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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

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2010

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report . . . .

For the transition period from to

Commission File Number: 1-14852

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

N/A
(Translation of Registrant's name into English)

United Mexican States
(Jurisdiction of incorporation or organization)

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

Investor Relations
Calzada del Valle, 407 Ote.
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Tel: (52) 81 8399-3349
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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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:

None

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:

563,650,709 Series B Common Shares, without par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

☐ Yes ☒ No

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 ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☐ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ IFRS ☐ Other ☒

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

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

☐ Item 17 ☒ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

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

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PRESENTATION OF FINANCIAL INFORMATION

Gruma, S.A.B. de C.V. is a publicly held corporation (*Sociedad Anónima Bursátil 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, references to "U.S. dollars," "U.S.$," "dollars" or "$" are to United States dollars and references to "bolivars" and "Bs." are to the Venezuelan bolivar. "We," "our," "us," "our company," "GRUMA" and similar expressions refer to Gruma, S.A.B. de C.V. and its consolidated subsidiaries, except when the reference is specifically to Gruma, S.A.B. de C.V. (parent company only) or the context otherwise requires.

This Annual Report contains our audited consolidated financial statements as of December 31, 2009 and 2010 and for the years ended December 31, 2008, 2009 and 2010. The consolidated financial statements have been audited by PricewaterhouseCoopers, S.C., an independent registered public accounting firm.

We publish our financial statements in pesos and prepare our consolidated financial statements in accordance with the *Normas de Información Financiera* (Mexican Financial Reporting Standards or "MFRS"), which are accounting principles generally accepted in Mexico, issued by the Mexican Financial Reporting Standards Board ("CINIF"), and are commonly referred to as "Mexican FRS." Mexican FRS differ 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.

In January 2009, the *Comisión Nacional Bancaria y de Valores* (the Mexican National Banking and Securities Exchange Commission, or CNBV for its Spanish acronym) implemented changes requiring that, beginning in 2012, Mexican issuers with securities listed on the *Bolsa Mexicana de Valores, S.A.B. de C.V.*, (the Mexican Stock Exchange, or BMV for its Spanish acronym) prepare financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Issuers may voluntarily report using IFRS for fiscal years 2008 through 2011, provided that they notify the CNBV and BMV. Accordingly, we have notified the CNBV and the BMV of our decision to adopt IFRS starting on January 1, 2011. See Note 19 to our audited consolidated financial statements for an estimate of the effects of the adoption of IFRS on our balance sheets.

As the Mexican economy experienced significant levels of inflation prior to 2000, we were required under Mexican accounting Bulletin B-10 "Accounting recognition of the effects of inflation on financial information", in effect until December 31, 2007 to recognize the effects of inflation in our financial statements presenting 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 as of December 31, 2006 and 2007 has been restated in pesos of constant purchasing power as of December 31, 2007.

Until December 31, 2007 we were required to determine our monetary position gain/loss to reflect the effect of inflation on our monetary assets and liabilities. We determined our net monetary position by subtracting our monetary liabilities from our monetary assets and then the resulting net monetary position was multiplied by the appropriate inflation rate for the period with the resulting monetary gain or loss reflected in earnings. In so doing, we could reflect the effect inflation was having on our monetary items.

Starting January 1, 2008, we adopted the provisions contained in the new MFRS B-10 "Effects of Inflation," which replaced Mexican accounting Bulletin B-10. This standard establishes the guidelines for recognizing the effects of inflation based on the inflationary environment of the country. According to the provisions of MFRS B-10, an inflationary environment is present when cumulative inflation of the three preceding years is 26 percent or more, in which case, the effects of inflation must be recognized in the financial statements. Based on MFRS B-10, the economic environment in Mexico in 2008, 2009 and 2010 has been qualified as non-inflationary due to a cumulative inflation for the three years preceding the years ended December 31, 2008, 2009 and 2010 of 11.56%, 15.01% and 14.48%, respectively, and did not exceed 26%. In addition, MFRS B-10 eliminated the replacement cost and specific indexation methods for inventories and fixed assets, respectively, and

provided an option for the accounting treatment of the result from holding non-monetary assets recognized by an entity as accumulated other comprehensive income or loss under previous guidelines by either recycling this result from stockholders' equity to income as it is realized, or reclassifying the outstanding balance of such result to retained earnings in the period in which this standard became effective. The Company elected to reclassify to retained earnings the initial accumulated gain or loss from holding non-monetary assets. Accordingly, the financial statements as of and for the years ended December 31, 2008, 2009 and 2010 have been prepared based on the modified historical cost model, as described in Note 2-E to our audited consolidated financial statements (that is, effects of transactions recognized as of December 31, 2007 are expressed in Mexican pesos of constant purchasing power at that date, and the effects of transactions that occurred after that date are expressed in nominal Mexican pesos), while prior periods are expressed in constant Mexican pesos, as of December 31, 2007.

The accumulated inflation of the last three years in the countries where we and our subsidiaries operate did not exceed the 26% mentioned above, with the exception of Venezuela.

Pursuant to MFRS B-15 issued by CINIF, we translate the financial statements of each non-Mexican subsidiary depending on the economic environment in which the subsidiary operates, which can be:

- Inflationary — when the accumulated inflation of the three prior years is equal to or greater than 26%, or

- Noninflationary — when the accumulated inflation of the three prior years is less than 26%.

When a non-Mexican subsidiary operates in an inflationary environment, 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 Venezuela are restated to period-end constant local currencies following the provisions of MFRS B-10, applying the general consumer price index from the country in which the subsidiary operates. Once figures are restated, they are converted to Mexican pesos following the provisions of MFRS B-15, by applying the exchange rate in effect at the end of the period. When a non-Mexican subsidiary operates in a noninflationary environment, following the provisions of MFRS B-15 the assets and liabilities are translated to Mexican pesos using the year-end exchange rate. The transactions during 2008, 2009 and 2010 for our non-Mexican subsidiaries other than subsidiaries in Venezuela were translated by applying the exchange rate in effect at the dates on which the stockholders' contributions were made and income was generated. Revenues, costs and expenses are translated using the historical average exchange rate. For a more detailed discussion of Mexican FRS inflation accounting methodologies, see "Item 5. Operating and Financial Review and Prospects—Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview of Accounting Presentation."

Starting January 1, 2008, the Company began to include the statement of cash flows as part of its basic financial statements. This financial statement presents cash inflows and outflows that show how cash is provided by, or used in, the business during the year, classified as operating, investing and financing activities. The Company used the indirect method for the presentation of the statement of cash flows, which presents earnings or losses before taxes, adjusted for the effects of operations of prior periods received or paid in the current period, and for operations in the current period that will be received or paid in the future.

MARKET SHARE AND OTHER INFORMATION

The information contained in this Annual Report regarding our market positions 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 and ACNielsen. 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 360 days a year on three shifts and assume only regular intervals for required maintenance.

ROUNDING

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

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 and availability of corn, wheat and edible oils; 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, 2009 and 2010 and for the years ended December 31, 2008, 2009 and 2010 are derived from and should be read together with our audited consolidated financial statements included herein and "Item 5. Operating and Financial Review and Prospects."

Our consolidated financial statements are prepared in accordance with Mexican FRS, which differ in certain significant respects from U.S. GAAP. Note 21 to our audited 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 FRS, starting January 1, 2008, the provisions of MFRS B-10 "Effects of inflation" establishes the guidelines for recognizing the effects of inflation based on the economic environment of the country, which can be:

- Inflationary — when the accumulated inflation of the three prior years is equal to or greater than 26%, or
- Noninflationary — when the accumulated inflation of the three prior years is less than 26%.

Since the accumulated inflation in Mexico for the three years ended December 31, 2008, 2009 and 2010 did not exceed 26%, the consolidated financial statements and the selected consolidated financial data as of December 31, 2008, 2009 and 2010 set forth below have been prepared based on the modified historical cost model, as described in Note 2-E to our audited consolidated financial statements. The consolidated financial statements and the selected consolidated financial data as of December 31, 2006 and 2007 set forth below are expressed in constant Mexican pesos as of December 31, 2007, based on factors derived from the NCPI factors for domestic companies and General Consumer Price Index, or GCPI, factors for foreign subsidiaries. See Note 2 to our audited consolidated financial statements. Accordingly, the financial statements and information as of December 31, 2008, December 31, 2009 and December 31, 2010 have been prepared based on the modified historical cost model and may not be directly comparable to the information presented for prior periods.

	2006	2007	2008	2009	2010
	(thousands of Mexican pesos, except per share amounts)				
Income Statement Data:					
***Mexican FRS*:**					
Net sales	Ps. 32,189,955	Ps. 35,816,046	Ps. 44,792,572	Ps. 50,489,048	Ps. 46,600,537
Cost of sales	(20,975,201)	(24,192,290)	(30,236,597)	(33,100,107)	(31,130,798)
Gross profit	11,214,754	11,623,756	14,555,975	17,388,941	15,469,739
Selling, general and administrative expenses	(9,342,921)	(9,749,888)	(11,288,995)	(13,581,969)	(12,669,644)
Operating income	1,871,833	1,873,868	3,266,980	3,806,972	2,800,095
Other (expenses) income, net	(49,112)	555,743	(181,368)	(150,439)	(718,171)
Comprehensive financing result:					
Interest expense	(602,315)	(683,578)	(823,702)	(1,449,601)	(1,360,427)
(Loss) gain in derivative financial instruments	(146,693)	155,456	(15,056,799)	(543,123)	(82,525)
Interest income	82,012	64,357	90,399	95,155	29,778
Monetary position gain, net	336,552	558,509	446,720	209,493	165,869
Foreign exchange (loss) gain, net	(19,363)	72,129	255,530	755,188	143,852
Total comprehensive financing result	(349,807)	166,873	(15,087,852)	(932,888)	(1,103,453)
Equity in earnings of associated companies	643,318	707,835	618,476	495,045	627,333
Income (loss) before income tax and noncontrolling interest	2,116,232	3,304,319	(11,383,764)	3,218,690	1,605,804
Income tax (current and deferred)	(432,170)	(925,710)	(434,695)	(1,108,346)	(838,718)
Noncontrolling interest	(82,937)	(145,288)	(521,299)	(581,424)	(225,181)
Majority net income (loss)	1,601,125	2,233,321	(12,339,758)	1,528,920	541,905
Per share data(1):					
Majority net income (loss) per share	3.34	4.63	(21.84)	2.71	0.96
U.S. GAAP:					
Net sales	31,530,165	35,427,207	44,381,012	49,034,395	45,734,036
Operating income	1,272,683	1,655,824	3,171,353	4,020,016	2,513,198
Net income (loss)	1,502,867	2,107,762	(11,778,940)	1,545,565	711,064
Per share data(1):					
Net income (loss) per share	3.13	4.37	(20.85)	2.74	1.26

	2006	2007	2008	2009	2010
	(thousands of Mexican pesos, except per share amounts and operating data)				
Balance Sheet Data (at period end):					
Mexican FRS:					
Property, plant and equipment, net	Ps. 15,563,733	Ps. 16,247,447	Ps. 20,653,274	Ps. 19,958,405	Ps. 17,886,784
Total assets	31,752,401	33,910,702	44,434,677	43,966,515	39,293,795
Short-term debt(2)	926,920	941,073	2,418,560	2,203,392	2,192,871
Long-term debt(2)	5,886,297	6,913,173	11,728,068	20,039,868	16,220,413
Derivative financial instruments	—	25,557	11,472,292	11,935	4,863
Total liabilities	13,850,150	15,333,503	35,153,127	32,154,952	28,673,267
Capital stock	18,158,922	18,120,976	9,116,663	6,972,425	6,972,425
Total stockholders' equity(3)	17,902,251	18,577,199	9,281,550	11,811,563	10,620,528
U.S. GAAP:					
Total assets	31,038,108	33,880,390	44,324,382	42,808,031	39,424,190
Long-term debt	5,924,119	6,913,173	11,728,068	20,039,868	16,220,413
Capital stock	18,058,698	18,020,752	9,016,439	9,016,439	9,016,439
Total stockholders' equity (4)	17,086,146	18,145,723	9,678,726	10,946,163	11,012,779
Other Financial Information:					
Mexican FRS:					
Capital expenditures	2,144,056	2,222,903	2,696,744	1,168,663	1,115,161
Depreciation and amortization	1,262,299	1,178,797	1,410,420	1,648,446	1,524,383
Net cash provided by (used in) (5):					
Operating activities	—	—	2,212,996	5,167,798	3,005,562
Financing activities	—	—	1,410,811	(3,609,027)	(3,935,194)
Investing activities	—	—	(2,958,202)	(941,127)	(815,700)
U.S. GAAP:					
Depreciation and amortization	1,241,875	1,158,976	1,405,704	1,534,657	1,492,984
Net cash provided by (used in)(6):					
Operating activities	1,743,120	(98,114)	1,738,926	4,169,001	1,904,139
Investing activities	(1,547,082)	(638,197)	(3,187,305)	(734,892)	(912,659)
Financing activities	82,273	627,108	2,143,425	(2,795,169)	(2,736,812)
Operating Data:					
Sales volume (thousands of tons):					
Gruma Corporation (corn flour, tortillas and other)(7)	1,327	1,329	1,337	1,312	1,395
GIMSA (corn flour, and other)	1,734	1,753	1,821	1,874	1,890
Gruma Venezuela (corn flour, wheat flour and other)	486	480	465	459	523
Molinera de México (wheat flour)	477	488	494	508	530
Gruma Centroamérica (corn flour and other)	212	220	213	208	201
Production capacity (thousands of tons):					
Gruma Corporation (corn flour and tortillas)	2,021	2,063	2,093	2,096	2,314
GIMSA (corn flour, and other)(8)	2,797	2,954	2,954	2,846	2,843
Gruma Venezuela (corn flour, wheat flour and other)(9)	764	808	823	909	823
Molinera de México (wheat flour)	801	894	894	894	811
Gruma Centroamérica (corn flour and other)	266	319	307	307	343
Number of employees	18,124	18,767	19,060	19,093	19,825

(1) Based upon weighted average of outstanding shares of our common stock (in thousands), as follows: 480,007 shares for the year ended December 31, 2006; 482,506 shares for the year ended December 31, 2007; 564,853 for the year ended December 31, 2008; 563,651 shares for the year ended December 31, 2009; and 563,651 shares for the year ended December 31, 2010. Each of our American Depositary Shares represents four Series B Common Shares.

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

(3) Total stockholders' equity includes noncontrolling interests as follows: Ps.3,069 million at December 31, 2006; Ps.2,882 million at December 31, 2007; Ps.3,642 million at December 31, 2008; Ps.4,110 million at December 31, 2009; and Ps.3,724 million at December 31, 2010.

(4) Under U.S. GAAP, starting January 1, 2009, the Company adopted the provisions contained in the FASB's revised standard on accounting for noncontrolling interests. Therefore, the Company reclassified noncontrolling interest to a separate component of stockholders' equity. This reclassification applies retrospectively to all periods. This practice is consistent with Mexican FRS. Total stockholders' equity under U.S. GAAP includes noncontrolling interests as follows: Ps.3,156 million at December 31, 2006; Ps.3,029 million at December 31, 2007; Ps.3,762 million at December 31, 2008; Ps.4,052 million at December 31, 2009; and Ps.4,056 million at December 31, 2010.

(5) Through December 31, 2007, under Mexican FRS, the changes in financial position for operating, financing and investing activities were presented through the statement of changes in financial position. On January 1, 2008, MFRS B-2 "Statement of Cash Flows" became effective on a prospective basis. Due to the adoption of MFRS B-2, cash flows information for 2008, 2009 and 2010 is not directly comparable to 2007 and prior years. Therefore, the Company has included only the statement of cash flows for the years ended December 31, 2008, 2009 and 2010. See Note 2 to our audited consolidated financial statements for further details regarding this change.

(6) The Company revised its statements of cash flows under U.S. GAAP for the years ended December 31, 2006, 2007, 2008 and 2009 to reflect dividends received from associated companies as operating activities instead of investing activities. The amounts received as dividends in 2006, 2007, 2008 and 2009 were Ps.81,851, Ps.79,200, Ps.83,446 and Ps.31,959, respectively. The Company does not believe that these amounts are significant to the overall financial position of the Company.

(7) Net of intercompany transactions.

(8) Includes 437 thousand tons of temporarily idled production capacity at December 31, 2010.

(9) Includes 71 thousand tons of temporarily idled production capacity at December 31, 2010.

Dividends

Our ability to pay dividends may be limited by Mexican law, our *estatutos sociales*, or bylaws, and by financial covenants contained in some of our credit agreements. Because we are a holding company with no significant operations of our own, we have distributable profits to pay dividends to the extent that we receive dividends from our subsidiaries. Accordingly, there can be no assurance that we will pay dividends or of the amount of any such dividends. See "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Indebtedness."

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 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. Key Information—Risk Factors—Risks Related to Venezuela—Venezuela Presents Significant Economic Uncertainty and Political Risk." In the case of Gruma Corporation, our principal U.S. subsidiary, its ability to pay dividends in cash is prohibited upon the occurrence of any default or event of default under its principal credit agreements. See "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Indebtedness."

During 2010, 2009 and 2008 we did not pay any dividends to shareholders. During 2007 and 2006, we paid dividends to shareholders, in nominal terms, of Ps.410 million (per share Ps.0.85) and Ps.410 million (per share Ps.0.85), respectively. In pesos of constant purchasing power as of December 31, 2007, the dividends paid or payable to shareholders in 2007 and 2006 amounted to Ps.424 million and Ps.440 million, respectively.

Exchange Rate Information

Mexico has had a free market for foreign exchange since 1994, when the government suspended intervention by the *Banco de México*, or Mexican Central Bank, 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, to a greater extent, 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 August 2008, the Mexican peso was relatively stable, ranging from Ps.9.92 to Ps.11.63. Commencing on October 1, 2008 to March 2, 2009, the Mexican peso depreciated in value from Ps.10.97 to Ps.15.40. From March 2009 to the end of May 2011, the Mexican peso appreciated in value from Ps.15.40 to Ps.11.58. 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. See "—Risk Factors—Risks Related to Mexico—Devaluations of the Mexican Peso May Affect our Financial Performance."

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. Unless otherwise indicated, we have translated U.S. dollar amounts in this annual report at the exchange rate of Ps.12.35 to U.S.$1.00, which was the buying rate published by Banco de México, expressed in pesos per U.S. dollar, on December 31, 2010.

Year	Noon Buying Rate (Ps. Per U.S.$)			
	High (1)	Low (1)	Average (2)	Period End
2006	11.4600	10.4315	10.9056	10.7995
2007	11.2692	10.6670	10.9277	10.9169
2008	13.9350	9.9166	11.1415	13.8320
2009	15.4060	12.6318	13.4970	13.0576
2010	13.1940	12.1556	12.6222	12.3825
November 2010	12.5668	12.2121	12.3343	12.4540
December 2010	12.4725	12.3311	12.3902	12.3825
January 2011	12.2545	12.0390	12.1280	12.1541
February 2011	12.1824	11.9700	12.0649	12.1130
March 2011	12.1114	11.9170	11.9963	11.9170
April 2011	11.8552	11.5237	11.7059	11.5237
May 2011	11.7661	11.5050	11.6542	11.5790

(1) Rates shown are the actual low and high, on a day-by-day basis for each period.

(2) Average of month-end rates.

On May 31, 2011, the noon buying rate for pesos was Ps.11.5790 to U.S.$1.00.

RISK FACTORS

Risks Related to Our Company

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

Our financial performance may be affected by the price and availability of corn, wheat and wheat flour as each of these raw materials represented 36%, 12% and 5%, respectively, of our cost of sales in 2010. 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. In recent years, there has been substantial volatility and increases in the price of corn, partly due to the demand for corn-based ethanol in the U.S., which increased our cost of corn and negatively affected our financial condition and results of operation. Also, there have been increases in the price of wheat, driven by negative weather conditions in certain regions of the world and increased demand worldwide, especially from emerging countries. However, during 2009, prices of corn and wheat declined significantly from their peak in 2008. We believe that the demand and price for corn will increase over the long term in connection with the expected rising demand for bio-fuel and manufacture of corn-based ethanol. During 2010 prices of corn and wheat increased substantially.

To manage these price risks, we regularly monitor our risk tolerance and evaluate the possibility of using derivative instruments to hedge our exposure to commodity prices. We currently hedge against fluctuations in the costs of corn and wheat using futures and options contracts according to the Company's risk management policy, but remain exposed to credit-related losses in the event of non-performance by counterparties to the financial instruments. In addition, if corn or wheat prices decrease below the levels specified in our various hedging agreements, we would lose the value of a decline in these prices.

Additionally, because of this volatility and price variations, we may not always be able to pass along our increased costs to our customers in the form of price increases. We cannot always predict whether or when shortages or over-supply of corn and wheat will occur. In addition, future Mexican or other countries' 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.

We Expect to Pay Interest and Principal on Our Dollar-Denominated Debt with Cash Generated in Pesos or other Currencies, as We Will Not Generate Sufficient Cash Flow in Dollars from our Operations

We have approximately 57% of our outstanding debt denominated in dollars as of March 31, 2011. This debt will have to be serviced by funds generated from sales by our subsidiaries. We do not generate sufficient cash in dollars from our operations to service the entire amount of our expected dollar denominated debt. Consequently, we anticipate having to use cash generated in pesos or other currencies to service our dollar denominated debt. A devaluation of the peso or other currencies against the dollar could adversely affect our ability to service our debt. Even though we intend to mitigate this risk with foreign currency hedges, we are exposed to such foreign currency exchange fluctuations and we cannot assure you that market hedges will be available at favorable terms to us, if at all. Fluctuations in exchange rates may result from changes in economic conditions, investor sentiment, monetary and fiscal policies, the liquidity of global markets, international and regional political events, and acts of war or terrorism.

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

Our level of indebtedness could increase our vulnerability to adverse general economic and industry conditions, including increases in interest rates, increases in prices of raw materials, foreign currency exchange rate fluctuations and market volatility. Our ability to make scheduled payments on and refinance our indebtedness when due depends on, and is subject to, several factors, including our financial and operating performance, which is subject to prevailing economic conditions and financial, business and other factors, the availability of financing in the Mexican and international banking and capital markets, and our ability to sell assets and implement operating improvements.

We May be Adversely Affected by Increases in Interest Rates

Interest rate risk exists primarily with respect to our floating-rate peso denominated debt, which generally bears interest based on the Mexican equilibrium interbank interest rate, which we refer to as the "TIIE." In addition, we have additional interest rate risk with respect to floating-rate dollar-denominated debt, which generally bears interest based on the London interbank offered rate, which we refer to as "LIBOR." We have significant exposure to exchange rate fluctuation owing to our floating-rate peso and dollar-denominated debt. As a result, if the TIIE or LIBOR rates increase significantly, our ability to service our debt may be adversely affected.

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

Our long-term corporate credit rating and our senior unsecured perpetual bond are rated "BB-" by Standard & Poor's Ratings Services ("Standard & Poor's"). Our Foreign Currency Long-Term Issuer Default Rating and our Local Currency Long-Term Issuer Default Rating are rated "BB" by Fitch Ratings ("Fitch"). Our U.S.$300 million perpetual bond is rated "BB" by Fitch Ratings. These ratings reflect the recent debt repayment made on February 18, 2011, after applying the net proceeds from the sale of GRUMA's 8.8% stake in Grupo Financiero Banorte, S.A.B. de C.V. ("GFNorte"). The ratings in effect during 2009 and 2010 were lower, prior to the debt repayment on February 18, 2011, reflecting additional leverage on GRUMA's capital structure from the termination of GRUMA's foreign exchange derivative positions and the subsequent conversion of the realized losses into debt.

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

Increases in the Cost of Energy Could Affect Our Profitability

We use a significant amount of electricity, natural gas and other energy sources to operate our corn and wheat flour mills and processing ovens for the manufacture of tortillas and related products at our domestic and

international facilities. In addition, considerable amounts of diesel fuel are used in connection with the distribution of our products. The cost of energy sources may fluctuate widely due to economic and political conditions, government policy and regulation, war, weather conditions or other unforeseen circumstances. An increase in the price of fuel and other energy sources would increase our operating costs and, therefore, could affect our profitability.

The Presence of Genetically Modified Corn in Our Products, Which is Not Approved for Human Consumption, May Have a Negative Impact on Our Results of Operations

As we do not grow our own corn, we are required to buy it from various producers in the United States, Mexico and elsewhere. Although we only buy corn from farmers and grain elevators who agree to supply us with approved varieties of corn and we have developed a protocol in all our operations with the exception of Venezuela to test and monitor our corn for certain strains of bacteria and chemicals that have not been approved for human consumption, we may unwittingly buy genetically modified corn that is not approved for human consumption, and use such raw materials in the manufacture of our products. This may result in costly recalls, subject us to lawsuits, and may have a negative impact on our results of operations.

In the past, various allegations have been made, 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, as well as Australia and some countries in Asia, have instituted a partial limitation on the import of grain produced from genetically modified seeds. Some countries have imposed labeling requirements and traceability obligations on genetically modified agricultural and food products, which may affect the acceptance of these products. To the extent that we may unknowingly buy or may be perceived to be a seller of products manufactured with genetically modified corn not approved for human consumption, this may have a significant negative impact on our financial condition and results of operation.

Regulatory Developments May Adversely Affect Our Business

We are subject to regulation in each of the territories in which we operate. The principal areas in which we are subject to regulation are health, environmental, 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 financial condition and results of operations. See “Item 4. Information on the Company—Regulation.”

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

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

- general political and economic instability in international markets;
- limitations in the repatriation, nationalization or governmental seizure of our assets, including cash;
- direct or indirect expropriation of our international assets;
- varying prices and availability of corn, wheat and wheat flour and the cost and practicality of hedging such fluctuations under current market conditions;
- different liability standards and legal systems;
- recent developments in the international credit markets, which could affect capital availability or cost, and could restrict our ability to obtain financing or refinance our existing indebtedness at favorable terms, if at all; and

- intellectual property laws of countries that do not protect our international rights to the same extent as the laws of Mexico.

In addition, we have expanded our operations to China, Malaysia, Australia, England, the Netherlands, Italy and Ukraine. Our presence in these and other markets could present us with new and unanticipated operational challenges. For example, we may encounter labor restrictions or shortages and currency conversion obstacles, or be required to comply with stringent local governmental and environmental regulations. Any of these factors could increase our operating expenses and decrease our profitability.

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

From time to time, we enter into currency derivative transactions, pursuant to the Company's risk management policy, that cover varying periods of time and have varying pricing provisions. We may incur unrealized losses in connection with potential changes in the value of our derivative instruments as a result of changes in economic conditions, investor sentiment, monetary and fiscal policies, the liquidity of global markets, international and regional political events, and acts of war or terrorism. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk," "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources," and "Item 11. Quantitative and Qualitative Disclosures About Market Risk—Foreign Exchange Rate Risk."

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

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

Our Business and Operations May Be Adversely Affected by Global Economic Conditions

The recent global economic crisis has adversely affected the economy in the United States, Europe and many other parts of the world, including Mexico, and has had significant consequences worldwide, including a global economic recession, exchange rate volatility, a lack of available credit, and higher interest rates. It is uncertain how long the effects of the global economic crisis will continue and how much of an impact it will have on the global economy in general, or the economies in which we operate in particular, and whether slowing economic growth in any such countries could result in our customers' reducing their spending. As a result, we may need to lower the prices of certain of our products and services in order to maintain the attractiveness of our products and services, which could lead to reduced turnover and profit or a decline in demand for our products. Any such development could adversely affect our business, results of operations and financial condition and lead to a drop in the trading price of our shares.

Our Financial Information Prepared under IFRS May Not Be Comparable to Our Financial Information Prepared Under Mexican FRS

We will be reporting under IFRS for the year ended December 31, 2011, with an official IFRS adoption date of January 1, 2011. IFRS differs in certain significant respects from Mexican FRS and U.S. GAAP. An analysis of the principal differences between IFRS and Mexican FRS and an estimate of the implementation of IFRS on the Company's balance sheet as of January 1, 2011 is set forth in Note 19 to our audited financial statements included in this annual report. As a result of the adoption of IFRS, our consolidated financial information presented under IFRS for fiscal year 2011 may not be comparable to our financial information for previous periods prepared under Mexican FRS.

Risks Related to Mexico

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

We are a Mexican company with 43% of our consolidated assets located in Mexico and 33% of our consolidated net sales derived from our Mexican operations as of and for the year ended December 31, 2010. As a result, Mexican economic conditions could impact our results of operations.

In the past, Mexico has experienced exchange rate instability and devaluation as well as high levels of inflation, domestic interest rates, unemployment, negative economic growth and reduced consumer purchasing power. These events resulted in limited liquidity for the Mexican government and local corporations. Civil and political unrest around the world could also negatively impact the Mexican economy. See "—Developments in Other Countries Could Adversely Affect the Mexican Economy, the Market Value of our Securities and Our Results of Operations."

Mexico has experienced a prolonged period of slow growth since 2001, primarily as a result of the downturn in the U.S. economy. The Mexican economy grew by 5.2% in 2006, by 3.3% in 2007 and by 1.5% in 2008 but contracted by 6.1% in 2009. For 2010, the Mexican economy grew by 5.5%, and in the first quarter of 2011, the Mexican economy grew by 4.6%.

Developments and trends in the world economy affecting Mexico may have a material adverse effect on our financial condition and results of operations. The Mexican economy is tightly connected to the U.S. economy through international trade (approximately 80% of Mexican exports are directed to the United States), international remittances (billions of dollars from Mexican workers in the United States are the country's second-largest source of foreign exchange), foreign direct investment (approximately 30% of Mexican foreign direct investment comes from U.S.-based investors), and financial markets (the U.S. and Mexican financial systems are highly integrated). As the U.S. economy contracts, U.S. citizens consume fewer Mexican imports, Mexican workers in the United States send less money to Mexico, U.S. firms with businesses in Mexico make fewer investments, U.S.-owned banks in Mexico make fewer loans, and the quality of U.S. financial assets held in Mexico deteriorates. Moreover, the collapse in confidence in the U.S. economy may spread to other economies closely connected to it, including Mexico's. The result may be a potentially deep and protracted recession in Mexico. If the Mexican economy falls into a deep and protracted recession, or if inflation and interest rates increase, consumer purchasing power may decrease and, as a result, demand for our products may decrease. In addition, a recession could affect our operations to the extent we are unable to reduce our costs and expenses in response to falling demand.

Our Business Operations Could Be Affected by Government Policies in Mexico

The Mexican government has exerted, and continues to exert, significant influence over the Mexican economy. Mexican governmental actions concerning the economy could have a significant effect on Mexican private sector entities, as well as on market conditions, prices and returns on securities of Mexican issuers, including our securities. Governmental policies have negatively affected our sales of corn flour in the past and may continue to do so in the future.

Following the election in 2006 of Felipe Calderón Hinojosa, of the political party *Partido Acción Nacional* or PAN the Mexican Congress became politically divided, as the PAN does not have majority control. Elections for the Mexican Senate and House of Representatives and for the governorship of certain states took place on July 5, 2009, giving the *Partido Revolucionario Institucional*, or PRI, a relative majority of the legislature. The lack of alignment between the legislature and the President could result in political uncertainty, or deadlock and prevent the timely implementation of political and economic reforms, which in turn could have a material adverse effect on Mexico's economic situation and on our business.

Until 2007 we depended on corn import permits to ensure an adequate supply of corn in low-corn producing regions of Mexico. Commencing on January 1, 2008 pursuant to the NAFTA agreement, the import of grains, including corn, no longer requires import permits. Nevertheless, we cannot assure you that the Mexican government will continue to comply with the terms of the NAFTA agreement, nor take actions that could adversely affect us. See "Item 4. Information on the Company—Regulation."

The Mexican government supports the commercialization of corn for Mexican corn growers through the Agricultural Incentives and Services Agency (*Apoyos y Servicios a la Comercialización Agropecuaria*, or ASERCA). To the extent that this or other similar programs are cancelled by the Mexican government, we may be required to incur additional costs in purchasing corn for our operations, and therefore we may need to increase the prices of our products to reflect such additional costs. See "Item 4. Information on the Company—Regulation."

In 2008, the Mexican government created a program to support the corn flour industry (*Programa de Apoyo a la Industria de la Harina de Maíz* or PROHARINA). This program aimed to mitigate the impact of the rise in international corn prices through price supports designed to aid the consumer and provided through the corn flour industry. However, the Mexican government cancelled the PROHARINA program in December 2009. As a result of the cancellation of this program by the Mexican government in December of 2009, we were required to increase the prices of our products to reflect such additional costs. In addition, there can be no assurance that we will maintain our eligibility for other programs similar to PROHARINA that may be implemented, or that the Mexican government will not institute price controls or other actions on the products we sell, which could adversely affect our financial condition and results of operations. See "Item 4. Information on the Company—Regulation—Corn Flour Consumer Aid Program."

The level of environmental regulations and enforcement in Mexico has increased in recent years. We expect the trend toward greater environmental regulation and enforcement to continue and to be accelerated as a result of 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" and "Item 4. Information on the Company—Regulation."

Devaluations of the Mexican Peso May Affect our Financial Performance

Since we do not generate sufficient cash in dollars from our operations, we anticipate having to pay interest and principal on our dollar-denominated debt with cash flow generated in pesos or other currencies. Furthermore, because we have significant international operations, 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 a net foreign exchange gain of Ps.256 million in 2008, a gain of Ps.755 million in 2009 and a gain of Ps.144 million in 2010. Major devaluation or depreciation of the Mexican peso may limit our ability to transfer or to convert such currency into U.S. dollars for the purpose of making timely payments of interest and principal on our indebtedness. The Mexican government does not currently restrict, and for many years has not restricted, the right or ability of Mexican or foreign persons or entities to convert pesos into U.S. dollars or to transfer other currencies out of Mexico. The government could, however, institute restrictive exchange rate policies in the future.

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 NCPI, was 6.53% for 2008, 3.57% for 2009 and 4.40% in 2010. From January through March 2011, the inflation rate was 1.06%. On June 1, 2011, the 28-day CETES rate was 4.43%. While a 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. Accordingly, the slow recovery of the economy in the United States, and the uncertainty of the impact it could have on the general economic conditions in Mexico and the United States could have a significant adverse effect on our businesses and results of operations. See "—Our

Results of Operations Could Be Affected by Economic Conditions in Mexico," and "—Risks Related to the United States—Unfavorable General Economic Conditions in the United States Could Negatively Impact Our Financial Performance." In addition, economic crises in Asia, Russia, Brazil, Argentina and other emerging market countries have adversely affected the Mexican economy in the past.

Our financial performance may also be significantly affected by general economic, political and social conditions in the emerging markets where we operate, particularly Mexico, Venezuela and Asia. Many countries in Latin America, including Mexico and Venezuela, have suffered significant economic, political and social crises in the past, and these events may occur again in the future. See also "—Risks Related to Venezuela—Venezuela Presents Significant Economic Uncertainty and Political Risk." Instability in Latin America has been caused by many different factors, including:

- significant governmental influence over local economies;
- substantial fluctuations in economic growth;
- high levels of inflation;
- changes in currency values;
- exchange controls or restrictions on expatriation of earnings;
- high domestic interest rates;
- wage and price controls;
- changes in governmental economic or tax policies;
- imposition of trade barriers;
- unexpected changes in regulation; and
- overall political, social and economic instability.

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

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

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

We are a Mexican publicly held corporation (*Sociedad Anónima Bursátil de Capital Variable*). Most of our directors and executive officers are residents of Mexico, and a significant portion of the assets of our directors and executive officers, and a significant portion of our assets, are located in Mexico. 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 of original actions in Mexican courts of liabilities predicated solely on the U.S. federal securities laws.

Risks Related to Venezuela

One of our Subsidiaries in Venezuela is Currently Involved in Expropriation Proceedings and our Remaining Subsidiary in Venezuela is Subject to Expropriation

Since 2006, the Government of Venezuela has undertaken efforts to nationalize and/or expropriate foreign and local-owned companies in key industries such as financial services, oil and gas, steel, hospitality, retail

(including supermarkets), electricity distribution, telecommunications and cement. In some cases, the Government of Venezuela's actions have resulted in expropriation of business and private enterprises without fair and just compensation, which has led to prolonged and costly legal disputes. In certain industries, the Government of Venezuela has expropriated foreign companies and created joint ventures, or "mixed enterprises" between private enterprises and state-owned companies. We do not maintain insurance for the risk of expropriation of our investments.

On May 12, 2010, the Venezuelan government issued decree number 7.394, published in the Official Gazette of Venezuela (the "Expropriation Decree"), announcing the forced acquisition of all goods, movables and real estate of our Venezuelan subsidiary Molinos Nacionales, C.A., or MONACA, (the "MONACA Expropriation"). Pursuant to the Expropriation Decree, the government of Venezuela has instructed government officials to undertake the necessary actions to execute the MONACA Expropriation. As stated in the Expropriation Decree and in accordance with the Venezuelan Expropriation for Public Utility or Social Interest Law (the "Expropriation Law"), the taking of legal ownership can occur either through an "Administrative Arrangement" or, in the event an amicable agreement is not reached through an Administrative Arrangement, then through a "Judicial Order," each process requiring certain steps as indicated in the Expropriation Law. In order to achieve an Administrative Arrangement, management began negotiations with government officials that included the sharing of information about MONACA's operations, the creation of a valuation committee with representatives from GRUMA and the government, and the initial steps to introduce government officials to the operations of MONACA. GRUMA, through Valores Mundiales, S.L., has been actively cooperating with government officials and expressing its desire to continue operating in Venezuela. GRUMA has participated in these negotiations with a view to continuing our presence in Venezuela by potentially entering into a joint venture with the Venezuelan government that could also include compensation, or absent a joint venture arrangement, GRUMA may receive compensation for the assets subject to expropriation, which the law requires be fair and reasonable. Our negotiations with the government are still ongoing and we cannot assure you that these negotiations will be successful.

