Company and its Subsidiaries and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Company hereunder. Each Bank also represents that it will, independently and without reliance upon the Administrative Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Company and its Subsidiaries. Except for notices, reports and other documents expressly herein required to be furnished to the Banks by the Administrative Agent, the Administrative Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Company which may come into the possession of any of the Administrative Agent or any of its Affiliates, officers, directors, employees, agents or attorneys-in-fact.

9.07 Indemnification. Whether or not the transactions contemplated hereby are consummated, the Banks shall indemnify upon demand the Administrative Agent and its Affiliates, directors, officers, agents and employees (to the extent not reimbursed by or on behalf of the Company and without limiting the obligation of the Company to do so), pro rata, and hold the Administrative Agent harmless from and against any and all Indemnified Liabilities; provided, however, that no Bank shall be liable for the payment to the Administrative Agent of any portion of such Indemnified Liabilities to the extent determined in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from the Administrative Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Bank shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Administrative Agent in connection with the preparation, execution, delivery, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Company. The undertaking in this Section 9.07 shall survive the payment of all other Obligations and the resignation of the Administrative Agent.

9.08 Administrative Agent in Individual Capacity. Barclays and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Company and any of the Company's Affiliates as though Barclays were not the Administrative Agent hereunder and without notice to or consent of the Banks. The Banks acknowledge that, pursuant to such activities, Barclays or its Affiliates may receive information regarding the Company or any of its Affiliates (including information that may be subject to confidentiality obligations in favor of the Company or such Affiliate) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to its Loans, Barclays shall have the same rights and powers under this Agreement as any other Bank and may exercise such rights and powers as though it were not the Administrative Agent, and the terms "Bank" and "Banks" include Barclays in its individual capacity.

9.09 Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Banks. If the Administrative Agent resigns under this Agreement, the Majority Banks shall appoint from among the Banks a successor agent for the Banks which successor agent shall be subject to the prior approval of the Company at all times other than during the existence of an Event of Default (which consent of the Company shall not be unreasonably withheld or delayed). If no successor agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Banks and the Company, a successor agent from among the Banks. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor agent and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article IX and Sections 10.04 and 10.05 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Banks shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Majority Banks appoint a successor agent as provided for above.

9.10 The Joint Bookrunners and Arrangers. The Joint Bookrunner and the Arrangers, in such capacities, shall have no right, power, obligation, liability, responsibility or duty under this Agreement other than the right to indemnity under Section 10.05 and the right to costs and expenses under Section 10.04. Each Bank acknowledges that it has not relied, and will not rely, on the Joint Bookrunner or any Arranger in deciding to enter into this Agreement or in taking or not taking action hereunder**.**

10
MISCELLANEOUS

10.01 Amendments and Waivers. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Company therefrom, shall be effective unless the same shall be in writing and signed by the Majority Banks and the Company and acknowledged by the Administrative Agent, and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such waiver, amendment or consent shall, unless signed by all the Banks and the Company and acknowledged by the Administrative Agent, do any of the following:

(a) except as specifically provided herein, increase or extend the Term Commitment or the Revolving Commitment of any Bank (or reinstate any Term Commitment terminated or reduced pursuant to Section 2.06(a) or Section 8.02(a) or any Revolving Commitment terminated or reduced pursuant to Section 2.06(b) or (c) or Section 8.02(a));

(b) postpone or delay any date fixed by this Agreement or any Note for any payment of principal, interest, fees or other amounts hereunder or under any other Loan Document or any scheduled reduction of the Revolving Commitments;

(c) reduce the principal of, or the rate of interest specified herein on, any Loan, or reduce the amount or change the method of calculation of any fees or other amounts payable hereunder or under any other Loan Document;

(d) amend, modify or waive any condition set forth in Section 4.01**;**

(e) amend or modify the definition of "Majority Banks" or any other provision of this Agreement specifying the percentage of Commitments or the percentage or number of Banks required to amend, waive or otherwise modify any rights hereunder or make any determination or take any action hereunder;

(f) amend, modify or waive any provision of this Section 10.01(a); and

(g) amend, modify or waive any provision of Section 2.13 in a manner that would alter the pro rata sharing of payments required thereby;

provided, further, that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Majority Banks or all the Banks, as the case may be, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and that no amendment, waiver or consent shall, unless in writing and signed by the Joint Bookrunners, affect the rights or duties of the Joint Bookrunners under this Agreement or any other Loan Document.

10.02 Notices.

(a) Except as otherwise expressly provided herein, all notices, requests, demands or other communications to or upon any party hereunder shall be in English and in writing (including facsimile transmission and, subject to paragraph (c) below, electronic mail) and shall be mailed by an internationally recognized overnight courier service, transmitted by facsimile or electronic mail or delivered by hand to such party: (i) in the case of the Company or the Administrative Agent, at its address, facsimile number or electronic mail address set forth on Schedule 10.02 hereof or at such other address, facsimile number or electronic mail address as such party may designate by notice to the other parties hereto and (ii) in the case of any Bank, at its address, facsimile number or electronic mail address set forth in the Administrative Questionnaire or at such other address, facsimile number or electronic mail address as such Bank may designate by notice to the Company and the Administrative Agent.

(b) Unless otherwise expressly provided for herein, each such notice, request, demand or other communication shall be effective upon the earlier to occur of (i) actual receipt and (ii) (A) if sent by overnight courier service or delivered by hand, when signed for by or on behalf of the party to whom such notice is directed, (B) if given by facsimile, when transmitted to the facsimile number specified pursuant to paragraph (a) above and confirmation of receipt of a legible copy is received by telephone, return facsimile or electronic mail, or (C) if given by any other means, when delivered at the address specified pursuant to paragraph (a) above; provided, however, that notices to the Administrative Agent under Article II, III or X shall not be effective until received. Delivery by any Bank by facsimile transmission of an executed counterpart of any amendment or waiver or any provision of this Agreement or the Notes or any other Loan Document to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

(c) Electronic mail and internet websites may be used only to distribute routine communications, such as financial statements and other information, and to distribute Transaction Documents for execution by the parties thereto, and may not be used for any other purpose.

(d) Any agreement of the Administrative Agent and the Banks herein to receive certain notices by telephone, facsimile transmission or electronic mail is solely for the convenience and at the request of the Company. The Administrative Agent and the Banks shall be entitled to rely on the authority of any Person that according to the books and records of the Administrative Agent is a Person authorized by the Company to give such notice and the Administrative Agent and the Banks shall not have any liability to the Company or any other Person on account of any action taken or not taken by the Administrative Agent or the Banks in reliance upon such telephonic, facsimile or electronic mail notice. The obligation of the Company to repay the Loans shall not be affected in any way or to any extent by any failure by the Administrative Agent and the Banks to receive written confirmation of any telephonic, facsimile or electronic mail notice or the receipt by the Administrative Agent and the Banks of a confirmation which is at variance with the terms understood by the Administrative Agent and the Banks to be contained in the telephonic, facsimile or electronic mail notice.

10.03 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Bank, any right, remedy, power or privilege hereunder or under any Loan Document, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

10.04 Costs and Expenses. The Company agrees:

(a) to pay or reimburse the Administrative Agent (i) upon demand for all reasonable and documented costs and expenses (including Attorney Costs) incurred by the Administrative Agent in connection with the preparation, negotiation and execution of the Loan Documents (whether or not consummated) and (ii) within five Business Days after demand for all reasonable and documented costs and expenses incurred by the Administrative Agent in connection with any amendment, supplement, waiver or modification requested by the Company (in each case, whether or not consummated) to this Agreement or any other Loan Document, including reasonable Attorney Costs incurred by the Administrative Agent with respect thereto; and

(b) to pay or reimburse the Administrative Agent and each Bank within five Business Days after demand for all reasonable costs and expenses (including Attorney Costs) incurred by them in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or any other Loan Document during the existence of an Event of Default or after acceleration of the Loans (including in connection with any "workout" or restructuring regarding the Loans, and including in any insolvency or bankruptcy proceeding involving the Company).