At this stage of the negotiations, we are unable to guarantee that our involvement in such negotiations will result in GRUMA receiving a fair and reasonable compensation, if any, for the assets subject to the Expropriation Decree and we cannot determine the difficulty of recovery, among other matters. In addition, we cannot determine the position the Venezuelan government may take in future negotiations.

The ultimate outcome of this matter is presently uncertain. Pending the resolution of this matter, based on preliminary valuation reports, no impairment charge on GRUMA's net investment in MONACA has been identified; however, we are unable to estimate the value of any future impairment charge, if one will be taken, or to determine whether MONACA will need to be accounted for as a discontinued operation. Furthermore, at this time, we cannot predict the results of any court or tribunal proceedings, whether we will be likely to prevail in such proceedings, or the ramifications that costly and prolonged legal disputes could have on our results of operations or financial position. As a result, the net impact of this matter on the Company's consolidated financial results cannot be reasonably estimated. See Notes 11-A and 17-D to our consolidated financial statements.

For more information regarding MONACA's expropriation and /or other legal proceedings in Venezuela please see See "Item 8. Financial Information—Legal Proceedings."

Venezuela Presents Other Significant Economic Uncertainty and Political Risks

Our operations in Venezuela through MONACA and DEMASECA accounted for 12% of our net sales and 10% of our total assets as of December 31, 2010. In recent years, political and social instability has prevailed in Venezuela. This unrest presents a risk to our operations in Venezuela which cannot be controlled or accurately measured or estimated.

In recent years, Venezuelan authorities have imposed foreign exchange and price controls that apply to products such as corn flour and wheat flour, which have limited our ability to increase our prices in order to compensate for higher costs in raw materials and to convert bolivars into other currencies and transfer funds out of Venezuela. Pursuant to the foreign exchange controls, the purchase and sale of foreign currency is required to be made at an official rate of exchange, as determined by the Venezuelan government (the "Official Rate"). In addition, U.S. dollars may be acquired in order to settle certain U.S. dollar-denominated debt incurred pursuant to

imports and royalty agreements, and for payment of dividends, capital gains, interest payments or private debt only after proper submission and approval by the Foreign Exchange Administration Board (CADIVI). We continue to make appropriate submissions to CADIVI. We expect to be in a position to meet our foreign currency-denominated obligations; however, as long as the system of exchange controls remains in effect, there is no assurance that we will be able to secure the required approvals from CADIVI to have sufficient foreign currency for this purpose.

In addition, as described in Note 17-D to our consolidated financial statements, the Venezuelan government devalued its currency and established a two tier exchange structure on January 11, 2010. On December 30, 2010, the Venezuelan government issued Exchange Agreement No. 14, which established a single exchange rate of 4.30 bolivars per U.S. dollar effective January 1, 2011. We cannot guarantee that the Venezuelan government will not impose additional price controls, or further devalue its currency or make similar decisions in the future.

Additionally, our Venezuelan operations could be adversely affected since, among other reasons: (i) 100% of the sales of our operations in Venezuela are denominated in bolivars; (ii) Gruma Venezuela produces products that are subject to price controls; (iii) part of Gruma Venezuela's sales depend on centralized government procurement policies for its social welfare programs; (iv) we may have difficulties repatriating dividends from Gruma Venezuela, as well as importing some of its requirements for raw materials as a result of the exchange controls; and (v) Gruma Venezuela may face increasing costs in some of our raw materials due to the implementation of import tariffs.

Risks Related to the United States

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

Net sales in the U.S. constituted 43% of our total sales in 2010. Unfavorable general economic conditions, such as the current recession and economic slowdown in the United States could negatively affect the affordability of and consumer demand for some of our products. Under difficult economic conditions, consumers may seek to forego purchases of our products or, if available, shift to lower-priced products offered by other companies. Softer consumer demand for our products in the United States or in other major markets could reduce our profitability and could negatively affect our financial performance.

Additionally, as the retail grocery trade continues to consolidate and our retail customers grow larger, they could demand lower pricing and increased promotional programs. Also, our dependence on sales to certain retail customers could increase. There is a risk that we will not be able to maintain our U.S. profit margin in this environment.

Demand for our products in Mexico may also be disproportionately affected by the performance of the United States economy. See also "—Risks Related to Mexico—Our Results of Operations Could Be Affected by Economic Conditions in Mexico."

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, other than in connection with a public offering of newly issued shares or treasury stock, 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, executive officers and controlling shareholders has been recently developed and there is no legal precedent to predict the outcome of any such action. Additionally, class actions are not available under Mexican law and there are different procedural requirements for bringing shareholder derivative lawsuits. As a result, in practice it may be more difficult for our minority shareholders to enforce their rights against us, our directors, our executive officers or our controlling shareholders than it would be for shareholders of a U.S. company.

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

We purchase some of our inventory ingredients from our shareholder and associate Archer-Daniels-Midland Company ("Archer-Daniels-Midland," or "ADM") at market rates and terms. During 2008, 2009 and 2010, we purchased U.S.$183 million, U.S.$159 million and U.S.$97 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—Selected Financial Data—Exchange Rate Information" and "Item 11. Quantitative and Qualitative Disclosures About Market Risk—Foreign Exchange Rate Risk."

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

As required by Mexican law, our bylaws provide that non-Mexican shareholders shall be treated as Mexican shareholders in respect to their ownership interests in us, and shall be deemed to have agreed not to invoke

the protection of their governments under any circumstance, under penalty to forfeit, in favor of the Mexican government, any participation or interest held in us.

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

Our Controlling Shareholder Exerts Substantial Control Over Our Company

As of April 29, 2011, Roberto González Barrera and his family controlled approximately 54.41% of our outstanding shares. See "Item 10. Additional Information—Bylaws—Changes in Capital Stock." Consequently, Mr. González Barrera and his family have 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 and his family may differ from those of our other shareholders. Mr. González Barrera and his family's holdings are described under "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders."

Mr. González Barrera has pledged and may be required to further pledge part of his shares in us 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 and his family could lose control over us and a change of control could result. In addition, a change of control could trigger a default in some 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 23.22% 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 18.87% of our outstanding shares. In addition, Archer-Daniels-Midland has the right to nominate 2 of the 15 members of our board of directors and their corresponding alternates. 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.

Additionally, subject to certain requirements under the *Ley del Mercado de Valores,* or Mexican Securities Law, Archer-Daniels-Midland may also: (i) request the Chairman of the board or the Chairman of the audit and corporate governance committees to convene a general shareholders' meeting; (ii) initiate civil lawsuits against members of the board of directors, members of the audit and corporate governance committees, and the chief executive officer for breach of duty; (iii) judicially oppose resolutions adopted at shareholder meetings; and (iv) request the deferral of any vote regarding an issue about which it does not believe it has been sufficiently informed.

Archer-Daniels-Midland owns, directly or indirectly, a 40% interest in our subsidiary, Molinera de México, S.A. de C.V., or Molinera de México, and a 20% interest in our subsidiary, Azteca Milling, L.P., or Azteca Milling. Additionally, Archer-Daniels-Midland owns a 3% indirect interest in Molinos Nacionales, C.A., or MONACA and a 3% indirect interest in Derivados de Maíz Seleccionado, C.A. or DEMASECA. For more information, please see "Item 4. Information on the Company—Business Overview—Gruma Venezuela." These subsidiaries account for 31% of our revenue. Although we own a majority ownership interest 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 in respect of such subsidiaries.

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 "Item 10. Additional Information—Bylaws—Other Provisions—Antitakeover Protections."

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

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

- from earnings included in year-end financial statements that are approved by shareholders at a duly convened meeting;
- after any existing losses applicable to prior years have been made up or absorbed into 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 agreements which require the maintenance of specified financial ratios and balances and, upon an event of default, prohibit the payment of cash dividends. For additional information concerning these restrictions on inter-company transfers, see "Item 3. Key Information—Selected Financial Data—Dividends" and "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources."

We own approximately 83% of the outstanding shares of Grupo Industrial Maseca, S.A.B. de C.V., or GIMSA, 73% of MONACA, 57% of DEMASECA, 80% of Azteca Milling, L.P. (through Gruma Corporation) and 60% of Molinera de México, S.A. de C.V. Accordingly, we are entitled to receive only our *pro rata* share of any of these subsidiaries' dividends.

Furthermore, our ability to repatriate dividends from Gruma Venezuela may be adversely affected by exchange controls and other recent events. See "Item 3. Key Information—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.B. de C.V. is a publicly held corporation (*Sociedad Anónima Bursátil de Capital Variable*) registered in Monterrey, Mexico under the *Ley General de Sociedades Mercantiles*, or Mexican Corporations Law on December 24, 1971 with a corporate life of 99 years. Our full legal name is Gruma, S.A.B. de C.V., but we are also known by our commercial names: GRUMA and Maseca. The address of our principal executive office is Calzada del Valle, 407 Ote., Colonia del Valle, San Pedro Garza García, Nuevo León, 66220 México and our telephone number is (52 81) 8399-3300. Our legal domicile is Monterrey, Nuevo León, México.

We were founded in 1949, when Roberto González Barrera, the Chairman of our board of directors started producing and selling corn flour in Northeastern Mexico as an alternative raw material for producing tortillas. Prior to our founding, all corn tortillas were made using a rudimentary process. We believe that the preparation of tortillas using the dry corn flour method presents advantages, including greater efficiency and higher quality, which makes 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, Europe, Asia and Oceania. 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 other related products. We have been developing and advancing 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**, Roberto González Barrera and a group of predecessor Mexican corporations founded GIMSA, which is engaged principally in the production, distribution and sale of corn flour in Mexico.

- **In 1972**, we entered the Central American market with our first operation in Costa Rica. Today, we have operations in Costa Rica, Guatemala, Honduras, El Salvador and Nicaragua, as well as Ecuador, which we include as part of our Central American operations.

- **In 1977**, we entered the U.S. market. Our operations have grown to include products such as tortillas, corn flour, and other tortilla related products.

- **From 1989 to 1995**, we significantly increased our installed manufacturing capacity in the United States and in Mexico.

- **In 1993**, we entered the Venezuelan corn flour market through an investment in DEMASECA, a Venezuelan corporation producing corn flour.

- **In 1994**, 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 were focused only on the northern part of Mexico. In addition, in 1994 GRUMA became a publicly listed company in both Mexico and the U.S.

- **In 1996**, we strengthened our position in the U.S. corn flour market through an association with Archer-Daniels-Midland, which currently owns approximately 23.22% of our outstanding 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.

- **From 1997 through 2000**, we initiated a significant plant expansion program. During this period, we acquired or built wheat flour plants, corn flour plants, bread plants and/or tortilla plants in the United States, Mexico, Central America, Venezuela (acquisition of MONACA) and Europe.

- **From 2001 to 2003**, as a result of a comprehensive review of our business portfolio and our focus on our core businesses, we sold our bread business, under the Breddy brand.

- **In 2004**, we acquired Ovis Boske, a tortilla company based in Holland, Nuova De Franceschi & Figli, S.P.A., or Nuova De Franceschi & Figli, a corn flour company based in Italy and a small tortilla plant in Las Vegas, Nevada. 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 was completed during the second half of 2005.

- **In 2005**, we began the construction of a tortilla plant in Pennsylvania, which has been operational since July 2005. We continued to expand capacity at existing plants. In addition, Gruma Corporation acquired part of the manufacturing assets of the Mexican food division of Cenex Harvest States or CHS, which consisted of three tortilla plants located in New Brighton, Minnesota; Forth Worth, Texas; and Phoenix, Arizona. Gruma Corporation also acquired a small tortilla plant near San Francisco, California. In August, GIMSA acquired 100% of the capital stock of Agroindustrias Integradas del Norte and Agroinsa de México (together, and with their subsidiaries, Agroinsa), a group of companies based in Monterrey, Mexico engaged primarily in the production of corn flour and, to a lesser extent, wheat flour and other products.

- **In 2006**, during the first quarter, we concluded the acquisitions of two small tortilla plants in Australia (Rositas Investments and Oz-Mex Foods), which strengthened our presence in the Asian and Oceania markets. In September 2006, we opened our first tortilla plant in Asia, located in Shanghai, China. We believe the plant has allowed us to strengthen our presence in the Asian markets by improving our service to customers and consumers, allowing us to introduce new products to the Asian market and offer fresher products. In October 2006, we concluded the acquisition of Pride Valley Foods, a company based in Newcastle, England, that produces tortillas, pita bread, naan, and chapatti. We believe the acquisition will strengthen our presence in the European market and will provide an opportunity to expand our product portfolio to products similar to tortillas.

- **In 2007**, we entered into a contract to sell a 40% stake in MONACA to our former partner in DEMASECA. In conjunction with this transaction, we also agreed to purchase an additional 10% ownership interest in DEMASECA from our former partner. We also purchased the remaining 49% ownership interest in Nuova De Franceschi & Figli, a corn flour company based in Italy, in which we previously held a 51% ownership interest. In addition, we made major investments in capacity expansions and upgrades in Gruma Corporation, started the construction of a new tortilla plant in Epping, Australia for Gruma Asia and Oceania, and expanded two of GIMSA's plants.

- **In 2008**, most of our capital expenditures were applied to Gruma Corporation for the construction of a tortilla plant in southern California and capacity expansions at existing facilities, and to Gruma Asia and Oceania for the construction of a tortilla plant in Epping, Australia.

- **In 2009**, major capital expenditures were applied to capacity expansions and upgrades in Gruma Corporation and GIMSA, the completion of a tortilla plant in California and the construction of a wheat mill in Venezuela.

- **In 2010**, major capital expenditures were applied to general manufacturing upgrades and efficiency improvements in Gruma Corporation and GIMSA, and the acquisition of Altera I and Altera II, the leading producer of corn grits in Ukraine.

- **In 2011**, most of our capital expenditures are expected to be applied to general manufacturing upgrades and efficiency improvements, as well as production capacity expansions, especially in Europe and Australia.

ORGANIZATIONAL STRUCTURE

We are a holding company and conduct our operations through subsidiaries. The table below sets forth our principal subsidiaries as of December 31, 2010.

Name of Company	Principal Markets	Jurisdiction of Incorporation	Percentage Owned(1)	Products/ Services
Mexican Operations				
Grupo Industrial Maseca, S.A.B. de C.V. (“GIMSA”)	Mexico	Mexico	83%	Corn flour, Wheat flour, Other
Molinera de México, S.A. de C.V. (“Molinera de México”) (2)	Mexico	Mexico	60%	Wheat flour, Other
U.S. and Europe Operations(3)				
Gruma Corporation	United States and Europe	Nevada	100%	Packaged tortillas, Other tortilla related products, Corn flour, Flatbreads, Grits, Other
Azteca Milling, LP.(4)	United States	Texas	80%	Corn flour
Central American Operations(5)				
Gruma de Guatemala, S.A., Derivados de Maíz Alimenticio, S.A., Industrializadora y Comercializadora de Palmito, S.A., Derivados de Maíz de Guatemala, S.A., Tortimasa, S.A., Derivados de Maíz de El Salvador, S.A., and Derivados de Maíz de Honduras, S.A. (“Gruma Centroamérica”)	Costa Rica, Honduras, Guatemala, El Salvador, Nicaragua, Ecuador	Costa Rica, Honduras, Guatemala, El Salvador, Nicaragua, Ecuador	100%	Corn flour, Packaged tortillas, Snacks, Hearts of palm, Rice
Venezuelan Operations(6)				
Molinos Nacionales, C.A. (“MONACA”) **(7)**	Venezuela	Venezuela	73%	Corn flour, Wheat flour, Other products
Derivados de Maíz Seleccionado, C.A. (“DEMASECA”) **(7)**	Venezuela	Venezuela	57%	Corn flour
Other Subsidiaries				
Mission Foods (Shanghai) Co. Ltd., Gruma Oceania Pty. Ltd., and Mission Foods (Malaysia) Sdn. Bhd. (“Gruma Asia and Oceania”)	Asia and Oceania	China, Malaysia and Australia	100%	Packaged tortillas, Chips, Other products
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) Archer-Daniels-Midland indirectly holds the remaining 40% interest.

(3) Since 2007, the Asia and Oceania operations have been presented as a separate business unit from Gruma Corporation.

(4) Archer-Daniels-Midland indirectly holds the remaining 20% interest.

(5) As part of a corporate restructuring of our Central American operations, on January 1, 2009, all subsidiaries of Gruma Centroamérica, LLC were transferred to Gruma International Foods, S.L.

(6) Together these subsidiaries are referred to as “Gruma Venezuela.”

(7) Archer-Daniels-Midland holds a 3% indirect interest in both companies and RFB Holdings de Mexico, S.A. de C.V. holds a 24.14% indirect interest in MONACA and 40% in DEMASECA. See “Item 3. Key Information—Risk Factors—Risks

Related to Venezuela—One of our Subsidiaries in Venezuela is Currently Involved in Expropriation Proceedings and our Remaining Subsidiary in Venezuela is Subject to Expropriation," "—Risks Related to Our Controlling Shareholders and Capital Structure—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," and "Item 10. Additional Information—Material Contracts—Archer-Daniels-Midland."

Our subsidiaries accounted for the following percentages and amount of our net sales in millions of pesos for the years ended December 31, 2008, 2009 and 2010.

	Year ended December 31,					
	2008		2009		2010	
	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. 19,761	44%	Ps. 23,917	47%	Ps. 21,919	47
GIMSA	9,142	20	10,348	20	11,889	26
Gruma Venezuela	8,727	19	9,025	18	5,382	12
Molinera de México	3,598	8	3,484	7	3,455	7
Gruma Centroamérica	2,949	7	2,777	6	2,765	6
Others and eliminations	616	2	938	2	1,191	2
Total	Ps. 44,793	100	Ps. 50,489	100	Ps. 46,601	100

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 agricultural processors and traders. 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 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 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 then 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 23.22% of our outstanding shares and, indirectly, a combined 3% stake in MONACA and DEMASECA. See "Item 3. Key Information—Risk Factors—Risks Related to Our Controlling Shareholders and Capital Structure—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" and "Item 10. Additional Information—Material Contracts—Archer-Daniels-Midland."

Capital Expenditures

Our capital expenditure program continues to be primarily focused on our core businesses and markets. Capital expenditures for 2008, 2009 and 2010 were U.S.$235 million, U.S.$87 million and U.S.$89 million, respectively. During 2008, GRUMA's capital expenditures totaled U.S.$235 million, most of which were applied to the construction of tortilla plants in California and Australia, capacity expansions and upgrades in Gruma Corporation. During 2009, our capital expenditures totaled U.S.$87 million, most of which was applied to capacity expansions and upgrades in Gruma Corporation and GIMSA, the completion of a tortilla plant in California and the construction of a wheat mill in Venezuela. During 2010, capital expenditures were U.S.$89 million, most of which

were applied to general manufacturing upgrades and efficiency improvements in Gruma Corporation and GIMSA, and the acquisition of Altera I and Altera II, the leading producer of corn grits in Ukraine.

We have budgeted approximately U.S.$200 million for capital expenditures in 2011, which we intend to use mainly in Gruma Corporation, and Gruma Asia and Oceania. Most of our capital expenditures for 2011 will be applied to general manufacturing upgrades, efficiency improvements and production capacity expansions, particularly in Europe and Australia. We anticipate financing these expenditures throughout the year through internally generated funds and debt. This capital expenditures budget does not include any potential acquisitions. During the first quarter of 2011, we spent approximately U.S.$21 million on capital expenditures which were applied mainly to capacity increases and upgrades in Europe and the United States.

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

	Year ended December 31,		
	2008	2009	2010
	(in millions of U.S. dollars)(1)		
Gruma Corporation	$ 127.0	$ 30.9	$ 50.0
GIMSA	12.2	22.6	13.8
Gruma Venezuela	22.0	22.8	6.9
Molinera de México	3.4	3.4	4.5
Gruma Centroamérica	23.6	3.7	3.4
Others and eliminations	47.1	3.5	10.0
Total consolidated	$ 235.3	$ 86.9	$ 88.6

(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 month 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, which is expressed on the basis of the peso/dollar exchange rate as of December 31, 2010, unless otherwise specified.

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. 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. We believe that we are also one of the largest producers of corn flour and tortillas in Central America, and one of the largest producers of tortilla and other flatbreads, including pita, naan, chapatti, pizza bases and piadina in Europe, Asia and Oceania. Our focus has been and continues to be the efficient and profitable expansion of our core business—corn flour, tortilla, wheat flour production and flatbreads. 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 dry 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 dry 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, Asia and Oceania, and wheat flour in Mexico and Venezuela.

The following table sets forth our revenues by geographic market for years ended December 31, 2008, 2009 and 2010.

	Year ended December 31,		
	2008	2009	2010
		(in millions of pesos)	
United States and Europe	Ps. 19,737	Ps. 23,917	Ps. 21,919
Mexico	12,791	13,844	15,433
Venezuela	8,727	9,025	5,382
Central America	2,949	2,777	2,765
Asia and Oceania	589	926	1,102
Total	Ps. 44,793	Ps. 50,489	Ps. 46,601

Strategy

Our strategy for growth is to focus on our core business—corn flour, tortilla, and wheat flour production, as well as to expand our product portfolio towards the flatbreads category in general —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., European and Asia and Oceania markets. We have also taken advantage from the adoption of tortillas by the U.S. general market and by Europeans for the preparation of different recipes other than Mexican food, and from the flexibility of our wraps and flatbreads category and new product concepts we have launched such as low-fat, carb-balance and multigrain. Our strategy includes the following key elements:

Expand in the Growing Retail and Food Service Tortilla Markets Where We Currently Have a Presence and to 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.

Enter and Expand in the Tortilla and Flatbread Markets in Other Regions of the World: We believe that new markets in other continents such as Europe, Asia and Oceania offer us significant opportunities. We believe our current operations 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. Our presence in Asia and Oceania will enable us to offer our customers fresh products and respond more quickly to their needs. We will continue to evaluate ways to profitably expand into these rapidly growing markets.

Maintain 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 in All Our Markets from the Traditional Cooked-Corn Method to the Dry Corn Flour Method as Well as New Uses for Corn Flour, and Continue to Establish MASECA as a Leading Brand: 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 dry 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 principally our MASECA® brand corn flour, as well as leveraging off of our manufacturing capacity and distribution networks. We also see an opportunity for further potential growth in the fact that the dry corn flour method is more environmentally friendly than the traditional method. We also are working to expand the use of corn flour in the manufacture of different types of products besides tortillas and tortilla chips.

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.

Leverage Our Existing Available Production Capacity and Focus on Optimizing Operational Matters: Our investment program during recent years in plants and operations has resulted in sufficient existing capacity to meet current and foreseeable demand. We believe that we have the capacity to operate at optimal levels and that our economies of scale and existing operating synergies permit us to remain competitive without additional capital expenditures.

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. The Asia and Oceania operations were reported in our financial statements under Gruma Corporation through December 2006, but since 2007 the Asia and Oceania operations have been reported under the line item "Other and eliminations." 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 (i) building corn flour and tortilla manufacturing facilities; (ii) establishing corn purchasing operations; (iii) launching marketing and advertising campaigns to develop brand name recognition; (iv) expanding distribution networks for corn flour and tortilla products; and (v) using our technology to design and build proprietary corn flour, tortilla and tortilla chip manufacturing machinery.

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. See "Item 10. Additional Information—Material Contracts."

During 2000, Gruma Corporation opened its first European tortilla and corn chips plant in Coventry, England, initiating our entry into the European market. During 2004, Gruma Corporation concluded two further 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 the region.

In 2006, Gruma Corporation acquired a flatbread plant in the north of England, which enabled us to expand our product portfolio with new types of flatbreads; primarily naan and pita. In addition, Gruma Corporation acquired the remaining 49% ownership interest in Nuova De Franceschi & Figli, a corn flour company based in Italy, in which we previously held a 51% ownership interest. In March 2010, we acquired 100% of the share capital of Altera I and Altera II, the leading producer of corn grits in Ukraine, for U.S.$9 million. We believe this acquisition in Eastern Europe will enable GRUMA to continue its growth strategy in emerging markets in that region. Further acquisitions are contemplated during 2011, both in the corn flour division and in the tortilla and flatbread business, in order to accelerate GRUMA's growth in Europe.

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 and Europe 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 division.

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 for the general consumer market and GUERRERO® into a strong Hispanic consumer 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. Our 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 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. 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, in Europe.

Azteca Milling distributes approximately 36% 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, retail customers and wholesalers. 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. We believe that the growing consumption of Mexican-style foods by non-Hispanics will continue to increase demand for tortillas and tortilla related products, particularly flour tortillas. Also influential is the fact that tortillas are no longer solely used as ingredients in Mexican food; for example, tortillas are also used 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, the consumption of tortillas and tortilla chips by the general consumer market, 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. However, a few competitors have a presence in several U.S. regions. In addition, a few large companies have tortilla manufacturing divisions that compete with Mission Foods, for example, Tyson, Bimbo, Hormel Foods, Olé Mexican Foods and General Mills. We believe Mission Foods is one of the leading manufacturers and distributors of packaged tortillas and related products throughout the United States and Europe.

Competitors within the corn flour milling industry include Minsa and the corn flour milling divisions of Cargill. 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 is one of the leading producers of corn flour in the United States.

We strongly believe there is significant growth potential for tortillas and other flatbreads in all geographic areas of Europe and also through multiple channels, for example, in the retail and foodservice channels. Consumer trends indicate a growing need for flexible, healthy, nutritious and tasty food on-the-go and also for more interesting bread accompaniments. Mexican-based cuisine is also gaining in popularity in key markets. Mission Foods is well-placed to both drive and benefit from this situation in the coming years. Approximately half of our production in Europe is allocated to retail sales, the other half to a mix of foodservice providers including quick-service restaurants, and food processors.

We believe Mission Foods is one of the leading tortilla producers in Europe with the main competitors being Santa Maria and General Mills. There are a number of more recent players occupying niche positions in tortilla production, operating in continental Europe and the United Kingdom.

Operation and Capital Expenditures. Annual total production capacity for Gruma Corporation is estimated at 2.3 million metric tons as of December 31, 2010, with an average utilization of 72% in 2010. The average size of our plants measured in square meters is approximately 9,646 (about 104,000 square feet) as of December 31, 2010. Capital expenditures for the past three years were U.S.$208 million, mostly for expansion and upgrades of existing facilities and the construction of a new tortilla plant in southern California, that began production during 2010. In March of 2010, we acquired 100% of the share capital of Altera I and Altera II, the leading producer of corn grits in Ukraine for U.S.$9 million. We believe this acquisition in Eastern Europe will enable GRUMA to continue its growth strategy in emerging markets of the region. Gruma Corporation's capital expenditures projected for 2011 will be approximately U.S.$83 million for maintenance of existing facilities and manufacturing and technology upgrades. These budgeted capital expenditures do not include any potential acquisitions.

Mission Foods produces its packaged tortillas and other related products at 23 manufacturing facilities worldwide. Twenty of these facilities are located in large population centers throughout the United States. During 2009, Mission Foods closed three manufacturing facilities located in Las Vegas, Fort Worth and El Paso. Mission Foods has shifted production to other plants to achieve savings in overhead costs. Mission Foods will consider reopening the Las Vegas and/or Fort Worth plants should market demands require additional capacity. During 2010, Mission Foods closed an additional manufacturing facility located in Phoenix, Arizona. Outside the United States, Mission Foods has two plants in England and one plant in The Netherlands.

Mission Foods is committed to offering the best quality products to its customers and uses the American Institute of Baking (AIB) food safety standards to measure and ensure food compliance with this commitment. AIB is a corporation founded in 1919 by the North American wholesale and retail baking industries that is dedicated to protecting the safety of the food supply chain. All of the Mission Foods manufacturing facilities worldwide have earned either a superior or excellent category rating from the AIB. Most of Mission Foods' U.S. plants have earned the AIB's highest award, the combined AIB-HAACP certification, with the exception of two plants in California. We anticipate these plants will complete their HAACP certification during the next two years. Besides the AIB, Mission Foods plants are regularly evaluated by other third party organizations, including the British Retail Consortium as well as customers. Our plants in England and The Netherlands are also evaluated by other third party organizations such as the AIB, International Food Standards and 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 produces corn flour at plants in Ceggia, Italy and Cherkassy, Ukraine. The majority of our plants are located within important corn growing areas. Due to Azteca Milling's manufacturing practices and processes, all six facilities located in the U.S. have achieved ISO 9002 certification as well as certification by the American Institute of Baking. Our corn flour plant in Italy has both AIB and International Food Standards certifications.

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 because of the preparation of Mexican food recipes that are very popular during this time of the year.

Raw Materials. Corn is the principal raw material used in the production of corn flour, which is purchased from local producers. 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 its raw material purchases for corn not approved for human consumption, for certain strains of bacteria, fungi metabolites and chemicals. In addition, Azteca Milling applies certain testing protocols to incoming raw materials to identify genetically modified products not approved for human consumption.

Because corn prices tend to be somewhat volatile, Azteca Milling engages in a variety of 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 six 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, by GIMSA and our corn flour operations in Italy.

Wheat flour for the production of wheat tortillas and other types of wheat flat breads is purchased from third party producers at prices prevailing in the commodities markets. Mission Foods believes the market for wheat flour is sufficiently large and competitive to ensure that wheat flour will be available at competitive prices to supply our needs. Contracts for wheat flour supply are made on a short-term basis.

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 Midwest.

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. Pursuant to the acquisition of Agroinsa in 2005, GIMSA also produces wheat flour and other related products.

In 2010, GIMSA had net sales of Ps.11,889 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 mainly under the brand name MASECA®. MASECA®, a standard fine-textured, white corn 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 50 varieties of corn flour for the manufacture of different food products which are developed to meet the requirements of our different types of customers according to the kind of tortillas they produce and markets they serve. It sells corn flour to tortilla and tortilla chip manufacturers as well as in the retail market. GIMSA's principal corn flour product is MASECA®.

Sales and Marketing. GIMSA sells packaged corn flour in bulk principally to thousands of small tortilla and tortilla chip manufacturers, or *tortillerías*, which purchase in 20-kilogram sacks and produce tortillas on their

premises for sale to local markets. Additionally, GIMSA sells packaged corn flour in the retail market, which purchases in one-kilogram packages.

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

	Year Ended December 31,					
	2008		2009		2010	
	Tons	%	Tons	%	Tons	%
Corn Flour						
Bulk	1,417,550	78	1,451,014	77	1,468,013	78
Retail	268,091	15	289,731	16	290,415	15
Other	134,930	7	133,556	7	131,317	7
Total	1,820,571	100	1,874,301	100	1,889,745	100

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® corn 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 welfare retail chain, a social and distribution program named *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.

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 (the traditional method). 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 wet corn dough themselves.

We believe the preparation of tortillas using the dry corn flour method possesses several advantages over the traditional method. 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. 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 dry 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 and under better sanitary conditions 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 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 the 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 informal economy. Additionally, such producers are generally not required to comply with environmental regulations, which also represents 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 dry 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 and our brand equity. These efforts to improve sales and strengthen our brand equity by better positioning us among consumers, include prime time advertising on television as well as radio, magazine and billboard advertising.

The Company undertakes the following ongoing initiatives in an effort to improve operational efficiency, increase consumption of corn flour, and improve on its successful business model to attract new customers:

- initiatives designed to strengthen commercial relations with our existing customers, primarily by offering personalized customer service and sales programs to our customers, including the development of comprehensive business models;
- initiatives designed to increase coverage in regions with low corn flour consumption with special promotions tailored specifically to these markets;
- 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.

Competition and Market Position. 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 its market share is the prevalence of the traditional method. In the corn flour industry, GIMSA's principal competitors are Grupo Minsa, S.A. de C.V. and a few regional corn flour producers. OPTIMASA, a subsidiary of Cargill de México, built a corn flour plant and began to offer corn flour in the central region of Mexico, therefore becoming a new competitor for GIMSA since 2005. 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 provide it with opportunities to more effectively source raw materials and reduce transportation costs.

Operations and Capital Expenditures. GIMSA currently owns 18 corn flour mills, all of which are located throughout Mexico, typically within corn growing regions and those of large tortilla consumption. GIMSA also owns a wheat flour plant and a plant that produces several types of corn and wheat flour products. One of GIMSA's plants (Chalco) has been inactive since October 1999 when GIMSA 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. GIMSA will consider reopening this plant should market demands require additional capacity.

In recent years, GIMSA's capital expenditures were primarily used to upgrade technology and corn flour production processes. GIMSA spent U.S.$49 million, for these purposes from 2008 to 2010. GIMSA currently projects total capital expenditures during 2011 of approximately U.S.$24 million, which will be used primarily for updating technology and corn flour production processes. During 2010, GIMSA's capacity utilization was 71%.

As of December 31, 2010, on average, the size of our plants measured in square meters was approximately 20,845 (approximately 224,292 square feet).

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 dry corn flour method of production.

Raw Materials. Corn is the principal raw material required for the production of corn flour, and constituted 56% of GIMSA's cost of sales for 2010. We purchase corn primarily from Mexican growers and grain elevators, and from world markets at international prices. Most of our domestic corn purchases are made through an agricultural program established by ASERCA where contracts are entered into once the corn is planted to guarantee price and delivery upon harvest. Compañía Nacional Almacenadora, S.A. de C.V., a subsidiary of GIMSA, enters into 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 typically follow trends in the international market. During most periods, the price at which GIMSA purchases corn depends on the price of corn in the international market. 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—Regulation."

Since the end of 2006, the price of corn set by the Chicago Board of Trade and the average price of Mexican corn increased dramatically due to a number of factors, including the increased use of corn in the manufacture of ethanol, a substitute for gasoline, as well as other bio-fuels. Consequently, the price of corn flour and corn tortillas, the main food staple in Mexico, increased due to such increases in international and domestic prices of corn. In order to stabilize the price of tortillas and provide Mexican families with a consistent supply of corn, corn flour and tortillas at a reasonable price, the Mexican government promoted two agreements among the various parties involved in the corn-corn flour-tortilla production chain. The first agreement was effective from January 15, 2007 through April 30, 2007. On April 25, 2007, the Mexican government announced a second agreement that extended the provisions of the first agreement through August 15, 2007. The term of the second agreement was extended subsequently through December 31, 2007. Although the second agreement expired at the end of 2007, the parties to that agreement voluntarily continued to operate under its terms until October 2008.

Upon the expiration of the above-mentioned agreements, the Mexican government created a program to support the corn flour industry (*Programa de Apoyo a la Industria de la Harina de Maíz or PROHARINA*) published in October of 2008. This program aimed to mitigate the impact of the rise in international corn prices through price supports provided through the corn flour industry designed to aid the consumer. The total amount of subsidized funds allotted to the Company by the Mexican government under this program in 2009 totaled Ps.1,465million. The Mexican government cancelled the PROHARINA program in December 2009. As a result of the cancellation of this program, we were required to increase the prices of our products to reflect such additional costs. There can be no assurance that we will maintain our eligibility for other programs like PROHARINA subsidies, or that the Mexican government will not institute price controls or other actions on the products we sell, which could adversely affect our financial condition and results of operations. See "Item 4. Information on the Company—Regulation—Corn Flour Consumer Aid Program."

In addition to corn, the other principal materials and resources used in the production of corn flour are packaging materials, water, lime, additives and energy. GIMSA believes that its sources of supply for these materials and resources are adequate, although energy, additives 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. See "Item 10. Additional Information—Material Contracts." 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 2010, approximately 87% of Molinera's wheat flour production was sold in bulk and 13% 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 Position. 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 Altex, Trimex, Tablex, La Espiga, Elizondo, and Anáhuac.

Operations and Capital Expenditures. We own and operate nine wheat flour plants, including one of which we hold only a 40% ownership interest. The facilities' average utilization is estimated at 84% for 2010. On average, the size of our plants measured in square meters is approximately 12,044 (approximately 129,590 square feet) as of December 31, 2010.

Capital expenditures from 2008 through 2010 amounted to U.S.$11 million. Molinera de México's capital expenditures in 2011 are projected to be U.S.$7 million, which will be used primarily for general upgrades and maintenance.

Seasonality. Molinera's sales are subject to seasonality. 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 53% of its wheat from Mexican growers, and 47% from world markets. Molinera de México purchases from local farmers, farmers associations and trading companies. In the case of domestic wheat, Molinera de México purchases from local farmers and farmers' associations through contracts entered into once the wheat is planted to guarantee price and delivery upon 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 adequate levels of inventories.

In recent years the price of wheat domestically and abroad has been volatile. Volatility is due to the supply 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, as well as Ecuador, which we include as part of our Central American operations.

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 producers in the region. We sell corn flour under the MASECA®, TORTIMASA®, MASARICA® and MINSA® brands. In Costa Rica, we sell packaged tortillas under the TORTI RICA® and MISIÓN® brands. We operate a Costa Rican snack operation which manufactures tortilla chips, potato chips and similar products under the TOSTY®, RUMBA®, and LA TICA® brand. Hearts of palm are exported to numerous European countries as well as the United States, Canada, Chile and Mexico.

Sales and Marketing. The largest portion, 160,641 tons or 80%, of Gruma Centroamérica's sales volume in 2010 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 approximately 63% and retail sales represented approximately 37% of Gruma Centroamérica's corn flour sales volume during 2010.

Competition and Market Position. 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 15% 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 in Costa Rica.

Within the corn flour industry, the brands of our main competitors are: Del Comal, Doña Blanca, Selecta, Bachoza 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 had an annual installed production capacity of 342,722 tons for corn flour and other products as of December 31, 2010, with an average utilization of approximately 62% during 2010. We operate one corn flour plant in Costa Rica, Honduras, El Salvador, and Guatemala 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 and Honduras we have small tortilla plants, in Guatemala we have a small plant that produces snacks and in Ecuador we have a small facility which processes hearts of palm. On average, the size of our plants measured in square meters is approximately 75,400 (approximately 811,599 square feet) as of December 31, 2010.