10.05 Indemnification by the Company. Whether or not the transactions contemplated hereby are consummated, the Company agrees to indemnify and hold harmless the Administrative Agent, the Joint Bookrunner, each Arranger, each Bank and their respective Affiliates, directors, officers, employees, counsel, agents and attorneys-in-fact (collectively the "Indemnitees") from and against (a) any and all direct, punitive and consequential damages, claims, demands, actions or causes of action that are asserted against any Indemnitee by any Person (other than the Administrative Agent or any Bank) relating, directly or indirectly, to a claim, demand, action or cause of action that such Person asserts or may assert against the Company or any of its respective officers or directors; (b) any and all claims, demands, actions or causes of action that may at any time (including at any time following repayment of the Obligations and the resignation of the Administrative Agent or the replacement of any Bank) be asserted or imposed against any Indemnitee, arising out of or relating to, the Loan Documents, the Commitments, the use or contemplated use of the proceeds of any Loan, or the relationship of the Administrative Agent and the Banks under this Agreement or any other Loan Document; (c) any administrative or investigative proceeding by any Governmental Authority arising out of or related to a claim, demand, action or cause of action described in clause (a) or (b) above; and (d) any and all liabilities (including liabilities under indemnities), losses, costs or expenses (including Attorney Costs) that any Indemnitee suffers or incurs as a result of the assertion of any foregoing claim, demand, action, cause of action or proceeding, or as a result of the preparation of any defense in connection with any foregoing claim, demand, action, cause of action or proceeding, in all cases, and whether or not an Indemnitee is a party to such claim, demand, action, cause of action or proceeding (all the foregoing, collectively, the "Indemnified Liabilities"), in all cases, whether or not caused by or arising, in whole or in part, out of the negligence of the Indemnitee; provided that no Indemnitee shall be entitled to indemnification for any claim caused by its own gross negligence or willful misconduct or for any loss asserted against it by another Indemnitee. No Indemnitee shall be liable for any damages arising from the use by others of any information or other materials obtained through IntraLinks or other similar information transmission systems in connection with this Agreement, nor shall any Indemnitee have any liability for any indirect or consequential damages relating to this Agreement or any other Loan Document or arising out of its activities in connection herewith or therewith (whether before or after the Closing Date). All amounts due under this Section 10.05 shall be payable within ten Business Days after demand therefor. The agreements in this Section 10.05 shall survive the termination of the Commitments and repayment of all Obligations.

10.06 Payments Set Aside. To the extent that the Company makes a payment to the Administrative Agent or any Bank, or the Administrative Agent or any Bank exercises its right of set-off, and such payment or the proceeds of such set-off or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Bank in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any insolvency, "concurso mercantil" or bankruptcy proceeding involving the Company or otherwise, then (a) to the extent of such recovery the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Bank severally agrees to pay to the Administrative Agent upon demand its pro rata share of any amount so recovered from or repaid by the Administrative Agent.

10.07 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Company may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent and each Bank (and any attempted assignment or transfer by the Company without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

10.08 Assignments, Participations, Etc.

(a) Any Bank may, with the written consent of the Company and the Administrative Agent, which consents shall not be unreasonably withheld and which consent of the Company shall not be required if a Default or Event of Default shall have occurred and be continuing (it being understood (x) that any resulting obligation to pay increased costs or reserves pursuant to Section 3.01, 3.04 or 3.06 as of the date of any assignment would justify the Company's refusal to consent thereto and (y) that the consent of the Company will be deemed given unless the Company replies in writing to any request for consent within five Business Days after actual receipt of such request), and, if demanded by the Company pursuant to Section 3.09 shall, at any time assign to one or more banks or other financial institutions (i) registered with the Ministry of Finance for purposes of Articles 179, 195, and 197 of the Mexican Income Tax Law or any successor or replacement provisions thereto or thereof and (ii) resident (or having its principal office as a resident, if lending through a branch or agency) for tax purposes in a jurisdiction (or a branch or agency of a financial institution that is a resident of a jurisdiction) that is party to an income tax treaty to avoid double taxation with Mexico on the date of such assignment (provided, however, that no written consent of the Company or the Administrative Agent shall be required in connection with any assignment by a Bank to an Affiliate of the assigning Bank so long as the Company shall not be required to pay any further amounts pursuant to Section 3.01, 3.04 or 3.06 than would have been required to be paid but for such assignment) (each an "Assignee") all or any part of its Term Loan and its Revolving Commitment and Revolving Loan and the other rights and obligations of such Bank hereunder, in a minimum amount of US$1,000,000 (it being understood that no Bank may assign all or any part of its Term Loan without concurrently therewith assigning all or a proportionate part of its Revolving Commitment and Revolving Loan and vice versa); provided, however, that (A) if a Default or Event of Default shall have occurred and be continuing, any Bank may assign each of its Loans to any third party, and (B) a Bank may assign a Loan to any third party provided that, if the assignee shall not satisfy the characteristics set forth above in this Section 10.08(a), the Company shall only be obligated to pay additional amounts to the assignee under Section 3.04 hereof, to the extent it would have paid such additional amounts to the assignor, the Company and the Administrative Agent may continue to deal solely and directly with such Bank in connection with the interest so assigned to an Assignee and the Assignment will not be effective until (i) written notice of such assignment, together with payment instructions, addresses and related information with respect to the Assignee, shall have been given to the Company and the Administrative Agent by the assigning Bank and the Assignee; (ii) the assigning Bank and its Assignee shall have delivered to the Company and the Administrative Agent an Assignment and Acceptance in the form of Exhibit E ("Assignment and Acceptance"), together with any Note subject to such assignment; (iii) the assigning Bank or the Assignee has paid to the Administrative Agent a processing fee in the amount of US$3,500 and (iv) except if an Event of Default has occurred and is continuing, the Assignee has delivered to the Company a copy of the tax residence certificate evidencing residency as set forth above.

(b) From and after the date that the Administrative Agent notifies the assigning Bank that it has received (and provided its consent with respect to) an executed Assignment and Acceptance and payment of the processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall have the rights and obligations of a Bank under the Loan Documents, and (ii) the assigning Bank shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under the Loan Documents.

(c) The Administrative Agent, acting solely for this purpose as an agent of the Company, shall maintain at the Administrative Agent's Payment Office a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Banks, and the Commitments of, and principal amount of the Loans owing to, each Bank pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, absent manifest error, and the Company, the Administrative Agent and the Banks may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Bank hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Company and any Bank, at any reasonable time and from time to time upon reasonable prior notice.

(d) Within ten Business Days after its receipt of notice by the Administrative Agent that it has received an executed Assignment and Acceptance and payment of the processing fee (and provided that it consents to such assignment in accordance with Section 10.08(a)), the Company shall execute and deliver to the Administrative Agent a new Term Note and a new Revolving Note in the amount of such Assignee's assigned Term Loan and Revolving Commitment, respectively and, if the assigning Bank has retained a portion of its Term Loan and Revolving Commitment, replacement Notes for the assignor Bank (such Notes to be in exchange for, but not in payment of, the Notes held by the assigning Bank). Immediately upon each Assignee's making its processing fee payment under the Assignment and Acceptance, this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Assignee and the resulting adjustment of the Loans and Commitments arising therefrom.

(e) Any Bank (the "originating Bank") may at any time sell to one or more commercial banks or other Persons (a "Participant") participating interests in all or any part of its Loans; provided, however, that (i) the originating Bank's obligations under this Agreement shall remain unchanged, (ii) the originating Bank shall remain solely responsible for the performance of such obligations, (iii) the Company and the Administrative Agent shall continue to deal solely and directly with the originating Bank in connection with the originating Bank's rights and obligations under this Agreement and the other Loan Documents and (iv) no Bank shall transfer or grant any participating interest under which the Participant has rights to approve any amendment to, or any consent or waiver with respect to, this Agreement or any other Loan Document, except to the extent such amendment, consent or waiver would require unanimous consent of the Banks as described in the first proviso to Section 10.01. In the case of any such participation, the Bank selling such participation shall be entitled to agree to pay over to the Participant any amounts paid to such Bank pursuant to Sections 3.01 and 3.04, and if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Bank under this Agreement; provided that such agreement or instrument may provide that such Bank will not, without the consent of the Participant, agree to any amendment, waiver or other modification that would (i) postpone any date upon which any payment of money is scheduled to be paid to such Participant or (ii) reduce the principal, interest, fees or other amounts payable to such Participant. Subject to paragraph (f) of this Section 10.08, the Company agrees that each Participant shall be entitled to the benefits of

Sections 3.01, 3.04 and 3.05 to the same extent as if it were a Bank and had acquired its interest by assignment pursuant to paragraph (a) of this Section 10.08. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.10 as though it were a Bank, provided such Participant agrees to be subject to Section 2.13 as though it were a Bank.

(f) A Participant shall not be entitled to receive any greater payment under Section 3.01, 3.04, 3.05 or 3.06 than the applicable Bank would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Company's prior written consent.

(g) Any Bank may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Bank, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release a Bank from any of its obligations hereunder or substitute any such pledgee or assignee for such Bank as a party hereto.

(h) If the consent of the Company to an assignment or to an Assignee is required hereunder (including a consent to an assignment which does not meet the minimum assignment threshold specified in Section 10.08(a)), the Company shall be deemed to have given its consent five Business Days after the date notice thereof has been actually received by the Company unless such consent is expressly refused by the Company prior to such fifth Business Day.

10.09 Confidentiality. Each of the Administrative Agent and the Banks agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates', directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (b) to the extent requested by any regulatory or self-regulatory authority including any securities exchange; (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process; (d) to any other party to this Agreement; (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder; (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any Assignee of or Participant in, or any prospective Assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any direct or indirect contractual counterparty or prospective counterparty (or such contractual counterparty's or prospective counterparty's professional advisor) to any credit derivative transaction relating to obligations of the Company; (g) with the consent of the Company; or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Bank on a nonconfidential basis from a source other than the Company. In addition, the Administrative Agent and the Banks may disclose the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the lending industry, and service providers to the Administrative Agent and the Banks in connection with the administration and management of this Agreement, the other Loan Documents, the Commitments, and the Loans. For the purposes of this Section, "Information" means all information received from the Company relating to the Company and/or its business, other than any such information that is available to the Administrative Agent or any Bank on a nonconfidential basis prior to disclosure by the Company; provided that, in the case of information received from the Company after the date hereof, such information shall be deemed to be confidential unless it is clearly identified in writing at the time of delivery as not confidential or it is apparent on its face that such information is not confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

10.10 Set-off. In addition to any rights and remedies of the Banks provided by law, if an Event of Default exists or the Loans have been accelerated, each Bank is authorized at any time and from time to time, without prior notice to the Company, any such notice being waived by the Company to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final in any currency, matured or unmatured) at any time held by, and other indebtedness at any time owing by, such Bank to or for the credit or the account of the Company against any and all

Obligations owing to such Bank, now or hereafter existing, irrespective of whether or not the Administrative Agent or such Bank shall have made demand under this Agreement or any Loan Document and although such Obligations may be contingent or unmatured. Each Bank agrees promptly to notify the Company and the Administrative Agent after any such set-off and application made by such Bank; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

10.11 Notification of Addresses, Lending Offices, Etc. Each Bank shall notify the Administrative Agent in writing of any changes in the address to which notices to such Bank should be directed, of addresses of its Lending Office, of payment instructions in respect of all payments to be made to it hereunder and of such other administrative information as the Administrative Agent shall reasonably request.

10.12 Counterparts. This Agreement may be executed in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile shall be effective as delivery of a manually executed counterpart of this Agreement.

10.13 Severability. The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

10.14 Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of New York.

10.15 Consent to Jurisdiction; Waiver of Jury Trial.

(a) Each of the parties hereto hereby irrevocably and unconditionally submits, in any action or proceeding arising out of or relating to this Agreement, any other Loan Document or the transactions contemplated hereby, to the jurisdiction of (i) any New York State or federal court sitting in New York City and any appellate court thereof, and (ii), solely with respect to any action or proceeding brought against it as a defendant, the competent courts of its own corporate domicile. For purposes of clause (ii) above, the Company declares that its corporate domicile is Garza Garcia, Nuevo Leon.

(b) Each of the parties hereto hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding and any right of jurisdiction in such action or proceeding on account of its place of residence or domicile.

(c) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED UPON, OR ARISING OUT OF, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT OR ACTIONS OF THE ADMINISTRATIVE AGENT, THE BANKS OR THE COMPANY RELATING THERETO.

(d) The Company hereby irrevocably appoints CT Corporation System (the "Process Agent"), with an office on the date hereof at 111 Eighth Avenue, New York, New York 10011, as its agent to receive on behalf of the Company service of the summons and complaint and any other process which may be served in any action or proceeding brought in any New York state or federal court sitting in New York City. Such service may be made by mailing or delivering a copy of such process to the Company, in care of the process agent at the address specified above for such Process Agent, and the Company hereby irrevocably authorizes and directs the Process Agent to accept such service on its behalf. Such appointment shall be contained in a notarial instrument which complies with the 1940 Protocol on Uniformity of Powers of Attorney to be utilized abroad as ratified by the United States and Mexico.

(e) Final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

10.16 Waiver of Immunity. The Company acknowledges that the execution and performance of this Agreement and each other Loan Document is a commercial activity and to the extent that the Company has or hereafter may acquire any immunity from any legal action, suit or proceedings, from jurisdiction of any court or from set-off or any legal process (whether service or notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) with respect to itself or any of its property or assets, whether or not held for its own account, the Company hereby irrevocably and unconditionally waives and agrees not to plead or claim such immunity in respect of its obligations under this Agreement or any other Loan Document.

10.17 Payment in Dollars; Judgment Currency.

(a) All payments by the Company to the Administrative Agent hereunder shall be made in Dollars and in immediately available funds and in such funds as are customary at the time for the settlement of international transactions.

(b) If for the purposes of obtaining judgment against the Company with respect to its obligations under this Agreement or the Notes in any court it is necessary to convert a sum due under this Agreement in Dollars into another currency (the "Other Currency"), the Company agrees, to the fullest extent permitted by applicable law, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase Dollars with the Other Currency on the business day preceding that on which final judgment is given.

(c) The obligation of the Company in respect of any sum due under this Agreement or any Note shall, notwithstanding any judgment in any Other Currency, be discharged only to the extent that on the Business Day following receipt by the Administrative Agent of any sum adjudged to be so due in the Other Currency the Administrative Agent may in accordance with normal banking procedures purchase Dollars with the Other Currency; if the amount of Dollars so purchased is less than the sum originally due to the Administrative Agent in Dollars, the Company hereby agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Administrative Agent and the Banks against such loss.

11
THE JOINT BOOKRUNNERS

11.01 The Joint Bookrunners. The Company hereby confirms the designation of Barclays Capital, the Investment Banking Division of Barclays Bank PLC, and Rabobank, as arrangers and Joint Bookrunners for this Facility. The Joint Bookrunners assume no responsibility or obligation hereunder for servicing, enforcement or collection of the Obligations, or any duties as agent for the Banks. The title "Joint Bookrunner" or "Book-runner" implies no fiduciary responsibility on the part of the Joint Bookrunners to the Administrative Agent, or the Banks and the use of either such title does not impose on the Joint Bookrunners any duties or obligations under this Agreement except as may be expressly set forth herein.

11.02 Liability of Joint Bookrunners. Neither the Joint Bookrunners nor any of their respective officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (a) liable for any action lawfully taken or omitted to be taken by them or any such Person under or in connection with this Agreement or any other Loan Document (except for such Joint Bookrunner's own gross negligence or willful misconduct), or (b) responsible in any manner to any Bank for any recital, statement, representation or warranty made by the Company or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Arrangers under or in connection with, this Agreement or any other Loan Document or for the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of the Company or any other party to any other Loan Document to perform its obligations hereunder or thereunder. Except as otherwise expressly stated herein, the Joint Bookrunners shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Company.

11.03 Joint Bookrunners in their respective Individual Capacities. Each of Barclays Capital, and its Affiliates, and Rabobank and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower or any of its Affiliates as though they were not the Joint Bookrunners hereunder.

11.04 Credit Decision. Each Bank expressly acknowledges that neither the Joint Bookrunners nor any of their respective Affiliates, officers, directors, employees, agents or attorneys-in-fact have made any representation or warranty to it, and that no act by the Joint Bookrunners hereafter taken, including any review of the affairs of the Company, shall be deemed to constitute any representation or warranty by the Joint Bookrunners to any Bank. Each Bank acknowledges to the Joint Bookrunners that it has, independently and without reliance upon the Joint Bookrunners, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Company and their Affiliates and made its own decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Joint Bookrunners, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Company. The Joint Bookrunners shall not have any duty or responsibility to provide any Bank with any information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Company which may come into the possession of the Joint Bookrunners or any of their respective officers, directors, employees, agents, attorneys-in-fact or Affiliates.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

GRUMA, S.A. de C.V.

By: /s/

Name: Raul Alonso Pelaez Cano
Title: C.F.O

By:/s/

Name: Raul Cavazos Moralez
Title: SVP of Finance

Address for Notices

GRUMA, S.A. de C.V.
Calzada del Valle Ote 407,
San Pedro Garza Garcia
Nuevo Leon, 662260
Mexico
Attention: Eduardo Villegas
Telephone: 52 81 8399 3339
Facsimile: 52 81 8399 3358

THIS PAGE IS A SIGNATURE PAGE FOR THE LOAN AGREEMENT, DATED AS OF SEPTEMBER 30, 2004, AMONG GRUMA, S.A. DE C.V., AS BORROWER, BARCLAYS CAPITAL, THE INVESTMENT BANKING DIVISION OF BARCLAYS BANK PLC., AS ADMINISTRATIVE AGENT AND JOINT BOOKRUNNER, THE SEVERAL BANKS HERETO, AND COORPERATIEVE CENRALE-RAIFFEISEN-BOERENLEENBANK B.A., AS JOINT BOOKRUNNER

BARCLAYS CAPITAL, THE INVESTMENT BANKING DIVISION OF BARCLAYS BANK PLC., AS ADMINISTRATIVE AGENT AND JOINT BOOKRUNNER

By:______________________________

Title:

NY3:#7364244v1

THIS PAGE IS A SIGNATURE PAGE FOR THE LOAN AGREEMENT, DATED AS OF SEPTEMBER 30, 2004, AMONG GRUMA, S.A. DE C.V., AS BORROWER, BARCLAYS CAPITAL, THE INVESTMENT BANKING DIVISION OF BARCLAYS BANK PLC., AS ADMINISTRATIVE AGENT AND JOINT BOOKRUNNER, THE SEVERAL BANKS HERETO, AND COORPERATIEVE CENRALE-RAIFFEISEN-BOERENLEENBANK B.A., AS JOINT BOOKRUNNER