During 2008, 2009 and 2010 most of our capital expenditures were oriented to the expansion of a corn flour plant in Honduras and the construction of corn silos in Guatemala. In 2009 and 2010, our capital expenditures were also applied to general manufacturing upgrades and maintenance. Total capital expenditures for the past three years were approximately U.S.$31 million. Capital expenditures for 2011 are projected to be U.S.$9 million, which will be used primarily for general manufacturing upgrades and production capacity increases at our wheat flour tortilla plants.

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

Raw Materials. Corn is the most important raw material needed in our operations and is obtained primarily from imports from the United States and from local growers. All countries in which we have corn flour plants do not restrict corn import permits granted by the United States. Price fluctuation and volatility are subject to domestic conditions, such as annual crop results and 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. In August 1999, we acquired 95% of DAMCA International Corporation, a Delaware corporation which owned 100% of MONACA, Venezuela's second largest corn and wheat flour producer at that time, for approximately U.S.$94 million. Additionally, Archer-Daniels-Midland acquired the remaining 5% interest in MONACA.

In April of 2006, we entered into a series of transactions to: (i) purchase an additional 10% ownership interest in DEMASECA at a price of U.S.$2.6 million; (ii) purchase a 2% stake in MONACA from Archer-Daniels-Midland at a price of U.S.$3.28 million; and (iii) sell a 3% interest in DEMASECA to Archer-Daniels-Midland at a price of U.S.$780,000.

Additionally, in April of 2006, we also entered into a contract to sell a 40% stake in MONACA to Rotch Energy Holdings, N.V. ("Rotch"), a controlled entity of our former indirect partner in DEMASECA, Ricardo Fernández Barrueco, at a price of U.S.$65.6 million. Pursuant to this agreement, Rotch would not receive title, or have voting or other corporate rights with respect to any unpaid equity interests until the purchase price was paid. The last payment made by Rotch under this agreement was in April of 2007. The transaction was expected to be completed in December of 2009. However, as of December 31, 2009, we had only received U.S.$39.6 million dollars corresponding to a 24.14% indirect interest in MONACA. Consequently, the Company decided to terminate the transaction. As a result, the Company will not receive any additional payments or sell additional equity interests in connection with this transaction beyond the 24.14% interest in MONACA that was purchased and paid for by Rotch.

In June of 2008, Rotch provided notice to the Company that it had transferred its equity interest in MONACA and DEMASECA, including all economic rights to distributions and voting rights (the "Venezuelan Equity Interests"), to Banco Interacciones, S.A. Trust No. 6460 (the "Interacciones Trust") for the benefit of a Mexican financial institution (the "Rotch Lender"). The interest was transferred in connection with a credit facility provided to a controlled entity of Rotch by an affiliate of the Rotch Lender. Pursuant to the Interacciones Trust, the Rotch Lender retains the right to exercise and freely transfer the Venezuelan Equity Interests in the event of a default under the credit facility. In June of 2010, Rotch defaulted under the aforementioned credit facility. As a result, the Venezuelan Equity Interests were sold and assigned to a third investor, whose interest is held by a Mexican company, RFB Holdings de Mexico, S.A. de C.V. RFB Holdings de Mexico, S.A. de C.V. is not affiliated with our former indirect partner in DEMASECA, Ricardo Fernández Barrueco.

As a result of the aforementioned transactions, we currently own 72.86% in MONACA, RFB Holdings de Mexico, S.A. de C.V. owns 24.14% and Archer-Daniels-Midland owns the remaining 3% in MONACA. In addition, we own 57% in DEMASECA, RFB Holdings de Mexico, S.A. de C.V. indirectly owns 40% and Archer-Daniels-Midland owns the remaining 3% in DEMASECA. MONACA and DEMASECA are collectively referred to as "Gruma Venezuela."

On May 12, 2010 the Venezuelan government announced the MONACA Expropriation through the Expropriation Decree. Pursuant to the Expropriation Decree, the government of Venezuela has instructed government officials to undertake the necessary actions to execute the MONACA Expropriation. As of the date hereof, the Venezuelan government has not yet taken operational or managerial control of MONACA. Pending the resolution of our negotiations with the government of Venezuela, Gruma Venezuela continues to operate in the ordinary course of business. See "Item 3. Key Information—Risk Factors—Risks Related to Venezuela——One of

our Subsidiaries in Venezuela is Currently Involved in Expropriation Proceedings and our Remaining Subsidiary in Venezuela is Subject to Expropriation,"and "Item 8. Financial Information—Legal Proceedings."

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® and DEMASA®. We sell wheat flour under the ROBIN HOOD®, FLOR DE TRIGO® 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. We sell corn flour in the retail market in one kilogram bags to independent distributors, supermarkets, wholesalers, and governmental social welfare and distribution programs. We also sell wheat flour both in bulk and retailer, distributing it in 45 kilogram bags and in one kilogram bags, respectively. Bulk sales to customers such as bakeries made up approximately 42% of our total wheat flour sales volume in 2010. The remaining 58% of sales in 2010 were in the retail market, which includes independent distributors, supermarkets and wholesalers.

Competition and Market Position. 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, and, to a lesser extent, Industria Venezolana Maizera PROAREPA, Asoportuguesa and La Lucha. In wheat flour, our principal competitor is Cargill.

Operation and Capital Expenditures. We operate five corn flour plants, five wheat flour plants, two rice plants, one pasta plant, and two plants that produce oats and spices in Venezuela with a total annual production capacity of 823,746 tons as of December 31, 2010 and an average utilization of approximately 69% during 2010. Two rice plants, representing 70,890 tons, are temporarily idle. On average, the size of our plants measured in square meters is approximately 8,961 (approximately 96,454 square feet) as of December 31, 2010.

Capital expenditures for the past three years were U.S.$52 million. Most of this was applied to wheat flour production expansions and to general upgrades. Capital expenditures for 2011 are budgeted to be U.S.$14 million and expected to be focused on general upgrades mostly related to increasing plant productivity and to comply with regulations. U.S.$5 million was applied to capital expenditures during the first quarter of 2011.

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 wheat are our most important raw materials. Corn is purchased in Venezuela and is subject to the corn market's volatility and governmental regulations related to prices, quantities and storage facilities. Corn prices are fixed by a government agency. 100% of our 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 exchange rate policies and country risk for Venezuela constrain our capacity to transfer funds abroad in order to fund any hedging strategy.

Miscellaneous—INTASA—Technology and Equipment Operations

We have developed our own technology operations since our founding. 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 15 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 tortilla, wheat tortilla and tortilla chip systems that can produce up to 1,200 corn tortillas per minute, 600 wheat tortillas per minute and 3,000 pounds of chips per hour.

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.

GFNorte Investment

As of December 31, 2010, we held approximately 8.8% of the outstanding shares of GFNorte, a Mexican financial 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 Ps.4,301 million. GFNorte's results of operations were accounted for in our consolidated results of operations using the equity method of accounting. For the period ended December 31, 2010, we received Ps.91 million in dividends in respect of our investment in GFNorte.

On February 15, 2011, we concluded the sale of 177,546,496 shares of the capital stock of GFNorte at a price of Ps.52 per common share (the "GFNorte Sale"), resulting in cash proceeds of Ps.9,232,417,792 before fees and expenses. As a result of the sale of the GFNorte's shares, we no longer hold shares of GFNorte's capital stock.

REGULATION

Mexican Regulation

Corn Commercialization Program

To support the commercialization of corn for Mexican corn growers, Mexico's Secretary of Agriculture, Livestock, Rural Development, Fisheries and Food Ministry (*Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación*, or SAGARPA), through the Agricultural Incentives and Services Agency (*Apoyos y Servicios a la Comercialización Agropecuaria*, or ASERCA), a government agency founded in 1991, implemented a program designed to promote corn sales in Mexico. The program includes the following objectives:

- Ensure that the corn harvest is brought to market, providing certainty to farmers concerning the sale of their crops and supply security for the buyer.
- Establish a minimum price for the farmer, and a maximum price for the buyer, which are determined based on the international market prices, plus a basic formula specific for each region.
- Implement a corn hedging program to allow both farmers and buyers to minimize their exposure to price fluctuations in the international markets.

To the extent that this or other similar programs are canceled by the Mexican government, we may be required to incur additional costs in purchasing corn for our operations, and therefore we may need to increase the prices of our products to reflect such additional costs.

Corn Flour Consumer Aid Program

Since the end of 2006, the price of corn set by the Chicago Board of Trade and the average price of Mexican corn increased dramatically due to a number of factors, including the increased use of corn in the manufacture of ethanol, a substitute for gasoline, as well as other bio-fuels. Consequently, the price of corn flour and corn tortillas, the main food staple in Mexico, increased due to such increases in the international and domestic prices of corn. In order to stabilize the price of tortillas and provide Mexican families with a consistent supply of corn, corn flour and tortillas at a reasonable price, the Mexican government promoted two agreements among the various parties involved in the corn-corn flour-tortilla production chain. The first agreement was effective from

January 15, 2007 through April 30, 2007. On April 25, 2007, the Mexican government announced a second agreement that extended the provisions of the first agreement through August 15, 2007. The term of the second agreement was extended subsequently through December 31, 2007. Although the second agreement expired at the end of 2007, the parties to that agreement voluntarily continued to operate under its terms until October 2008.

Upon the expiration of the above-mentioned agreements, the Mexican government created a program to support the corn flour industry (*Programa de Apoyo a la Industria de la Harina de Maíz or PROHARINA*) in October of 2008. This program aimed to mitigate the impact of the rise in international corn prices through price supports designed to aid the consumer and provided through the corn flour industry. Corn flour manufacturers were entitled to receive a subsidy conditioned on selling the corn flour below a maximum price set by the Mexican government. Beginning in June 2009, the maximum price per kilogram of corn flour established to receive the government subsidy was Ps.5.875. The total amount of subsidized funds allotted to the Company by the Mexican government under this program in 2009 totaled Ps.1,465 million. However, the Mexican government cancelled the PROHARINA program in December 2009.

As a result of the cancellation of this program by the Mexican government in December of 2009, we were required to increase the prices of our products to reflect such additional costs. In addition, there can be no assurance that we will maintain our eligibility for other programs similar to PROHARINA that may be implemented, or that the Mexican government will not institute price controls or other actions on the products we sell, which could adversely affect our financial condition and results of operations.

Environmental Regulations

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

We 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 issued in Mexico, we may be required to incur additional remedial capital expenditures to comply. Management is not aware of any pending regulatory changes that would require additional remedial capital expenditures in a significant amount.

Competition Regulations

The *Ley Federal de Competencia Económica* or Mexican Competition Law, and the *Reglamento de la Ley Federal de Competencia Económica* or Regulations of the Mexican Competition Law, regulate monopolies and monopolistic practices, and require the Mexican government approval for certain mergers and acquisitions. The Mexican Competition Law grants the government the authority to establish price controls for products and services of national interest through 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, and we do not believe that this legislation will have a material adverse effect on our business operations.

U.S. Federal and State Regulations

Gruma Corporation is subject to regulation by various federal, state and local agencies, including the Food and Drug Administration, the Occupational Safety and Health Administration, the Federal Trade Commission, the Environmental Protection Agency and 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 American and Venezuelan Regulation

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. 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," and "—One of our Subsidiaries in Venezuela is Currently Involved in Expropriation Proceedings and our Remaining Subsidiary in Venezuela is Subject to Expropriation."

Asia and Oceania Regulation

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

ITEM 4A. Unresolved Staff Comments.

Not applicable**.**

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 audited consolidated financial statements and the notes thereto contained elsewhere herein. Our audited consolidated financial statements have been prepared in accordance with Mexican FRS, which differ in some significant respects from U.S. GAAP. See Note 21 to our audited consolidated 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" and "—Liquidity and Capital Resources—Indebtedness."

Overview of Accounting Presentation

Mexican FRS require that financial statements recognize the effects of inflation based on the economic environment of the countries where the Company and its subsidiaries operate, in accordance with MFRS B-10 issued by CINIF. Unless otherwise stated herein, the consolidated financial statements and other financial data in this Annual Report as of December 31, 2008, 2009 and 2010 have been prepared based on the modified historical cost model, as described in Note 2-E to our audited consolidated financial statements, while prior periods have been restated in pesos of constant purchasing power as of December 31, 2007.

Effects of Inflation

As the Mexican economy experienced significant levels of inflation prior to 2000, we were required under Mexican accounting Bulletin B-10 "Accounting recognition of the effects of inflation on financial information", in effect until December 31, 2007 to recognize the effects of inflation in our financial statements presenting 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.

Starting January 1, 2008, we adopted the provisions contained in the new MFRS B-10 "Effects of Inflation," which replaced Mexican accounting Bulletin B-10. This standard establishes the guidelines for recognizing the effects of inflation based on the inflationary environment of the country. According to the provisions of MFRS B-10, an inflationary environment is present when cumulative inflation of the three preceding years is 26 percent or more, in which case, the effects of inflation must be recognized in the financial statements. Based on MFRS B-10, the economic environment in Mexico in 2009 and 2010 has been qualified as non-inflationary due to a cumulative inflation for the three years preceding the years ended December 31, 2009 and 2010 of 15.01% and 14.48%, respectively, and did not exceed 26%. In addition, MFRS B-10 eliminates the replacement cost and specific indexation methods for inventories and fixed assets, respectively, and provided an option for the accounting treatment of the result from holding non-monetary assets recognized by an entity as accumulated other comprehensive income or loss under previous guidelines by either recycling this result from stockholders' equity to income as it is realized, or reclassifying the outstanding balance of such result to retained earnings in the period in which this standard became effective. The Company elected to reclassify to retained earnings the initial accumulated gain or loss from holding non-monetary assets. Accordingly, the financial statements as of December 31, 2008, 2009 and 2010 have been presented based on the modified historical cost model, as described in Note 2-E to our audited consolidated financial statements (that is, effects of transactions recognized as of December 31, 2007 are expressed in Mexican pesos of constant purchasing power at that date, and the effects of transactions that occurred after that date are expressed in nominal Mexican pesos), while prior periods are expressed in constant Mexican pesos as of December 31, 2007.

Starting January 1, 2008, the Company adopted the provisions contained in the new MFRS B-15 "Foreign Currency Translation." Based on the new standard, the financial statements of the foreign subsidiaries are translated to Mexican pesos depending on the economic environment in which the subsidiary operates, as follows:

Non-inflationary economic environment:

- As of December 31, 2009 and 2010, assets and liabilities are translated to Mexican pesos using the year-end exchange rate of Ps.13.07 and Ps.12.35 to the U.S. dollar, respectively.

- As of December 31, 2007, stockholders' equity was translated to Mexican pesos using the exchange rate at that date, whereas the transactions of the year 2008 were translated by applying the exchange rate in effect at the dates on which the stockholders' contributions were made and income was generated. The average exchange rate as of December 31, 2009 and 2010 was Ps.13.57 and Ps.12.64, respectively.

- Revenues, costs and expenses for the years 2009 and 2010 are translated to Mexican pesos using the historical average exchange rate. The average exchange rates were Ps.13.57 and Ps.12.64, respectively.

- The effects of translation are recognized as a component of stockholders' equity entitled "Foreign currency translation adjustments."

Inflationary economic environment:

Financial statements are restated following the provisions of MFRS B-10, applying the price index of the foreign country which reflects the change in purchasing power of the currency in which the subsidiary reports. Afterwards, the financial statements are translated to Mexican pesos as follows:

- As of the years ended December 31, 2009 and December 31, 2010, assets, liabilities and stockholders' equity are translated to Mexican pesos using the year-end exchange rate of Ps.13.07 and Ps.12.35, respectively.
- Revenues, costs and expenses for the year 2009 and 2010 are translated to Mexican pesos using the year-end exchange rates of Ps.13.07 and Ps.12.35, respectively.
- The changes are recognized by the Company as a component of stockholders' equity entitled "Foreign currency translation adjustments."

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/dollar exchange rate see "Item 3. Key Information—Exchange Rate Information."

On January 8, 2010, the Venezuelan government announced the devaluation of its currency and established a two tier exchange structure. Pursuant to Exchange Agreement No.14, the official exchange rate of the Venezuelan bolivar ("Bs.") was devalued from Bs.2.15 to each U.S. dollar to 4.30 for non-essential goods and services and to 2.60 for essential goods. On December 30, 2010, the Venezuelan government modified Exchange agreement No. 14 and established a single exchange rate of 4.30 bolivars per U.S. dollar effective January 1, 2011. The conversion of the financial position and results of operations of our Venezuelan subsidiaries using the exchange rate of Bs.4.30 per U.S. dollar resulted in a decrease of approximately 50% of the value in Mexican pesos of these subsidiaries for consolidation purposes.

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 2008, 2009 and 2010, we recorded a net foreign exchange gain of Ps.256 million, Ps.755 million and Ps.144 million, respectively.

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 FRS as issued by the Mexican Financial Reporting Standards Board. A reconciliation from Mexican FRS to U.S. GAAP of majority net income and total stockholders' equity is included in Note 21 to our audited 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.

Monaca Consolidation

Under both Mexican FRS and U.S. GAAP, we consolidate all subsidiaries in which the Company, directly or indirectly, owns the majority of the common shares, has control, or is the primary beneficiary of the subsidiary's risks and rewards.

The Venezuelan government has not taken physical control of the assets of MONACA and has not taken control of the operations of MONACA. Moreover, required steps by the Expropriation Law for the effective transfer of control have not taken place and therefore, the Venezuelan government has limited its actions to observing the operations of MONACA with no voting or veto rights regarding MONACA's board decisions. As a result, as of the date hereof, our subsidiary Valores Mundiales, S.L. has full control of MONACA's rights, interest, shares and assets and full control of the operational and managerial decisions concerning MONACA. Accordingly, we have consolidated the balance sheet and income statement of MONACA as of December 31, 2010.

Pending the resolution of this matter, based on preliminary valuation reports, no impairment charge on GRUMA's net investment in MONACA has been identified; however, we are unable to estimate the value of any future impairment charge, if any, or to determine whether MONACA will need to be accounted for as a discontinued operation. As a result, the net impact of this matter on the Company's consolidated financial results cannot be reasonably estimated. See Notes 11-A and 17-D to our audited consolidated financial statements.

Currency Issues in Venezuela

Historically, we have been able to convert bolivars into U.S. dollars at the Official Rate in order to settle certain U.S. dollar-denominated debt incurred pursuant to imports and royalty agreements and to pay dividends from our business in Venezuela. We expect to continue to be able to convert bolivars into U.S. dollars for these purposes. Accordingly, as of December 31, 2010, for both Mexican FRS and U.S. GAAP, the Company's Venezuelan subsidiaries accounted for and re-measured U.S. dollar-denominated transactions, monetary assets and liabilities into bolivars using the Official Rate, which may not reflect economic reality. See "Item 3. Key Information—Risk Factors—Risks Related to Venezuela—Venezuela Presents Other Significant Economic Uncertainty and Political Risks." In addition, the Company's Venezuelan subsidiaries' bolivar-denominated financial statements were translated into Mexican pesos using the buying rate published by Banco de México on the applicable balance sheet dates.

Beginning January 1, 2010, the Company's Venezuelan subsidiaries are deemed highly inflationary for U.S. GAAP purposes, which considers an economy to be highly inflationary when cumulative three-year inflation exceeds 100%. As a result, under U.S. GAAP, the Company's Venezuelan subsidiaries' functional currency changed from the bolivar to the Euro, which is the reporting currency of Valores Mundiales, S.L., the immediate parent company of MONACA. See Notes 2-D, 2-E, 17, 21-M and 21-N to our audited consolidated financial statements.

Two different inflation indices exist for determining highly inflationary status in Venezuela: the Venezuelan Consumer Price Index, or VCPI, and the National Venezuelan Consumer Price Index, or VNCPI. The VCPI, which only includes the metropolitan areas of Caracas and Maracaibo, has been available since 1984. The VNCPI, which includes the entire country of Venezuela, has only been available since January 1, 2008. Under U.S. GAAP, either the VCPI or a blended VCPI/VNCPI index is acceptable for determining the highly inflationary status of Venezuela. However, once three years of data is available for the VNCPI, the VNCPI will be the appropriate index for this purpose.

The Company measures inflation pursuant to the blended VCPI/VNCPI index, which reached cumulative three-year inflation in excess of 100% on November 30, 2009.

Property, Plant and Equipment

We depreciate our property, plant and equipment over their respective estimated useful lives. Useful lives are based on management's estimates of the period that the assets will remain in service and generate revenues. Estimates are based on independent appraisals and the experience of our technical personnel. To the extent that our estimates are incorrect, our periodic depreciation expense or carrying value of our assets may be impacted.

We evaluate 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:

Under Mexican FRS, we perform a one-step impairment test by which the carrying amount of a long-lived asset (asset group) is compared with its recoverable amount. When the carrying amount exceeds the recoverable

amount, the difference is accounted for as an impairment loss. The recoverable amount is the higher of (1) the long-lived asset's (asset group) fair value less costs to sell, representing the amount obtainable from the sale of the long-lived asset (asset group) in an arm's length transaction between knowledgeable, willing parties less the costs of disposal and (2) the long-lived asset's (asset group) value in use, representing its future cash flows discounted to present value by using a rate that reflects the current assessment of the time value of money and the risks specific to the long-lived asset (asset group) for which the cash flow estimates have not been adjusted.

For U.S. GAAP purposes, we perform a two-step impairment test and measurement model as follows: 1) the carrying amount of the long-lived asset (asset group) is first compared with the undiscounted cash flows, and if the carrying amount is lower than the undiscounted cash flows, no impairment loss is recognized, although it may be necessary to review depreciation (or amortization) estimates and methods for the related long-lived asset (group of assets); and 2) if the carrying amount is higher than the undiscounted cash flows, an impairment loss is measured as the difference between the carrying amount and fair value. See Note 21-O to our audited consolidated financial statements.

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

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

Goodwill and Other Intangible Assets

Under both Mexican FRS and U.S. GAAP, intangible assets with definite lives are amortized on a straight-line basis over estimated useful lives. Goodwill and indefinite-lived intangible assets are not amortized, but are subject to impairment tests either annually or earlier in the case of a triggering event.

A key component of the impairment test is the identification of cash-generating units and the allocation of goodwill to such cash-generating units. 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. As of December 31, 2010, there are no reporting units that have a reasonable likelihood of a material impairment of goodwill or other intangible assets.

Deferred Income Tax and Flat Rate Business Tax

Under both Mexican FRS and U.S. GAAP, we record deferred income tax and flat rate business tax assets and liabilities using enacted tax rates for the effect of temporary differences between the book and tax basis of assets and liabilities. If enacted tax rates change, we adjust the deferred tax assets and liabilities through the provision for income tax and flat rate business tax 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 derivative financial instruments in the normal course of business, primarily to hedge certain operational and financial risks to which we are exposed, including without limitation: (i) future and options contracts for certain key production requirements like natural gas, heating oil and some raw materials such as corn and wheat, in order to minimize the cash flow variability due to price fluctuations; (ii) interest rate swaps, with the purpose of managing the interest rate risk related to our debt; and (iii) exchange rate contracts (mainly Mexican peso — U.S. dollar and in other currencies).

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

When available, we measure the fair value of the derivative financial instruments based on quoted market prices. If quoted market prices are not available, we estimate the fair value of derivative financial instruments using industry standard valuation models. When applicable, these models project future cash flows and discount the future amounts to a present value using market observable inputs, including interest rates, currency rates, etc. Also included in the determination of the fair value of the Company's liability positions is the Company's own credit risk, which has been classified as an unobservable input.

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

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 policies on imported and domestic corn prices in Mexico;
- the cost and availability of corn and wheat;
- the cost of energy and other related products;
- our acquisitions, plant expansions and divestitures;
- the effect of government initiatives and policies, in particular on price controls and cost of grains in Venezuela; 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 FRS basis for the years ended December 31, 2008, 2009 and 2010, expressed as a percentage of net sales. All financial information has been prepared in accordance with Mexican FRS. For a description of the method, see "Presentation of Financial Information" and "—Overview of Accounting Presentation."

	Year Ended December 31,		
	2008	2009	2010
Income Statement Data			
Net sales	100%	100%	100%
Cost of sales	67.5	65.6	66.8
Gross profit	32.5	34.4	33.2
Selling and administrative expenses	25.2	26.9	27.2
Operating income	7.3	7.5	6.0
Net comprehensive financing cost	(33.7)	(1.8)	(2.4)
Other expenses, net	(0.4)	(0.3)	(1.5)
Current and deferred income taxes	1.0	2.2	1.8
Other items	1.4	1.0	1.3
Noncontrolling interest	1.2	1.2	0.5
Majority net (loss) income	(27.5)	3.0	1.2

The following table sets forth our net sales and operating income as represented by our principal subsidiaries for 2008, 2009 and 2010. 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.433 million, Ps.436 million, and Ps.419 million in 2008, 2009, and 2010, respectively, in corn flour to Gruma Corporation, Molinera de México and PRODISA. Financial information with respect to Molinera de México includes sales of Ps.72 million, Ps.71 million and Ps.76 million in 2008, 2009 and 2010, respectively, to GIMSA, Gruma Corporation and PRODISA; financial information with respect to PRODISA includes sales of Ps.77 million, Ps.99 million and Ps.84 million in 2008, 2009 and 2010, respectively, in tortilla related products to Gruma Corporation.

Financial information with respect to INTASA includes sales of, Ps.869 million, Ps.523 million and Ps.599 million in 2008, 2009 and 2010, respectively, in technological support to certain subsidiaries of Gruma, S.A.B. de C.V. In the process of consolidation, all the aforementioned intercompany transactions are eliminated from the financial statements.

	Year Ended December 31, (in millions of pesos)					
	2008		2009		2010	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Gruma Corporation	Ps. 19,761	Ps. 951	Ps. 23,917	Ps. 1,870	Ps. 21,919	Ps. 1,296
GIMSA	9,142	1,318	10,348	1,268	11,889	1,272
Gruma Venezuela	8,727	830	9,025	957	5,382	259
Molinera de México	3,598	296	3,484	93	3,455	91
Gruma Centroamérica	2,949	59	2,777	(92)	2,765	(79)
Others and eliminations	616	(187)	938	(289)	1,191	(39)
Total	Ps. 44,793	Ps. 3,267	Ps. 50,489	Ps. 3,807	Ps. 46,601	Ps. 2,800

Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

Consolidated Results

GRUMA's sales volume increased by 4% to 4,526 thousand metric tons compared with 4,341 thousand metric tons in 2009. This increase was driven mainly by Gruma Corporation, Gruma Venezuela and, to a lesser extent, Molinera de México and GIMSA. Net sales declined by 8% to Ps.46,601 million compared with Ps.50,489 million in 2009. The decrease was due primarily to the devaluation of the bolivar, offset in part by higher sales in GIMSA. Sales from non-Mexican operations constituted 67% of consolidated net sales in 2010 compared to 73% of consolidated net sales in 2009 primarily as a result of the devaluation of the bolivar.

Net Sales by Subsidiary: By major subsidiary, the percentages of consolidated net sales in 2010 and 2009 were as follows:

Subsidiary	Percentage of Consolidated Net Sales	
	2010	2009
Gruma Corporation	47%	47%
GIMSA	26	20
Gruma Venezuela	12	18
Molinera de México	7	7
Gruma Centroamérica	6	6
Others and eliminations	2	2

Cost of sales decreased by 6% to Ps.31,131 million compared with Ps.33,100 million in 2009, due primarily to the devaluation of the bolivar affecting Gruma Venezuela. Cost of sales as a percentage of net sales climbed to 66.8% from 65.6% in 2009 due to Gruma Venezuela, Gruma Corporation, and GIMSA.

Selling, general, and administrative expenses (SG&A) decreased by 7% to Ps.12,670 million compared with Ps.13,582 million in 2009, due primarily to Gruma Venezuela in connection with the devaluation of the bolivar. SG&A as a percentage of net sales increased to 27.2% from 26.9% in 2009, driven mainly by Gruma Corporation.

GRUMA's operating income decreased by 26% to Ps.2,800 million compared with Ps.3,807 in 2009 due to Gruma Venezuela in connection with the devaluation of the bolivar, and Gruma Corporation. Operating margin diminished to 6.0% from 7.5% in 2009, due primarily to Gruma Corporation, Gruma Venezuela, and GIMSA.

Other expense, net, was Ps.718 million compared with Ps.150 million in 2009. The increase resulted from higher expenses related to the expropriation of our operations in Venezuela, and to donations made in connection with natural disasters affecting northern Mexico.

Net comprehensive financing cost was Ps.1,103 million compared with Ps.933 million in 2009. The variation resulted mainly from lower foreign exchange gains. See "—Liquidity and Capital Resources—Indebtedness," and "—Liquidity and Capital Resources—Market Risk."

GRUMA's equity in earnings of associated companies, net, primarily GFNorte, represented income of Ps.627 million compared with income of Ps.495 million in 2009 also primarily derived from GFNorte.

Taxes decreased 24% to Ps.839 million compared with Ps.1,108 million in 2009 primarily as a result of lower pre-tax income in 2010.

GRUMA's net income was Ps.767 million compared with Ps.2,110 million in 2009. Majority net income was Ps.542 million compared with Ps.1,529 million in 2009. Both declines were caused mainly by the devaluation of the bolivar and lower results in Gruma Corporation.

Subsidiary Results

Gruma Corporation

Sales volume increased 6% to 1,395 thousand metric tons compared with 1,312 thousand metric tons in 2009. This increase was due mainly to higher volumes in our European operations caused by (1) the acquisition in March 2010 of the leading producer of corn grits in Ukraine; and (2) organic growth coming mainly from an expanded customer base in the Middle East (especially snack producers) and, to a lesser extent, in continental Europe and in the U.K.

Net sales decreased by 8% to Ps.21,919 million compared with Ps.23,917 million in 2009. The decline was due principally to the appreciation of the Mexican peso against the U.S. dollar, due to the application of month-end exchange rates for 2010 and 2009. Measured in dollar terms, net sales decreased by 2% mainly due to the effects of a price reduction in the U.S. corn flour business during the fourth quarter of 2009, which reflected lower corn prices at that time, and an increase in discounts and promotions in the U.S. tortilla business as a result of lower raw materials prices and competitive pressures. These were partially offset by the aforementioned acquisition in Ukraine and higher sales volume in Europe.

Cost of sales decreased by 7% to Ps.13,074 million compared with Ps.14,047 million in 2009 driven mostly by the appreciation of the Mexican peso against the U.S. dollar, due to the application of month-end exchange rates for 2010 and 2009. Measured in dollar terms, cost of sales was flat. As a percentage of net sales, cost of sales increased to 59.6% from 58.7% in connection with the aforementioned sales price discounts in the U.S. corn flour business, the increased discounts and promotions in the U.S. tortilla business and the change in sales mix toward our European operations, which have a lower gross margin than our U.S. operations.

SG&A decreased by 6% to Ps.7,548 million compared with Ps.7,999 million in 2009 due mainly to the appreciation of the Mexican peso against the U.S. dollar, due to the application of month-end exchange rates for 2010 and 2009. Measured in dollar terms, SG&A increased by 1% due primarily to the acquisition in Ukraine, as well as higher transportation expenses related to higher intercompany shipments and higher fuel prices. SG&A as a percentage of net sales increased to 34.4% from 33.2% in 2009 due to the aforementioned expense increases coupled with lower expense absorption, arising from the abovementioned sales price reduction in the U.S. corn flour business and the increase in discounts and promotions in the U.S. tortilla business.

Operating income decreased by 31% to Ps.1,296 million from Ps.1,870 million in 2009, and operating margin decreased to 5.9% from 7.8% in 2009, as a result of the foregoing factors. Measured in dollar terms, operating income declined 24%.

GIMSA

Sales volume increased by 1% to 1,890 thousand metric tons compared with 1,874 thousand metric tons in 2009. This increase came from (1) higher sales to supermarkets, due to the opening of new stores and adoption of customer-service programs designed to increase tortilla availability and (2) higher sales to the government's social welfare retail chain, DICONSA, across Mexico.

Net sales rose by 15% to Ps.11,889 million compared with Ps.10,348 million in 2009. The increase in net sales was due mainly to price increases which were originally implemented during the fourth quarter of 2009 and, to a lesser extent, during the fourth quarter of 2010, and the aforementioned higher volumes during the period.

Cost of sales increased by 18% to Ps.8,641 million compared with Ps.7,345 million in 2009, and as a percentage of net sales, cost of sales increased to 72.7% from 71.0% due to the elimination of government support of the tortilla industry; which led to price increases in corn and corn flour. In absolute terms, cost of sales also increased by the aforementioned sales volume growth. For a discussion of the discontinuation of Mexican government price supports, please see "Mexican Regulation—Corn Flour Consumer Aid Program."

SG&A increased by 14% to Ps.1,977 million compared with Ps.1,735 million in 2009. The increase resulted mainly from promotion and advertising expenses related to the 2010 FIFA World Cup, the strengthening of several customer-service programs, higher distribution expenses that resulted from a change in the sales mix towards retailers and wholesalers, where we usually pass through this expense, and higher intercompany shipments. SG&A as a percentage of net sales improved to 16.6% from 16.8% in 2009 due to better expense absorption in connection with the higher sales.

Operating income was flat at Ps.1,272 million, and operating margin decreased to 10.7% from 12.3% as a result of the aforementioned reasons.

Gruma Venezuela

Sales volume increased 14% to 523 thousand metric tons compared with 459 thousand metric tons in 2009 due to (1) consumers' migration to staple products, such as corn flour and wheat flour, as a result of the difficult economic situation confronting Venezuela; (2) a competitor's supply slowdown; and (3) increases in production and distribution efficiencies at some of our facilities, which allowed us to increase supply.

Net sales decreased by 40% to Ps.5,382 million compared with Ps.9,025 million in 2009. The decrease was due mainly to the effect of the devaluation of the bolivar.

Cost of sales decreased by 35% to Ps.4,042 million from Ps.6,177 million in 2009. This decrease was primarily due to the devaluation of the bolivar. As a percentage of net sales, cost of sales rose to 75.1% from 68.4% due to (1) higher raw-material costs of wheat and corn, which have not been fully reflected in our prices; and (2) higher manufacturing expenses due principally to salary increases, increased manufacturing employees' benefits, and overtime expenses in connection with power outages.

SG&A decreased by 43% to Ps.1,081 million compared with Ps.1,891 million in 2009. The decline was due primarily to the effect of the devaluation of the bolivar. SG&A as a percentage of net sales improved to 20.1% from 21.0% in 2009 due to lower expenses in real terms coupled with a reduction in promotion and advertising activities.

Operating income decreased by 73% to Ps.259 million compared with Ps.957 million in 2009, and operating margin dropped to 4.8% from 10.6%.

Molinera de México

Sales volume increased by 4% to 530 thousand metric tons compared with 508 thousand metric tons in 2009. This increase was driven by increased market coverage and improved customer-service especially among bakeries and tortilla shops, more competitive pricing to better position Molinera's leading brand on a nationwide basis, and higher sales of value added flour-based mixes, especially among supermarkets' in-store bakeries.

Net sales decreased by 1% to Ps.3,455 million compared with Ps.3,484 million in 2009. The reduction resulted from lower prices in connection with lower cost of wheat.

Cost of sales decreased by 3% to Ps.2,791 million compared with Ps.2,871 million in 2009 in connection with the aforementioned lower cost of wheat, optimization initiatives, and a shift in the sales mix towards more profitable products like pre-mixed flours. As a percentage of net sales, cost of sales improved to 80.8% from 82.4% due to higher cost absorption in connection with the aforementioned factors.

SG&A increased by 10% to Ps.573 million compared with Ps.520 million in 2009. The increase was due to higher freight expenses related to higher tariffs and higher sales volume, and increased labor expenses resulting from the aforementioned improved customer-service and expanded market coverage. SG&A as a percentage of net sales increased to 16.6% from 14.9% in 2009 due to the aforementioned higher expenses coupled with lower absorption of fixed expenses in connection with lower wheat flour prices.

Operating income decreased by 2% to Ps.91 million from Ps.93 million in 2009, and operating margin declined to 2.6% from 2.7% in 2009.

Gruma Centroamérica

Sales volume decreased by 3% to 201 thousand metric tons compared with 208 thousand metric tons in 2009. The decrease was due mainly to lower corn flour sales volume in Honduras mainly as a result of increased competition from other corn flour producers with low-priced brands.

Net sales was flat at Ps.2,765 million versus Ps.2,777 million in 2009.

Cost of sales decreased by 2% to Ps.2,029 million compared with Ps.2,068 million in 2009, due mainly to the aforementioned lower sales volume. Cost of sales as a percentage of net sales improved to 73.4% from 74.5% due to better absorption of fixed costs, and lower rice costs and fuel costs, contrasted with the extraordinary peaks observed during 2009.

SG&A increased by 2% to Ps.816 million compared with Ps.801 million in 2009, and as a percentage of net sales, SG&A rose to 29.5% from 28.8% in 2009 due to new advertising campaigns, increased promotions at the point of sale and shelf space improvements.

Operating loss decreased by 14% to Ps.79 million compared with a loss of Ps.92 million in 2009, and operating margin was negative 2.9% compared with negative 3.3%.

Year Ended December 31, 2009 Compared with Year Ended December 31, 2008

Consolidated Results

GRUMA's sales volume increased by 1% to 4,341 thousand metric tons compared with 4,287 thousand metric tons in 2008. This increase was driven mainly by GIMSA and, to a lesser extent, Molinera de México. Net sales increased by 13% to Ps.50,489 million compared with Ps.44,793 million in 2008. The increase was due primarily to Gruma Corporation, and, to a lesser extent, GIMSA. Sales from non-Mexican operations constituted 73% of consolidated net sales in 2009 compared to 71% of consolidated net sales in 2008.