BARCALYS BANK PLC, as Bank

By:______________________________

Title:

COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A., AS JOINT BOOKRUNNER AND BANK

By:______________________________
Title:

By:______________________________
Title:

ABN AMRO BANK N.V., as Bank

By:______________________________
Title:

By:______________________________
Title:

BANCO BILBAO VIZCAYA ARGENTARIA
S.A., as Bank

By:______________________________
Title:

By:______________________________
Title:

BNP PARIBAS PANAMA BRANCH, as Bank

By:______________________________
Title:

By:______________________________
Title:

WACHOVIA BANK, NATIONAL ASSOCIATION, as Bank

By:______________________________

Title:

THE BANK OF TOKYO-MITSUBISHI, LTD, as Bank

By:______________________________
Title:

THE BANK OF NOVA SCOTIA, as Bank

By:______________________________

Title:

CALYON NEW YORK BRANCH, as Bank

By:______________________________

Title:

By:______________________________

Title:

Citibank, N.A. NASSAU, BAHAMAS BRANCH,
as Bank

By:______________________________
Title:

COBANK, ACB, as Bank

By:______________________________
Title:

COMERICA BANK, as Bank

By:______________________________
Title:

By:______________________________
Title:

HSBC MEXICO, S.A. INSTITUTCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO HSBC, as Bank

By:______________________________
Title:

STANDARD CHARTERED BANK, as Bank

By:___________________________________
Title:

By:___________________________________
Title:

ING BANK N.V. acting through its Curacao Branch, as Bank

By:______________________________
Title:

By:______________________________
Title:

MIZUHO CORPORATE BANK, LTD, as Bank

By:________________________________
Title:

SAN PAOLO IMI S.PA., as Bank

By: ________________________
Title:

By: ________________________
Title:

Schedule 1.01
Commitments; Pro Rata Shares

Banks	Total Commitments	Revolving Commitment	Term Commitment	Term Pro Rata Share	Revolving Pro Rata Share
BARCLAYS BANK PLC	$ 22,000,000	$ 8,800,000	$ 13,200,000	8.80%	8.80%
COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.,	$ 22,000,000	$ 8,800,000	$ 13,200,000	8.80%	8.80%
ABN AMRO BANK	$ 20,000,000	$ 8,000,000	$ 12,000,000	8.00%	8.00%
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	$ 20,000,000	$ 8,000,000	$ 12,000,000	8.00%	8.00%
BNP PARIBAS PANAMA BRANCH	$ 20,000,000	$ 8,000,000	$ 12,000,000	8.00%	8.00%
WACHOVIA BANK, NATIONAL ASSOCIATION	$ 20,000,000	$ 8,000,000	$ 12,000,000	8.00%	8.00%
BANK OF TOKYO-MITSUBISHI, LTD.	$ 13,000,000	$ 5,200,000	$ 7,800,000	5.20%	5.20%
BANK OF NOVA SCOTIA	$ 13,000,000	$ 5,200,000	$ 7,800,000	5.20%	5.20%
CALYON, NEW YORK BRANCH	$ 13,000,000	$ 5,200,000	$ 7,800,000	5.20%	5.20%
CITIBANK N.A., NASSAU BAHAMAS BRANCH	$ 13,000,000	$ 5,200,000	$ 7,800,000	5.20%	5.20%
COBANK, ACB	$ 13,000,000	$ 5,200,000	$ 7,800,000	5.20%	5.20%
COAMERICA BANK	$ 13,000,000	$ 5,200,000	$ 7,800,000	5.20%	5.20%
HSBC MEXICO, S.A. INSTITUCION DE BANCA MULTIPLE, GRUPO FINANCIERO HSBC	$ 13,000,000	$ 5,200,000	$ 7,800,000	5.20%	5.20%
STANDARD CHARTERED BANK	$ 13,000,000	$ 5,200,000	$ 7,800,000	5.20%	5.20%
ING BANK NV	$ 8,000,000	$ 3,200,000	$ 4,800,000	3.20%	3.20%
MIZUHO CORPORATE BANK, LTD.	$ 8,000,000	$ 3,200,000	$ 4,800,000	3.20%	3.20%
SAN PAOLO IMI, S.P.A.	$ 6,000,000	$ 2,400,000	$ 3,600,000	2.40%	2.40%
Total	$250,000,000	$ 100,000,000	$ 150,000,000	100%	100%

FORM OF OPINION OF SPECIAL NEW YORK COUNSEL
TO THE COMPANY

September 30, 2004

To the Administrative Agent and
the several financial institutions
party to the Loan Agreement referred to
below and set forth on Schedule I hereto

Ladies and Gentlemen:

We have acted as special New York counsel to GRUMA, S.A. de C.V., a sociedad anonima de capital variable (the "Company"), organized and existing under the laws of Mexico, in connection with the transactions contemplated in the Loan Agreement, dated as of September 30, 2004 (the "Loan Agreement"), among the Company, the financial institutions from time to time party thereto (the "Banks"), Barclays Capital, the Investment Banking division of Barclays Bank PLC, as Administrative Agent and Joint Bookrunner, and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., as Joint Bookrunner.

This opinion is delivered to you pursuant to Section 4.01(f)(ii) of the Loan Agreement. Capitalized terms used herein which are defined in the Loan Agreement shall have the respective meanings set forth in the Loan Agreement, unless otherwise defined herein.

In rendering the opinions set forth below, we have examined and relied upon originals or copies, certified or otherwise identified to our satisfaction as being true copies, of the following documents:

(a) the Loan Agreement;

(b) the Notes (together with the Loan Agreement, the "Loan Documents"); and

(c) such other documents as we have deemed necessary as a basis for the opinions hereinafter expressed.

We have conducted such examinations of law as we have deemed necessary or appropriate as the basis for the opinions set forth below. We have relied upon, and assumed the truth and accuracy of, factual matters set forth in certificates of the parties to the Loan Documents, documents and records supplied to us and the representations and warranties of the parties in the Loan Documents. We have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such copies.

In rendering the opinions set forth herein, we have also assumed that:

(i) each party to the Loan Documents is duly organized, validly existing, and in good standing under the laws of its jurisdiction of organization and has the requisite power and authority to execute and deliver, and perform its obligations under, the Loan Documents;

(ii) the execution and delivery of the Loan Documents have been duly authorized by all necessary corporate action and proceedings on the part of each party thereto; and each of the Loan Documents has been duly executed and delivered by each party and constitutes the valid and binding obligations of such parties (other than the Company with respect to matters of the laws of the State of New York and the federal laws of the United States of America), enforceable against each party to the Loan Documents (other than the Company with respect to matters of the laws of the State of New York and the federal laws of the United States of America) in accordance with its terms;

(iii) neither the execution, delivery or performance by the Company of the Loan Documents or compliance by it with the terms and provisions thereof, nor the use of the proceeds of the Loans as contemplated therein (a) except as addressed in paragraph 2 below, will contravene or violate any provision of any law, (b) conflict or be inconsistent with or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default in respect of, or result in the creation or imposition of (or the obligation to create or impose) any Lien upon, any of the property or assets of the Company pursuant to the terms of any (x) indenture, mortgage, deed of trust, credit agreement or loan agreement to which the Company is a party or by which any of its properties or assets are bound or to which it may be subject or (y) other agreement, contract or instrument to which the Company is a party or by which any of its properties or assets are bound or to which it may be subject or (c) will violate any provision of the corporate charter (estatutos sociales) or other organizational documents of the Company; and

(iv) except as to governmental or regulatory authorities or agencies of the United States of America or the State of New York, which are addressed in paragraph 2 below, no governmental approval by any Governmental Authority (except as have been obtained or made and are in full force and effect), is required to authorize, or is required in connection with, (a) the execution, delivery and performance by the Company of the Loan Documents or (b) the legality, validity, binding effect or enforceability of the Loan Documents.

Our opinion is also subject to the qualification that we express no opinion as to the effect of (i) whether any party to the Loan Documents will comply with the Loan Documents, (ii) compliance or non-compliance by any party to the Loan Documents with any law applicable to it, (iii) the legal or regulatory status or the nature of the business of any party to any Loan Document, or (iv) the failure of any party to be authorized to do business in any jurisdiction.