Net Sales by Subsidiary: By major subsidiary, the percentages of consolidated net sales in 2009 and 2008 were as follows:

Subsidiary	Percentage of Consolidated Net Sales	
	2009	2008
Gruma Corporation	47%	44%
GIMSA	20	20
Gruma Venezuela	18	19
Molinera de México	7	8
Gruma Centroamérica	6	7
Others and eliminations	2	2

Cost of sales increased by 9% to Ps.33,100 million compared with Ps.30,237 million in 2008, due primarily to Gruma Corporation, and, to a lesser extent, GIMSA. Cost of sales as a percentage of net sales improved to 65.6% from 67.5% in 2008 due to Gruma Corporation and Gruma Venezuela.

Selling, general, and administrative expenses (SG&A) increased by 20% to Ps.13,582 million compared with Ps.11,289 million in 2008, due primarily to Gruma Corporation, and, to a lesser extent, Gruma Venezuela and GIMSA. SG&A as a percentage of net sales increased to 26.9% from 25.2% in 2008, driven mainly by Gruma Venezuela, and, to a lesser extent, to Gruma Centroamérica, Molinera de México, and GIMSA.

GRUMA's operating income increased by 17% to Ps.3,807 million compared with Ps.3,267 in 2008. Operating margin improved to 7.5% from 7.3% in 2008, due primarily to Gruma Corporation.

Other expense, net, was Ps.150 million compared with Ps.181 million in 2008.

Net comprehensive financing cost was Ps.933 million compared with Ps.15,088 million in 2008. The decrease resulted mainly from the losses on currency derivative instruments registered in 2008. See "—Liquidity and Capital Resources—Indebtedness," and "—Liquidity and Capital Resources—Market Risk."

GRUMA's equity in earnings of associated companies, net, primarily GFNorte, represented income of Ps.495 million compared with income of Ps.618 million in 2008 also primarily derived from GFNorte.

Taxes increased 155% to Ps.1,108 million compared with Ps.435 million in 2008 primarily as a result of an increase in our pre-tax net income compared with a pre-tax loss in 2008.

GRUMA's net income was Ps.2,110 million compared with a loss of Ps.11,818 million in 2008. Majority net income was Ps.1,529 million compared with a loss of Ps.12,340 million in 2008. Both improvements came mainly from the aforementioned losses on currency derivative instruments in 2008.

Subsidiary Results

Gruma Corporation

Sales volume decreased 2% to 1,312 thousand metric tons compared with 1,337 thousand metric tons in 2008. This reduction was due mainly to lower U.S. tortilla sales volume in connection with our decision to reduce

the number of tortillas included per stock keeping unit ("SKU") in the retail segment and, to a lesser extent, lower sales in the food service segment driven mostly by a general decline in the industry as well as our decision to discontinue supplying low-margin products to some customers.

Net sales increased by 21% to Ps.23,917 million compared with Ps.19,761 million in 2008. The increase was due to the effects of the devaluation of the Mexican peso resulting from comparing the average of the month-end exchange rates for 2009 versus the average of the month-end exchange rates for 2008. Measured in U.S. dollar terms, net sales were flat despite the reduction in sales volume due to price increases per unit of our tortillas as a result of the product-count reduction in our tortilla SKUs and price increases in corn flour during the fourth quarter of 2008.

Cost of sales increased by 15% to Ps.14,047 million compared with Ps.12,162 million in 2008 due to the effects of the devaluation of the Mexican peso resulting from comparing the average of the month-end exchange rates for 2009 versus the average of the month-end exchange rates for 2008. As a percentage of net sales, cost of sales improved to 58.7% from 61.5% in connection with the aforementioned price increases related to product-count reduction in our SKUs and price increases in corn flour. The improvement was also driven by (i) lower raw-material cost, in particular wheat prices and an optimization in the mix of wheat types and oils as well as lower natural gas cost, and (ii) lower fixed costs stemming from our decision to close three tortilla plants. Measured in dollar terms, cost of sales declined 4% due to the aforementioned cost reductions.

SG&A increased by 20% to Ps.7,999 million compared with Ps.6,648 million in 2008 due to the effects of the devaluation of the Mexican peso resulting from comparing month-end exchange rates for 2009 versus month-end exchange rates for 2008. SG&A as a percentage of net sales improved to 33.4% from 33.6% in 2008 due to better expense absorption; that is, the increase in our net sales was proportionally larger than increases in our expenses due to higher prices for our products. In addition, we had lower transportation and distribution expenses resulting from lower cost of fuel and optimization programs implemented during 2009 and lower fixed expenses resulting from our decision to close three tortilla plants. Measured in dollar terms, SG&A declined 1% due to the aforementioned expense reductions.

Operating income increased by 97% to Ps.1,870 million, and operating margin increased to 7.8% from 4.8% in 2008, as a result of the foregoing factors.

GIMSA

Sales volume increased by 3% to 1,874 thousand metric tons compared with 1,818 thousand metric tons in 2008. The increase was a result of the conversion among tortilla makers from the traditional method to the dry corn flour method, several commercial initiatives designed to expand coverage and improve customer service, the increase of in-store tortillerías in supermarkets, and increased sales to supermarkets.

Net sales rose by 13% to Ps.10,348 million compared with Ps.9,142 million in 2008. The increase was due mainly to price increases implemented during the year, especially during the fourth quarter of 2009, and to a lesser extent, to the aforementioned higher sales volume.

Cost of sales increased by 16% to Ps.7,345 million compared with Ps.6,354 million in 2008. This increase was due to higher cost of corn in connection with the elimination of government support to the tortilla industry, which led to increases in the price of corn flour. To a lesser extent, higher sales volume also drove the higher cost of sales. As a percentage of net sales, cost of sales increased to 71.0% from 69.5% as a result of the aforementioned reasons.

SG&A increased by 18% to Ps.1,735 million compared with Ps.1,470 million in 2008. The increase was due mainly to higher selling expenses resulting from promotion and advertising related to the 2010 FIFA World Cup, and from commercial initiatives designed to increase coverage and improve customer service. SG&A as a percentage of net sales increased to 16.8% from 16.1% in 2008 due to the aforementioned expense increases.

Operating income decreased by 4% to Ps.1,268 million from Ps.1,318 million in 2008, and operating margin decreased to 12.3% from 14.4%, as a result of the foregoing factors.

Gruma Venezuela

Sales volume decreased 1% to 459 thousand metric tons compared with 464 thousand metric tons in 2008 due to lower sales of (i) corn flour to the Venezuelan government and increased competition from the market leader and, to a lesser extent, (ii) lower wheat flour sales stemming from shipping delays of wheat imports during September of 2009 which resulted in a temporary lack of wheat.

Net sales increased by 3% to Ps.9,025 million compared with Ps.8,727 million in 2008. The increase was due mainly to the effects of inflation in Venezuela resulting from comparing constant currencies as of December 2009 versus constant currencies as of December 2008.

Cost of sales decreased by 4% to Ps.6,177 million from Ps.6,424 million in 2008. This decrease was primarily due to the appreciation of the peso relative to the U.S. dollar, as measured by the exchange rate in effect at the end of 2009. To a lesser extent, lower prices for wheat contributed to the decrease. As a percentage of net sales, cost of sales improved to 68.4% from 73.6% for the aforementioned reasons.

SG&A increased by 28% to Ps.1,891 million compared with Ps.1,474 million in 2008. The increase was due primarily to general salary increases, higher freight tariffs, higher advertising expenses and the effects of inflation resulting from comparing constant currencies as of December 2009 versus constant currencies as of December 2008. SG&A as a percentage of net sales increased to 21.0% from 16.9% in 2008 due to the aforementioned higher expenses.

Operating income increased by 15% to Ps.957 million, and operating margin improved to 10.6% from 9.5%, as a result of the foregoing factors.

Molinera de México

Sales volume increased by 3% to 508 thousand metric tons compared with 494 thousand metric tons in 2008. This increase was driven by a decline in wheat flour prices, increased market coverage, and expansion in the number of supermarkets that carry our products.

Net sales decreased by 3% to Ps.3,484 million compared with Ps.3,598 million in 2008. The decrease resulted from lower prices in connection with lower cost of wheat, which was partially offset by the increase in sales volume.

Cost of sales increased by 1% to Ps.2,871 million compared with Ps.2,840 million in 2008 in connection with higher sales volume. As a percentage of net sales, cost of sales increased to 82.4% from 78.9% due mainly to increased cost of sales related to higher sales volume in conjunction with lower net sales as a result of lower wheat flour prices.

SG&A increased by 13% to Ps.520 million compared with Ps.462 million in 2008. The increase was due to higher freight expenses related to higher sales volume, and to higher advertising expenses. SG&A as a percentage of net sales increased to 14.9% from 12.8% in 2008 due to lower absorption of fixed expenses because of the reduction of net sales as a result of lower wheat flour prices.

Operating income decreased by 69% to Ps.93 million from Ps.296 million in 2008, and operating margin decreased to 2.7% from 8.2% in 2008.

Gruma Centroamérica

Sales volume decreased by 3% to 208 thousand metric tons compared with 213 thousand metric tons in 2008. The decrease was due mainly to lower corn flour sales volume in Honduras as a result of: (i) a corn surplus, increased competition from other corn flour producers, and distribution and delivery difficulties stemming from the country's constitutional crisis; and (ii) certain changes to our shipping and distribution system in Honduras designed to make us less dependent on third parties. To a lesser extent, lower sales volume for hearts of palm contributed to the decrease.

Net sales decreased by 6% to Ps.2,777 million from Ps.2,949 million in 2008. The decrease was due to the aforementioned lower sales volume, the appreciation of the Mexican peso relative to the U.S. dollar as measured by the exchange rate in effect at the end of 2009, and the effects of inflation resulting from comparing constant currencies as of December 2009 versus constant currencies as of December 2008.

Cost of sales decreased by 3% to Ps.2,068 million compared with Ps.2,134 million in 2008, due mainly to the aforementioned lower sales volume. Increases in cost of sales were offset by the appreciation of the Mexican peso relative to the U.S dollar and the effect of inflation resulting from comparing constant currencies as of December 2009 versus constant currencies as of December 2008. Cost of sales as a percentage of net sales increased to 74.5% from 72.4% due to higher fixed costs stemming from the introduction of a new corn flour unit and higher fuel costs, which were not fully absorbed through price increases.

SG&A increased by 6% to Ps.801 million compared with Ps.756 million in 2008. The increase was due to lower expense absorption in connection with lower net sales, higher selling expenses in connection with investments in our shipping and distribution system in Honduras designed to make us less dependent on third parties, and higher promotion and advertising expenses stemming from the implementation of a new advertising campaign. The increases were partially offset by the appreciation of the Mexican peso against the U.S. dollar and the effects of inflation resulting from comparing constant currencies as of December 2009 versus constant currencies as of December 2008. As a percentage of net sales, SG&A rose to 28.8% from 25.6% in 2008 due to the aforementioned factors.

Operating loss was Ps.92 million compared with income of Ps.59 million in 2008, and operating margin decreased to negative 3.3% from positive 2.0% as a result of the foregoing factors.

LIQUIDITY AND CAPITAL RESOURCES

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

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

Extreme exchange rate volatility in the financial markets during the last two quarters of 2008 and the first quarter of 2009 resulted in significant fluctuations in the mark-to-market value of GRUMA's foreign exchange derivative instruments. As of October 28, 2008, GRUMA's foreign exchange derivative instruments represented an aggregate negative mark-to-market non-cash unrealized loss of U.S.$788 million. On November 12, 2008 we entered into a loan agreement with Bancomext in the amount of Ps.3,367 million and applied the proceeds to terminate our commitments arising under all the currency derivative instruments that we had entered into with one of our derivative counterparties and to pay other commitments arising under the currency derivative instruments maturing from the date of such loan agreement with Bancomext. In addition, we entered into agreements on October 16, 2009 with our remaining derivative counterparties to convert a total of U.S.$738.3 million dollars owing under our terminated foreign exchange derivative instruments into medium- and long-term loans, as described below in "—Indebtedness Repaid After December 31, 2010."

On February 18, 2011, GRUMA made an early payment of outstanding balances of several of its bank facilities. The total amounts of the payments made were U.S.$752.6 million and Ps.773.3 million, payments for which GRUMA used the entirety of the net proceeds from the GFNorte Sale, which totaled Ps.9,005.5 million after fees and expenses, as well as its own resources and others obtained through short-term facilities.

As a result of the GFNorte Sale, the loan agreements relating to the Term Loan, the Three-Year Term Loans, the BNP Term Loan and the Refinanced 2005 Facility (as defined herein) were all terminated. After terminating the Refinanced 2005 Facility, we entered into the Syndicated Loan Facility (as defined below). In connection with the termination of the aforementioned agreements, the security interests in the Pledged Shares (as defined below) have been released. See "—Indebtedness" below for a description of our current principal debt instruments.

Our long-term corporate credit rating and our senior unsecured perpetual bond are rated BB- by Standard & Poor's. Our Foreign Currency Long-Term Issuer Default Rating and our Local Currency Long-Term Issuer Default Rating are rated BB by Fitch. Our U.S.$300 million perpetual bond is rated BB by Fitch Ratings. These ratings reflect the recent debt repayment made on February 18, 2011, after applying the net proceeds from the sale of GRUMA's 8.8% stake in GFNorte. The ratings in effect during 2009 and 2010, prior to the debt repayment on February 18, 2011, reflected additional leverage on GRUMA's capital structure from the termination of GRUMA's foreign exchange derivative positions and the subsequent conversion of the realized losses into debt.

On February 1, 2008, Standard & Poor's placed our long-term corporate credit rating and our senior unsecured perpetual bond on Credit Watch with negative implications. On March 12, 2008, Standard & Poor's removed the Credit Watch with negative implications based on the Company's intention to use part of the proceeds of a proposed May 2008 rights offering to repay debt, which improved our debt ratios. On October 13, 2008, Standard and Poor's reduced our long-term corporate credit rating and the credit rating on our senior unsecured perpetual bond from BBB- to BB, and placed the ratings on Credit Watch with negative implications. On November 11, 2008, Standard and Poor's reduced the rating again from BB to B+ continuing the Credit Watch with negative implications. On July 28, 2009, Standard and Poor's affirmed the rating of B+ with negative implications. On December 16, 2009, Standard and Poor's affirmed its rating of B and removed the ratings from Credit Watch with negative implications to a stable outlook following its appraisal of GRUMA's financial situation under its new capital structure, its financial policies and operating performance. On October 13, 2008, Fitch reduced the ratings to BB+ from BBB- while placing GRUMA on Rating Watch Negative. On April 2, 2009, Fitch reduced its ratings again to B+ from BB+ and removed all ratings from Rating Watch Negative to Stable. On May 18, 2010, Fitch

affirmed its ratings of B+ with a stable outlook following action taken in respect of GRUMA's Venezuelan assets by the government of Venezuela. See "Item 3. Key Information—Risks Related to Venezuela—One of our Subsidiaries in Venezuela is Currently Involved in Expropriation Proceedings and our Remaining Subsidiary in Venezuela is Subject to Expropriation." After GRUMA announced that it repaid a substantial portion of its indebtedness on February 18, 2011, Fitch raised its rating to BB with a positive outlook and Standard & Poor's upgraded its rating to BB-, also with a positive outlook.

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

The reduction in our credit rating and the liquidity scarcity experienced in the global financial markets resulted in a reduction in our ability to issue new debt and reduced the availability of our uncommitted short-term lines of credit during most of 2009. However, since the significant debt repayment on February 18, 2011 and the rating upgrades by Fitch and Standard & Poor's, our ability to access credit lines has improved. Consequently, on March 22, 2011, GRUMA entered into a five-year syndicated loan facility in the amount of U.S.$225 million with BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, as Administrative Agent and the several lenders party thereto.

The following is a summary of the principal sources and uses of cash for the three years ended December 31, 2010.

	2008	2009	2010
		(thousands of Mexican pesos)	
Resources provided by (used in) (1):			
Operating activities	Ps. 2,212,996	Ps. 5,167,798	Ps. 3,005,562
Financing activities	1,410,811	(3,609,027)	(3,935,194)
Investing activities	(2,958,202)	(941,127)	(815,700)

(1) As a result of MFRS B-2 "Statement of Cash Flows", effective starting January 1, 2008, the Company has included the Statement of Cash Flows for the years ending December 31, 2008, 2009 and 2010 and for the years ended December 31, 2006 and 2007, the Company has included the Statement of Changes in Financial Position. As a result, the cash flow figures for 2008, 2009 and 2010 may not be directly comparable to those presented for the previous two years.

During 2010, net cash generated from operations was Ps.3,006 million after changes in working capital of Ps.821 million of which Ps.614 million was due to an increase in accounts receivable, Ps.732 million reflected an increase in inventory and Ps.769 million reflected an increase in accounts payable. Net cash used by financing activities during 2010 was Ps.3,935 million of which Ps.3,257 million reflected borrowing payments, primarily debt amortizations relating to derivative instruments, Ps.1,205 million in cash interest payments, Ps.75 million of dividends paid to minority shareholders of GIMSA and Ps.41 million in cash payments in respect of derivative instruments. Cash used by investment activities during 2010 reflected cash expenditures for Ps.1,008 million, most of which were applied to general manufacturing upgrades and efficiency improvements in Gruma Corporation and GIMSA, and Ps.107 million for the acquisition in Ukraine. As of December 31, 2009 and 2010, there were no significant restricted net assets of the consolidated subsidiaries of the Company, as defined by Rule 4-08(e)(3) of Regulation S-X.

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

As further described below, Gruma, S.A.B. de C.V. is subject to financial covenants contained in one of its debt agreements which require it to maintain certain financial ratios and balances on a consolidated basis, among other limitations. Gruma Corporation is also subject to financial covenants contained in one of its debt agreements which require it to maintain certain financial ratios and balances on a consolidated basis. A default under any of our existing debt obligations for borrowed money could result in acceleration of the due dates for payment of the amounts owing thereunder and, in certain cases, in a cross-default under some of our existing credit agreements and the indenture governing our perpetual bonds. See "Item 10. Additional Information—Material Contracts."

Gruma, S.A.B. de C.V. and its consolidated subsidiaries are required to maintain a leverage ratio no greater than 3.5:1, and an interest coverage ratio no lower than 2.5:1. As of March 31, 2011, Gruma, S.A.B. de C.V.'s leverage ratio was 2.5:1. The amount of interest that Gruma Corporation pays on its debt may increase if its overall leverage ratio increases above 1.5:1. See "—Indebtedness." As of March 31, 2011, Gruma Corporation's leverage ratio was 0.8:1, which represents the lowest interest rate range under the U.S.$100 million facility at LIBOR + 35 bp.

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 and his family could lose control over us and a change of control could result. This could trigger a default in some of our credit agreements and the indenture governing our perpetual bonds which have an aggregate principal amount outstanding as of March 31, 2011 of U.S.$656 million 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."

Adjusted Working Capital

We define adjusted working capital as current assets, minus current liabilities, excluding short-term bank loans and current portion of long-term debt. We included adjusted working capital, a non-GAAP measure, as we believe it provides additional meaningful information in conjunction with working capital, the most directly comparable GAAP measure, and because it assists our management in making decisions. Our calculation of adjusted working capital may not be comparable to that reported by other companies. The following table reconciles our working capital to our adjusted working capital as of December 31, 2009 and 2010:

	2009	2010
	(thousands of Mexican pesos)	
Working capital	Ps. 7,530,399	Ps. 4,301,850
Short-term bank loans	912,141	616,722
Current portion of long-term debt	1,291,251	1,576,149
Adjusted working capital	Ps. 9,733,791	Ps. 6,494,721

Indebtedness

Our indebtedness bears interest at fixed and floating rates. As of March 31, 2011, approximately 42% of our outstanding indebtedness bore interest at fixed rates and approximately 58% bore interest at floating rates, with almost all U.S. dollar and Mexican peso floating-rate indebtedness bearing interest based on LIBOR and TIIE, respectively. We partially 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. Quantitative and Qualitative Disclosures About Market Risk."

Outstanding Indebtedness

Perpetual Bonds

On December 3, 2004, Gruma, S.A.B. de C.V. issued U.S.$300 million 7.75% senior unsecured perpetual bonds, which at the time were rated 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. In connection with our refinancing under the Term Loan, the Three-Year Term Loans, the BNP Term

Loan and the Refinanced 2005 Facility, Gruma, S.A.B. de C.V. entered into a supplemental indenture on October 21, 2009 that provided holders of our perpetual bonds with an equal and ratable security interest in the Pledged Shares. Due to the early payment of the outstanding balances of several of our current bank facilities using proceeds from the GFNorte Sale, cash and short-term lines of credit, the security interests in the Pledged Shares have been released. As of March 31, 2011 we have not hedged any interest payments on our U.S.$300 million 7.75% senior unsecured perpetual bonds.

Gruma Corporation

In October 2006, Gruma Corporation entered into a U.S.$100 million 5-year revolving credit facility with a syndicate of financial institutions (the "Gruma Corporation Loan Facility"). The credit facility replaced the U.S.$70 million revolving credit facility which was to mature in June 2007 and was terminated upon the closing of the new facility. The new facility has an interest rate based on LIBOR plus a spread of 0.35% to 0.45% that fluctuates in relation to Gruma Corporations' leverage and contains less restrictive provisions than those in the facility replaced. This Facility contains covenants that limit Gruma Corporation's ability to merge or consolidate, and require it to maintain: (1) a ratio of total funded debt to consolidated EBITDA of not more than 3.0:1; and (2) a ratio of consolidated EBITDA to consolidated interest charges of not less than 2.0:1. In addition, this facility limits Gruma Corporation's, and certain of its subsidiaries' ability, among other things, to: (1) create liens; (2) make certain investments; (3) make certain restricted payments; (4) enter into any agreements that prohibit the payment of dividends; and (5) engage in transactions with affiliates. This facility also limits Gruma Corporation's subsidiaries' ability to incur additional debt.

Gruma Corporation is also subject to covenants which limit the amounts that may be advanced to, loaned to, or invested in us under certain circumstances. Upon the occurrence of any default or event of default under its credit agreements, Gruma Corporation generally would be prohibited from making any cash dividend payments to us. The covenants described above and other covenants could limit our and Gruma Corporation's ability to help support our liquidity and capital resource requirements.

Peso Facility

On November 12, 2008, we obtained a Ps.3,367 million peso-denominated two year bullet senior credit facility from Bancomext (*Banco Nacional de Comercio Exterior*) which we refer as the 2008 Peso Facility. Bancomext entered into a separate guarantee agreement with the Mexican Government, pursuant to which Banco de México guarantees this facility through a fund that specializes in guaranteeing the debt of the Mexican agricultural sector (*Fondo Especial de Asistencia Técnica y Garantía para Créditos Agropecuarios*). In connection with the refinancing of the majority of the Company's outstanding debt, GRUMA refinanced the 2008 Peso Facility on September 18, 2009 (the "Refinanced Peso Facility"). The Refinanced Peso Facility has a ten-year tenor maturing in September 2019 and GRUMA is obligated to make quarterly interest payments beginning in December of 2012 corresponding to either 10% or 20% of the outstanding value of the loan pursuant to the amortization schedule. The interest rate for the Refinanced Peso Facility is 91-day TIIE plus 6.21%. The Refinanced Peso Facility limits our ability, among other things, to transfer or encumber our assets.

Syndicated Loan Facility

On March 22, 2011 we obtained a U.S.$225 million, five-year senior credit facility through a syndicate of banks (the "Syndicated Loan Facility"). The Syndicated Loan Facility consists of a term loan ("Term Loan Facility") and a revolving loan facility (the "Revolving Loan Facility"). The interest rate for the Term Loan Facility and for the Revolving Loan Facility is either (i) LIBOR or (ii) an interest rate determined by the administrative agent based on its "prime rate" or the federal funds rate, respectively, plus, in either case, (a) 2.25% if the Company's ratio of total funded debt to EBITDA (the "Maximum Leverage Ratio") is greater than or equal to 3.0x, (b) 2.0% if the Company's Maximum Leverage Ratio is greater than or equal to 2.5x and less than 3.0x, (c) 1.75% if the Company's Maximum Leverage Ratio is greater than or equal to 2.0x and less than 2.5x and (d) 1.50% if the Company's Maximum Leverage Ratio is less than 2.0x. The Syndicated Loan Facility contains a covenant that requires us to maintain a ratio of consolidated EBITDA to interest charges of not less than 2.5:1. The Syndicated Loan Facility also contains a covenant that requires us to maintain a Maximum Leverage Ratio of not more than 3.5:1. The Syndicated Loan Facility also limits our ability, and our subsidiaries' ability in certain cases, among other things, to: create liens; make certain investments or other restricted payments; merge or consolidate with other companies or sell substantially all of our assets; and enter into certain hedging transactions. Additionally, the

Syndicated Loan Facility limits our subsidiaries' ability to guarantee additional indebtedness issued by the Company and to incur additional indebtedness.

Indebtedness Repaid After December 31, 2010

We have repaid the following facilities with proceeds from the GFNorte Sale in February of 2011:

2005 Facility

On July 28, 2005, we refinanced a U.S.$250 million senior credit facility through another credit facility from a syndicate of five banks (the "2005 Facility"), achieving a reduction in the interest rate and eliminating the partial principal amortizations in years 2008 and 2009 and leaving a bullet payment at maturity in July 2010, among other minor benefits. In connection with our refinancing under the Term Loan, the Three-Year Term Loans and the BNP Term Loan, we also refinanced the U.S.$197 million that remained outstanding under the 2005 Facility (the "Refinanced 2005 Facility") on October 16, 2009. As a result, the Refinanced 2005 Facility was converted into a secured term loan with a five-year tenor maturing in October of 2014, pursuant to which GRUMA began making requisite equal quarterly interest payments in January of 2010. The Refinanced 2005 Facility was constituted by two tranches, a U.S. dollar tranche in the amount of U.S.$118.2 million and a Mexican peso tranche in the amount of Ps.1,031 million. The interest rates for both the peso and the dollar tranches were TIIE and LIBOR, respectively, plus 2.875% for the first three years, 3.375% for the fourth year and 3.875% for the fifth year. This agreement contained events of default and certain financial and other covenants. The Refinanced 2005 Facility was secured by GRUMA's shares in GIMSA, Gruma Corporation and Molinera de México (the "Pledged Shares"). On February 18, 2011, we made an early payment of outstanding balances of several of our current bank facilities, including the Refinanced 2005 Facility, using proceeds from the GFNorte Sale, cash and short-term lines of credit. As a result of such repayment, the loan agreement relating to the Refinanced 2005 Facility has been terminated and the security interests in the Pledged Shares have been released.

Term Loan

We entered into the Term Loan with the Major Derivative Counterparties on October 16, 2009 for an amount of U.S.$668.3 million and a tenor of seven and one-half years, maturing on January 21, 2017. The interest rate of the Term Loan was LIBOR plus 2.875% through July 20, 2012 with interest escalating to LIBOR plus 3.375% after July 20, 2012, LIBOR plus 3.875% after July 20, 2013, LIBOR plus 4.875% after July 20, 2014, LIBOR plus 5.875% after July 20, 2015 and LIBOR plus 6.875% from July 21, 2016 until the maturity date. This agreement contained events of default and certain financial and other covenants. The Term Loan was secured by the Pledged Shares. On February 18, 2011, we made an early payment of outstanding balances of several of our current bank facilities, including the Term Loan, using proceeds from the GFNorte Sale, cash and short-term lines of credit. As a result of such repayment, the loan agreement relating to the Term Loan has been terminated and the security interests in the Pledged Shares have been released.

Three-Year Term Loans

In addition, we entered into the Three-Year Term Loans with Standard Chartered, Barclays, and RBS on October 16, 2009, for an amount of U.S.$22.9 million, U.S.$21.5 million and U.S.$13.9 million, respectively, maturing on July 21, 2012. The interest rate on the Three-Year Term Loans was LIBOR plus 2.875%. Pursuant to the Three-Year Term Loans, we were required to maintain leverage ratios and interest coverage ratios consistent with the applicable ratios described above concerning the Term Loan and Refinanced 2005 Facility. These agreements contained events of default and certain financial and other covenants. The Three-Year Term Loans were unsecured. On February 18, 2011, we made an early payment of outstanding balances of several of our current bank facilities, including the Three-Year Term Loans, using proceeds from the GFNorte Sale, cash and short-term lines of credit. As a result of such repayment, the loan agreements relating to the Three-Year Term Loans have been terminated.

BNP Term Loan

On October 16, 2009, we also entered into the BNP Term Loan, as described above for an amount of U.S.$11.8 million, maturing on May 1, 2011. The BNP Term Loan bore interest at LIBOR plus 2%. The BNP Term Loan was unsecured. This agreement contained events of default and certain financial and other covenants.

On February 18, 2011, we made an early payment of outstanding balances of several of our current bank facilities, including the BNP Term Loan, using proceeds from the GFNorte Sale, cash and short-term lines of credit. As a result of such repayment, the loan agreement relating to the BNP Term Loan has been terminated.

Other Information

As of December 31, 2010 we were in compliance with all of the covenants and obligations under our existing debt agreements.

As of March 31, 2011, the Company has committed lines of credit for the amount of U.S.$175 million from banks in Mexico and the United States of which we have drawn U.S.$70 million dollars.

At March 31, 2011, we had total outstanding long-term debt aggregating approximately Ps.9,348 million (approximately U.S.$785 million). Approximately 57% of our long-term debt at such date was dollar-denominated, 40% denominated in Mexican Pesos, 2% denominated in bolivars, and the remaining 1% in Euros. Our long-term debt includes mainly U.S.$282.7 million, or Ps.3,367 million, aggregate principal amount under the Refinanced Peso Facility (Bancomext), dated September 2009, and Ps.3,573 million, or U.S.$300 million, aggregate principal amount of the 7.75% senior unsecured perpetual bonds, which we issued in December 2004. In addition, in March 2011 we entered into the Syndicated Loan Facility for an aggregate principal amount of U.S.$225 million, all of which was available as of March 31, 2011.

As of March 31, 2011, we had total cash and cash equivalents of Ps.974 million.

The following table presents our amortization requirements with respect to our total indebtedness as of March 31, 2011.

Year	In Millions of U.S. Dollars
2011	186.3
2012	20.3
2013	37.5
2014	49.9
2015 and thereafter	490.9
Total	784.9

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, 2009	0.65	2.72
December 31, 2010	0.63	2.70
March 31, 2011	0.38	1.32

Capital Expenditures

During 2008, GRUMA's investments totaled U.S.$235 million, most of which were applied to Gruma Corporation. Major investments were applied to the construction of tortilla plants in California and Australia and capacity expansions and upgrades in Gruma Corporation. In 2009, we invested U.S.$87 million in major capital expenditures, which were applied to capacity expansions and upgrades in Gruma Corporation and GIMSA, the completion of a tortilla plant in California and the construction of a wheat mill in Venezuela. During 2010, we invested U.S.$89 million in capital expenditures, which were applied to general manufacturing upgrades and efficiency improvements in Gruma Corporation and GIMSA, and in the acquisition of the leading producer of corn grits in Ukraine for U.S.$9 million.

We have budgeted approximately U.S.$200 million for capital expenditures in 2011, which we intend to use mainly for capacity increases and upgrades particularly in Gruma Corporation, and Gruma Asia and Oceania.

We anticipate financing these expenditures throughout the year through internally generated funds and debt. This capital expenditures budget does not include any potential acquisitions. During the first quarter of 2011, we spent approximately U.S.$21 million on capital expenditures which were applied mainly to capacity increases and upgrades in Gruma Corporation.

Concentration of Credit Risk

Our regular operations expose us to potential defaults when our suppliers and counterparties are unable to comply with their financial or other commitments. We seek to mitigate this risk by entering into transactions with a diverse pool of counterparties. However, we continue to remain subject to unexpected third party financial failures that could disrupt our operations.

We are also exposed to risk in connection with our cash management activities and temporary investments, and any disruption that affects our financial intermediaries could also adversely affect our operations.

Our exposure to risk due to trade receivables is limited given the large number of our customers located in different parts of Mexico, the United States, Central America, Venezuela, Europe, Asia and Oceania. However, we still maintain reserves for potential credit losses. Our operations in Venezuela represented 12% of our sales and 10% of total assets as of December 31, 2010. 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. For example, the Venezuelan government devalued its currency and established a two tier exchange structure on January 11, 2010. Pursuant to Exchange Agreement No.14, the official exchange rate of the Venezuelan bolivar ("Bs.") was devalued from Bs.2.15 to each U.S. dollar to 4.30 for non-essential goods and services and to 2.60 for essential goods. However, effective January 4, 2011, the fixed exchange rate became 4.30 bolivars for all goods and services.

At this time, we cannot predict the effect that the Venezuelan government's decision to devalue its currency, or similar decisions the government may take in the future, will have on our suppliers and counterparties. See "Item 3. Key Information—Risk Factors—Risks Related to Venezuela—Venezuela Presents Significant Economic Uncertainty and Political Risk."

Our financial condition and results of operations could be adversely affected since, among other reasons: (i) 100% of the sales of our operations in Venezuela are denominated in bolivars; (ii) Gruma Venezuela produces products that are subject to price controls; (iii) part of Gruma Venezuela's sales depend on centralized government procurement policies for its social welfare programs; (iv) we may have difficulties repatriating dividends from Gruma Venezuela, as well as importing some of its requirements for raw materials as a result of the exchange controls; and (v) Gruma Venezuela may face increasing costs in some of our raw materials due to the implementation of import tariffs. In the case of some of our raw materials, we may also face increasing costs due to the implementation of import tariffs. See "Item 3. Key Information—Risk Factors—Risks Related to Venezuela—Venezuela Presents Significant Economic Uncertainty and Political Risk."

From time to time, we enter into currency derivative transactions that cover varying periods of time and have varying pricing provisions. Our credit exposure on derivatives contracts is primarily to professional counterparties in the financial sector, arising from transactions with banks, investment banks and other financial institutions. As of April 30, 2011, the Company had foreign exchange derivative transactions in effect for a nominal amount of U.S.$250 million. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk."

Market Risk

Market risk is the risk of loss generated by fluctuations in market prices such as commodities, interest rates and foreign exchange rates. These are the main market risks to which we are exposed.

Extreme exchange rate volatility in the financial markets during the last two quarters of 2008 and the first quarter of 2009 resulted in significant fluctuations in the mark-to-market value of GRUMA's foreign exchange derivative instruments. See "—Indebtedness."

During 2010, GIMSA entered into forward transactions in order to hedge the Mexican peso to U.S. dollar foreign exchange rate risk related to the price of the corn purchases for the 2010 summer and winter corn harvests in Mexico. As of March 31, 2011 these transactions had expired by their terms.

As of April 30, 2011, the Company had foreign exchange derivative transactions in effect for a nominal amount of U.S.$250 million with different maturities from May through August 2011. The purpose of these contracts was to hedge the risks related to exchange rate fluctuations on the price of corn, which is denominated in U.S. dollars. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk."

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 corn/wheat 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 57 patents in the United States since 1968, one of which was obtained during the last three years. 20 of these patents are in force and effect in the United States as of the date hereof and the remaining 37 have expired. We currently have 5 new patents in process, 4 in the United States and 1 in other countries. Additionally, 3 of our registered 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 corn/wheat 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 spent Ps.94 million, Ps.92 million and Ps.77 million on research and development in 2008, 2009 and 2010, 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, wheat and wheat flour. In addition, we expect our financial results in 2011 to be influenced by:

- volatility in corn and wheat prices;
- increased competition from tortilla manufacturers, especially in the U.S.;
- increase or decrease in the Hispanic population in the United States;
- increases in Mexican food consumption by the non-Hispanic population in the United States; 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 the U.S., Europe, Asia and Oceania, each of which could increase sales;
- volatility in energy costs;
- increased competition in the corn flour business;
- exchange rate fluctuations, particularly increases and decreases in the value of the Mexican peso relative to the Venezuelan bolivar and U.S. dollar;
- civil and political unrest, currency devaluation and other governmental economic policies in Venezuela which may negatively affect the profitability of Gruma Venezuela;

- unfavorable general economic conditions in the United States and globally, such as the recession or economic slowdown, which could negatively affect the affordability of and consumer demand for some of our products; and

- our ability to effectively manage our liquidity requirements in connection with our leverage.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2010 we do not have any outstanding off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

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 FRS, the future rights and obligations pertaining to such firm commitments are not reflected as assets and liabilities on the accompanying consolidated balance sheets. The following table summarizes separately our material firm commitments at December 31, 2010 and the timing and effect that such obligations are expected to have on our liquidity and cash flow in the future periods. In February of 2011, we prepaid approximately U.S.$753 million and Ps.773 million of indebtedness. 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	1,313.4	—	322.7	365.6	625.0
Operating lease obligations(1)	169.0	41.6	58.2	26.8	42.4
Purchase obligations(2)	154.3	154.3	—	—	—
Interest payments on our indebtedness (3)	372.6	82.1	141.4	107.2	41.9
Other liabilities(4)	177.6	177.6	—	—	—
Total	2,186.9	455.6	522.3	499.6	709.3
Total in millions of peso equivalent amounts	27,008.2	5,626.7	6,450.4	6,170.1	8,759.9

(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) In the determination of our future estimated interest payments on our floating rate denominated debt, we used the interest rates in effect as of December 31, 2010.

(4) Other relates to liabilities for 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 FRS, 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.

Net (loss) income under U.S. GAAP amounted to Ps.(11,778.9) million in 2008, Ps.1,545.6 million in 2009 and Ps.711.1 million in 2010 compared with majority net loss under Mexican FRS of Ps.12,339.8 million in 2008, net income of Ps.1,528.9 million in 2009 and net income of Ps.541.9 million in 2010.

Stockholders' equity under U.S. GAAP amounted to Ps.10,946.2 million in 2009 and Ps.11,012.8 million in 2010 compared with stockholders' equity under Mexican FRS of Ps.11,811.6 million in 2009 and Ps.10,620.5 million in 2010.