On the basis of the foregoing, and in reliance thereon, and subject to the limitations, qualifications, assumptions and exceptions set forth herein, we are of the opinion that as of the date hereof:

1. Each of the Loan Documents constitutes the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, subject to the following:

(i) (a) the effects of bankruptcy, insolvency, reorganization, fraudulent conveyance, fraudulent transfer, moratorium or other similar laws affecting creditors' rights generally; (b) general principles of equity (regardless of whether enforcement is sought in equity or at law), including the possible unavailability of specific performance, injunctive relief or any other equitable remedy; (c) concepts of materiality, reasonableness, good faith and fair dealing; and (d) the effects of the possible judicial application of foreign laws and foreign governments or judicial action affecting creditors' rights;

(ii) the enforceability of Section 10.05 of the Loan Agreement and any other similar provisions in the Loan Documents may be limited by (a) laws (including any federal or state securities law, rule or regulation) rendering unenforceable indemnification contrary to any such laws, rules or regulations and the public policy underlying such laws, rules or regulations, (b) laws limiting the enforceability of provisions exculpating or exempting a party from, or requiring indemnification or contribution of a party against, liability for its own negligence, misconduct or bad faith or the negligence, misconduct or bad faith of its agents and (c) laws requiring collection and enforcement costs (including fees and disbursements of counsel) to be reasonable;

(iii) no opinion is expressed herein as to the enforceability of provisions in the Loan Agreement to the effect that terms may not be waived or modified except in writing;

(iv) no opinion is expressed herein as to (a) the effect of the laws of any jurisdiction in which the Administrative Agent or any Bank is located (other than the federal laws of the United States of America and the laws of the State of New York) that limit the interest, fees or other charges the Administrative Agent or such Bank may impose, (b) Section 10.15(a) of the Loan Agreement or the similar provision of the Notes insofar as such Section or provision relates to the subject matter jurisdiction of the United States District Court for the Southern District of New York to adjudicate any controversy related to the Loan Documents, (c) any provision of the Loan Agreement governing rights to set-off to be made other than in accordance with applicable law, or (d) Section 10.16 of the Loan Agreement;

(v) we wish to point out that although we believe that the choice of law provisions in the Notes insofar as they provide that the Notes shall be governed by, and construed in accordance with, the law of the State of New York should be given effect in a New York court, we are unaware of any case in which a choice of law provision like that of the Notes has been interpreted or applied by a New York court and recognize that it is possible that a New York court may engage in its own choice of law analysis irrespective of the inclusion of such provision; and

(vi) no opinion is expressed as to (i) the Spanish text of the Notes or (ii) whether the terms of the Agreement or of the Note will control in the event of a conflict between one or more provisions of such documents.

2. No order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by, any governmental authority of the State of New York or federal governmental authority of the United States of America, is required to authorize, or is required in connection with (i) the execution and delivery of, and the performance of any of the obligations of the Company under, the Loan Documents or (ii) the validity, binding effect or enforceability against the Company of the Loan Documents.

In connection with the provisions of the Loan Documents which relate to forum selection (including any waiver of any objection to venue in any court or of any objection that a court is an inconvenient forum), we note that under Section 510 of the New York Civil Practice Law and Rules ("NYCPLR") a New York state court may have discretion to transfer the place of trial and under 28 U.S.C. § 1404(a), a United States District Court has discretion to transfer an action from one United States District Court to another, and we offer no opinion respecting whether a court would exercise such discretion.

We also note that the recognition and enforcement in the New York State or U.S. federal courts sitting in the State of New York of a foreign judgment obtained against a party is subject to Article 53 of the NYCPLR, entitled "Recognition of Foreign Country Money Judgments."

The opinions expressed herein are limited to the laws of the State of New York and the federal laws of the United States of America and we do not express any opinion herein with respect to any law, other than the laws of the State of New York and the federal laws of the United States of America.

This opinion is being furnished only to you in connection with the execution and delivery of the Loan Documents and is solely for your benefit and may not be relied upon by you for any other purpose or relied upon by any other person, firm or entity for any purpose or used, circulated, quoted or otherwise referred to for any purpose without our prior express written consent, except that each Assignee who becomes a party to the Loan Agreement in accordance with Section 10.08(a) thereof may rely on this opinion as if addressed to such Person on the date hereof.

This opinion is being given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention with respect to the matters discussed herein, including any changes in applicable law which may hereafter occur.

Very truly yours,

Schedule 5.05
<u>Pending Litigation</u>

<u>12</u> Antitrust Lawsuits

Eighteen manufacturers of tortillas and other processed food products have brought three related antitrust lawsuits against Gruma Corp., Azteca Milling, and other unrelated companies. The plaintiffs allege that the defendants, including Gruma Corp. and Azteca Milling, conspired with retailers to restrain trade in the retail sale of tortillas in Texas, California, Arizona and Michigan, used market power to exclude plaintiffs from the retail tortilla market, and otherwise competed unfairly. The plaintiffs seek damages, including treble damages, "greatly in excess of $1 million per Plaintiff," as well as injunctive relief. Gruma Corp. and Azteca Milling deny these allegations and are vigorously defending these lawsuits. All three lawsuits have been taken off the docket, pending discussions between the parties as to arbitration of the disputes. In December 2003 the trial court, after four weeks of trial, dismissed the suit as being without merit. Plaintiffs have filed an appeal.

On May 26, 2004, an individual filed an antitrust lawsuit against Gruma Corporation and five named retailers, asking that a consumer, indirect-purchaser class action be certified and alleging that Gruma and the retailers have violated the California antitrust and unfair competition statutes by entering into contracts and conspiracies restraining competition in the sale of tortillas in Southern California. The plaintiff seeks equitable relief and an unspecified amount of total damages. The suit, *Diaz* v. *Gruma Corporation et al.*, case no. BC 316086, was filed in California Superior Court in the County of Los Angeles. The case is in the early stages and no discovery has yet been pursued. We intend to continue vigorously defending this lawsuit.

<u>13</u> Mexican Tax Claim

The Mexican tax authorities have disallowed the asset tax reported in our 1995 and 1996 tax returns. The authorities claim we owe Ps 547.1 million, including related surcharges and penalties. We have brought a proceeding for annulment of such disallowance notice and are vigorously defending the claim.

<u>14</u> Water Discharge Assessments

Certain subsidiaries of GIMSA have been notified by the Comisión Nacional del Agua ("Water National Commission" or "CNA") of assessments due to CNA from different years amounting to Ps 24.9 million plus related penalties and surcharges of Ps 172.2 million. These assessments mainly derive from CNA charges of sewage water being discharged underground through the sprinkler systems on the grounds of those subsidiaries. The subsidiaries have asserted the legal defense allowed by law in order to annul these assessments. The Company has received a favorable judicial resolution for one of these assessments amounting to Ps 6.5 million plus its related penalties and surcharges of Ps 32.7 million. According to the Company's lawyers, a reasonable basis exists in order to obtain a favorable resolution of the rest of the claimed assessments, because, among other things, the water was previously treated, it was not discharged on public property of the Nation and does not contaminate aquiferous layers or the underground soil.

15 Venezuelan Tax Claim

The Venezuelan tax authorities have made certain assessments to Molinos Nacionales, C.A., one of our Venezuelan subsidiaries, relating to income tax returns for 1998 and 1999 in the amount of Ps 92.6 million plus tax credits presumably omitted in the amount of for Ps 0.5 million. The resolution of these claims will be assumed by the previous shareholder from whom we brought this subsidiary pursuant to the terms of the purchase agreement.

Schedule 5.12(a)
List of Material Subsidiaries

Azteca Milling L.P.

Gruma Corporation

Grupo Industrial Maseca, S.A. de C.V.

Molinos Nacionales, C.A.

Schedule 5.12(b)
List of Material Subsidiary Agreements containing Dividends Restrictions

COMPANY	AGREEMENT	TOTAL AMOUNT OF THE FACILITIES
Gruma Corporation	Leases with Philip Morris Capital Corporation	US$53,122,000.00
Gruma Corporation	IDB’s	US$10,535,000.00
Gruma Corporation	Rabobank Syndication Facility	US$70,000,000.00
Gruma Corporation	Private placement with John Hancock	US$18,712,000.00
Gruma Corporation	Lease with GE Capital	US$22,145,000.00

Schedule 7.01
Existing Liens

COMPANY	AGREEMENT	LIEN
Gruma Corporation	Capital Lease with Philip Morris Capital Corporation	Rancho Cucamonga Building, Land, Equipments
Ovis Boske Speciaalbrood, B.V.	Lease Agreement with Amstel	Equipment
Ovis Boske Speciaalbrood, B.V.	Credit Agreements with ABN Amro Bank, N.V.	Real estate, stock and accounts receivable

EXHIBIT A

FORM OF NOTICE OF BORROWING

[ ], 2004

Barclays Capital

as Administrative Agent for the Banks

party to the Loan Agreement

referred to below

200 Park Avenue

New York, New York 10166

Attention: Vidal Ramirez

Facsimile: 212-412-1615

Re: Loan Agreement, dated as of [ ], 2004 (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement"), among GRUMA, S.A. de C.V., as borrower (the "Company"), the Banks party thereto, Barclays Capital, the Investment Banking division of Barclays Bank PLC, as Administrative Agent and Joint Bookrunner, and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., as Joint Bookrunner.

Ladies and Gentlemen:

The undersigned, GRUMA, S.A. de C.V., refers to the Loan Agreement, the terms defined therein being used herein as therein defined, and hereby gives you notice irrevocably, pursuant to Section 2.03 of the Loan Agreement, of the Borrowing specified herein:

(1) The Business Day of the proposed Borrowing is [ ].

(2) The aggregate amount of the proposed Borrowing of Term Loans is US$[______________________].

and/or

(2) The aggregate amount of the proposed Borrowing of Revolving Loans is US$[______________________].

(3) The proposed Borrowing shall be made as [LIBOR Loans having an Interest Period of ______________ month[s]] [Base Rate Loans].

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the proposed Borrowing, before and after giving effect thereto and to the application of the proceeds therefrom:

(a) The representations and warranties of the undersigned contained in Article V of the Loan Agreement are true and correct in all material respects; and

(b) No Default or Event of Default has occurred and is continuing, or would result from the proposed Borrowing.

Please wire transfer the proceeds of the Borrowing to the accounts of the following persons at the financial institutions indicated respectively:

Amount to be Transferred	Person to be Paid Name	ABA No.	Account No. Account Name, Address, etc.
$			
			Attention:
$			
			Attention:

The Company has caused this Notice of Borrowing to be executed and delivered, and the certification and warranties to be made, by its duly Responsible Officer this ____ day of __________________.

GRUMA, S.A. DE C.V.

By: ___________________________________
Name:
Title:

EXHIBIT B

FORM OF NOTICE OF CONTINUATION/CONVERSION

[ ], 2004

Barclays Capital

as Administrative Agent for the Banks

party to the Loan Agreement

referred to below

200 Park Avenue

New York, New York 10166

Attention: Vidal Ramirez

Facsimile: (212) 412-1615

Re: Loan Agreement, dated as of [ ], 2004 (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement"), among GRUMA, S.A. de C.V., as borrower (the "Company"), the Banks party thereto, Barclays Capital, the Investment Banking division of Barclays Bank PLC, as Administrative Agent and Joint Bookrunner, and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., as Joint Bookrunner.

Ladies and Gentlemen:

This Notice of Continuation/Conversion is delivered to you pursuant to Section [ ] of the Loan Agreement. Unless otherwise defined herein or the context otherwise requires, terms used herein have the meanings provided in the Loan Agreement.

The Company hereby requests that on ______________________, 200__,

(1) US$_______________________ of the presently outstanding principal amount of the Loans originally made on __________________________, 200__,

(2) and all presently being maintained as [Base Rate Loans] [LIBOR Loans],

(3) be [converted into] [continued as],

(4) [LIBOR Loans having an Interest Period of _________ months] [Base Rate Loans].

The Company hereby:

(a) certifies and warrants that no Default or Event of Default has occurred and is continuing; and

(b) agrees that if prior to the time of such continuation or conversion any matter certified to herein by it will not be true and correct at such time as if then made, it will immediately so notify the Administrative Agent.

Except to the extent, if any, that prior to the time of the continuation or conversion requested hereby the Administrative Agent shall receive written notice to the contrary from the Company, each matter certified to herein shall be deemed to be certified at the date of such continuation or conversion as if then made.

The Company has caused this Notice of Continuation/Conversion to be executed and delivered, and the certification and warranties contained herein to be made, by its Responsible Officer this ______ day of ____________, 200__.

GRUMA, S.A. DE C.V.

By: ________________________________
Name:
Title:

EXHIBIT D

COMPLIANCE CERTIFICATE

GRUMA, S.A. DE C.V.

This Compliance Certificate is delivered pursuant to [Section 6.14][Section 6.01(c)] of the Loan Agreement, dated as of [ ] (as amended or modified, the “Loan Agreement”), among GRUMA, S.A. de C.V. (the “Company”), Barclays Capital, the Investment Banking division of Barclays Bank PLC, as Administrative Agent and Joint Bookrunner, and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., as the Joint Bookrunner and the various financial institutions as are, or may from time to time become, parties thereto (the “Banks”). Unless otherwise defined herein or the context otherwise requires, terms used herein or in any of the attachments hereto have the meanings provided in the Loan Agreement.

The Company hereby certifies, represents and warrants that for the period (the “Computation Period”) commencing on __________________, ____, and ending on ____________________ (such latter date being the “Computation Date”) no Default or Event of Default had occurred and was continuing. The Company hereby further certifies, represents and warrants that as of the Computation Date:

(a) The Interest Coverage Ratio was ____________ to ______________, as computed on Attachment 1 hereto. The minimum Interest Coverage Ratio permitted pursuant to Section7.09 of the Loan Agreement on the Computation Date was 2.50 to 1.00.

(b) The Maximum Leverage Ratio was __________ to ____________, as computed on Attachment 2 hereto. The Maximum Leverage Ratio permitted pursuant to Section 7.10 of the Loan Agreement on the Computation Date was 3.50 to 1.00.

IN WITNESS WHEREOF, the Company has caused this Compliance Certificate to be executed and delivered, and the certification and warranties contained herein to be made, by its Responsible Officer on __________________,______.

GRUMA, S.A. de C.V.

By: ________________________________

Name:

Title:

Attachment 1

(to / / Compliance Certificate)

INTEREST COVERAGE RATIO

on

(the “Computation Date”)

Interest Coverage Ratio:

l. Consolidated EBITDA for the Measurement Period ending on the Computation Date		
(a) consolidated operating income (determined in accordance with Mexican GAAP)	US$	
(b) the amount of depreciation and amortization expense for such period deducted in determining such consolidated operating income	US$	
2. The sum of Item 1(a) and Item 1(b)	US$	
3. Consolidated Interest Charges		
(a) all interest, premium payments, fees, charges and related expenses of the Company and its Consolidated Subsidiaries for the Measurement Period ending on the Computation Date in connection with borrowed money (including capitalized interest) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with Mexican GAAP.	US$	
(b) the portion of rent expense of the Company and its Consolidated Subsidiaries with respect to such period under capital or financial leases that is treated as interest in accordance with Mexican GAAP	US$	
4. The sum of Item 3(a) and Item 3(b)	US$	
5. The ratio of Item 2 to Item 4		to

Attachment 2

(to / / Compliance Certificate)

MAXIMUM LEVERAGE RATIO

on

(the "Computation Date")

Maximum Leverage Ratio:

1. Total Funded Debt of the Company on the Computation Date	US$
2. Consolidated EBITDA for the Measurement Period ending on the Computation Date	
(a) consolidated operating income	US$
(b) the amount of depreciation and amortization expense for such period deducted in determining such consolidated operating income	US$
3. The sum of Item 2(a) and Item 2(b)	US$
4. Ratio of Item 1 to Item 3	to

EXHIBIT E

FORM OF ASSIGNMENT AND ACCEPTANCE

Reference is made to the Loan Agreement, dated as of [ ], 2004 (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement"), among GRUMA, S.A. de C.V. (the "Company"), the Banks party thereto, Barclays Capital, the Investment Banking division of Barclays Bank PLC, as Administrative Agent (the "Administrative Agent") and Joint Bookrunner, and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., as Joint Bookrunner (together with Barclays Capital the "Joint Bookrunners"). Unless otherwise defined herein, terms defined in the Loan Agreement and used herein shall have the meanings given to them in the Loan Agreement.

_____________________ (the "Assignor") and _____________________ (the "Assignee") hereby agree as follows:

1. The Assignor hereby irrevocably sells and assigns to the Assignee without recourse to the Assignor, and the Assignee hereby irrevocably purchases and assumes from the Assignor without recourse to the Assignor, as of the Effective Date (as defined below), a ____% interest (the "Assigned Interest") in and to the Loan(s) made by the Assignor outstanding on the Effective Date in the aggregate principal amount set forth in Annex 1 hereto, and the Assignor's rights and obligations as a Bank under the respective Loan Agreement.

2. The Assignor

A. makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Agreement or any other instrument or document furnished pursuant thereto, other than that it is the legal and beneficial owner of, and has not created any adverse claim upon, the interest being assigned by it hereunder and that such interest is free and clear of any such adverse claim; and

B. makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Company or the performance or observance by the Company of any of the obligations under the Loan Agreement to which it is a party or any other Loan Document (as defined in the respective Loan Agreement) or any other instrument or document furnished pursuant hereto or thereto.

C. attaches the Note(s) held by it and requests that the Administrative Agent exchange such Note(s) for [a Note] [Notes] of the Company payable to the Assignee and (if the Assignor has retained any interest in the Commitments and Loans) [a Note] [Notes] payable to the Assignor in the respective amounts which reflect the assignment being made hereby (and after giving effect to any other assignments which have become effective on the Effective Date (defined below)).