New Accounting Standards

In January 2009, the CNBV implemented changes requiring that, beginning in 2012, Mexican issuers with securities listed on the BMV prepare financial statements in accordance with IFRS as issued by the International Accounting Standards Board. Issuers may voluntarily report using IFRS for fiscal years 2008 through 2011, provided that they notify the CNBV and BMV. Accordingly, we have notified the CNBV and the BMV of our decision to adopt IFRS starting on January 1, 2011. See Note 19 to our audited consolidated financial statements for an estimate of the effects of the adoption of IFRS on our balance sheets.

Recently Issued U.S. Accounting Standards

Business Combinations

In December 2010, the Financial Accounting Standards Board (FASB) issued a new standard addressing the disclosure of supplemental pro forma information for business combinations that occur during the current year. The new standard requires public entities that present comparative financial statements to disclose the revenue and earnings of the combined entity as though the business combinations that occurred during the current year had occurred as of the beginning of the prior annual reporting period. The standard is effective as of January 1, 2011. The Company does not expect this standard will have a material impact on its financial condition, results of operations, and disclosures.

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.

Our bylaws require that our board of directors be composed of a minimum of five and a maximum of twenty-one directors, as decided at our Ordinary General Shareholders' Meeting. Pursuant to the Mexican Securities Law, at least 25% of the members of the board of directors must be independent. 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 Federico Gorbea, President and Chief Operating Officer of Archer-Daniels-Midland's operations in México, and Mark Kolkhorst, Corporate Vice President of Archer-Daniels-Midland and President of Archer-Daniels-Midland's Cocoa and Milling divisions, as members of our board of directors. Archer-Daniels-Midland has elected David J. Smith, its Senior Vice President, Secretary and General Counsel, and Steve Mills its Group Vice President and Controller, to serve as alternates for Mr. Gorbea and Mr. Kolkhorst, 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, 2011, 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 issued by a committee formed by the *Consejo Coordinador Empresarial*, or Mexican Entrepreneur Coordinating Board, and their alternates. The terms of their directorships are for one year, or for up to thirty additional days if no designation of their substitute has been made or if the substitute has not taken office.

Roberto González Barrera	Age:	80
	Years as Director:	29
	Principal Occupation:	Chairman of the Board of GRUMA and GIMSA.
	Outside Directorships:	Chairman Emeritus of the Board of Grupo Financiero Banorte, Chairman of the boards of Fundación GRUMA, Fundación Banorte and Patronato de Cerralvo, Director of Patronato del Hospital Infantil de México and Fondo Chiapas.
	Directorship Type:	Shareholder, Related
	Alternate:	Raúl Alonso Peláez Cano
José de la Peña y Angelini	Age:	62
	Years as Director:	2
	Principal Occupation:	Chief Executive Officer of Autos Soni Corporation.
	Outside Directorships:	Director of GIMSA.
	Business Experience:	Chief Executive Officer of OBAMA Corporation, President of the Mexico office of FCB Worldwide, Chief Operating Officer of Chrysler de México, Executive Vice President Sales and Marketing of GRUMA, Chief Operating Officer of Gruma Latin America.
	Directorship Type:	Independent
	Alternate:	Mario Ernesto Medina Ramírez
Juan Diez-Canedo Ruiz	Age:	60
	Years as Director:	6
	Principal Occupation:	Chief Executive Officer of Financiera Local.
	Outside Directorships:	Director of GIMSA.
	Business Experience:	Chief Executive Officer of Fomento y Desarrollo Comercial, Alternate Director of Grupo Financiero Banorte and Banco Mercantil del Norte, Chief Executive Officer of Cintra, Executive Vice President of GRUMA and Grupo Financiero Banorte, Banking Director of Grupo Financiero Probursa, Alternate Chief Executive Officer of Banco Internacional.
	Directorship Type:	Shareholder, Independent
	Alternate:	Felipe Diez-Canedo Ruiz
Roberto Javier González Moreno	Age:	59
	Years as Director:	21
	Principal Occupation:	Chairman of the Board and President of Corporación Noble and Gael Desarrollos.
	Outside Directorships:	Director of GIMSA and Alternate Director of Grupo Financiero Banorte and Banco Mercantil del Norte.
	Business Experience:	Chief Operating Officer of GIMSA, Commercial Officer of GRUMA, President of RGM, Exportaciones El Parián.
	Directorship Type:	Related
	Alternate:	Roberto González Valdés
Bertha Alicia González Moreno	Age:	57
	Years as Director:	3
	Principal Occupation:	Honorary Life President of Patronato para el Fomento Educativo y Asistencial de Cerralvo.
	Outside Directorships:	Director of Grupo Financiero Banorte and Banco Mercantil del Norte, Director of GIMSA, Centro Educativo Universitario Panamericano, Adanec, and Grafo Industrial.
	Business Experience:	Owner and Chief Executive Officer of Uniformes Profesionales de Monterrey and Comercializadora B.A.G.M., Majority Shareholder of Grupo Beryllium.
	Directorship Type:	Shareholder, Related
	Alternate:	Ricardo González Valdés

Juan Antonio González Moreno	Age:	53
	Years as Director:	17
	Principal Occupation:	Chief Executive Officer of Gruma Asia and Oceania.
	Outside Directorships:	Alternate Director of Grupo Financiero Banorte and Banco Mercantil del Norte, Chairman of the Board and Chief Executive Officer of Car Amigo USA.
	Business Experience:	Several positions in GRUMA, including Senior Vice President of Special Projects of Gruma Corporation, President of Azteca Milling, Vice President of Central and Eastern Regions of Mission Foods, President and Vice President of Sales of Azteca Milling, Chief Executive Officer of GIMSA.
	Directorship Type:	Related
	Alternate:	Alejandro Barrientos Serrano
Federico Gorbea Quintero	Age:	48
	Years as Director:	4
	Principal Occupation:	President and General Manager of Archer Daniels Midland México.
	Outside Directorships:	Chairman of the Board of Terminales de Carga Especializadas, Director of Asociación de Proveedores de Productos Agropecuarios de México.
	Business Experience:	President and General Manager of Compañía Continental de México.
	Directorship Type:	Independent
	Alternate:	Steve Mills
Carlos Hank Rhon	Age:	63
	Years as Director:	17
	Principal Occupation:	Chairman of the Board of Grupo Financiero Interacciones, Grupo Hermes and Grupo Coin/La Nacional.
	Outside Directorships:	None.
	Business Experience:	Chairman of the Board of Laredo National Bancshares, Director of Banamex-Accival and Mexican Stock Exchange.
	Directorship Type:	Related
	Alternate:	Carlos Hank González
Mark Kolkhorst	Age:	47
	Years as Director:	Since April, 2011
	Principal Occupation:	Corporate Vice President of ADM and President of Cocoa and Milling divisions.
	Outside Directorships:	None.
	Business Experience:	President of Milling Division, President of Specialty Feed Ingredients, Vice President of Sales of Specialty Feed Ingredients, Vice President of ADM/GROWMARK and Tabor Grain.
	Directorship Type:	Independent
	Alternate:	David J. Smith
Mario Martín Laborín Gómez	Age:	59
	Years as Director:	2
	Principal Occupation:	Chief Executive Officer and Chairman of the Board, ABC Holding.
	Outside Directorships:	Director of GIMSA, CYDSA, XIGNUX, and Megacable.
	Business Experience:	Chief Executive Officer of Bancomext, Nacional Financiera, Bancomer and Grupo Vector, Chairman of Casa de Bolsa Bancomer.
	Directorship Type:	Independent
	Alternate:	Alan Castellanos Carmona

Juan Manuel Ley López	Age:	78
	Years as Director:	17
	Principal Occupation:	Chairman of the Board of Casa Ley and Grupo Ley.
	Outside Directorships:	Director of Grupo Financiero Banamex-Accival and Telmex.
	Business Experience:	Chief Executive Officer of Casa Ley and Grupo Ley, Chairman of the Board of the Latin American Association of Supermarkets, Chairman of the Board of the Sinaloa-Baja California Consultant Council of Grupo Financiero Banamex-Accival and Chairman of the Board of the National Association of Supermarket and Retail Stores.
	Directorship Type:	Independent
	Alternate:	Fernando Aguilar Rosas
Bernardo Quintana Isaac	Age:	69
	Years as Director:	16
	Principal Occupation:	Chairman of the Board of Empresas ICA.
	Outside Directorships:	Director of BANAMEX and CEMEX, among others.
	Business Experience:	Chief Executive Officer of Empresas ICA.
	Directorship Type:	Independent
	Alternate:	Diego Quintana Kawage
Juan Antonio Quiroga García	Age:	61
	Years as Director:	11
	Principal Occupation:	Chief Corporate Officer of GRUMA.
	Outside Directorships:	Director of GIMSA.
	Business Experience:	Vice President of Administration of Gruma Corporation, Chief Administrative and Internal Auditing Officer of GRUMA, Vice President of Operations Control of Gruma Corporation.
	Directorship Type:	Shareholder, Related
	Alternate:	Alejandro Cortina Gallardo
Alfonso Romo Garza	Age:	60
	Years as Director:	17
	Principal Occupation:	Chairman of the Board and Chief Executive Officer of Plenus.
	Outside Directorships:	Director of CEMEX, Synthetic Genomics and Donald Danforth Plant Science Center.
	Business Experience:	Investor in different industries and companies. He has been involved in the food and beverage, telecommunications, information technology, insurance and financial services, biotechnology, agriculture and real estate industries.
	Directorship Type:	Independent
	Alternate:	Adrián Rodríguez Macedo
Adrián Sada González	Age:	66
	Years as Director:	17
	Principal Occupation:	Chairman of the Board of Vitro.
	Outside Directorships:	Director of ALFA, CYDSA, Regio Empresas, Consejo Mexicano de Hombres de Negocios, and Grupo de Industriales de Nuevo León.
	Business Experience:	Chairman of the Board of Grupo Financiero Serfin, Chief Executive Officer of Banpais.
	Directorship Type:	Independent
	Alternate:	Manuel Güemes de la Vega

Mr. Roberto Javier González Moreno, Ms. Bertha Alicia González Moreno, and Mr. Juan Antonio González Moreno, members of our board of directors are children of Mr. Roberto González Barrera, Chairman of

our board of directors. Mr. Carlos Hank Rhon, a member of our board of directors, is the son-in-law of Mr. Roberto González Barrera. Mr. Carlos Hank González, an alternate member of our board of directors, is the son of Mr. Carlos Hank Rhon and the grandson of Mr. Roberto González Barrera. Furthermore, Mr. Roberto González Valdés and Mr. Ricardo González Valdés, alternate members of our board of directors, are sons of Mr. Roberto Javier González Moreno and grandsons 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:

Raúl Alonso Peláez Cano	Age:	50
	Years as Executive Officer:	7
	Years at GRUMA:	7
	Current Position:	Chief Executive Officer.
	Business Experience:	GRUMA's Chief Financial Officer. Several executive positions at different companies including Banco Nacional de México, General Electric de México, and Industrias Resistol.
Alejandro Barrientos Serrano	Age:	45
	Years as Executive Officer:	Since March, 2011
	Years at GRUMA:	Since March, 2011
	Current Position:	Chief Financial Officer.
	Business Experience:	President of the Mexico Office of Bladex, Crédit Agricole Corporate and Investment Bank, and Crédit Lyonnais, Senior Account Executive at Banco Nacional de México, VP of Corporate Finance at Crédit Lyonnais, Senior Auditor at Ruiz, Urquiza & CIA.
Nicolás Constantino Coppola	Age:	63
	Years as Executive Officer:	5
	Years at GRUMA:	11
	Current Position:	Chief Executive Officer, Gruma Venezuela.
	Business Experience:	Vice President Sales and Exports and National Commercialization Manager of the Beverage Division of the Polar's Group, Director of Sales for the Reynolds Company, National Manager of Sales for Warner Lambert of Venezuela and for the Aliven Company (Best Foods).
Leonel Garza Ramírez	Age:	61
	Years as Executive Officer:	12
	Years at GRUMA:	25
	Current Position:	Chief Procurement Officer.
	Business Experience:	Manager of Quality and Corn Procurement and Vice President of Corn Procurement at GRUMA, Chief Procurement Officer at GAMESA, Quality Control Manager at Kellogg de México.
Roberto Jorge González Alcalá	Age:	47
	Years as Executive Officer:	9
	Years at GRUMA:	16
	Current Position:	Chief Executive Officer, Gruma Mexico and Latin America.

	Business Experience:	Managing Director of GIMSA. Several positions within GRUMA's Central American operations, including Chief Operating Officer, President of the Tortilla Division in Costa Rica, President of the Corn Division in Central America.
Juan Antonio González Moreno	Age:	53
	Years as Executive Officer:	7
	Years at GRUMA:	31
	Current Position:	Chief Executive Officer, Gruma Asia and Oceania.
	Business Experience:	Senior Vice President of Special Projects of Gruma Corporation, President of Azteca Milling, Vice President of Central and Eastern Regions of Mission Foods, President and Vice President of Sales of Azteca Milling, Chief Operating Officer of GIMSA.
Roberto González Valdés	Age:	35
	Years as Executive Officer:	4
	Years at GRUMA:	6
	Current Position:	Chief Executive Officer, Gruma Centroamérica.
	Business Experience:	Special projects manager at Gruma Centroamérica, Assistant to the Chairman of the Board and Chief Executive Officer of GRUMA, Founder of Soliq, Consultant at Booz Allen Hamilton.
Sylvia Elisa Hernández Benítez	Age:	46
	Years as Executive Officer:	8
	Years at GRUMA:	8
	Current Position:	Chief Marketing Officer.
	Business Experience:	Senior Vice President of Marketing for Gruma Latin America, Executive Vice President at FCB Worldwide, different positions at Chrysler de México, including General Marketing Manager, Marketing Manager for automobiles, Brand Manager for imported automobiles and MOPAR brand coordinator.
Homero Huerta Moreno	Age:	48
	Years as Executive Officer:	9
	Years at GRUMA:	26
	Current Position:	Chief Administrative Officer.
	Business Experience:	Various positions within GRUMA including Finance and Administrative Vice President of Gruma Venezuela.
Heinz Kollmann	Age:	41
	Years as Executive Officer:	5
	Years at GRUMA:	5
	Current Position:	Chief Technology Officer, Wheat Flour Production.
	Business Experience:	Technical Director of MAISCAM in Camerun, Head miller for BUHLER in Uzwil, Switzerland, Responsible Technician for Argentina, Uruguay, Paraguay, Peru and Bolivia for BUHLER in its Buenos Aires branch office, Production Manager and Special Project Manager for GRAMOVEN/ CARGILL in Venezuela, Production Manager and Special Project Manager for Harinera La Espiga in Mexico.
Juan Antonio Quiroga García	Age:	61
	Years as Executive Officer:	13
	Years at GRUMA:	38
	Current Position:	Chief Corporate Officer.
	Other Positions:	Senior Corporate Controller of GIMSA, Director of GIMSA.

	Business Experience:	Vice President of Administration of Gruma Corporation, Chief Administrative and Internal Auditing Officer of GRUMA, Vice President of Operations Control of Gruma Corporation.
Joel Suárez Aldana	Age:	57
	Years as Executive Officer:	Since November, 2010
	Years at GRUMA:	23
	Current Position:	Chief Executive Officer, Gruma Corporation.
	Business Experience:	Various positions within GRUMA, including Chief Financial Officer of Gruma Corporation.
Felipe Antonio Rubio Lamas	Age:	53
	Years as Executive Officer:	9
	Years at GRUMA:	28
	Current Position:	Chief Technology Officer, Corn Flour and Tortilla Production.
	Business Experience:	Several managerial and Vice President positions within Gruma Corporation related to manufacturing processes and design and construction of production facilities.
Fernando Solís Cámara y Jiménez Canet	Age:	52
	Years as Executive Officer:	2
	Years at GRUMA:	2
	Current Position:	Chief Corporate Communication and Image Officer.
	Business Experience:	Chief Financial Officer of Sare Holding and Alta Consultoría, several positions in Mexican Federal Government, including Undersecretary at the Ministry of Political Affairs and National Commissioner of Immigration.
Salvador Vargas Guajardo	Age:	58
	Years as Executive Officer:	14
	Years at GRUMA:	14
	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 Margáin-Rojas-González-Vargas-De la Garza y Asociados.
Francisco Yong García	Age:	37
	Years as Executive Officer:	1
	Years at GRUMA:	14
	Current Position:	Chief Executive Officer, Gruma Europe.
	Business Experience:	Several managerial and Vice President positions within Gruma Corporation related to Finance and Administration in the United States and Europe.

Mr. Roberto Jorge González Alcalá, Chief Executive Officer of Gruma Mexico and Latin America, and Mr. Juan Antonio González Moreno, Chief Executive Officer of Gruma Asia and Oceania, are sons of Mr. Roberto González Barrera, Chairman of our board of directors. Mr. Roberto González Valdés, Chief Executive Officer of Gruma Centroamérica, is the son of Mr. Roberto Javier González Moreno, member of our board of directors, and the grandson of Mr. Roberto González Barrera. Mr. Homero Huerta Moreno, our Chief Administrative Officer, is the cousin of Mr. Juan Antonio González Moreno, Mr. Roberto Javier González Moreno, and Ms. Bertha Alicia González Moreno, members of our board of directors.

Audit and Corporate Governance Committees

As required by the Mexican Securities Law, the Sarbanes-Oxley Act of 2002 and our bylaws, an audit committee and a corporate governance committee were appointed by the meeting of the board of directors held on

April 27, 2011. Members of the audit and corporate governance committees were selected from members of the board of directors. Consequently, as required by the Mexican Securities Law and our bylaws, a chairman for each committee was elected by the General Ordinary Shareholders' Meeting held on April 29, 2011, from among the members appointed by the board.

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

Juan Diez-Canedo Ruiz	Position: Directorship Type:	Chairman of the audit and corporate governance committees. Shareholder, Independent
Mario Martín Laborín Gómez	Position: Directorship Type:	Financial Expert of the audit and corporate governance committees. Independent
José de la Peña y Angelini	Position: Directorship Type:	Financial Expert of the audit and corporate governance committees. Independent

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Members of the board of directors are paid a fee of Ps.75,000 for each board meeting they attend. Additionally, members of the audit and corporate governance committees are paid a fee of Ps.35,000 for each committee meeting they attend.

For 2010, the aggregate amount of compensation paid to all directors, alternate directors, executive officers and audit and corporate governance committees members was approximately Ps.150 million (in nominal terms). The contingent or deferred compensation reserved as of December 31, 2010 was Ps.54 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 20% to 100% of annual base compensation, depending upon the employee's level, his individual performance and the results of our operations.

EMPLOYEES

As of December 31, 2010, we had a total of 19,825 employees, including 12,358 unionized and 7,467 non-unionized full- and part-time employees. Of this total, we employed 7,351 persons in Mexico, 6,396 in the United States, 1,972 in Central America, 2,373 in Venezuela, 730 in China and Australia, and 1,003 in Europe. Total employees for 2008 and 2009 were 19,060 and 19,093, respectively. Of our total employees as of December 31, 2010, approximately 38% were white-collar and 62% 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 2010.

In the United States, Gruma Corporation has four collective bargaining agreements that represent a total of 433 workers at four separate facilities (Pueblo, Tempe, Madera and Henderson). We renewed one agreement on July 1, 2009, April 25, 2010, January 22, 2011, and March 16, 2011.

In England, we have one collective bargaining agreement covering 25 employees at a facility, which is renewed every 12 months.

In the Netherlands, we are covered by a national labor agreement for bakery workers. This agreement is reviewed every 18 months.

Wages are reviewed during the negotiations and wage increases processed according to the terms of each agreement as well as non-monetary provisions of the agreement. Wage reviews for non-union employees are conducted once each year, typically in March for Mission Foods and in May for Azteca Milling, L.P. We believe our current labor relations are good.

SHARE OWNERSHIP

The following Directors and Senior Managers have GRUMA shares which in each case represent less than 1% of our capital stock: Ms. Bertha Alicia González Moreno, Mr. Juan Diez-Canedo Ruiz, Mr. Juan Antonio Quiroga García, Mr. Leonel Garza Ramírez, and Mr. Joel Suárez Aldana. In addition, Mr. Roberto González Barrera owns directly and indirectly 279,301,152 shares representing approximately 49.6% of our outstanding shares.

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, 2011 (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. As of April 29, 2011, our Series B shares were held by 856 record holders in Mexico.

Name	Number of Series B Shares	Percentage of Outstanding Shares
Roberto González Barrera and family (1)	282,131,752	50.05%
Archer-Daniels-Midland (2)	130,901,630	23.22%
Directors and Officers as a Group (3)	181,769	0.03%
Other shareholders	150,435,558	26.69%
Total	563,650,709(4)	100%

(1) The shares beneficially owned by Mr. González Barrera and his family include: 185,823,216 shares held directly by Mr. González Barrera; 63,452,140 shares held indirectly by Mr. González Barrera through a trust controlled by him; 30,025,796 shares held indirectly by the aforementioned trust through a Mexican corporation jointly owned with Archer-Daniels-Midland and controlled by Mr. González Barrera; and 2,830,600 shares held by Ms. Bertha Alicia González Moreno.

(2) Of the shares beneficially owned by Archer-Daniels-Midland, 2,630,716 are held by Archer-Daniels-Midland through its Mexican subsidiary, and 24,566,561 shares are held indirectly by Archer-Daniels-Midland through a Mexican corporation jointly owned with a trust controlled by Mr. González Barrera. Mr. González Barrera has sole authority to determine how these 24,566,561 shares are voted, and the shares cannot be transferred without the consent of both Archer-Daniels-Midland and Mr. González Barrera.

(3) This group does not include the shares beneficially owned by Mr. Roberto González Barrera and Ms. Bertha Alicia González Moreno, members of our board of directors.

(4) As of April 29, 2011, our capital stock was represented by 565,174,609 issued Series B, class I, no par value shares ("Series B shares"), of which 563,650,709 shares were outstanding, fully subscribed and paid, and 1,523,900 shares were held in our treasury.

Mr. González Barrera and his family control approximately 54.41% of our outstanding shares and therefore have 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, acquire additional shares of us.

On May 20, 2008, we completed a preemptive rights offering in Mexico to our non-U.S. shareholders, pursuant to which we issued 82,624,657 of our Series B shares. Company shareholders exercising their preemptive rights paid for and acquired the shares at a price of Ps.25.55 per share for a combined offering total of Ps.2,111,060,000. Rights to acquire the shares were not offered to U.S. persons, nor in any other jurisdiction outside of Mexico. Prior to the preemptive rights offering, Mr. González Barrera and his family controlled, directly and indirectly, approximately 50.9% of our outstanding shares, and Archer-Daniels-Midland, directly and indirectly, owned approximately 27.1% of our outstanding shares and controlled the right to vote approximately 22% of our outstanding shares. Archer-Daniels-Midland did not participate in the rights offering. As of April 29, 2011, Archer-Daniels-Midland, directly and indirectly, owned approximately 23.22% of our outstanding shares and controlled the right to vote approximately 18.87% of our outstanding shares.

We have been informed that Mr. González Barrera has pledged or has been required to pledge part of his shares in us 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. González Barrera and his family could lose their 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 of ownership of any shareholders which held 5% or more of our outstanding shares during the past three years.

RELATED PARTY TRANSACTIONS

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

Transactions with Subsidiaries

We periodically enter into short-term credit arrangements with our subsidiaries, where we provide them with funds for working capital at market interest rates.

At their peak on March 31, 2011, the outstanding balance of loans from GIMSA to GRUMA were Ps.2,835 million. The average interest rate for this year up to March 31, 2011 has been 9.2% for loans in pesos. Additionally, as of March 31, 2011, GIMSA made a loan to GRUMA denominated in U.S. dollars for the amount of U.S.$20.1 million at an interest rate of 4.8%.

In September of 2001, Gruma Corporation started to make loans to us which, at their peak on September 29, 2009, reached the amount of U.S.$100.0 million. We borrowed money from Gruma Corporation at an average rate of 1% during 2009 and 2010. As of November 2009, we had paid off the balance of our loans owing to Gruma Corporation and as of March 31, 2011 we have no outstanding balance owing to Gruma Corporation. However, as of March 31, 2011, Gruma Corporation owed GRUMA U.S.$71.3 million at an interest rate of 5%.

Transactions with Archer-Daniels-Midland

We entered into an association with Archer-Daniels-Midland in September 1996. As a result of this association, (i) we received U.S.$258.0 million in cash, (ii) GRUMA and Archer-Daniels-Midland combined their U.S. corn flour operations under Azteca Milling, our wholly-owned U.S. corn flour operations, and, as a result, Archer-Daniels-Midland received a 20% partnership interest in Azteca Milling, and (iii) we received 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 then newly issued shares, which represented approximately 22% of our total outstanding shares at that time, 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. In addition, Archer-Daniels-Midland acquired 5% of MONACA. Archer-Daniels-Midland has designated Federico Gorbea, President and Chief Operating Officer of Archer-Daniels-Midland's operations in México, and Mark Kolkhorst, Corporate Vice President of Archer-Daniels-Midland and President of Archer-Daniels-Midland's Cocoa and Milling divisions, as members of our Board of Directors. Archer-Daniels-Midland has elected David J. Smith, its Senior Vice President, Secretary and General Counsel, and Steve Mills its Group Vice President and Controller, to serve as alternates for Mr. Gorbea and Mr. Kolkhorst, respectively. As of April 29, 2011, Archer-Daniels-Midland, directly and indirectly, owned approximately 23.22% of our outstanding shares and controlled the right to vote approximately 18.87% of our outstanding shares.

During 2008, 2009 and 2010, we purchased U.S.$183 million, U.S.$159 million and U.S.$97 million, respectively, of inventory, including primarily wheat and corn, from Archer-Daniels-Midland Corporation, a shareholder, at market rates and terms. For more information regarding these transactions, please see "Item 4. Information on the Company—Business Overview—Gruma Venezuela."

Other Transactions

As of December 31, 2010, we held approximately 8.8% of the outstanding shares of GFNorte, a Mexican financial institution. In the past, we obtained financing from GFNorte's subsidiaries at market rates and terms. For the past eight years, the highest outstanding loan amount has been Ps.162 million (in nominal terms) with an average interest rate of 8.9% in December 2003. In addition, we have insurance contracts in place with Seguros Banorte Generali, S.A. de C.V., a subsidiary of GFNorte, to manage certain risks associated with some of our subsidiaries. In 2009 and 2010, we paid insurance premiums of approximately Ps.112,563 and Ps.113,004, respectively.

On February 15, 2011, we concluded the sale of all of our shares of GFNorte's capital stock. As a result of the sale, GRUMA no longer holds any stake in GFNorte.

As of December 31, 2009 and 2010, we have accounts receivable due from companies affiliated with Ricardo Fernández Barrueco, the former minority stockholder of our Venezuelan subsidiaries, of Ps.500,669 and Ps.237,432, respectively. Additionally, we have accounts payable due to Ricardo Fernández Barrueco, included in trade accounts of Ps.6,658 as of December 31, 2009. See "—Risks Related to Venezuela—One of our Subsidiaries in Venezuela is Currently Involved in Expropriation Proceedings and our Remaining Subsidiary in Venezuela is Subject to Expropriation."

ITEM 8 Financial Information.

See "Item 18. Financial Statements." For information on our dividend policy, see "Item 3. Key Information—Selected Financial Data—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.

United States

Distributor Arbitrations and Litigations.

In November 2001, one of GRUMA's distributors filed a putative class action lawsuit against Gruma Corporation (Dennis Johnson and Arnold Rosenfeld et al v. Gruma Corporation). The case was removed from California state court to federal court. In April 2005, the United States District Court, based upon a recent U.S. Supreme Court decision, ordered that the claims be referred to arbitration in Los Angeles and that the arbitrator decide whether the matter should proceed as a class action. An additional distributor subsequently joined the arbitration as a claimant. The arbitrator has made a preliminary ruling that a class of approximately 1,120 California distributors will be certified, but a final certification order has not yet been entered. The claims, as amended, allege

that: (i) Gruma Corporation breached its agreements with its distributors; (ii) Gruma Corporation's distributors are actually employees; (iii) Gruma Corporation has failed to make wage and other payments required for employees; (iv) Gruma Corporation has violated California's labor, antitrust, and unfair competition statutes; and (v) Gruma Corporation has otherwise committed fraud and negligent misrepresentations. The arbitrator subsequently dismissed the antitrust claims. The plaintiffs seek damages and equitable relief, but have not yet specified the total amount of damages sought. The arbitrator has indicated that trial will be held in two phases. The first phase to determine the existence of any liability began on April 28, 2008 and finished on May 21, 2008. On August 12, 2008, the arbitrator issued his final award in writing finding that the distributors are properly classified as independent contractors and denying all relief. In November 2008, the District Court affirmed the award on all grounds and plaintiffs appealed the confirmation to the Court of Appeals for the Ninth Circuit. The Ninth Circuit heard oral arguments on March 4, 2010 and the opinion of the District Court was upheld by the Court of Appeals for the Ninth Circuit on August 13, 2010.

In April 2007, GRUMA was named in a class action suit, Enrique Garza, et al. v. Gruma Corporation doing business as Mission Foods, filed in the United States District Court for the Northern District of California, San Jose Division. The plaintiffs assert that they were induced to enter into distributor agreements and to pay for routes by false statements and that GRUMA breached the distributor agreements by arbitrarily taking their routes, shuffling around the routes, reselling the routes to others, and failing to adequately compensate the plaintiffs. The plaintiffs also asserted a Racketeer Influenced and Corrupt Organizations (RICO) violation under 18 U.S. Code §§ 1962 et seq. Plaintiffs seek an unspecified amount of damages and injunctive relief. On July 24, 2008, the Court dismissed the RICO claims with prejudice. In July 2009, the district court granted GRUMA's motion for summary judgment and denied plaintiff's motion for class certification. The Plaintiff's appeal to the Ninth Circuit Court of Appeals was dismissed on July 29, 2010 for failure to perfect the appeal.

Labor and Employment Related Claims.

On March 24, 2009, Guadalupe Arevalo, a former employee, filed a class action complaint for damages and equitable relief for: (1) failure to pay minimum or contractual wages in violation of the California Labor Code §§ 1194 and 1197, et seq.; (2) failure to pay overtime wages in violation of the California Labor Code §§ 1194 and 510; (3) failure to provide accurate wage statements in violation of the California Labor Code §§ 226; (4) violation of the California Labor Code §§ 201 and 202 resulting in § 203 wages and penalties for failure to pay wages due former employees at the time of resignation and/or discharge; and (5) unfair competition violations in connection with the California Business and Professions Code §§ 17200 et seq. In August 2009, the case was removed to the United States District Court for the Central District of California. The federal district court remanded sua sponte on the ground that the appeal was dismissed for lack of appellate jurisdiction. The Company has filed a petition with the federal appellate court seeking a rehearing. The court has not yet acted on that petition. On June 8, 2010, the state court ordered the parties to proceed with discovery and prepare for trial. The court set the following dates to govern the litigation. Plaintiff's motion for class certification was scheduled to be heard on November 18, 2010. On June 10, 2010, Plaintiff filed a second amended complaint adding a sixth cause of action for failure to provide meal periods as required by law. We completed Plaintiff's deposition on September 8, 2010. Gruma served and filed a motion for summary judgment against the named plaintiff on October 8, 2010 which was dismissed on January 14, 2011. Plaintiff has asked to depose the manager of the plant where he worked, the company's person most knowledgeable regarding its policies and practices for computing time worked and wages, as well for providing meal periods, and the two outside experts, Gruma has retained to provide testimony in the case. Plaintiff has also submitted additional requests for documents and written interrogatories. Plaintiff's motion for class certification was filed on February 18, 2011. The parties reached a preliminary settlement, which is pending court approval.

In July, 2009, the Office of Federal Contract Compliance Programs (OFCCP) filed an administrative complaint alleging that Gruma Corporation employed a hiring process and selection procedures which discriminated against female applicants for certain positions on the basis of their gender, and that Gruma Corporation failed to implement an applicant tracking system for hires that would identify applicants' gender, race and ethnicity information in accordance with the requirements of the USCFR. In January of 2010, the Labor Department offered to settle for an amount of U.S.$381,879. On October 14, 2010, the matter was settled in the amount of U.S.$167,000.

Other Claims.

Mary Henderson brought a class action lawsuit against Gruma Corporation for (1) false advertising under the Lanham Act, (2) violations of California's Unfair Competition Law, (3) violations of California's False Advertising Law, and (4) violations of the California Consumer Legal Remedies Act. The complaint alleges that Gruma Corporation's labeling of its guacamole flavored dip and spicy bean dip products is false and misleading. The complaint was subsequently amended to dismiss the Company under the Lanham Act claim. In response to the complaint, we filed a motion to dismiss and a motion to strike. On April 11, 2011, the court granted Gruma's motions in part and denied them in part . In addition, the court struck Plaintiff's cause for disgorgement. The Plaintiff's depositions were taken on May 3, 2011 and GRUMA intends to file a motion for summary judgment. Discovery continues in this lawsuit and the court has requested that the parties submit to mediation. No date has been set for any mediation.

Mexico

Asset Tax Claim.

The *Secretaría de Hacienda y Crédito Público*, or Ministry of Finance and Public Credit, has lodged tax assessments against our Company for an amount of Ps.34.3 million plus penalties updates and charges, in connection with our asset tax returns for the year 1997. The Company has filed several appeals to obtain an annulment of these assessments.

Income Tax Claim.

The *Secretaría de Hacienda y Crédito Público* has lodged tax assessments against our company for an amount of Ps.93.5 million in connection with withholding on interest payments to our foreign creditors for years 2000, 2001 and 2002. Mexican authorities claim that our company should have withheld a higher rate than the 4.9% withheld by the Company. We intend to defend against these claims vigorously.

We believe that the outcome of these claims will not have a material effect on our financial position, results of operation or cash flows.

CNBV Investigation.

On December 8, 2009, the Surveillance Office of the *Comisión Nacional Bancaria y de Valores* (the Mexican National Banking and Securities Commission, or CNBV) began an investigation into the Company in respect of the timely disclosure of material events reported through the Mexican Stock Exchange during the end of 2008 and throughout 2009 in connection with the Company's foreign exchange derivative losses and the subsequent conversion of the realized losses into debt. As of the date hereof, the investigation is ongoing. The Company has complied with document requests provided by the CNBV and intends to fully cooperate with the CNBV throughout the course of this investigation.

Venezuela

Expropriation Proceedings by the Venezuelan Government.

On May 12, 2010, the Venezuelan government published the Expropriation Decree, announcing the forced acquisition of all goods, movables and real estate of MONACA. Pursuant to the Expropriation Decree, the government of Venezuela has instructed government officials to undertake the necessary actions to execute the MONACA Expropriation. As stated in the Expropriation Decree and in accordance with the Expropriation Law, the taking of legal ownership can occur either through an "Administrative Arrangement" or, in the event an amicable agreement is not reached through an Administrative Arrangement, then through a "Judicial Order," each process requiring certain steps as indicated in the Expropriation Law. In order to achieve an Administrative Arrangement, management began negotiations with government officials that included the sharing of information about MONACA's operations, the creation of a valuation committee with representatives from GRUMA and the government, and the initial steps to introduce government officials to the operations of MONACA. GRUMA, through Valores Mundiales, S.L., has been actively cooperating with government officials and expressing its desire

to continue operating in Venezuela. GRUMA has participated in these negotiations with a view to continuing our presence in Venezuela by potentially entering into a joint venture with the Venezuelan government that could also include compensation, or, absent a joint venture arrangement, GRUMA may receive compensation for the assets subject to expropriation, which the law requires be fair and reasonable. Late in 2010, the valuation committee received the respective non-binding valuation reports which are under discussion at the date hereof and are subject to further approval by the top level authorities of each one of the parties. Based on these preliminary valuation reports, no impairment charge on Gruma's net investment in MONACA has been identified. Gruma's net investment in MONACA's historical value as of December 31, 2010 amounts to Ps.1,231,217.

The Venezuelan government has not taken physical control of the assets of MONACA and has not taken control of the operations of the company. Moreover, required steps by the Expropriation Law for the effective transfer of control have not taken place and, therefore, the Venezuelan government has limited its actions to observing the operations of MONACA with no voting or veto rights regarding MONACA's board decisions.

Our negotiations with the government are still ongoing and we cannot assure you that these negotiations will be successful. At this stage of the negotiations, we are unable to guarantee that our involvement in such negotiations will result in GRUMA receiving a fair and reasonable compensation, if any, for the assets subject to the Expropriation Decree and we cannot determine the difficulty of recovery, among other matters. In addition, we cannot determine the position the Venezuelan government may take in future negotiations.

We reserve and will continue to reserve the right to seek full compensation for any and all expropriated assets and investments under all applicable legal regimes, including investment treaties and customary international law. GRUMA's interest in MONACA is held through Valores Mundiales, S.L., a company organized under the laws of the Kingdom of Spain. Venezuela and Spain are parties to the Investment Treaty. Under the Investment Treaty, companies subject to expropriation are entitled to certain rights, including the right to arbitrate disputes before the International Centre for Settlement of Investment Disputes in Washington, D.C.

The ultimate outcome of this matter is presently uncertain. Pending the resolution of this matter, based on preliminary valuation reports, no impairment charge on Gruma's net investment in MONACA has been identified; however, we are unable to estimate the value of any future impairment charge, if one will be taken, or to determine whether MONACA will need to be accounted for as a discontinued operation. Furthermore, at this time, we cannot predict the results of any court or tribunal proceedings, whether we will be likely to prevail in such proceedings, or the ramifications that costly and prolonged legal disputes could have on our results of operations or financial position. As a result, the net impact of this matter on the Company's consolidated financial results cannot be reasonably estimated. See Notes 11-A and 17-D to our consolidated financial statements.

It is impossible to anticipate the future effects, if any, that the foregoing legal proceeding could have on our financial position and operations results. We intend to pursue all legal remedies available in order to safeguard and protect the Company's legitimate interests.

Please see Note 11 to our Consolidated Financial Statements for a breakdown of financial information concerning MONACA.