3. The Assignee

A. represents and warrants that it is a commercial bank registered with the Ministry of Finance and [resident] [having its principal office as a resident] for tax purposes in a jurisdiction] [branch or agency of a financial institution that is a resident of a jurisdiction] that is a party to an income tax treaty to avoid double taxation with Mexico and is legally authorized to enter into this Assignment and Acceptance, and that it has delivered a copy of the tax residence certificate as required in Section 10.08 of the Loan Agreement;

B. confirms that it has received a copy of the Loan Agreement, together with a copy of the financial statements delivered pursuant to Section 6.01 of the Loan Agreement and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance;

C. agrees that it will, independently and without reliance upon the Assignor, the Administrative Agent, the Joint Bookrunners or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Agreement and the other Loan Documents and any other instrument or document furnished pursuant hereto or thereto;

D. appoints and authorizes the Administrative Agent to take such action as Administrative Agent on its behalf and to exercise such powers and discretion under the respective Loan Agreement and the other Loan Documents and any other instrument or document furnished pursuant hereto or thereto as are delegated to the Administrative Agent by the terms thereof, together with such powers as are incidental thereto; and

E. agrees that it will be bound by the provisions of the Loan Agreement and will perform in accordance with their respective terms all the obligations which by the terms of the Loan Agreement are required to be performed by it as a Bank.

4. The effective date of this Assignment and Acceptance shall be ____________________, 200__ (the "Effective Date"). Following the execution of this Assignment and Acceptance, it will be delivered to the Administrative Agent and the Company for acceptance by the Administrative Agent and the Company, effective as of the Effective Date (which shall not, unless otherwise agreed to by the Administrative Agent, be earlier than five Business Days after the date of such acceptance and recording by the Administrative Agent). The [Assignor] [Assignee] agrees to pay the processing fee payable pursuant to Section 10.08(a) of the Loan Agreement.

5. Upon such acceptance, from and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to the Effective Date or accrue subsequent to the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

6. From and after the Effective Date,

A. the Assignee shall be a party to the Loan Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Bank thereunder and under the other Loan Documents and shall be bound by the provisions thereof; and

B. the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Loan Agreement.

7. This Assignment and Acceptance shall be governed by and construed in accordance with the law of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed as of the date first above written by their respective duly authorized officers.

[name of Assignor]

By: ____________________________________
Name:
Title:

[name of Assignee]

By: ____________________________________
Name:
Title:

ACCEPTED THIS ____ day of

_________________________, 200_

GRUMA, S.A. de C.V.

By: ____________________________________
Name:
Title:

BARCLAYS CAPITAL, the Investment Banking division of Barclays Bank PLC,

as Administrative Agent and Joint Bookrunner

By: ____________________________________
Name:
Title:

Annex 1

to

Assignment and Acceptance

1. Borrower: GRUMA, S.A. de C.V.

2. Date of Loan Agreement: [ ], 2004

3. Assignor:

4. Assignee:

5. Date of Assignment and Acceptance:

6. Effective Date:

7. Amount Payable by the Assignee to the Assignor on the Effective Date:

8. Assignee's Share:

(a) Assigned Amount:

(b) Assignee's Pro Rata Share:

[9. Fee:]

[10. Interest Rate:]

[11. Interest Period:]

12. Payment Instructions:

Assignor:

Assignee:

13. Assignee's Notice

Instructions:

14. Other Information:

EXHIBIT F

**FORM OF OPINION OF
GENERAL COUNSEL TO THE COMPANY**

October 5, 2004

Barclays Capital

(on behalf of itself, in its capacity

as Administrative Agent and for and on

behalf of the Joint Bookrunners and the Banks party to the

Loan Agreement referred to below)

Ladies and Gentlemen:

I have acted as in-house Counsel to Gruma, S.A. de C.V. (the "Company") in connection with the Loan Agreement dated as of September 30, 2004 (the "Loan Agreement") among the Company, Barclays Bank PLC (acting through its Investment Banking division), as Administrative Agent and Joint Bookrunner, and Coöperatieve Centrale Raiffeisen-Boerenleenbank, B.A., as Joint Bookrunner and the various financial institutions as are, or may from time to time become, parties thereto (the "Banks").

This opinion is furnished to you pursuant to Section 4.01(f)(i) of the Loan Agreement. Except as otherwise specified herein, capitalized terms used herein shall have the respective meanings ascribed thereto in the Loan Agreement.

I express no opinion as to any laws other than the laws of the United Mexican States ("Mexico") and I have assumed that there is nothing in any other law that affects my opinion which is delivered based on the legal provisions as of the date hereof (and as of the date of execution by the Company of the Loan Documents). In particular, I have made no independent investigation of the laws of the United States of America or any jurisdiction thereof as a basis for the opinions stated herein and do not express or imply any opinion on, or based upon the criteria or standards provided for in, such laws.

In rendering the opinions expressed below, I have examined originals, or copies, certified to my satisfaction, of the (i) Loan Agreement, (ii) the Notes, (iii) the by-laws (estatutos sociales) of the Company and all amendments thereto to date, and (iv) corporate records, agreements and other instruments, certificates of public officials, corporate resolutions, certificates and other documents, as I have deemed necessary as a basis for the opinions hereinafter expressed. As to various questions of fact material to such opinions, I have, when relevant facts were not independently established by me, relied upon certifications by officers of the Company and other appropriate persons.

In my examination of the documents referred to above, I have assumed the authenticity of all such documents submitted to me as originals, the genuineness of signatures on originals (except for the signature of any officer of the Company), the due authority of the parties executing such documents (other than the Company), the genuineness of all signatures, stamps and seals (other than the Company) and the conformity of all copies submitted to me to their originals or certified copies thereof.

I also have assumed that, except for the Company, the Loan Agreement has been duly authorized, executed and delivered by each of the parties thereto and constitute legal, valid, binding and enforceable obligations to such parties, in accordance with their respective terms under the laws of the State of New York.

Based upon the foregoing, and having regard to legal considerations which I deem relevant, I am of the opinion that:

(i) The Company is a corporation duly organized as a limited liability stock company ("Sociedad Anonima de Capital Variable") and validly existing under the laws of Mexico, with full power and authority under the laws of Mexico, to execute, deliver and perform its obligations under the Loan Agreement and the Notes, and is properly qualified and entitled to carry on its business.

(ii) The Loan Agreement and the Notes have been duly executed and delivered by the Company and the obligations expressed to be assumed by the Company thereunder constitute legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms and the Notes may be enforced through summary proceedings as a "*título de crédito*" pursuant to the Mexican Law of Credit Instruments and Operations ("*Ley General de Títulos y Operaciones de Crédito*").

(iii) All necessary actions, under the laws of Mexico, have been duly taken by or on behalf of the Company for the authorization, execution, delivery and performance by the Company of the Loan Agreement and the Notes. No authorizations, filings, registrations, consents or approvals are required from any Governmental Authority in Mexico in connection with the execution, delivery or performance of the Loan Agreement and the Notes.

(iv) As of the date hereof (and as of the date of execution by the Company of the Loan Documents), there is no tax, deduction, withholding, or impost imposed by Mexico or any political subdivision thereof either (i) on or by virtue of the execution or delivery of the Loan Agreement or the Notes, or (ii) on any payment to be made by the Company to the Banks pursuant to the Loan Agreement or the Notes, except for withholding taxes on interest payments made to the Banks as provided in the Mexican Income Tax Law ("Ley del Impuesto Sobre la Renta") and the conventions for the avoidance of double taxation with respect to taxes on income executed by and in effect in Mexico.

(v) The execution and delivery of the Loan Agreement and the Notes by the Company and the performance of the Company's obligation thereunder, and the consummation of the transactions contemplated in the Loan Agreement and the Notes, do not and will not conflict with or constitute a breach of, or result in a default or the creation of any lien, under (i) the constituent documents and by-laws of the Company; (ii) any agreement or instrument to which the Company is a party or by which it or any of its properties is bound; (iii) any judgment or order of any governmental body, agency or court in Mexico or in any other applicable jurisdictions applicable to the Company or any of its properties; or (iv) any decree, law, treaty, convention, rule or regulation applicable to the Company or any of its properties.

(vi) Except as disclosed in Schedule 5.05 of the Loan Agreement, as of the date hereof there is neither pending nor threatened, any action, suit or proceeding against the Company or any of its Material Subsidiaries or the property of the Company or any of its Material Subsidiaries before any court or arbitrator or any governmental body, agency or official, in which a decision against the Company or such Subsidiary could reasonably be expected to have a Material Adverse Effect or which in any manner draws into question the validity or enforceability of the Loan Agreement or the Notes.

(vii) It is not necessary to ensure the legality, validity, enforceability or admissibility into evidence of the Loan Agreement or the Notes, that any document be filed, recorded or enrolled with any Governmental Authority in Mexico or that any stamp, registration or similar tax be paid on or in respect thereof.

(viii) The Company is not entitled to claim, for itself or any of its assets, immunity from suit, execution, attachment or other legal process.

(ix) The submission by the Company, in the Loan Documents, to the jurisdiction of any New York State or federal court sitting in New York City, or to the jurisdiction of the courts of Mexico (as the case may be), is valid and binding on the Company and not subject to revocation.

(x) In the event a judgment of any New York State court or federal court sitting in New York City (each, a "New York Court") for the payment of money were rendered against the Company under any of the Loan Agreement or the Notes, it would be recognized and enforced by the courts of Mexico without further review on the merits, pursuant to Articles 569 and 571 of the Mexican Federal Code of Civil Procedures and Article 1347A of the Mexican Commerce Code, which provide, inter alia, that any judgment rendered outside Mexico may be enforced by Mexican courts, provided that:

(a) such judgment is final and obtained in compliance with legal requirements of the jurisdiction of the court rendering such judgment and in compliance with all legal requirements of the Loan Agreement or the Notes;

(b) such judgment is strictly for the payment of a certain sum of money and has been rendered in an "in personam action" as opposed to an "in rem action";

(c) service of process was made personally on the Company or on the appropriate process agent (a court of Mexico would consider service of process upon the duly appointed agent of the Company by means of a notarial instrument complying with Mexican law, to be personal service of process meeting procedural requirements of Mexico; service of process by mail is not considered personal service under Mexican law);

(d) such judgment does not contravene public policy matters under Mexican law, international treaties or agreements binding upon Mexico or generally accepted principles of international law;

(e) the applicable procedures under the law of Mexico with respect to the enforcement of foreign judgments (including the issuance of letters rogatory by the competent authority of the jurisdiction requesting enforcement of such judgment and the certification of such judgment as authentic by the corresponding authorities of such jurisdiction in accordance with the laws thereof), are complied with;

(f) the courts of the jurisdiction rendering such judgment recognize the principles of reciprocity in connection with enforcement of Mexican judgments; and

(g) no judgment or action on the same subject between the parties thereto in any Mexican court shall have been initiated or be pending. The obligations of the Company, as applicable, under the Loan Agreement and the Notes in the case of a final judgment rendered in a New York Court would not be governed by Mexican law and enforcement of such judgment in Mexico would not contravene Mexican law or public policy, international treaties binding upon Mexico or generally accepted principles of international law, provided it complies with (a) through (g) of this paragraph (x).

(xi) In any proceeding taken in Mexico for the enforcement of the provisions of the Loan Agreement or the Notes, the choice of the laws of the State of New York or, as the case may be, Mexican law as the governing law thereof, will be recognized and enforced.

(xii) No party to the Loan Agreement (other than the Company) nor any party to whom any Note is issued to, will be deemed to be resident, domiciled or carrying on any commercial activity in Mexico, or subject to taxation in Mexico, by reason only of their execution, performance and/or enforcement of obligations thereunder.

(xiii) It is not necessary under the laws of Mexico, in order to enable a party to the Loan Agreement or the Notes to enforce its rights thereunder, that it be resident, domiciled, licensed, authorized, qualified or otherwise entitled to carry on business in Mexico.

(xiv) The obligations of the Company under the Loan Agreement and the Notes constitute direct and unconditional obligations of the Company, and rank and will rank at least pari passu in priority of payment with all other unsecured and unsubordinated obligations (contingent or otherwise) of the Company, except for those whose claims are preferred under "concurso mercantil", insolvency, liquidation, reorganization moratorium or other laws of general application relating to or affecting the rights of creditors (including claims for taxes unpaid, wages, social security, housing fund and worker's retirement quotas).

(xv) The execution by the Company of the Loan Documents constitutes, and the exercise by the Company of its rights and the performance by the Company of its obligations thereunder constitute, private and commercial acts done and performed for private and commercial purposes.

(xvi) The Company has not taken any corporate action nor have any other steps been taken or legal proceedings been started or to the best of my knowledge threatened against the Company for its winding-up, dissolution or reorganization or for the appointment of a receiver, trustee or similar officer of it or any or all of its assets or revenues.

(xvii) The Company is not in breach of or in default under any agreement to which it is a party or which is binding on it or any of the assets of the Company to an extent or in a manner which could reasonably be expected to have a Material Adverse Effect.

This opinion is subject to the following qualifications:

- Covenants of the Company which purport to bind it on matters reserved by law to shareholders, or which require for their compliance to bind shareholders to vote or refrain from voting or require Company to vote or refrain from voting in any of its Material Subsidiaries, are not enforceable under Mexican Law through specific performance;

- Unilateral determinations by the Administrative Agent or any of the Banks are subject to the effect that the Company may be entitled to request documents supporting such determinations or to submit to the court evidence to the contrary;

- The right of set-off set forth in Section 10.10 of the Loan Agreement may only be exercised (i) with respect to amounts ascertained and payable, and (ii) provided there is an existing relationship between the relevant Bank and the Company;

- In the event that any legal proceedings are brought in the courts of Mexico, a Spanish translation of the documents required in such proceedings, prepared by a court-approved translator, would have to be approved by the court after the defendant had been given an opportunity to be heard with respect to the accuracy of the translation, and proceedings would thereafter by based upon the translated documents; and

- In the event that proceedings are brought before a Mexican court seeking performance in Mexico of the Company's obligations under the Loan Agreement and the Notes, the Company, pursuant to the provisions of Article 8 of the Mexican Monetary Law, may discharge its obligations by paying in lawful currency of Mexico any sums otherwise due and payable in a lawful currency other than Mexican currency, calculated at the rate of exchange published by Banco de Mexico on the date such payment is made; therefore, I express no opinion as to the validity or enforceability of Section 10.16 of the Loan Agreement with respect to the obligation of the Company to indemnify the Administrative Agent and the Banks for any loss suffered as a result of any payment made by the Company in currencies other than Dollars.

This opinion is addressed to you solely for your benefit in connection with the Loan Agreement and the Notes. This opinion may not be for any other purpose quoted, circulated, filed or referred to in any public document or relied upon by you for any other purpose or relied upon by or furnished to any other person, firm or corporation without my prior written consent.

Very truly yours,

By: ______________________________

Name:

Title:

Exhibit 7

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

Computation of ratio of earnings to fixed charges

(Thousands of pesos of purchasing power as of December 31,2004)

		Mexican GAAP Year ended December 31,					US GAAP Year ended December 31,				
		2000	2001	2002	2003	2004	2000	2001	2002	2003	2004
Income before income tax and other items		428,118	816,318	1,093,515	1,125,552	1,586,245	211,295	808,983	983,416	1,373,551	1,394,646
Add:											
Interest expense		912,568	731,551	618,612	538,077	486,716	968,866	746,920	637,318	577,355	501,557
One-third of operating rental expense		158,875	137,312	133,444	123,853	136,331	163,092	134,060	130,765	123,698	134,239
Earnings	(b)	1,499,561	1,685,181	1,845,571	1,787,482	2,209,292	1,343,253	1,689,963	1,751,499	2,074,604	2,030,442
Fixed charges											
Interest expense		912,568	731,551	618,612	538,077	486,716	968,866	746,920	637,318	577,355	501,557
Capitalized interest		6,680	-	-	-	-	6,982	-	-	-	-
One-third of operating rental expense		158,875	137,312	133,444	123,853	136,331	163,092	134,060	130,765	123,698	134,239
Total Fixed charges	(a)	1,078,123	868,863	752,056	661,930	623,047	1,138,940	880,980	768,083	701,053	635,796
Ratio of earnings to fixed charges	(b)/(a)	1.39	1.94	2.45	2.70	3.55	1.18	1.92	2.28	2.96	3.19

List of Principal Subsidiaries
Of
Gruma, S.A. de C.V.

EXHIBIT 8

Subsidiary	Jurisdiction of Incorporation
Grupo Industrial Maseca, S.A. de C.V. (“GIMSA”)	Mexico
Molinera de México, S.A. de C.V. (“Molinera de México”)	Mexico
Productos y Distribuidora Azteca, S.A. de C.V. (“PRODISA”)	Mexico
Gruma Corporation	Nevada, United States
Azteca Milling LP	Texas, United States
Gruma Centroamérica, LLC	Nevada, United States
Molinos Nacionales, C.A. (“MONACA”)	Venezuela
Derivados de Maíz Seleccionado, C.A. (“DEMASECA”)	Venezuela
Investigación de Tecnología Avanzada, S.A. de C.V.	Mexico

Exhibit 12(a)(1)

CERTIFICATION

I, Roberto González Barrera, certify that:

1. I have reviewed this annual report on Form 20-F of Gruma, S.A. de C.V.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of company's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

/s/ Roberto González Barrera

Name: Roberto González Barrera
Title: Chief Executive Officer

Date: June 30, 2005

Exhibit 12(a)(2)

CERTIFICATION

I, Juan Antonio Quiroga García, certify that:

1. I have reviewed this annual report on Form 20-F of Gruma, S.A. de C.V.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of company's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

/s/ Juan Antonio Quiroga García

Name: Juan Antonio Quiroga García
Title: Chief Corporate Officer

Date:June 30, 2005

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United Sates Code), each of the undersigned officers of Gruma, S.A. de C.V. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on form 20-F for the year ended December 31, 2004 (the "Form 20-F") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

	/s/ Roberto González Barrera
Dated: June 30, 2005	Roberto González Barrera
	Chief Executive Officer
	/s/ Juan Antonio Quiroga García
Dated: June 30, 2005	Juan Antonio Quiroga García
	Chief Corporate Officer

A signed original of this written statement required by section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.