Intervention Proceedings by the Venezuelan Government.

On December 4, 2009, the Eleventh Investigations Court for Criminal Affairs of Caracas issued an order authorizing the precautionary seizure of assets of all corporations in which Ricardo Fernández Barrueco had any direct or indirect interest. As a result of Mr. Ricardo Fernández Barrueco's former indirect ownership of MONACA and DEMASECA, these subsidiaries were subject to the precautionary seizure. The Ministry of Finance of Venezuela, in light of the precautionary measure ordered by the Eleventh Investigations Court for Criminal Affairs of Caracas, has made several designations of individuals as special managers and representatives on behalf of the Republic of Venezuela of the shares that were previously owned indirectly by Mr. Ricardo Fernández Barrueco in MONACA and DEMASECA, the last designation was on January 14, 2011.

As a result of the foregoing, MONACA and DEMASECA, as well as Consorcio Andino, S.L. and Valores Mundiales, S.L., as holders of our Venezuelan subsidiaries, have filed a petition as aggrieved third-parties to the proceedings against Mr. Ricardo Fernández Barrueco, as a challenge to the precautionary measures, the seizure and

all related actions. MONACA has also filed for corresponding legal remedies. On November 19, 2010, the Eleventh Investigations Court for Criminal Affairs of Caracas issued a ruling regarding the petitions, in which, the court recognized that MONACA and DEMASECA are companies wholly controlled by Valores Mundiales, S.L. and Consorcio Andino, S.L, respectively. However, the precautionary measures of seizure issued on December 4, 2009 were upheld by the court, despite the court's recognition of MONACA and DEMASECA's ownership. In virtue of the aforementioned, an appeal has been filed before the Sixth Court of Appeals of Caracas.

The People's Defense Institute for the Access of Goods and Services of Venezuela ("INDEPABIS") issued an order, on a precautionary basis, authorizing the temporary occupation and operation of MONACA for a period of 90 calendar days from December 16, 2009, which was renewed for the same period on March 16, 2010. The order expired on June 16, 2010 and as of the date hereof MONACA has not been notified of any extension or similar measure. INDEPABIS has also initiated a regulatory proceeding against MONACA in connection with alleged failure to comply with regulations governing precooked corn flour and for allegedly refusing to sell this product as a result of the December 4, 2009 precautionary asset seizure described above. We filed an appeal against such proceeding which has not been resolved as of the date hereof.

Additionally, INDEPABIS initiated an investigation of DEMASECA and issued an order, on a precautionary basis, authorizing the temporary occupation and operation of DEMASECA for a period of 90 calendar days from May 25, 2010, which was extended until November 21, 2010. INDEPABIS issued a new precautionary measure of occupation and temporary operation of DEMASECA, valid for the duration of this investigation. DEMASECA has challenged these measures but as of the date hereof, no resolution has been issued. DEMASECA continues to operate in the ordinary course of business. We cannot assure you that the government of Venezuela will not continue to expropriate our remaining operations in Venezuela.

We intend to exhaust all legal remedies available in order to safeguard and protect the Company's legitimate interests.

Tax Claims.

The Venezuelan tax authorities have lodged certain assessments against MONACA, one of our Venezuelan subsidiaries, related to income tax returns for the years 1998 and 1999, which amounted to U.S.$699.6 thousand plus related Value Added Tax deficiencies in the amount of U.S.$33.2 thousand. The case has been appealed and is pending a final decision. Any tax liability arising from the resolution of these claims will be assumed by the previous shareholder, International Multifoods Corporation, in accordance with the purchase agreement by which the Company acquired MONACA. Likewise, MONACA has filed claims with the fiscal authorities in the corresponding tax courts for the amount of U.S.$650 thousand. This matter is pending resolution.

Labor Lawsuits.

In the past, our subsidiary MONACA was named in three labor lawsuits (two brought by Caleteros, as defined below, and one stemming from a workplace accident) seeking damages in the amount of U.S.$1.3 million. The lawsuits and claims are related to issues and rights such as profit sharing, social security, vacation, seniority and indemnity payment issues. The "Caleteros" who brought the claims are third parties who help freighters unload goods.

MONACA has been negotiating a settlement for the labor lawsuit and the extrajudicial claims and anticipates reaching a settlement of U.S.$155 thousands. MONACA has created a reserve, reflected in accrued liabilities and other accounts payable, for the aforementioned amount to cover any potential liabilities.

Finally, the Company and its subsidiaries are involved in various pending litigations filed in the normal course of business. It is the opinion of the Company that the outcome of these proceedings will not have a material adverse affect on the financial position, results of operations or cash flows of the Company.

ITEM 9 The Offer And Listing.

TRADING HISTORY

Our Series B Shares have been traded on the *Bolsa Mexicana de Valores, S.A.B. de C.V.*, or Mexican Stock Exchange, since 1994. The ADSs, each representing four Series B Shares, commenced trading on the New York Stock Exchange in November 1998. As of April 29, 2011, our capital stock was represented by 565,174,609 issued Series B shares, of which 563,650,709 shares were outstanding, fully subscribed and paid, and 1,523,900 shares were held in our treasury. As of December 31, 2010, 74,760,180 Series B shares of our common stock were represented by 18,690,045 ADSs held by 6 record holders in the United States.

In May 2008, we issued 82,624,657 of our Series B shares pursuant to a preemptive rights offering in Mexico to our non-U.S. shareholders. Company shareholders exercising their preemptive rights paid for and acquired the shares at a price of Ps.25.55 per share, resulting in aggregate net proceeds to us from the offering of Ps.2,111 million. We did not offer any rights to acquire the shares to U.S. persons, nor in any other jurisdiction outside of Mexico. The proceeds of the offering were used to reduce our level of debt and improve our debt ratios in order to maintain our investment-grade rating.

On October 13, 2008, our Series B Shares were suspended as required by the Mexican Stock Exchange in connection with pending information regarding the publication of events related to the Company's currency derivative instruments. Accordingly, our ADSs were also suspended on the New York Stock Exchange on October 20, 2008. On October 29, 2008, our Series B Shares and our ADSs began trading again as the aforementioned information was released.

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 Common Stock		NYSE ADS(2)	
	High	Low	High	Low
	(Ps. Per share(1))		(U.S.$ per ADS)	
Annual Price History				
2006	41.16	26.53	15.26	9.41
2007	41.43	32.32	15.71	11.94
2008	35.01	5.85	13.03	1.76
2009	25.67	3.67	7.89	.9214
2010	28.70	16.97	8.99	5.20
Quarterly Price History				
2009				
1st Quarter	7.32	3.67	2.14	0.92
2nd Quarter	14.75	5.55	4.44	1.54
3rd Quarter	24.00	12.46	6.99	3.68
4th Quarter	25.67	22.54	7.89	6.64
2010				
1st Quarter	28.70	23.80	8.98	7.33
2nd Quarter	27.77	19.20	8.99	5.81
3rd Quarter	21.28	16.97	6.63	5.20
4th Quarter	24.94	17.96	8.05	5.67
2011				
1st Quarter	27.24	22.17	8.96	7.19
2nd Quarter(3)	24.71	19.61	8.36	6.63
Monthly Price History				
November 2010	24.18	22.07	7.81	6.88
December 2010	23.86	22.62	7.67	7.25
January 2011	26.80	22.17	8.86	7.25

	Mexican Stock Exchange Common Stock		NYSE ADS(2)	
	High	Low	High	Low
	(Ps. Per share(1))		(U.S.$ per ADS)	
February 2011	27.24	23.79	8.96	7.78
March 2011	24.96	22.76	8.35	7.19
April 2011	24.71	23.05	8.36	7.91
May 2011	22.82	19.61	7.88	6.63

(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 May 31, 2011.

On May 31, 2011, the last reported sale price of the B Shares on the Mexican Stock Exchange was Ps.20.83 per B Share. On May 31, 2011, the last reported sale price of the ADSs on the New York Stock Exchange was U.S.$7.11 per ADS.

MEXICAN STOCK EXCHANGE

The Mexican Stock Exchange, located in Mexico City, is the only stock exchange in Mexico. Founded in 1907, it is organized as a corporation whose shares were originally held by brokerage firms, which are exclusively authorized to trade on the exchange. As of June 13, 2008 the Mexican Stock Exchange became a publicly traded company. 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.

Settlement is effected three 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 Institución para el Depósito de Valores, 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 2, 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."

MARKET MAKER

On September 30, 2009, we entered into an agreement with UBS Casa de Bolsa ("UBS") pursuant to which UBS acts as a market maker for our common shares listed on the Mexican Stock Exchange. The purpose of the agreement is to provide liquidity for the Company's shares. On October 13, 2010, the agreement was extended until April 15, 2011. On April 15, 2011, the agreement was extended until October 15, 2011.

ITEM 10 Additional Information.

BYLAWS

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

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

Incorporation and Register

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

Corporate Purpose

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

Directors

Our bylaws provide that our management shall be vested in the board of directors and our Chief Executive Officer. Each director is elected by a simple majority of the shares. Under Mexican law and our bylaws, any holder or group of holders owning 10% or more of our capital stock may elect one director and its corresponding alternate. The board of directors must be comprised of a minimum of five and a maximum of twenty-one directors, as determined by the shareholders at the annual ordinary general shareholders' meeting. Additionally, under the Mexican Securities Law, at least 25% of the members of the board of directors must be independent. Currently, our board of directors consists of 15 members.

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

Under the terms of our association with Archer-Daniels-Midland, it has the right to appoint two of our directors and their corresponding alternates as long as it owns at least 20% of our capital stock.

Our bylaws provide that the board of directors has the authority and responsibility to: (i) set the general strategies for the business of the Company; (ii) oversee the performance and conduction of business of the Company; (iii) oversee the main risks encountered by the Company, identified by the information submitted by the committees, the Chief Executive Officer and the firm providing the external auditing services; (iv) approve the

information and communication policies with shareholders and the market; and (v) instruct the Chief Executive Officer to disclose to the investor public any material information when known.

Additionally, the board of directors has the authority and responsibility to approve, with the previous opinion of the corresponding Committee: (i) the policies for the use of the Company's assets by any related party; (ii) related party transactions other than those occurring in the ordinary course of business, those of insignificant amount, and those deemed as done within market prices; (iii) the purchase or sale of 5% or more of our corporate assets; (iv) granting of warranties or the assumption of liabilities for more than 5% of our corporate assets; (v) the appointment, and in its case, removal of the Chief Executive Officer, as the designation of integral compensation policies for all other senior officers; (vi) internal control and internal audit guidelines; (vii) the Company's accounting guidelines; (viii) the Company's financial statements; and (ix) the hiring of the firm providing external audit services and, in its case, any services additional or supplemental to the external audit. The approval of the board in all of these matters is non-delegable.

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

Audit and Corporate Governance Committees

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

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

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

Fiduciary Duties - Duty of Diligence

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

provided to the other directors; and (iv) discuss and vote on any item requesting, if deemed convenient, the exclusive presence of the members and the secretary of the board of directors.

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

Fiduciary Duties - Duty of Loyalty

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

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

Civil Actions Against Directors

Under Mexican law, shareholders can initiate actions for civil liabilities against directors through resolutions passed by a majority of the shareholders at a general ordinary shareholders' meeting. In the event the majority of the shareholders decide to bring such action, the director against whom such action is brought will immediately cease to be a member of the board of directors. Additionally, shareholders representing not less than 5% of our outstanding shares may directly bring such action against directors. Any recovery of damages with respect to such action will be for our benefit and not for the benefit of the shareholders bringing the action.

Chief Executive Officer

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

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

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 director and his corresponding alternate, with the remaining directors being elected by majority vote.

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

A general ordinary shareholders' meeting must be held during the first four months after the end of each fiscal year. In order to attend a general shareholders' meeting, the day before the meeting shareholders must deposit the certificates representing their 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.

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

Notice of shareholders' meetings must be published in the Federal Official Gazette or in a newspaper of general circulation in Monterrey, Nuevo León at least 15 days prior to the meeting. Shareholders' meetings may be held without such publication provided that 100% of the outstanding shares are represented. Shareholders' meetings must be held within the corporate domicile in Monterrey, Nuevo León.

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

Dividend Rights and Distribution

Within the first four months of each year, the board of directors must submit our company's financial statements for the preceding fiscal year to the shareholders for their approval at the ordinary general shareholders'

meeting. They are required by law to allocate 5% of any new profits to a legal reserve which is not thereafter available for distribution until the amount of the legal reserve equals 20% of our capital stock (before adjusting for inflation). Amounts in excess of those allocated to the legal reserve fund may be allocated to other reserve funds as the shareholders determine, including a reserve for the repurchase of our shares. The remaining balance of new profits, if any, is available for distribution as dividends prior to their approval at the shareholders' meeting. Cash dividends on the shares held through Indeval will be distributed by us through Indeval. Cash dividends on the shares evidenced by physical certificates will be paid when the relevant dividend coupon registered in the name of its holder is delivered to us. No dividends may be paid, however, unless losses for prior fiscal years have been paid up or absorbed. See "Item 3. Key Information—Selected Financial Data—Dividends."

Liquidation

Upon our dissolution, one or more liquidators must be appointed by an extraordinary shareholders' general meeting to wind up its affairs. If the extraordinary general shareholders' meeting does not make said appointment, a Civil or District Judge can do so at the request of any shareholder. All fully paid and outstanding common stock will be entitled to participate equally in any distribution upon liquidation after the payment of 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 amount remaining, if any, pro rata among the shareholders.

Changes in Capital Stock

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

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

As of April 29, 2011, our capital stock was represented by 565,174,609 issued Series B shares, of which 563,650,709 shares were outstanding, fully subscribed and paid, and 1,523,900 shares were held in our treasury.

Preemptive Rights

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

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

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

Under this provision, a non-Mexican shareholder is deemed to have agreed not to invoke the protection of his own government with respect to his rights as a shareholder, but is not deemed to have waived any other rights he may have with respect to its investment in us, including any rights under U.S. securities laws. If a shareholder should invoke governmental protection in violation of this provision, his shares could be forfeited to the Mexican government. Mexican law requires that such a provision be included in the bylaws of all Mexican companies unless such bylaws prohibit ownership of shares by non-Mexicans. See "Item 3. Key Information—Risk Factors—Risks Related to Our Controlling Shareholders and Capital Structure—Mexican Law Restricts the Ability of Non-Mexican Shareholders to Invoke the Protection of Their Governments with Respect to Their Rights as Shareholders."

Registration and Transfer

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

Other Provisions

Appraisal Rights

Under Mexican law, whenever the shareholders approve a change of corporate 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 market price. The repurchase of shares will be made by charging our equity, in which case we may keep them without reducing our capital stock, or charging our capital stock, in which case we must convert them into unsubscribed treasury stock. The ordinary general shareholders' meeting shall determine the maximum amount of funds to be allocated for the repurchase of shares, which amount shall not exceed our total net profits, including retained earnings.

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

Under Mexican securities regulation, our directors, officers, external auditors, the secretary of the board of directors and holders of 10% or more of our outstanding 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. The repurchase of common stock representing 3% or more of our outstanding share capital in any 20 trading-day period must be conducted through a public tender offer.

Repurchase in the Event of Delisting

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

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

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

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

Within ten business days of the commencement of a public tender offer, our board of directors must prepare and disclose to public investors its opinion with respect to the reasonableness of the tender offer price as

well as any conflicts of interest that its members may have in connection with the tender offer. The opinion of the board of directors may be accompanied by another opinion issued by an independent expert that we may hire.

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

Shareholder's Conflicts of Interest

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

Rights of Shareholders

The protections afforded to minority shareholders under Mexican law are different from those in the United States and other jurisdictions. The law concerning duties and responsibilities of directors and controlling shareholders has not been the subject of extensive judicial interpretation in Mexico, unlike the United States where judicial decisions have been issued regarding the duties of diligence and loyalty, which more effectively protect the rights of minority shareholders. In addition, 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.

In addition, under 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. companies pursuant to NYSE listing standards is available on our website at www.gruma.com. The information found at this website is not incorporated by reference into this document.

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 Related to Our Controlling Shareholders and Capital Structure—The Protections Afforded to Minority Shareholders in Mexico Are Different From Those in the United States."

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 purchaser must properly deliver a written application complying with the applicable requirements set forth in our bylaws. Such application shall state, among other things: (i) the number and class of our shares the person beneficially owns or to which such person has any right, (ii) the number and class of shares the Person intends to acquire, (iii) the number and class of shares with respect to which such Person intends to acquire any right, (iv) the percentage that the shares referred to in (i) represent of our total outstanding shares and of the class or series to which such shares belong, (v) the percentage that the shares referred to in (ii) and (iii) represent of our total outstanding shares and of the class or series to which such shares belong, (vi) the person's identity and nationality, or in the case of a purchaser which is a corporation, trust or legal entity, the nationality and identity of its shareholders, partners or beneficiaries as well as the identity and nationality of each person effectively controlling such corporation, trust or legal entity, (vii) the reasons and purpose behind such acquisition, (viii) if such person is, directly or indirectly, a competitor of 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 purchaser for any additional information that it deems necessary to make its determination. The 60 calendar days referred to above will commence following the receipt of the additional information from the potential purchaser.

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

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

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

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

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

MATERIAL CONTRACTS

Archer-Daniels-Midland

We entered into an association with Archer-Daniels-Midland in September 1996. We believe that this association 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, (i) we received U.S.$258.0 million in cash, (ii) GRUMA and Archer-Daniels-Midland combined their U.S. corn flour operations under Azteca Milling, our wholly-owned U.S. corn flour operations, and, as a result, Archer-Daniels-Midland received a 20% partnership interest in Azteca Milling, and (iii) we received 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 then newly issued shares, which represented at that time approximately 22% of our total outstanding shares and a 20% partnership interest in Azteca Milling in addition to retaining 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, acquire additional shares of our company. As of April 29, 2011, Archer-Daniels-Midland owned, directly and indirectly, approximately 23.22% of our outstanding shares. A total of 24,566,561 of these shares are held by Archer-Daniels Midland through a Mexican corporation jointly owned with Mr. González Barrera and controlled by him. Thus, Archer-Daniels-Midland only has the right to vote 18.87% of our outstanding shares. In addition, Archer-Daniels-Midland has the right to nominate 2 of the 15 members of our board of directors and their corresponding alternates. Archer-Daniels-Midland did not participate in the preemptive rights offering we completed on May 20, 2008. Prior to the preemptive rights offering, Archer-Daniels-Midland, directly and indirectly, owned approximately 27.1% of our outstanding shares and controlled the right to vote approximately 22% of our outstanding shares.

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 Bioproductos, 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."

Perpetual Bonds

On December 3, 2004, Gruma, S.A.B. de C.V. issued U.S.$300 million 7.75% senior unsecured perpetual bonds, which at the time were rated 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 March 31, 2011 we have not hedged any interest payments on our U.S.$300 million 7.75% senior unsecured perpetual bonds.

Gruma Corporation

In October 2006, Gruma Corporation entered into a U.S.$100 million 5-year revolving credit facility with a syndicate of financial institutions. The credit facility replaced the U.S.$70 million revolving credit facility which matured in June 2007 and was terminated upon the closing of the new facility. The new facility has an interest rate based on LIBOR plus a spread of 0.35% to 0.45% that fluctuates in relation to Gruma Corporations' leverage and contains less restrictive provisions than those in the facility replaced. This facility contains covenants that limit Gruma Corporation's ability to merge or consolidate, and require it to maintain: (1) a ratio of total funded debt to consolidated EBITDA of not more than 3.0:1; and (2) a ratio of consolidated EBITDA to consolidated interest charges of not less than 2.0:1. In addition, this facility limits Gruma Corporation's, and certain of its subsidiaries' ability, among other things, to: (1) create liens; (2) make certain investments; (3) make certain restricted payments; (4) enter into any agreements that prohibit the payment of dividends; and (5) engage in transactions with affiliates. This facility also limits Gruma Corporation's subsidiaries' ability to incur additional debt.

Gruma Corporation is also subject to covenants which limit the amounts that may be advanced to, loaned to, or invested in us under certain circumstances. Upon the occurrence of any default or event of default under its credit agreements, Gruma Corporation generally is prohibited from making any cash dividend payments to us. The covenants described above and other covenants could limit our and Gruma Corporation's ability to help support our liquidity and capital resource requirements.

Peso Facility

On November 12, 2008, we obtained a Ps.3,367 million peso-denominated two year bullet senior credit facility from Bancomext (*Banco Nacional de Comercio Exterior*) which we refer as the 2008 Peso Facility. Bancomext entered into a separate guarantee agreement with the Mexican Government, pursuant to which Banco de México guarantees this facility through a fund that specializes in guaranteeing the debt of the Mexican agricultural sector (*Fondo Especial de Asistencia Técnica y Garantía para Créditos Agropecuarios*). In connection with the refinancing of the majority of GRUMA's outstanding debt, GRUMA refinanced the 2008 Peso Facility on September 18, 2009. The Refinanced Peso Facility has a ten-year tenor maturing in September 2019 and GRUMA is obligated to make quarterly interest payments beginning in December of 2012 corresponding to either 10% or 20% of the outstanding value of the loan pursuant to the amortization schedule. The interest rate for the Refinanced Peso Facility is 91-day TIIE plus 6.21%. The Refinanced Peso Facility limits our ability, among other things, to transfer or encumber our assets.

Syndicated Loan Facility

On March 22, 2011 we obtained a U.S.$225 million, five-year senior credit facility through a syndicate of banks. The Syndicated Loan Facility consists of a term loan and a revolving loan facility. The interest rate for the Term Loan Facility and for the Revolving Loan Facility is either (i) LIBOR or (ii) an interest rate determined by the administrative agent based on its "prime rate" or the federal funds rate, respectively, plus, in either case, (a) 2.25% if

the Company's ratio of total funded debt to EBITDA (the "Maximum Leverage Ratio") is greater than or equal to 3.0x, (b) 2.0% if the Company's Maximum Leverage Ratio is greater than or equal to 2.5x and less than 3.0x, (c) 1.75% if the Company's Maximum Leverage Ratio is greater than or equal to 2.0x and less than 2.5x and (d) 1.50% if the Company's Maximum Leverage Ratio is less than 2.0x. The Syndicated Loan Facility contains a covenant that requires us to maintain a ratio of consolidated EBITDA to interest charges of not less than 2.5:1. The Syndicated Loan Facility also contains a covenant that requires us to maintain a Maximum Leverage Ratio of not more than 3.5:1. The Syndicated Loan Facility also limits our ability, and our subsidiaries' ability in certain cases, among other things, to: create liens; make certain investments or other restricted payments; merge or consolidate with other companies or sell substantially all of our assets; and enter into certain hedging transactions. Additionally, the Syndicated Loan Facility limits our subsidiaries' ability to guarantee additional indebtedness issued by the Company and to incur additional indebtedness.

EXCHANGE CONTROLS

Mexican law does not restrict our ability to remit dividends and interest payments, if any, to Mexican or 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. Key Information—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 Series B Shares or Series 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 Series 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 Protocols 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 Series 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*, or Mexican Income Tax Law, and rules and regulations thereunder, as currently in effect, of an investment in Series B Shares or ADSs by a holder that is not a resident of Mexico and that will not hold Series B Shares or ADSs or a beneficial interest therein in connection with the conduct of a trade or business through a permanent establishment 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 Series B Shares or ADSs may be subject. Holders of Series B 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 Series B 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 declared dividends does not exceed the net tax profit account (*cuenta de utilidad fiscal neta*, or CUFIN).

If we pay a dividend 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 30% income tax in 2011 and 2012 (29% income tax in 2013 and 28% in 2014) on an amount equal to the product of the portion of the grossed-up amount which exceeds such balance multiplied by 1.4286 in 2011 and 2012 (1.4085 in 2013 and 1.3889 in 2014).

Taxation of Dispositions

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

The sale of Series B 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 Series B 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 Series B Shares not conducted through a recognized stock exchange generally are subject to a Mexican tax at a rate of 25% of the gross sale price. However, if the holder is a resident of a country which (i) is not considered to be a low tax rate country, (ii) its legislation does not contain territorial taxation, and (iii) such income is not subject to a preferential tax regime, the holder may elect to designate a resident of Mexico as its representative, in which case taxes would be payable at the applicable income tax rate on the gain on such disposition of Series B Shares.

Pursuant to the Tax Treaty, gains realized by qualifying U.S. holders from the sale or other disposition of Series B 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 Series B 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 Series B Shares or ADSs; provided, however, that gratuitous transfers of Series B 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 Series B Shares or ADSs.

Reimbursement of capital pursuant to a redemption of Series B Shares will be tax exempt up to an amount equivalent to the adjusted contributed capital corresponding to the Series B 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 Series B Shares or ADSs. This summary is based upon the U.S. Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations, administrative pronouncements of the U.S. Internal Revenue Service (the "IRS") and judicial decisions, all as in effect on the date of this Annual Report, including the provisions of the Tax Treaty, and all of which are subject to change, possibly with retroactive effect, and to different interpretations. This summary does not describe any state, local, or non-U.S. tax law consequences, or any aspect of U.S. federal tax law other than U.S. federal income tax law (such as the estate tax, gift tax and the Medicare tax on net investment income).

The summary does not purport to be a comprehensive description of all of the tax consequences of the acquisition, ownership or disposition of Series B Shares or ADSs. The summary applies only to U.S. holders that will hold their Series 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 that own or are treated as owning 10% or more of our voting Series B Shares (whether held directly or through ADSs or both), tax-exempt entities, financial institutions, insurance companies, regulated investment companies, real estate investment trusts, certain U.S. expatriates, holders liable for the alternative minimum tax, securities traders electing to account for their investment in their Series B Shares or ADSs on a mark-to-market basis, partnerships and other pass-through entities and persons holding their Series B Shares or ADSs in a hedging transaction or as part of a straddle, conversion or other integrated transaction. The following summary assumes that we are not a passive foreign investment company (a "PFIC"), which we do not believe that we were for our 2010 taxable year and do not currently expect to become for our current taxable year or the foreseeable future.

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

- a citizen or resident of the United States of America;
- a corporation (or an entity taxable as a corporation) 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 (i) 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 (ii) such trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or
- otherwise subject to U.S. federal income taxation on a net income basis with respect to the Series B Shares or ADSs.

If a partnership (or any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of Series B Shares or the ADSs, the U.S. federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A holder of Series 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 acquiring, holding and disposing of the Series B Shares or the ADSs, as the case may be.

Prospective investors in the Series B Shares or ADSs should consult their own tax advisors as to the U.S. federal, Mexican or other tax consequences of the acquisition, ownership and disposition of the Series 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

The following summary assumes that the representations contained in the Deposit Agreement are true and that the obligations in the Deposit Agreement and any related agreement will be complied with in accordance with their terms. In general, a U.S. holder of ADSs will be treated as the beneficial owner of the Series B Shares represented by those ADSs for U.S. federal income tax purposes. Deposits or withdrawals of Series 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 Series B 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 Series B 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 Series 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 Series B 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 Series B Shares or ADSs, and thereafter as capital gain. We do not intend to calculate our earnings and profits in accordance with U.S. federal income tax principles. Therefore, a U.S. holder should expect that a distribution on Series B Shares or ADSs generally will be treated as a dividend. 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 Series B 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 Series B Shares or ADSs to U.S. holders with respect to their Series B 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 Series B 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, 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 complex 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.

U.S. holders should be aware that the IRS has expressed concern that parties to whom ADSs are transferred may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. holders of ADSs. Accordingly, the discussion above regarding the creditability of Mexican withholding taxes could be affected by future actions that may be taken by the IRS.

Qualified Dividend Income

Certain dividends received by non-corporate 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 prior to January 1, 2013, 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. The Tax Treaty has been approved for this purpose by the U.S. Treasury Department. 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 PFIC, as discussed below, in the year in which the dividend was paid (or was a PFIC in the year prior to the year in which the dividend was paid) 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 Series B 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 taxable disposition of Series 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 Series B Shares or the ADSs and the amount realized on the disposition (including any amounts withheld in respect of Mexican withholding tax). Any such gain or loss will be long-term capital gain or loss if the Series B Shares or ADSs have been held for more than one year as of the time of the sale, redemption or other taxable disposition. Under current law, certain non-corporate U.S. holders may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

If Mexican income tax is withheld on the sale, redemption or other taxable disposition of Series B Shares of ADSs, the amount realized by a U.S. holder will include the gross amount of the proceeds of that sale, redemption or other taxable disposition before deduction of the Mexican income tax. Capital gain or loss realized by a U.S. holder on a sale, redemption or other taxable disposition of Series B Shares or ADSs generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes. Consequently, in the case of a gain from the disposition of a common share that is subject to Mexican income tax, the U.S. holder may not be able to benefit from the foreign tax credit for that Mexican income tax (i.e., because the gain from the disposition would be U.S. source), unless the U.S. holder can apply the credit against U.S. federal income tax payable on other income from foreign sources. Alternatively, the U.S. holder may take a deduction for the Mexican income tax if it does not elect to claim a foreign tax credit with respect to any foreign income taxes paid or accrued during the taxable year.

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, Series B Shares or ADSs.

Information Reporting and Backup Withholding

Dividends on, and proceeds from the sale or other disposition of, the Series 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 an 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 timely furnished to the Internal Revenue Service.

Recently enacted legislation requires individual U.S. Holders to report information to the IRS with respect to their investment in Series B Shares or ADSs unless certain requirements are met. Investors who are individuals and fail to report required information could become subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this new legislation on their investment in Series B Shares or ADSs.

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

Distributions:

A holder of Series B Shares or ADSs that is not a U.S. holder or a partnership (or any entity treated as a partnership for U.S. federal income tax purposes) (a "non-U.S. holder") generally will not be subject to U.S. federal income or withholding tax on dividends received on Series B 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 Series B 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

We are exposed to market risks arising from changes in interest rates, foreign exchange rates, equity prices and commodity prices. We use derivative instruments from time to time, on a selective basis, to manage these risks. In addition, we have also historically used certain derivative instruments for trading purposes. We adopted a risk management policy that precludes the use of derivative instruments for trading purposes. We maintain and control our treasury operations and overall financial risk through practices approved by our senior management.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

During 2008 we implemented specific improvements to our internal controls concerning the use of derivative financial instruments. In addition, we have implemented a new risk management policy that besides consolidating such improvements, prohibits the Company from entering into derivative financial instruments for trading purposes with the aim of obtaining profits based on changes in market values. However, the use of financial derivative instruments for hedging purposes is allowed if used with the objective of mitigating financial risks and associated with a hedged item that is relevant to business activities.

INTEREST RATE RISK

We depend upon debt financing transactions, including debt securities, bank and vendor credit facilities and leases, to finance our operations. All such financial instruments, as well as the related interest rate derivatives discussed further below, are entered into for other than trading purposes. 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 Ponderada* 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 U.S.$348 million (Ps.4,301 million) of fixed rate debt and U.S.$1,143 million (Ps.14,111 million) in floating rate debt at December 31, 2010. A hypothetical 100 basis point increase or decrease in interest rates would not have a significant effect on the fair value of our fixed rate debt. The following table sets forth, as of December 31, 2010, principal cash flows and the related weighted average interest rates by expected maturity dates for our debt obligations.

	Maturity Dates						
	2011	2012	2013	2014	Thereafter	Total	Fair Value
	(in millions of pesos, except percentages)						
Liabilities							
Debt							
Fixed Rate (Ps.)	485	59	49	3	3,706	4,302	4,265
Average Rate	10%	11%	11%	10%	8%		
Floating Rate (Ps.)	1,707	1,719	2,160	2,322	6,203	14,111	15,027
Average Rate	4%	4%	5%	5%	5%		

From time to time, we use derivative financial instruments such as interest rate swaps for purposes of hedging a portion of our debt, in order to reduce our exposure to increases in interest rates. Several of these contracts, however, do not qualify for accounting treatment as hedging transactions, as described in Note 17 to our audited consolidated financial statements.

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 provided that the counterparty pay us unless 6-month LIBOR reached 6%, in which case the parties had no obligation to pay any amount for the applicable period. On September 30, 2005, this interest rate swap was modified resulting in an average fixed rate of 3.2775% and a maturity date of March 30, 2008. The swap transaction provided that the counterparty pay us unless 6-month LIBOR reached 6%, in which case the parties had no obligation to pay any

amount for the applicable period. However, on March 8, 2006 we modified this 6% level up to 6.5% and 6.75% for the interest payment dates due in 2007 obtaining a fixed average rate of 3.6175% for this year. In addition, in December 12, 2005 we entered into a new interest rate swap for the 2005 Facility with a single bank, which started on March 30, 2008 and matured on March 30, 2009, whereby we fixed the 6-month LIBOR rate associated with the term portion at an average rate of 4.505%. The swap transaction provided that the counterparty would pay us unless 6-month LIBOR reached 7%, in which case the parties had no obligation to pay any amount for the applicable period. After the March 30, 2009 maturity we have not entered into additional swap transactions.

During 2010, the Company had only one interest rate swap contract outstanding, which was entered into by Derivados de Maíz Alimenticio, S.A., our Costa Rican subsidiary on July 2008 to hedge the interest rate risk associated with certain long-term credit facilities. This swap has an aggregate notional amount of U.S.$20 million and a maturity date of December 28, 2010. After the December 28, 2010 maturity we did not enter into any additional swap transactions.

Additionally, we entered into some exchange rate forward and option contracts to financially hedge part of the interest payments due in 2006, 2007, 2008 and the first two coupon dates of 2009 corresponding to our U.S.$300 million 7.75% senior unsecured perpetual bonds. These forward and option contracts have either expired by their own terms or been terminated by the Company.

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 decrease in interest rates would not have a significant effect on our results of operations.

In the case of our floating interest rate debt, a rise in interest rates increases the interest expense on floating rate debt. A hypothetical 100 basis point increase in interest rates would not have a significant effect on our results of operations.

FOREIGN EXCHANGE RATE RISK

Our net sales are denominated in U.S. dollars, Mexican pesos and other currencies. During 2010, 47% of our revenues were generated in U.S. dollars, and 33% in pesos. In addition, as of December 31, 2010, 57% 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 rates are recognized as a component of equity. See Note 15 to our audited consolidated financial statements.

As of December 31, 2010, 75% 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, 2010. The table does not reflect our U.S. dollar sales or our U.S. dollar-denominated assets.

U.S. dollar-denominated debt	Expected Maturity Date (U.S. dollar-denominated Debt) as of December 31, 2010						
	2011	2012	2013	2014	Thereafter	Total	Fair Value
	(in millions of pesos)						
Term Loan(1)	618	926	1,235	1,235	3,931	7,945	8,683
Three Year and BNP Term Loans(1)	400	210	0	0	0	610	621
Refinanced 2005 Facility(1)	292	292	292	292	0	1,168	1,226
7.75% Perpetual Bond	0	0	0	0	3,705	3,705	3,668
Other U.S. dollar loans	347	12	45	0	0	403	403
TOTAL(2)	1,656	1,440	1,572	1,527	7,636	13,831	14,601

(1) No amounts are currently outstanding. Paid in full on February 18, 2011 with proceeds from the GFNorte Sale.
(2) In March of 2011, we entered into the Syndicated Loan Facility for an aggregate principal amount of U.S.$225 million, which as of March 31, 2011 was 100% available.

An important part of our foreign exchange rate risk relates to our substantial U.S. dollar-denominated debt for our non-U.S. subsidiaries.

During 2004 and 2005, we entered into forward contracts and exchange rate option contracts (Mexican peso — U.S. dollar) for a nominal amount of U.S.$55.8 million, with different maturity dates until November 2007. The purpose of these contracts was to hedge the financial risks due to exchange rate fluctuations over the quarterly interest payments related to our perpetual notes. The unfavorable effect of the contracts due during 2007 of Ps.15.2 million was recognized in our income statement for the year 2007.

During 2007, we entered into forward contracts and exchange rate option contracts (Mexican peso — U.S. dollar) with respect to our foreign exchange exposure related to the 7.75% perpetual notes. These contracts covered four coupon dates for 2007, as well as four additional dates for 2008 and two for 2009. Accordingly, the maturity dates for these contracts ranged from March 2007 to June 2009. These financial instruments have either expired by their terms or were terminated by the Company.

During 2007, we also entered into exchange rate option contracts expiring during 2008 and 2009. On an average basis, by maturity date, the purchase trades were U.S.$370.5 million against U.S.$420 million of sale trades. In addition, for 2008 and for the remaining two dates in 2009, we entered into exchange rate options contracts, under which GRUMA could either sell or buy U.S. dollars depending on the behavior of the spot rate, for an aggregate notional amount of U.S.$115 million for each date. Additionally, at the end of 2007, twelve call contracts maturing on February 28, 2008, were sold with an exchange rate of Ps.12.00 per U.S. dollar. These contracts were not recognized under hedge accounting principles. The favorable effect of the contracts due in 2007 of Ps.290.7 million was recognized in our income statement for 2007. As of December 31, 2007, the unfavorable effect for changes in the fair value of outstanding contracts was Ps.16.8 million, which was also recognized in our income statement.

During 2008, GRUMA entered into foreign exchange derivative instruments which covered varying periods of time and had varying pricing provisions. The Company primarily entered into swap forwards and options contracts, for which the periodic settlement results depended on the behavior of the spot rate at a future maturity date. In the first quarter of 2008, we entered into foreign exchange derivative instruments covering a basket of currencies. In the second quarter of 2008 and through July, August and September of 2008, we entered into foreign exchange derivative instruments mainly in respect of the dollar/peso and the dollar/euro exchange rate. These derivative instruments were entered into for trading purposes and did not qualify for hedge accounting treatment.

During 2008, we entered into foreign exchange derivative instruments with several counterparties maturing in 2008, 2009, 2010 and 2011. These financial instruments have either expired by their terms or were terminated by the Company. See “Liquidity and Capital Resources.”

We account for our currency derivative instruments using the mark-to-market accounting method. Extreme exchange rate volatility in the financial markets during the last two quarters of 2008 and the first quarter of 2009 resulted in significant fluctuations in the mark-to-market value of GRUMA’s foreign exchange derivative

instruments. These fluctuations were further exacerbated by the leverage features included in certain of these instruments. As of September 30, 2008, these instruments represented a negative mark-to-market net value of U.S.$291.4 million. As of October 8, 2008, these instruments represented a mark-to-market unrealized loss of U.S.$684 million. As of October 28, 2008, these instruments represented an aggregate mark-to-market non-cash charge of U.S.$788 million; of which U.S.$105 million, U.S.$354 million, U.S.$220 million, and U.S.$109 million on instruments maturing in 2008, 2009, 2010, and 2011, respectively.

On November 12, 2008, we entered into a loan agreement with Bancomext in the amount of Ps.3,367 million and applied the proceeds to terminate our commitments arising under all the currency derivative instruments that we had entered into with one of our derivative counterparties and to pay other commitments arising under the currency derivative instruments maturing from the date of such loan agreement with Bancomext. In addition, we entered into agreements on October 16, 2009 with our remaining derivative counterparties to convert a total of U.S.$738.3 million dollars owing under our terminated foreign exchange derivative instruments into medium- and long-term loans, as described below.

In connection with most of its obligations under its foreign exchange derivative instruments, the Company entered into a term sheet on March 19, 2009 that provided for the financing of the obligations that would result from the termination of all of its foreign exchange derivative instruments that it had entered into with the Major Derivative Counterparties. On March 23, 2009, GRUMA and the Major Derivative Counterparties agreed to terminate all of these derivative instruments and fixed the total amount of obligations payable by GRUMA to the Major Derivative Counterparties at U.S.$668.3 million. On October 16, 2009, the Company reached an agreement with the Major Derivative Counterparties to convert these derivatives obligations into the Term Loan in the amount of U.S.$668.3 with a tenor of seven and one-half years. The Term Loan was secured by the Company's shares in GIMSA, Gruma Corporation and Molinera de México.

In connection with the balance of its foreign exchange derivative instruments, the Company entered into separate term sheets with Barclays, RBS and Standard Chartered during June and July 2009 that provided for the financing of the obligations that would result from the termination of all of its foreign exchange derivative instruments that it had entered into with each of Barclays, RBS and Standard Chartered. GRUMA and Barclays, RBS and Standard Chartered agreed to terminate all of the derivative instruments owing to these parties and fixed the total amount of obligations payable by GRUMA to Barclays at U.S.$21.5 million, RBS at U.S.$13.9 million and Standard Chartered at U.S.$22.9 million for a total aggregate amount of U.S.$58.3 million. In addition, during June of 2009, GRUMA entered into a term sheet with BNP that fixed the amount payable by GRUMA to BNP at U.S.$11.8 million.

On October 16, 2009, the Company reached separate agreements with Barclays, RBS and Standard Chartered to convert the obligations that resulted from the termination of all of its foreign exchange derivative instruments entered into with these parties into loans in the amount of U.S.$21.5 million, U.S.$13.9 million and U.S.$22.9 million, respectively, with a tenor of three years. On October 16, 2009, GRUMA also reached a separate agreement with BNP to convert the obligations that resulted from the scheduled maturity of all of its foreign exchange derivative instruments entered into with BNP into a loan in the amount of U.S.$11.8 million with a tenor of approximately one and one-half years (the "BNP Term Loan"). As a result of the Term Loan, the Three-Year Term Loans and the BNP Term Loan, the Company converted a total of U.S.$738.3 million dollars owing under our terminated foreign exchange derivative instruments into medium- and long-term loans.

On February 18, 2011, we made an early payment of outstanding balances of several of our current bank facilities, including the Term Loan, the Three-Year Term Loans and the BNP Term Loan, using proceeds from the GFNorte Sale. As a result of such repayment, the loan agreements relating to the Term Loan, the Three-Year Term Loans and the BNP Term Loan have been terminated. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk——Interest Rate Risk."

During 2010, we entered into forward transactions in order to hedge the Mexican peso to U.S. dollar foreign exchange rate risk related to the price of corn purchases for the 2010 summer and winter corn harvests in Mexico. Since these exchange rate derivative financial instruments did not qualify for hedge accounting treatment, they were recognized at their estimated fair value and periodic mark-to-market measurement was made. As of December 31, 2010, the open positions of these instruments represented an unfavorable effect of approximately

Ps.4.9 million recognized in income. As of March 31, 2011 these transactions had expired by their terms and represented an unfavorable effect of Ps.15.1 million recognized in income.

As of April 30, 2011, the Company had foreign exchange derivative transactions in effect for a nominal amount of U.S.$250 million with different maturities from May through August 2011. The purpose of these contracts was to hedge the Mexican peso to U.S. dollar foreign exchange rate risk related to the price of corn purchases.

As indicated in Note 11-A to our consolidated financial statements, operations in Venezuela represented 12% of net sales and 10% of total assets as of December 31, 2010. In recent years, political and social instability has prevailed in Venezuela, and as described in Note 17-D to our consolidated financial statements, the Venezuelan government devalued its currency and established a two tier exchange structure on January 11, 2010. On December 30, 2010, the Venezuelan government issued Exchange Agreement No. 14, which established a single exchange rate of 4.30 bolivars per U.S. dollar effective January 1, 2011.

COMMODITY AND DERIVATIVE PRICE RISK

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/supply 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 2010, we entered into short-term hedge transactions through commodity futures and options for a portion of our requirements. All derivative financial instruments are recorded on the consolidated balance sheet at their fair value as either assets or liabilities. Changes in the fair value of derivatives are recorded each period in earnings or accumulated other comprehensive income in stockholders' equity, depending on whether the derivative qualifies for hedge accounting and is effective as part of a hedge transaction. Ineffectiveness results when the change in the fair value of the hedge instruments differs from the change in the fair value of the hedged item.

For hedge transactions that qualify and are effective, gains and losses are deferred until the underlying asset or liability is settled, and then are recognized as part of that transaction.

Gains and losses which represent hedge ineffectiveness and derivative transactions that do not qualify for hedge accounting are recognized in income.

During 2010, we entered into hedge contracts for corn purchases, which were designated as fair value hedges. Therefore, the derivative financial instruments, as well as the assets and liabilities being hedged, are recognized at fair value at inception date. Subsequently, changes in the fair value of the derivative financial instruments and the assets and liabilities being hedged are recognized in income for the year. All hedge contracts for corn purchases were settled in November 2010. As a result of the valuation at fair value, as of December 31, 2010, inventories included Ps.162.3 million (U.S.$13.1 million) related to these contracts. From time to time we hedge commodity price risks utilizing futures and options strategies that do not qualify for hedge accounting. As a result of non-qualification, these derivative financial instruments are recognized at their estimated fair values and are marked to market with the associated effect recorded in current period earnings. For the year ended December 31, 2010, we recognized an unfavorable effect of Ps.13.2 million from these contracts. Additionally, as of December 31, 2010, we realized Ps.43 million in net losses on commodity price risk hedges that did not qualify for hedge accounting.

Based on our overall commodity exposure at March 31, 2011, a hypothetical 10 percent decline in market prices applied to the fair value of the instruments would result in a charge to income of Ps.73 million (for non-qualifying contracts).

COUNTERPARTY RISK

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 with long-term credit ratings. In addition, we minimize counterparty solvency risk by entering into derivative instruments only with major national and international financial institutions using standard International Swaps and Derivatives Association, Inc. ("ISDA") forms and long form confirmation agreements. For our Central American operations and Gruma Venezuela, we only invest cash reserves with well-known local banks and local branches of international banks. In addition, we also keep small investments abroad.

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.

American Depositary Shares

Our Series B Shares have been traded on the *Bolsa Mexicana de Valores, S.A.B. de C.V.*, or Mexican Stock Exchange, since 1994. The ADSs, each representing four Series B Shares, commenced trading on the New York Stock Exchange in November 1998. As of April 29, 2011, our capital stock was represented by 565,174,609 issued Series B shares, of which 563,650,709shares were outstanding, fully subscribed and paid, and 1,523,900 shares were held in our treasury. As of December 31, 2010, 74,760,180 Series B shares of our common stock were represented by 18,690,045 ADSs held by 6 record holders in the United States.

In May 2008, we issued 82,624,657 of our Series B shares pursuant to a preemptive rights offering in Mexico to our non-U.S. shareholders. Company shareholders exercising their preemptive rights paid for and acquired the shares at a price of Ps.25.55 per share, resulting in aggregate net proceeds to us from the offering of Ps.2,111 million. We did not offer any rights to acquire the shares to U.S. persons, nor in any other jurisdiction outside of Mexico. The proceeds of the offering were used to reduce our level of debt and improve our debt ratios in order to maintain our investment-grade rating.

On October 13, 2008, our Series B Shares were suspended as required by the Mexican Stock Exchange in connection with pending information regarding the publication of events related to the Company's currency derivative instruments. Accordingly, our ADSs were also suspended on the New York Stock Exchange on October 20, 2008. On October 29, 2008, our Series B Shares and our ADSs began trading again as the aforementioned information was released.

Fees and Expenses

The following table summarizes the fees and expenses payable by holders of ADSs to Citibank, N.A. (the "Depositary") pursuant to the Deposit Agreement dated September 18, 1998:

Service	Rate	By Whom Paid
(1) Issuance of ADSs upon deposit of Series B Shares (excluding issuances contemplated by paragraphs 3(b) and (5) below)	Up to U.S.$5.00 per 100 ADSs (or fraction thereof) issued	Party for whom deposits are made or party receiving ADSs

Service		Rate	By Whom Paid
(2)	Delivery of Series B Shares, property and cash against surrender of ADSs	Up to U.S.$5.00 per 100 ADSs (or fraction thereof) surrendered	Party surrendering ADSs or making withdrawal
(3)	Distribution of (a) cash dividend or (b) ADSs pursuant to stock dividends (or other free distribution of stock)	No fee, so long as prohibited by the exchange upon which ADSs are listed	N/A
(4)	Distribution of cash proceeds (i.e. upon sale of rights or the sale of any securities or property pursuant to Sections the Deposit Agreement)	Up to $2.00 per 100 ADSs held	Party to whom distribution is made
(5)	Distribution of ADSs pursuant to exercise of rights	Up to $2.00 per 100 ADSs issued	Party to whom distribution is made

In addition to the foregoing, holders of our ADSs are responsible for the following charges pursuant to the Deposit Agreement: (i) taxes (including applicable interest and penalties) and other governmental charges; (ii) such registration fees as may from time to time be in effect for the registration of Series B Shares on the share register and applicable to transfers of Series B Shares to or from the name of Citibank, S.A. (the "Custodian"), the Depositary or any nominees upon the making of deposits and withdrawals, respectively; (iii) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing Series B Shares or holders of ADSs; (iv) the customary expenses and charges incurred by the Depositary in the conversion of foreign currency; and (v) such fees and expenses as are incurred by the Depositary in connection with compliance with exchange control regulatory requirements applicable to Series B Shares, ADSs and ADRs.

Pursuant to the Deposit Agreement, the Depositary may deduct the amount of any taxes or other governmental charges owed from any payments to holders. It may also sell deposited securities to pay any taxes owed. Holders may be required to indemnify the Depositary, the Company and the Custodian from any claims with respect to taxes.

PART II

ITEM 13. Defaults, Dividend Arrearages And Delinquencies.

Not applicable.

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

Not applicable.

ITEM 15. Controls and Procedures.

(a) *Disclosure controls and procedures*. We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and Chief Corporate Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2010. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our Chief Executive Officer, Chief Financial Officer and Chief Corporate Officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive

Officer, Chief Financial Officer and Chief Corporate Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) *Management's annual report on internal controls over financial reporting*. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15 (f) under the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of our management, including our Board of Directors, Chief Executive Officer, Chief Financial Officer, Chief Corporate Officer and other personnel, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Mexican FRS, including the reconciliation to U.S. GAAP in accordance with Item 18 of Form 20-F. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Mexican FRS, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on our evaluation under the framework in Internal Control—Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2010.

PricewaterhouseCoopers, an independent registered public accounting firm, our independent auditor, issued an attestation report on our internal control over financial reporting on June 7, 2011.

(c) *Attestation Report of the registered public accounting firm*. The report of PricewaterhouseCoopers, an independent registered public accounting firm, on our internal control over financial reporting is included herein at page F-2.

(d) *Changes in internal control over financial reporting*. There has been no change in our internal control over financial reporting during 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting:

ITEM 16A. Audit Committee Financial Expert.

Our Board of Directors has determined that Mr. Mario Laborín Gómez and Mr. José de la Peña y Angelini qualify as "audit committee financial experts", and Mr. Mario Laborín Gómez and Mr. José de la Peña y Angelini are independent, within the meaning of this Item 16A.

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, among others, to our Chief Executive Officer, Chief Financial Officer and Chief Corporate Officer, and persons performing similar functions. Our code of ethics is available on our web site at www.gruma.com. If we amend any provisions of our code of ethics that apply to our chief executive officer, chief financial officer, comptroller and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our web site at the same address.

ITEM 16C. Principal Accountant Fees and Services.

Audit and Non-Audit Fees

The following table sets forth the fees billed to us and our subsidiaries by our independent auditors, PricewaterhouseCoopers, during the fiscal years ended December 31, 2009 and 2010:

	Year ended December 31,			
	2009		2010	
	(thousands of Mexican pesos)			
Audit fees	Ps.	40,199	Ps.	40,405
Tax fees		6,120		6,410
Other fees		13,814		11,941
Total fees	Ps.	60,133	Ps.	58,756

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

Tax fees in the above table are fees billed by PricewaterhouseCoopers and its affiliates for tax compliance services, tax planning services and tax advice services.

Other fees in the above table are fees billed by PricewaterhouseCoopers and its affiliates for non-audit services, mainly related to accounting advice on the implementation of new accounting standards as well as accounting advise on derivative financial instruments, as permitted by the applicable independence rules.

Audit Committee 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. Exemptions from the Listing Standards for Audit Committees.

Not Applicable.

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

We did not repurchase any of our Series B Shares or ADSs in 2010.

ITEM 16F. Change in Registrant's Certifying Accountant.

During the years ended December 31, 2009 and 2010 and through the date of this Annual Report, the principal independent accountant engaged to audit our financial statements, PricewaterhouseCoopers, S.C., has not resigned, indicated that it has declined to stand for re-election after the completion of its current audit or been dismissed.

ITEM 16G. Corporate Governance.

We are a Mexican corporation with shares listed on the Mexican Stock Exchange and on the NYSE. Our corporate governance practices are governed by our bylaws and the Mexican corporate governance practices, including those set forth in the Mexican Securities Law, the *Circular Única de Emisoras* (the "Mexican Circular Única") issued by the Mexican Banking and Securities Commission and the *Reglamento Interior de la Bolsa*

Mexicana de Valores (the "Mexican Stock Exchange Rules"), and to applicable US securities laws including the Sarbanes-Oxley Act of 2002 ("SOX") and the rules of the NYSE (the "NYSE Rules") to the extent SOX and the NYSE Rules apply to foreign private issuers like us. Certain NYSE Rules relating to corporate governance are not applicable to us because of our status as a foreign private issuer. Specifically, we are permitted to follow home country practices in lieu of certain provisions of Section 303A of the NYSE Rules. In accordance with the requirement of Section 303A.11 of the NYSE Rules, the following is a summary of significant ways in which our corporate governance practices differ from those required to be followed by U.S. domestic companies under the NYSE's listing standards.

Independence of our Board of Directors

Under the NYSE Rules, controlled companies like us (regardless of our status as a foreign private issuer) are not required to have a board of directors composed of a majority of independent directors. However, the Mexican Securities Law requires that, as a listed company in Mexico, at least 25% of the members of our Board of Directors be independent as determined under the Mexican Securities Law. We have an alternate director for each of our directors. The Mexican Securities Law further provides that alternates of independent directors be independent as well. The Mexican Securities Law sets forth detailed standards for establishing independence which differ from those set forth in the NYSE Rules.

Executive Sessions

Under the NYSE Rules, non-management directors must meet at executive sessions without management. We are not required, under Mexican law, to hold executive sessions in which non-management directors meet without the management or to hold meetings of only independent directors. Our Board of Directors must meet at least four times per year.

Audit Committee

Under the NYSE Rules, listed companies must have an audit committee with a minimum of three members who are independent directors. Under the Mexican Securities Law, listed companies are required to have an Audit Committee comprised solely of independent directors. The members of the Audit Committee are appointed by the Board of Directors, with the exception of its Chairman, who is appointed by the shareholders at the Shareholders' Meeting. Currently, our Audit Committee is comprised of 3 members. Our Audit Committee operates pursuant to the provisions of the Mexican Securities Law and our Bylaws. A description of the specific functions of our Audit Committee can be found in Item 10. See "Item 10. Additional Information—Audit and Corporate Governance Committees" for further information about our Audit Committee.

Audit Committee Reports

Under the NYSE Rules, Audit Committees are required to prepare an Audit Committee Report as required by the SEC to be included in the listed company's annual proxy statement. As a foreign private issuer, we are not required by the SEC to prepare and file proxy statements. In this regard, we are subject to Mexican securities law requirements. We have chosen to follow Mexican law and practice in this regard.

Corporate Governance Committee

Under both NYSE Rules and Mexican securities laws and regulations, listed companies are also required to have a Corporate Governance Committee comprised solely of independent directors. The Company's Board of Directors appoints the members of the Corporate Governance Committee, with the exception of its Chairman, who is appointed by the shareholders at a Shareholders' Meeting. Currently, our Corporate Governance Committee is comprised of the same three members of our Audit Committee. Our Corporate Governance Committee operates pursuant to the provisions of the Mexican Securities Law and our Bylaws. A description of the specific functions of our Corporate Governance Committee can be found in Item 10. See "Item 10. Additional Information——Audit and Corporate Governance Committees" for further information about our Corporate Governance Committee.

Compensation Committee

Under NYSE Rules, listed companies must have a compensation committee composed entirely of independent directors. Under our Bylaws and the Mexican securities laws and regulations, we are not required to have a compensation committee. Currently, we do not have such a committee.

Corporate Governance Guidelines and Code of Ethics

Domestic issuers listed on the NYSE are required to adopt and disclose corporate governance guidelines and a code of business conduct and ethics for directors, officers and employees and promptly disclose any waivers of such code for directors or executive officers. We are not required to adopt and disclose corporate governance guidelines under Mexican law to the same extent as the NYSE Rules. However, under Mexican law we are required to annually file with the *Bolsa Mexicana de Valores* or Mexican Stock Exchange a statement relating to our level of adherence to the Mexican Code of Best Corporate Practices. Our statement can be found on our corporate web page. We are not required to adopt a Code of Ethics under Mexican law. However, in April 2003, we adopted a Code of Ethics applicable to our directors, officers and employees. Our Code of Ethics can also be found on our corporate web page under “Corporate Governance.”

Solicitation of Proxies

Under NYSE Rules, listed companies are required to solicit proxies and provide proxy materials for all meetings of shareholders. Such proxy solicitations are to be provided to the NYSE. We are not required to solicit proxies from our shareholders. Under our Bylaws and Mexican securities laws and regulations, we inform shareholders of all meetings by public notice, which states the requirements for admission to the meeting. Under the deposit agreement relating to our ADSs, holders of our ADSs receive notice of shareholders’ meetings together with information explaining how to instruct the depositary bank to exercise the voting rights of the securities represented by ADSs.

PART III

ITEM 17. Financial Statements.

Not Applicable.

ITEM 18. Financial Statements.

See pages F-1 through F-180, incorporated herein by reference.

ITEM 19. Exhibits.

Pursuant to the rules and regulations of the SEC, we have filed certain agreements as exhibits to this annual report on Form 20-F. These agreements may contain representations and warranties by the parties. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may be intended not as statements of fact, but rather as a way of allocating the risk to one of the parties to such agreements if those statements turn out to be inaccurate, (ii) may have been qualified by disclosures that were made to such other party or parties and that either have been reflected in the Company’s filings or are not required to be disclosed in those filings, (iii) may apply materiality standards different from what may be viewed as material to investors, and (iv) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments. Accordingly, these representations and warranties may not describe our actual state of affairs at the date hereof.

Documents filed as exhibits to this annual report:

Exhibit No.	
1	Our bylaws (*estatutos sociales*) as amended through May 26, 2008, 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 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)(2)	U.S.$100 million revolving credit facility among Gruma Corporation, the Lenders party thereto, Bank of America, N.A., as Administrative Agent, Documentation Agent and Letter of Credit Issuer, dated October 30, 2006.*******
2(b)(3)	Ps.3,367 million term loan between us and Bancomext with a variable interest rate of TIIE + 6.21%, dated September 18, 2009.*
2(b)(4)	U.S.$225 million credit facility among Gruma, S.A.B. de C.V., the Lenders party thereto and BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, as Administrative Agent, dated March 22, 2011.
4(a)(1)	Shareholders Agreement by and among us, Roberto González Barrera, Archer Daniels-Midland Company and ADM Bioproductos, 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 Bioproductos, S.A. de C.V., dated September 13, 1996.*****
4(a)(3)	Amendment No. 2 to Shareholders Agreement by and among us, Roberto González Barrera, Archer Daniels-Midland Company and ADM Bioproductos, 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 August 21, 1996.****
4(a)(5)	Investment Agreement by and between us and Archer-Daniels-Midland Company, dated August 21, 1996. ****
8	List of Principal Subsidiaries.
12(a)(1)	CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 7, 2011.
12(a)(2)	CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 7, 2011.
13	Officer Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated June 7, 2011.

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* Previously filed in Annual Report on Form 20-F (File No. 1-14852), originally filed with the SEC on June 15, 2010. Incorporated herein by reference.

** Previously filed in Annual Report on Form 20-F (File No. 1-14852), originally filed with the SEC on June 27, 2008. 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 July 1, 2002. 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, 2005. Incorporated herein by reference.

******* Previously filed in Annual Report on Form 20-F (File No. 1-14852), originally filed with the SEC on June 29, 2007. Incorporated herein by reference.

SIGNATURES

The registrant, Gruma, S.A.B. 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.B. de C.V.

/s/ Juan Antonio Quiroga García
Juan Antonio Quiroga García
Chief Corporate Officer

Dated: June 7, 2011

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

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Grupo Financiero Banorte, S.A.B. de C.V. and Subsidiaries

Report of Independent Registered Public Accounting Firm and Consolidated Financial Statements as of December 31, 2010, 2009 and 2008

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, based on our audits and the report of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of income, of changes in stockholders' equity and of cash flows, present fairly, in all material respects, the financial position of Gruma, S. A. B. de C. V. and its subsidiaries (the "Company"), as of December 31, 2010 and 2009, and the results of their operations, their changes in stockholders' equity and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with Mexican Financial Reporting Standards. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing on Item 15. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We did not audit the financial statements of Grupo Financiero Banorte, S. A. B. de C. V. and subsidiaries, an associated company, whose investment in common stock as of December 31, 2010 and 2009 represents 11% and 9%, respectively, of the consolidated total assets, and whose equity in income represented 75%, 23% and (5)% of consolidated net income (loss), for each of the three years in the period ended December 31, 2010, respectively. The financial statements of Grupo Financiero Banorte, S. A. B. de C. V. and subsidiaries were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements expressed herein, insofar as it relates to the amounts included for Grupo Financiero Banorte, S. A. B. de C. V. and subsidiaries, is based solely on the report of the other auditors. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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.

Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits and the report of other auditors provide a reasonable basis for our opinions.

The consolidated financial statements as of December 31, 2010 and 2009, include assets in the amount of Ps.3,670,362 and Ps.6,261,546, respectively, liabilities in the amount of Ps.1,980,523 and Ps.3,168,060, respectively and (loss) profit for the three years in the period ended December 31, 2010 in the amounts of Ps.(169, 225), Ps.794,440 and Ps.870,443, respectively, related to a foreign subsidiary. As mentioned in Note 11, during 2010 an expropriation decree was issued for the above mentioned subsidiary. At the date of this report, and as explained in such Note, management of the Company is still in negotiations and therefore the outcome of this matter is uncertain.

Mexican Financial Reporting Standards vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 21 to the consolidated financial statements.

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers, S. C.
Monterrey, Mexico
June 7, 2011

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

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2009 AND 2010
(Expressed in thousands of Mexican pesos)
(Notes 1 and 2)

	2009	2010
ASSETS		
Current:		
Cash and cash equivalents (Note 2-G)	Ps. 1,880,663	Ps. 21,317
Trading investments (Notes 2-H and 17-A)	127,293	79,577
Accounts receivable, net (Note 3)	5,754,256	4,843,157
Refundable taxes (Note 3)	632,688	811,784
Inventories (Note 4)	7,589,080	7,283,743
Prepaid expenses	496,012	437,112
Total current assets	16,479,992	13,476,690
Investment in common stock of associated companies (Note 5)	3,975,652	4,441,415
Property, plant and equipment, net (Note 6)	19,958,405	17,886,784
Intangible assets, net (Notes 2-L and 7)	839,698	741,246
Goodwill (Notes 2-L and 7)	2,169,473	2,148,699
Other assets (Note 8)	543,295	598,961
Total assets	Ps. 43,966,515	Ps. 39,293,795
LIABILITIES		
Current:		
Bank loans (Note 9)	Ps. 912,141	Ps. 616,722
Current portion of long-term debt (Note 9)	1,291,251	1,576,149
Trade accounts payable	3,630,974	3,674,076
Accrued liabilities and other accounts payable	2,847,103	3,171,441
Income taxes payable	219,722	79,501
Employees' statutory profit sharing payable	36,467	52,088
Derivative financial instruments (Note 17)	11,935	4,863
Total current liabilities	8,949,593	9,174,840
Long-term debt (Note 9)	20,039,868	16,220,413
Deferred taxes (Note 14-B)	2,476,245	2,612,330
Deferred employees' statutory profit sharing (Note 10-B)	272,910	247,550
Labor obligations (Note 10-A)	245,761	276,904
Other liabilities	170,575	141,230
Total long-term liabilities	23,205,359	19,498,427
Total liabilities	32,154,952	28,673,267
Contingencies and commitments (Note 11)		
STOCKHOLDERS' EQUITY		
Majority interest (Note 12):		
Common stock	6,972,425	6,972,425
Contributed capital	6,972,425	6,972,425
Earned surplus (deficit)	729,040	(76,178)
Total majority interest	7,701,465	6,896,247
Noncontrolling interest	4,110,098	3,724,281
Total stockholders' equity	11,811,563	10,620,528
	Ps. 43,966,515	Ps. 39,293,795

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

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

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010
(Expressed in thousands of Mexican pesos, except share and per share amounts)
(Notes 1 and 2)

	2008	2009	2010
Net sales	Ps. 44,792,572	Ps. 50,489,048	Ps. 46,600,537
Cost of sales	(30,236,597)	(33,100,107)	(31,130,798)
Gross profit	14,555,975	17,388,941	15,469,739
Selling and administrative expenses	(11,288,995)	(13,581,969)	(12,669,644)
Operating income	3,266,980	3,806,972	2,800,095
Other expenses, net (Notes 2-A and 13)	(181,368)	(150,439)	(718,171)
Comprehensive financing expense:			
Interest expense	(823,702)	(1,449,601)	(1,360,427)
Interest income	90,399	95,155	29,778
Loss from derivative financial instruments (Note 17)	(15,056,799)	(543,123)	(82,525)
Monetary position gain, net	446,720	209,493	165,869
Gain from foreign exchange differences, net (Note 15-A)	255,530	755,188	143,852
	(15,087,852)	(932,888)	(1,103,453)
Equity in earnings of associated companies	618,476	495,045	627,333
(Loss) income before income taxes	(11,383,764)	3,218,690	1,605,804
Income taxes (Note 14):			
Current	(304,753)	(1,065,196)	(569,981)
Deferred	(129,942)	(43,150)	(268,737)
	(434,695)	(1,108,346)	(838,718)
Consolidated (loss) income	(11,818,459)	2,110,344	767,086
Noncontrolling interest	(521,299)	(581,424)	(225,181)
Majority net (loss) income	Ps. (12,339,758)	Ps. 1,528,920	Ps. 541,905
(Loss) earnings per share (in pesos)	Ps. (21.84)	Ps. 2.71	Ps. 0.96
Weighted average shares outstanding (thousands)	564,853	563,651	563,651

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010
(Expressed in thousands of Mexican pesos, except share amounts)
(Notes 1 and 2)

	Common stock (Note 12-A)						Retained earnings (Note 12-B)					
	Number of shares (thousands)	Amount	Additional paid-in capital	Deficit from restatement	Derivative financial instruments	Cumulative effect of deferred income taxes and employees' statutory profit sharing	Prior years	Net income (loss) for the year	Foreign currency translation adjustments (Note 12-D)	Total majority interest	Non-controlling interest	Total stockholders' equity
Balances at December 31, 2007	481,503	13,289,606	4,831,370	(16,196,178)	41,790	(226,316)	12,174,703	2,233,321	(453,086)	15,695,210	2,881,989	18,577,199
Appropriation of prior year net income							2,233,321	(2,233,321)		—		—
Dividends paid										—	(62,953)	(62,953)
Stock issuance	82,625	2,111,060								2,111,060		2,111,060
Net purchases and sales of Company's common stock	(477)	9,069	3,732				(24,362)			(11,561)		(11,561)
	82,148	2,120,129	3,732				2,208,959	(2,233,321)		2,099,499	(62,953)	2,036,546
Comprehensive loss:												
Reclassification of deficit from restatement		(8,437,310)	(2,690,864)	16,196,178		226,316	(5,294,320)			—		—
Cumulative effect of income tax and deferred employees' statutory profit sharing							(579,454)			(579,454)	(91,166)	(670,620)
Effect of labor obligations recognized in equity							36,577			36,577	141	36,718
Equity ownership from associated company							(103,232)			(103,232)	(700)	(103,932)
Foreign currency translation adjustments									976,141	976,141	393,643	1,369,784
Derivative financial instruments, net of taxes					(145,686)					(145,686)		(145,686)
Net loss for the year								(12,339,758)		(12,339,758)	521,299	(11,818,459)
Comprehensive loss for the year		(8,437,310)	(2,690,864)	16,196,178	(145,686)	226,316	(5,940,429)	(12,339,758)	976,141	(12,155,412)	823,217	(11,332,195)
Balances at December 31, 2008	563,651	6,972,425	2,144,238	—	(103,896)	—	8,443,233	(12,339,758)	523,055	5,639,297	3,642,253	9,281,550
Appropriation of prior year net loss							(12,339,758)	12,339,758		—		—
Appropriation of additional paid-in capital			(2,144,238)				2,144,238			—		—
Dividends paid										—	(175,255)	(175,255)
			(2,144,238)				(10,195,520)	12,339,758		—	(175,255)	(175,255)
Comprehensive income:												
Effect due on tax consolidation							(2,475)			(2,475)		(2,475)
Equity ownership from associated company							76,921			76,921		76,921
Foreign currency translation adjustments									365,887	365,887	72,198	438,085
Derivative financial instruments, net of taxes					103,896					103,896		103,896
Other transactions related to comprehensive income							(10,981)			(10,981)	(10,522)	(21,503)
Net income for the year								1,528,920		1,528,920	581,424	2,110,344
Comprehensive income for the year					103,896		63,465	1,528,920	365,887	2,062,168	643,100	2,705,268
Balances at December 31, 2009	563,651	6,972,425	—	—	—	—	(1,688,822)	1,528,920	888,942	7,701,465	4,110,098	11,811,563

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010
(Expressed in thousands of Mexican pesos, except share amounts)
(Notes 1 and 2)

	Common stock (Note 12-A)						Retained earnings (Note 12-B)					
	Number of shares (thousands)	Amount	Additional paid-in capital	Deficit from restatement	Derivative financial instruments	Cumulative effect of deferred income taxes and employees' statutory profit sharing	Prior years	Net income (loss) for the year	Foreign currency translation adjustments (Note 12-D)	Total majority interest	Non-controlling interest	Total stockholders' equity
Appropriation of prior year net income							1,528,920	(1,528,920)		—		—
Dividends paid										—	(74,872)	(74,872)
							1,528,920	(1,528,920)		—	(74,872)	(74,872)
Comprehensive income:												
Effect due on tax consolidation							781			781		781
Equity ownership from associated company							(71,020)			(71,020)		(71,020)
Foreign currency translation adjustments									(1,276,884)	(1,276,884)	(536,126)	(1,813,010)
Net income for the year								541,905		541,905	225,181	767,086
Comprehensive income for the year							(70,239)	541,905	(1,276,884)	(805,218)	(310,945)	(1,116,163)
Balances at December 31, 2010	563,651	Ps. 6,972,425	Ps. —	Ps. —	Ps. —	Ps. —	Ps. (230,141)	Ps. 541,905	Ps. (387,942)	Ps. 6,896,247	Ps. 3,724,281	Ps. 10,620,528

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010
(Expressed in thousands of Mexican pesos)
(Notes 1 and 2)

	2008	2009	2010
Operating activities:			
(Loss) income before income taxes	Ps. (11,383,764)	Ps. 3,218,690	Ps. 1,605,804
Restatement effects from companies in an inflationary environment	(173,504)	37,898	64,899
Foreign exchange (gain) loss from working capital	(728,177)	33,909	730,255
Net cost of the year for labor obligations	345,205	199,308	69,091
Items related with investing activities:			
Depreciation and amortization	1,410,420	1,648,446	1,524,383
Impairment of long-lived assets	46,851	26,799	—
Interest income	(56,030)	(59,279)	(6,855)
Foreign exchange gain from cash	(104,979)	(21,296)	(9,635)
Equity in earnings of associated companies	(618,476)	(495,045)	(627,333)
Loss from sale of fixed assets	11,315	94,384	3,034
Items related with financing activities:			
Derivative financial instruments	15,056,799	543,123	82,525
Foreign exchange loss (gain) from bank loans	577,627	(767,801)	(864,469)
Interest expense	734,266	1,319,073	1,254,950
	5,117,553	5,778,209	3,826,649
Changes in working capital:			
Accounts receivable, net	(946,818)	(87,019)	(614,271)
Inventories	(921,227)	346,059	(732,039)
Prepaid expenses	3,935	(141,855)	(106,328)
Trade accounts payable	(245,707)	201,000	669,916
Accrued liabilities and other accounts payable	191,118	(153,674)	768,662
Income taxes paid	(660,589)	(596,954)	(781,441)
Labor obligations and others, net	(325,269)	(177,968)	(25,586)
	(2,904,557)	(610,411)	(821,087)
Net cash flows from operating activities	2,212,996	5,167,798	3,005,562
Investing activities:			
Acquisition of property, plant and equipment	(2,696,744)	(1,168,663)	(1,008,191)
Sales of property, plant and equipment	27,880	126,333	139,066
Acquisition of subsidiaries, net of cash acquired	—	—	(106,970)
Intangible assets	(60,198)	(108,646)	(2,855)
Acquisition of shares of associated companies	(154,568)	—	—
Interest received	43,828	43,392	6,410
Dividends received from associated companies	83,446	31,959	90,549
Trading investments	(101,829)	18,925	(19,423)
Other	(201,846)	115,573	85,714
Net cash flows from investing activities	(3,060,031)	(941,127)	(815,700)
Cash (to be obtained from) in excess to be used in financing activities	(847,035)	4,226,671	2,189,862
Financing activities:			
Proceeds from bank loans and long-term debt	6,912,197	11,774,361	661,722
Repayment of bank loans and long-term debt	(3,206,050)	(2,463,168)	(3,257,291)
Interest paid	(781,525)	(1,237,114)	(1,205,310)
Derivative financial instruments paid	(3,538,840)	(11,485,512)	(40,809)
Proceeds from stock issuance	2,111,060	—	—
Acquisition of subsidiary shares from minority shareholder	—	(21,503)	—
Net purchases and sales of Company's common stock	(11,561)	—	—
Dividends paid	(62,953)	(175,255)	(74,872)
Other	(11,517)	(836)	(18,634)
Net cash flows from financing activities	1,410,811	(3,609,027)	(3,935,194)
Net increase (decrease) in cash and cash equivalents	563,776	617,644	(1,745,332)
Exchange differences on cash and cash equivalents	279,720	(17,016)	(114,014)
Cash and cash equivalents at beginning of year	436,539	1,280,035	1,880,663
Cash and cash equivalents at end of year	Ps. 1,280,035	Ps. 1,880,663	Ps. 21,317

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010
(Expressed in thousands of Mexican pesos, except where otherwise indicated)

1. ENTITY AND NATURE OF BUSINESS

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

The accompanying consolidated financial statements and notes were authorized on June 7, 2011 by Juan Quiroga García, Chief Corporate Officer, and Homero Huerta Moreno, Chief Administrative Officer.

2. SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PREPARATION

The accompanying consolidated financial statements as of December 31, 2008, 2009 and 2010 have been prepared in accordance with Mexican Financial Reporting Standards (MFRS) or Mexican FRS. The new MFRS published to be mandatory for accounting periods beginning January 1, 2010 were adopted by the Company; however, these new MFRS did not have any material effect on the Company’s financial position and results of operation.

Certain reclassifications have been applied to previous years’ financial information for comparability purposes.

In order to achieve a fair presentation of the Company’s financial performance, the Company’s management followed the criteria of presenting the statement of income on a functional basis, since the different levels of income are disclosed when grouping its costs and expenses in a general way. Additionally, for convenience of the readers, operating income is presented separately, since this concept is useful for the analysis of the financial information and has been disclosed by the Company on a regular basis.

Based on the criteria mentioned above, the Company applied the accounting policies that are described below. A reconciliation from Mexican FRS to United States generally accepted accounting principles (U.S. GAAP) is included in Note 21.

B) BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Gruma, S.A.B. de C.V., and all of those subsidiaries including Special Purpose Entities (SPE), in which the majority of the common shares are owned directly or indirectly by the Company or it otherwise has control or the Company has significant amount of risks and rewards, among other, since it has more than half of the voting rights as agreed with other shareholders. All significant intercompany balances and transactions have been eliminated from the consolidated financial statements.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

As of December 31, 2009 and 2010 the main subsidiaries included in consolidation are the following:

	% of ownership	
	2009	2010
Gruma Corporation and subsidiaries	100.00	100.00
Grupo Industrial Maseca, S.A.B. de C.V. and subsidiaries	83.18	83.18
Molinos Nacionales, C.A. (Note 17-D)	72.86	72.86
Derivados de Maíz Seleccionado, C.A. (Note 17-D)	57.00	57.00
Molinera de México, S.A. de C.V. and subsidiaries	60.00	60.00
Gruma International Foods, S.L. and subsidiaries	100.00	100.00
Productos y Distribuidora Azteca, S.A. de C.V	100.00	100.00
Investigación de Tecnología Avanzada, S.A. de C.V. and subsidiaries	100.00	100.00

In March 2010, the Company, through its subsidiary Gruma International Foods, S.L., acquired all issued and outstanding shares of Altera LLC and Altera-2 LLC, which together are considered as the leading producers of corn grits in Ukraine, for a total of Ps.107,484 (U.S.$8,717 thousand). The estimated fair values of the net assets acquired and the allocation of the purchase price are summarized as follows:

Current assets	Ps.	34,147
Property, plant and equipment, net		12,636
Current liabilities		(11,304)
Bank loans		(18,475)
Total net assets acquired		17,004
Goodwill		90,480
Purchase price	Ps.	107,484

C) USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with Mexican FRS 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 years reported on. The main items subject to such estimates are the carrying value of property, plant and equipment, goodwill and other intangible assets, deferred income tax and flat rate business tax, and valuation of derivative financial instruments. Actual results could differ from those estimates.

D) FOREIGN CURRENCY TRANSLATION

Under MFRS B-15 "Foreign Currency Translation", the Company has defined the Mexican peso as its functional and reporting currency. Accordingly, the financial statements of the foreign subsidiaries are translated to Mexican pesos, depending on the economic environment in which the subsidiary operates, as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-inflationary economic environment:

a. As of December 31, 2010 assets and liabilities are translated to Mexican pesos using the year-end exchange rate of Ps.12.35.
b. As of December 31, 2009 stockholders' equity was translated to Mexican pesos using the exchange rate at that date, whereas the transactions of the year 2010 are translated by applying the exchange rate in effect at the dates on which the stockholders' contributions were made and income was generated. The average exchange rate was Ps.12.64.
c. Revenues, costs and expenses for the year 2010 are translated to Mexican pesos using the historical exchange rate. The average exchange rate was Ps.12.64.
d. The effects of translation are recognized as a component of stockholders' equity entitled "Foreign currency translation adjustments".

Inflationary economic environment:

Financial statements are restated following the provisions of MFRS B-10 "Effects of inflation", applying the price index of the foreign country which reflects the change in purchasing power of the currency in which the subsidiary reports. Afterwards, the financial statements are translated to Mexican pesos as follows:

a. As of December 31, 2010 assets, liabilities and stockholders' equity are translated to Mexican pesos using the year-end exchange rate of Ps.12.35.
b. Revenues, costs and expenses for the year 2010 are translated to Mexican pesos using the year-end exchange rate of Ps.12.35.
c. The changes were recognized by the Company as a component of stockholders' equity entitled "Foreign currency translation adjustments".

E) RECOGNITION OF THE EFFECTS OF INFLATION

MFRS B-10 establishes the guidelines for recognizing the effects of inflation based on the inflationary environment of the country. According to the provisions of MFRS B-10, as long as the accumulated inflation rate in the countries where the Company and its subsidiaries operate does not exceed 26% in the last three years, the effects of inflation in the financial information will not be applied. Since the accumulated inflation in the countries where the Company and its subsidiaries operate did not exceed the 26% for the last three years, with the exception of Venezuela and some other countries not significant for these consolidated financial statements, the consolidated financial statements as of December 31, 2009 and 2010 have been prepared based on the modified historical cost model (that is, the effects of transactions recognized until December 31, 2007 are expressed in Mexican pesos of constant purchasing power at that date, and the effects of transactions that occurred after that date are expressed in nominal Mexican pesos, except for Venezuela and other countries not significant for these consolidated financial statements, which transactions were restated following the provisions of MFRS B-10).

F) FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded in Mexican pesos at the exchange rate in effect on the dates the transactions are realized. Monetary assets and liabilities denominated in foreign currencies are translated into Mexican pesos at the exchange rate in effect at the balance sheet dates. Foreign exchange differences arising on the valuation and liquidation of these balances are credited or charged to income, except for the effects of translation of 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".

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

G) CASH EQUIVALENTS

The Company considers as cash equivalents, all highly liquid investments with maturities of three months or less at the date of acquisition. These investments mainly consist of fixed deposits and money market accounts and are stated at market value. The difference between the amount at the date of acquisition and the amount at the date of the balance sheet is recognized in income as comprehensive financing expense.

H) TRADING INVESTMENTS

Investments in securities acquired principally for the purpose of selling in the short term are classified as trading investments. These investments are initially recognized at cost and subsequently carried at fair value. The difference between fair value and cost is recognized in income.

I) INVENTORIES AND COST OF SALES

Inventories and cost of sales are expressed at their modified historical cost determined by the average cost method. These values do not exceed their market value.

On October 21, 2008, the Federal Official Gazette published, on behalf of the Ministry of Economy and within the Agreement to Promote Competitiveness of the Industrial Sectors (“PROIND”), the Guidelines for the Operation of the Program of Benefits for the Corn Flour Industry (“PROHARINA”) for the fiscal year 2008. The PROHARINA had among its objectives to reduce the impact on the final consumer of increases in the international prices of corn using a mechanism of granting benefits to the final consumer, through the industry that produces corn flour, to which GIMSA belongs. These benefits are granted subject to the kilogram of corn flour being sold at a maximum price of Ps.5.45 per kilogram of corn flour starting June 2008. These benefits are recognized in the income statement as a reduction in the cost of sales. The benefits obtained by GIMSA through PROHARINA in 2009 amounted to Ps.1,465 million (Ps.1,271 million in 2008). In November 2009, the Ministry of Economy terminated the PROHARINA program.

J) INVESTMENT IN COMMON STOCK

Investment in common stock, where ownership in equity is between 10% and 50% for investees listed on a stock exchange or between 25% and 50% for non-listed investees and there is evidence that the Company has significant influence, are accounted for by the equity method. The equity method consists of adjusting the acquisition cost of the shares, determined through the purchase method, by the portion of comprehensive income or loss and the distribution of earnings through capital reimbursements subsequent to the acquisition date.

The Company’s equity in earnings of associated companies is presented separately in the income statement or in stockholders’ equity for transactions recorded directly in the stockholders’ equity of the investee.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

K) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and its respective depreciation, including acquisitions through capital leases, are stated as follows:

a. Acquisitions carried out starting January 1, 2008 at their historical costs, and

b. Acquisitions settled until December 31, 2007 at their restated values, determined by applying National Consumer Price Index (NCPI) factors to their acquisition cost until December 31, 2007, except for machinery and equipment of foreign origin, which are restated on the basis of a specific index composed of the General Consumer Price Index (GCPI) of the country of origin and the change in value of the Mexican peso against the foreign currency at the year-end 2007.

Consequently, as of December 31, 2010, property, plant and equipment, are expressed at their modified historical cost.

Depreciation expense is computed based on the modified historical cost 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 (*)

(*) The shorter of 10 years or the term of the leasehold agreement.

Leases for machinery and equipment are capitalized due to the fact that substantially all the risks and benefits inherent to the ownership are transferred. The amount capitalized represents the lower of the market value of the leased asset or the present value of the minimum payments. The interest expense from the financing provided by the lessor for the acquisition of these assets is recognized in the income statement in the period when incurred.

Maintenance and repairs are expensed as incurred. Costs of major replacements and improvements are capitalized. The interest expense, foreign exchange differences, gain or loss on monetary position and other costs of the financing required for fixed assets whose acquisition or construction requires a substantial period of time, are capitalized as part of the cost of the assets. The values so determined do not exceed their fair value.

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

Idle assets that are not in service and will not be used in the future are no longer depreciated and are stated at their net replacement cost. An impairment loss is recognized in other expenses, net when the net replacement cost is less than its carrying value.

The value of these assets is subject to impairment tests when certain events and circumstances are present, as mentioned in Note 2-M.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

L) INTANGIBLE ASSETS AND GOODWILL

Intangible assets acquired or developed, are stated as follows:

a. Acquisitions or developments made starting January 1, 2008, at historical cost, and

b. Acquisitions or developments realized through December 31, 2007, at restated value determined by applying NCPI factors until December 31, 2007 to their cost of acquisition or development.

Consequently, as of December 31, 2010, intangible assets are presented at modified historical cost.

As of December 31, 2009 and 2010, for foreign subsidiaries in an inflationary environment, the value of these assets is restated using the GCPI factors.

Expenses incurred during the development stage are capitalized. The development stage concludes upon the commencement of commercial activities. Research expenses are expensed as incurred.

Amortization expense of 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 contractual, economic, legal or regulatory factors. Indefinite-lived intangible assets are no longer amortized.

Business combinations and investments in subsidiaries and associated companies are accounted for by the purchase method. Goodwill is no longer amortized and is tested annually for impairment.

Debt issuance costs are capitalized. Amortization expense of debt issuance costs is computed using the straight-line method over the term of the related debt.

The value of these assets is subject to impairment tests, when certain events and circumstances are present as mentioned in Note 2-M.

M) IMPAIRMENT OF LONG-LIVED ASSETS

The Company performs impairment tests for its property, plant and equipment; intangible assets with finite lives; and investment in associated companies, when certain events and circumstances suggest that the carrying value of the assets might not be recovered. Intangible assets with indefinite lives and goodwill are subject to impairment tests at least once a year.

The recoverable amount of assets held for use is the higher of (1) the long-lived asset's (asset group) fair value less costs to sell, representing the amount obtainable from the sale of the long-lived asset (asset group) in an arm's length transaction between knowledgeable, willing parties less the costs of disposal and (2) the long-lived asset's (asset group) value in use representing its future cash flows discounted to present value by using a rate that reflects the current assessment of the time value of money and the risks specific to the long-lived asset (asset group) not included in the discount rate. An impairment loss is recognized to the extent that the net book value exceeds the estimated recoverable amount of the assets.

For the years ended December 31, 2008 and 2009, impairment losses of Ps.46,851 and Ps.26,799, respectively, were included in income as other expenses, net, and the related assets are stated net of such losses. For the year ended December 31, 2010, the Company did not recognized impairment losses.

The value of assets to be disposed of is determined using the lower of book value or fair value less costs to sell. An impairment loss is recognized for the excess of book value over fair value less costs to sell. These assets are not depreciated or amortized.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

N) LABOR OBLIGATIONS

The Company does not have defined contribution plans, except for those required by the social security laws. The Company uses December 31 as a measurement date for its plans.

The benefits granted by the Company to its employees, including defined benefit plans, are described as follows: direct benefits (salaries, over-time, vacations, holidays and absence permissions with salary payment, etc.) are expensed as incurred and their liabilities are expressed at nominal value, due to their short-term nature. Compensated absences according to legal or contractual provisions are not cumulative. The Company does not have any long-term direct benefit plans.

The benefits at the end of the labor relationship other than for restructuring causes (severance payments for dismissal, seniority premium plan, voluntary separation, etc.), as well as benefits when employees reach the 60-year retirement age according to the Company's single-payment retirement plan, are recognized based on studies by independent actuaries using the projected unit credit method. The Company has established trust funds to meet the obligations from the seniority premium plans. The employees do not contribute to these funds.

The net period cost of each benefit plan is recognized as expense in the period when incurred. This cost includes, among others, the amortization of labor costs of past services and actuarial gains and losses of prior years. Past services costs are amortized over a period of five years.

Deferred employee statutory profit sharing (ESPS) is recorded in accordance with the comprehensive asset and liability method, which requires the recognition of a deferred ESPS for all temporary differences between the book and tax amounts of the assets and liabilities which are expected to be realized in the future. The effect of the year is presented in the income statement as Other expenses.

O) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments that are not designated as accounting hedges are recorded initially at fair value and at each period-end at estimated fair value, in the balance sheet as assets and/or liabilities. Any gain or loss on valuation is recognized in income of the year.

The fair value is determined based on recognized market prices. When the instruments are not quoted in a market, their fair value is determined based on valuation techniques accepted in the financial sector.

The changes in fair value of such derivative financial instruments are recognized as part of the comprehensive financing income or expense, except when the instruments are designated as hedges and comply with all hedging requirements, such as: documentation of such designation at the beginning of the hedge contract, including objective, primary position, risks being hedged, type of instruments, effectiveness, characteristics, accounting recognition, and method to evaluate the effectiveness.

The effectiveness of a hedge is determined when changes in the fair value or cash flows for the primary position are compensated by changes in the fair value or cash flows of the hedging instruments with a quotient that ranks from 80% to 125% of inverse correlation.

When hedge ineffectiveness is present, as well as when the hedge designation does not comply with the requirements for documentation established in MFRS C-10 "Derivative Financial Instruments", the gain or loss on valuation of the financial instruments at fair value is recognized in income, in comprehensive financing income or expense.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

For cash-flow hedge transactions, changes in the fair value of the derivative financial instrument are included as comprehensive income in stockholders' equity, based on the evaluation of the hedge effectiveness, and are reclassified to income in the periods when the projected transaction is realized. Fair value hedge contracts, as well as the item being hedged, are measured at fair value, and their valuation gain or loss is recognized in income.

P) REVENUE RECOGNITION

Revenue on product sales is recognized upon shipment to, and acceptance by, the Company's customers and 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 that the related sales are recorded and are based upon either historical estimates or actual terms.

Q) INCOME TAXES

The Company recognizes in income the expense or income for deferred income taxes for all the temporary differences between the carrying values for financial reporting and tax values of assets and liabilities that are expected to be reversed. 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.

The Company is subject to the higher of income tax and flat tax. During the years presented in these financial statements, the Company recognized deferred income tax, since the financial and tax projections prepared by management show that essentially the Company and its subsidiaries in Mexico will pay income tax in the future; therefore, at the end of the year, the Company did not recognize the effect of any deferred flat tax.

According to the applicable law effective January 1, 2008, the Asset Tax Law was superseded. Nevertheless, the new law includes a procedure for recovering asset tax paid in previous years, which under the old law could be recovered in the following ten years if the income tax exceeded the asset tax in those years. See Note 14-C.

R) EARNINGS (LOSS) PER SHARE

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

S) COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) is comprised of: income (loss) for the year, translation effects of foreign entities, effects from changes in the fair value of derivative financial instruments that for accounting purposes were designated as hedge instruments and those items that due to a specific accounting requirement are recorded in stockholders' equity, and do not represent capital increases, reductions or distributions. The amounts of comprehensive income (loss) for 2009 and 2010 are stated at modified historical Mexican pesos.

T) SEGMENT INFORMATION

The MFRS B-5 "Segment Information" requires the Company to analyze its organizational structure and its reporting system, with the purpose of identifying segments. In Note 16, segment information is shown in the way the Company's management analyzes, directs and controls business and operating income; additionally, the note includes information by geographic area, as required by MFRS B-5.

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3. ACCOUNTS RECEIVABLE AND REFUNDABLE TAXES

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

	2009	2010
Trade accounts receivable	Ps. 4,562,111	Ps. 4,457,468
Allowance for doubtful accounts	(308,537)	(397,084)
	4,253,574	4,060,384
Related parties	500,669	237,432
Derivative financial instruments	55,749	13,137
Employees	26,741	17,524
Other debtors	917,523	514,680
	Ps. 5,754,256	Ps. 4,843,157

Refundable taxes comprised the following as of December 31:

	2009	2010
Value-added tax	Ps. 216,729	Ps. 236,983
Income tax	415,959	574,801
	Ps. 632,688	Ps. 811,784

4. INVENTORIES

Inventories consisted of the following as of December 31:

	2009	2010
Raw materials, mainly corn and wheat	Ps. 5,817,681	Ps. 5,641,753
Finished products	838,676	713,815
Materials and spare parts	486,576	421,204
Production in process	218,253	160,238
Advances to suppliers	153,383	256,829
Inventory in transit	74,511	89,904
	Ps. 7,589,080	Ps. 7,283,743

5. 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.B. de C.V. ("GFNorte") and Harinera de Monterrey, S.A. de C.V., which produces wheat flour and related products in Mexico.

The Company has significant influence over GFNorte, due to its representation on the Board of Directors and the equity interest of the Company's principal shareholder in GFNorte (See Note 20).

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

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

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

	2009	Ownership as of December 31, 2009	2010	Ownership as of December 31, 2010
GFNorte	Ps. 3,836,513	8.7966%	Ps. 4,300,910	8.7966%
Harinera de Monterrey, S.A. de C.V	139,139	40%	140,505	40%
	Ps. 3,975,652		Ps. 4,441,415	

During 2009 and 2010, the Company received dividends from GFNorte amounting to Ps.31,959 and Ps.90,549, respectively.

As of December 31, 2009 and 2010, the market value of the investment in common stock of GFNorte, which is publicly traded in the Mexican Stock Exchange, amounted to Ps.8,493,824 and Ps.10,450,387, respectively, based on market quotations.

6. PROPERTY, PLANT AND EQUIPMENT

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

	2009	2010
Land	Ps. 1,593,576	Ps. 1,448,464
Buildings	6,930,521	6,495,836
Machinery and equipment	25,424,104	23,904,892
Construction in progress	403,075	478,607
Software for internal use	1,134,034	988,667
Leasehold improvements.	923,437	901,958
Machinery and equipment under capitalized leases	171,313	183,171
Other	30,666	35,175
	36,610,726	34,436,770
Accumulated depreciation	(16,652,321)	(16,549,986)
	Ps. 19,958,405	Ps. 17,886,784

For the years ended December 31, 2008, 2009 and 2010, depreciation expense amounted to Ps.1,312,322, Ps.1,542,463 and Ps.1,417,499, respectively. For the years ended December 31, 2008 and 2009, comprehensive financing costs of Ps. 12,170 and Ps.2,679, respectively, were capitalized to property, plant and equipment.

As of December 31, 2009 and 2010, property, plant and equipment includes idle assets with a carrying value of approximately Ps.621,212, resulting from the temporary shut-down of the productive operations of various plants in Mexico, mainly in the corn flour division. These assets are stated at their net realizable value and are not being depreciated.

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6. PROPERTY, PLANT AND EQUIPMENT (continued)

Certain events or changes in circumstances that may lead to potential impairments were not present during 2010; therefore, the Company did not recognize any impairment loss in income of the year. For the years ended December 31, 2008 and 2009, the Company recognized impairment losses of Ps.46,851 and Ps.26,799, respectively, in "Other expense, net" in accordance with the provisions of MFRS C-15, "Impairment of Long-Lived Assets and their Disposal", as follows:

Segment	2008	2009
Corn flour division (Mexico)	Ps. 26,051	Ps. 26,799
Other	20,800	—
Total	Ps. 46,851	Ps. 26,799

7. INTANGIBLE ASSETS

Intangible assets, net, comprised the following:

As of December 31, 2009:

	Gross carrying amount	Accumulated amortization	Net carrying amount
Intangible assets with finite lives:			
Acquired:			
Covenants not to compete	Ps. 921,764	Ps. (612,385)	Ps. 309,379
Debt issuance costs	677,048	(262,133)	414,915
Patents and trademarks	134,232	(65,520)	68,712
Customer lists	78,279	(45,195)	33,084
Generated:			
Pre-operating expenses	423	(319)	104
Development of new projects	33,848	(32,523)	1,325
Other	62,422	(50,243)	12,179
	Ps. 1,908,016	Ps. (1,068,318)	Ps. 839,698

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7. INTANGIBLE ASSETS (continued)

As of December 31, 2010:

	Remaining useful life (years)	Gross carrying amount	Accumulated amortiza-tion	Net carrying amount
Intangible assets with finite lives:				
Acquired:				
Covenants not to compete	6	Ps. 921,764	Ps. (657,677)	Ps. 264,087
Debt issuance costs	4 – 14	669,257	(291,627)	377,630
Patents and trademarks	3 – 17	122,639	(68,496)	54,143
Customer lists	11 – 13	82,823	(47,579)	35,244
Generated:				
Pre-operating expenses	—	643	(643)	—
Development of new projects	2	1,641	(864)	777
Other	1 – 3	61,056	(51,691)	9,365
		Ps. 1,859,823	Ps. (1,118,577)	Ps. 741,246

Intangible assets recognized during 2009 amounted to Ps.112,336, due mainly to debt issuance costs of Ps.110,273. Intangible assets recognized during 2010 totaled Ps.3,879, and correspond mainly to trademarks acquired by the United States and Central America segments for a total of Ps.3,515.

The reconciliation between the initial and final balances of the carrying amounts of intangible assets is as follows:

	2009		2010	
	Investment	Accumulated amortization	Investment	Accumulated amortization
Balance at beginning of the year	Ps. 1,879,807	Ps. (1,052,521)	Ps. 1,908,016	Ps. (1,068,318)
Foreign currency translation adjustments	(12,905)	22,455	(9,367)	11,209
Fully amortized intangible assets	(67,736)	67,736	(41,748)	41,748
Intangible assets with finite lives:				
Acquired:				
Covenants not to compete	—	(45,435)	—	(43,900)
Debt issuance costs	110,273	(29,087)	—	(37,684)
Patents and trademarks	—	(9,036)	3,516	(3,317)
Customer lists	—	(19,782)	—	(15,959)
Generated:				
Pre-operating expenses	—	(339)	—	(60)
Development of new projects	1,641	(316)	—	(548)
Other	(3,064)	(1,993)	(594)	(1,748)
Balance at end of year	Ps. 1,908,016	Ps. (1,068,318)	Ps. 1,859,823	Ps. (1,118,577)

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7. INTANGIBLE ASSETS (continued)

Research and development costs charged to income amounted to Ps.93,638, Ps. 91,550 and Ps.76,604 as of December 31, 2008, 2009 and 2010, respectively.

For the years ended December 31, 2008, 2009 and 2010, amortization expense of intangible assets amounted to Ps.98,098, Ps.105,983 and Ps.106,884, respectively, which were recognized in income as follows:

	2008	2009	2010
Cost of sales	Ps. 4,535	Ps. 8,749	Ps. 5,812
Administrative expenses	21,686	20,543	16,658
Selling expenses	731	1,053	943
Comprehensive financing expense	23,249	29,231	36,291
Other expenses, net	47,897	46,407	47,180
Total amortization expense	Ps. 98,098	Ps. 105,983	Ps. 106,884

The estimated amortization expense over the next five years is as follows:

	Amount
2011	Ps. 96,518
2012	93,452
2013	90,750
2014	90,786
2015	88,466
2016 onwards	281,274
Total estimated amortization expense	Ps. 741,246

Goodwill, net, is comprised of the following:

	Corn flour and packaged tortilla (US and Europe)	Corn flour (Mexico)	Other	Other reconciling items	Total
Balance at January 1, 2009	Ps. 1,083,843	Ps. 195,199	Ps. 613,658	Ps. 311,387	Ps. 2,204,087
Foreign currency translation adjustments	(54,737)	—	20,123	—	(34,614)
Balance at December 31, 2009	1,029,106	195,199	633,781	311,387	2,169,473
Goodwill acquired	—	—	90,480	—	90,480
Foreign currency translation adjustments	(75,291)	—	(35,963)	—	(111,254)
Balance at December 31, 2010	Ps. 953,815	Ps. 195,199	Ps. 688,298	Ps. 311,387	Ps. 2,148,699

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8. OTHER ASSETS

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

	2009	2010
Other investments and club memberships	Ps. 203,459	Ps. 52,256
Long-term notes receivable for sale of tortilla machines	8,768	175,653
Long-term recoverable asset tax	119,996	119,996
Guarantee deposits	119,217	118,842
Long-term prepaid expenses	—	124,127
Long-term notes receivable	91,855	8,087
	Ps. 543,295	Ps. 598,961

9. BANK LOANS AND LONG-TERM DEBT

Bank loans and long-term debt as of December 31 are summarized as follows (See Note 20):

	2009	2010
Loan in U.S. dollars with semi-annual escalating amortizations, starting in July 21, 2010 and maturing in January 21, 2017, paying LIBOR plus 2.875% until July 20, 2012 and annual step-ups thereafter	Ps. 8,734,388	Ps. 7,944,541
Perpetual notes in U.S. dollars bearing interest at an annual rate of 7.75%, payable quarterly, redeemable starting 2009 at the Company's option	3,921,000	3,705,000
Loan in Mexican pesos maturing in September 2019, with amortizations starting in December 2012, and bearing interest at a variable rate of TIIE plus 6.21%, payable monthly	3,367,000	3,367,000
Syndicated loan denominated 60% in U.S. dollars and 40% in Mexican pesos, maturing in October 2014, with 20 quarterly amortizations. The U.S. dollar loan bears interest at an annual rate of LIBOR plus 2.875%, payable quarterly (3.2% in 2010). The Mexican peso loan bears interest at annual rate of TIIE plus 2.875%, payable monthly (7.8% in 2010)	2,575,850	1,992,631
Credit line in U.S. dollars, maturing in October 2011, bearing interest at an annual rate of LIBOR plus 0.35% to 0.45% (0.6% in 2010), payable in 30, 60, 90 and 180 days	914,900	—
Loans in U.S. dollars, with monthly amortizations starting in August 21, 2010 and maturing in July 21, 2012, bearing interest at LIBOR plus 2.88%	761,929	569,965
Loans in U.S. dollars due in 2011, bearing interest at variable annual rates from 2.2% to 7.5%, payable monthly	466,501	336,132
Loans in Mexican pesos due in 2014, bearing interest at variable annual rates of TIIE plus 5%, payable monthly	394,654	—
Loans in U.S. dollars due in January 14, 2010, bearing interest at an annual rate of 2.23%	313,680	—
Loans in Venezuelan bolivars payable in 2011 and bearing interest at variable annual rates, payable monthly (13% in 2010)	267,479	229,767

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

	2009	2010
Loans in Mexican pesos due between 2011 and 2015, bearing interest at variable annual rates of 9.6% to 11.2%, payable monthly	212,121	64,902
Loan in U.S. dollars due in 2011, with equal monthly amortizations, bearing interest at LIBOR plus 2.0% (2.25% in 2010)	145,126	40,332
Capital leases for transportation and production equipment, payable monthly and quarterly in a term of 42 to 48 months, maturing between 2011 and 2013, and bearing a fixed annual interest rate of 13.02%	119,424	106,635
Loans in U.S. dollars and Euros, payable in 2011 and bearing interest at variable annual rates from 1.9% to 2.52%, payable in different installments	49,208	56,379
	Ps. 22,243,260	Ps. 18,413,284
Short-term bank loans	(912,141)	(616,722)
Current portion of long-term debt	(1,291,251)	(1,576,149)
Long-term debt	Ps. 20,039,868	Ps. 16,220,413

As of December 31, 2010, short-term bank loans amounting to Ps.229,767 (Bs.80 million bolivars) bear interest at an average rate of 13%. Short-term bank loans denominated in U.S. dollars amounting to Ps.336,132 (US$27 million dollars) bear interest at an average rate of 5.77% as of December 31, 2010. Short-term bank loans denominated in Euros amounting to Ps.50,820 (4 million Euros) bear interest at an average rate of 2.033% as of December 31, 2010.

The Company has credit line agreements for Ps.1,235,000 (U.S.$100 million), from which, as of December 31, 2010, Ps.993,533 are available, since Ps.241,467 serve as collateral for indemnities paid to workers by insurance companies in case of work accidents in the United States (Note 11). These credit line agreements require the payment of an annual commitment fee ranging from 0.10% to 0.15% over the unused amounts.

The outstanding credit agreements contain covenants mainly related to the compliance with certain financial ratios and delivery of financial information, which, if not complied during the period as determined by creditors, may be considered as a cause for early maturity of the debt. Financial ratios are calculated according to formulas established in the credit agreements. The main financial ratios contained in the credit agreements are the following:

- Interest coverage ratio, defined as the ratio of consolidated earnings before interest, tax, depreciation and amortization (EBITDA) to consolidated interest charges, should not be less than 2.50 to 1.00 for years 2009 and 2010, and not less than 2.75 to 1.00 for the year 2011.

- Leverage ratio, defined as the ratio of total consolidated indebtedness (as described in the credit agreements) to consolidated EBITDA, should not exceed 5.95, 5.60 and 5.00 to 1.00 for 2009, 2010 and 2011, respectively.

- Calculation of excess cash (as defined in the credit agreements) which, together with the leverage ratio, determine the prepayments of debt as follows:

  - If the leverage ratio is equal or higher than 3.50 to 1.00, then 75% of excess cash must be prepaid.

  - If the leverage ratio is lower than 3.50 to 1.00, then no percentage of excess cash would be applied as prepayment.

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

- Investment in assets or capital expenditures are limited to U.S.$80 million for 2009 and 2010; U.S.$120 million for 2011; U.S.$140 million for 2012 and U.S.$150 million for 2013 and thereafter until maturity of the credit agreements.

At December 31, 2010, the Company was in compliance with the financial covenants, as well as the delivery of the required financial information.

At December 31, 2010, the annual maturities of long-term debt outstanding were as follows:

Year	Amount
2012	Ps. 1,777,210
2013	2,208,598
2014	2,325,093
2015	2,190,197
2016 and thereafter	7,719,315
	Ps. 16,220,413

10. LABOR OBLIGATIONS

A) BENEFITS UPON RETIREMENT AND EMPLOYMENT TERMINATION (SEVERANCE PAYMENTS)

At December 31, 2009 and 2010, the balances payable related to benefits upon retirement and employment termination amounted to Ps.245,761 and Ps.276,904, respectively, and are included as long-term liabilities.

For Mexican subsidiaries:

The reconciliation between the initial and final balances of the present value of the defined benefit obligations (DBO) for the years 2009 and 2010 is as follows:

	2009		2010	
	Severance payment	Post-retirement plan	Severance payment	Post-retirement plan
DBO at beginning of the year	Ps. 45,382	Ps. 188,711	Ps. 37,176	Ps. 221,865
Add (deduct):				
Current service cost	3,397	11,624	3,587	12,995
Financial cost	3,274	15,566	3,478	18,398
Actuarial losses for the period	19,745	25,098	16,329	38,985
Benefits paid	(34,622)	(14,471)	(11,319)	(5,453)
Anticipated reduction in liability	—	(4,663)	—	(10,972)
DBO at end of the year	Ps. 37,176	Ps. 221,865	Ps. 49,251	Ps. 275,818

At December 31, 2009 and 2010, liabilities relating to vested benefits amounted to Ps.176,512 and Ps.202,137, respectively.

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10. LABOR OBLIGATIONS (continued)

The reconciliation between the initial and final balances of the employee benefit plan assets at fair value for the years 2009 and 2010 is shown below:

	2009		2010	
	Severance payment	Post-retirement plan	Severance payment	Post-retirement plan
Plan assets at fair value at beginning of the year	Ps. 19,779	Ps. 11,975	Ps. 20,813	Ps. 14,937
Add (deduct):				
Actual return	1,208	3,135	2,992	2,168
Benefits paid	(174)	(173)	(301)	(345)
Plan assets at fair value at end of the year	Ps. 20,813	Ps. 14,937	Ps. 23,504	Ps. 16,760

The following table shows the reconciliation between the present value of the defined benefit obligation and the plan assets at fair value, and the projected net liability included in the balance sheet as of December 31:

	2009		2010	
	Severance payment	Post-retirement plan	Severance payment	Post-retirement plan
Employee benefit (assets) liabilities:				
DBO	Ps. 37,176	Ps. 221,865	Ps. 49,251	Ps. 275,818
Plan assets	(20,813)	(14,937)	(23,504)	(16,760)
Unfunded portion of the plan	16,363	206,928	25,747	259,058
Less items pending amortization:				
Plan enhancements	(50)	(50)	(35)	(27)
Transition liability	(196)	(87)	(130)	(58)
Actuarial losses	—	(96,427)	—	(123,768)
Projected net liability	Ps. 16,117	Ps. 110,364	Ps. 25,582	Ps. 135,205

At December 31, the components of net cost by type of plan comprised the following:

	2009		2010	
	Severance payment	Post-retirement plan	Severance payment	Post-retirement plan
Current service cost	Ps. 3,397	Ps. 11,624	Ps. 3,587	Ps. 12,995
Financial cost	3,274	15,566	3,478	18,398
Estimated return on plan assets	(1,661)	(1,042)	(1,751)	(1,317)
Amortization of actuarial losses, net	20,197	5,737	15,089	5,189
Transition liability	67	29	66	29
Plan enhancements to be recognized	—	—	15	22
Effect of reduction and extinction of obligations	—	3,563	—	(5,367)
Net cost for the year	Ps. 25,274	Ps. 35,477	Ps. 20,484	Ps. 29,949

At December 31, plan assets stated at fair value and related percentages with respect to total plan assets are analyzed as follows:

	2009				2010			
	Severance payment		Post-retirement plan		Severance payment		Post-retirement plan	
Equity securities	Ps. 12,279	59%	Ps. 8,813	59%	Ps. 13,867	59%	Ps. 9,888	59%
Fixed rate securities	8,534	41%	6,124	41%	9,637	41%	6,872	41%
Fair value of plan assets	Ps. 20,813	100%	Ps. 14,937	100%	Ps. 23,504	100%	Ps. 16,760	100%

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10. LABOR OBLIGATIONS (continued)

The Company has the policy of maintaining at least 30% of the trust assets in Mexican Federal Government instruments. Guidelines have been established for the remaining 70% and investment decisions are taken in accordance with these guidelines to the extent market conditions and available funds allow it.

To date, the funds maintained in plan assets are considered sufficient to face the short-term needs; therefore, the Company's management has determined that for the time being there is no need of additional contributions to increase these assets.

The estimated long-term return on assets is based on the annual recommendations issued by the Actuarial Commission of the Mexican Association of Actuaries. These recommendations consider historical information and future market expectations.

The main actuarial assumptions used were as follows:

	2009	2010
Discount rate	9.00%	7.50%
Future increase rate in compensation levels	4.50%	4.50%
Estimated return rate on plan assets	9.00%	11.50%

The defined benefit obligation, the plan assets at fair value, the status of the plan, as well as the actuarial gains or losses of the last four years are shown below:

	Historical amounts			Actuarial gains (losses)	
Year	DBO	Plan assets	Unfunded portion of the plan	DBO	Plan Assets
2010	Ps. 325,069	Ps. 40,264	Ps. 284,805	Ps. (52,035)	Ps. 2,092
2009	259,041	35,750	223,291	(44,843)	1,638
2008	234,093	31,754	202,339	(43,975)	713
2007	162,243	34,885	127,358	(38,370)	4,434

For subsidiaries in other countries:

In the United States of America, the Company has a savings and investment plan that incorporates voluntary employee 401 (k) contributions with matching contributions from the subsidiaries located in this country. As of December 31, 2009 and 2010, the liability recognized for this plan amounted to Ps.61,926 and Ps.64,553, respectively (U.S.$4,738 and U.S.$5,227 thousand, respectively).

In Venezuela, the Company recognizes when incurred and transfers to a trust for each worker, the severance payments related to employment termination to which employees are entitled to, as established by the local Labor Law and collective agreements. Collective agreements include additional benefits upon employment termination and the Company recognizes a liability when the right to receive these benefits is irrevocable. As of December 31, 2009 and 2010, the liability recognized for these items amounted to Ps.29,925 and Ps.21,008, respectively.

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10. LABOR OBLIGATIONS (continued)

In Central America, the accumulated payments to which workers may be entitled based on the years of service and in accordance to the labor laws in each country, may be paid in the case of death, retirement or dismissal without justifiable cause. A liability is recognized to keep 100% coverage for this matter. In the case of Costa Rica, this benefit is determined based on the employee's seniority and corresponds to a month of salary for each working year, from which 10 days of salary must be transferred to an administrator/fiduciary of the employee pension fund and the remaining 20 days of salary are recognized as a liability for the employer or are paid monthly to the worker's association. In Costa Rica, the total obligation for seniority is recorded and paid monthly; therefore, there is no remaining liability for the Company. For the rest of the countries in Central America other than Costa Rica, no fiduciary or worker association is present; therefore, the Company retains the obligation with its employees in the amount of Ps.27,429 and Ps.30,556 as of December 31, 2009 and 2010, respectively.

The Company does not provide employee share-based payments.

B) EMPLOYEES' STATUTORY PROFIT SHARING (ESPS)

The Company is subject to the payment of ESPS in its Mexican operations, which is determined by applying the procedures specified in the Mexican Income Tax Law.

In 2009 and 2010 the provisions for ESPS were summarized as follows:

	2009	2010
Current ESPS	Ps. 36,467	Ps. 52,088
Deferred ESPS	272,910	247,550
Total provision	Ps. 309,377	Ps. 299,638

At December 31 the main components of deferred ESPS were summarized as follows:

	(Assets) Liabilities	
	2009	2010
Accrued liabilities	Ps. (59,968)	Ps. (77,561)
Deferred ESPS asset	(59,968)	(77,561)
Property, plant and equipment, net	330,888	316,882
Inventories	1,990	8,229
Deferred ESPS liability	Ps. 332,878	Ps. 325,111
Deferred ESPS liability, net	Ps. 272,910	Ps. 247,550

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11. CONTINGENCIES AND COMMITMENTS

A) CONTINGENCIES

MEXICO

Asset Tax Claim.- The Secretaría de Hacienda y Crédito Público (Ministry of Finance and Public Credit) has lodged tax assessments against the Company for an amount of Ps.34.3 million plus penalties, updates and charges, in connection with the asset tax returns for the year 1997. The Company has filed several appeals to obtain an annulment of these assessments.

Income Tax Claim.- The Ministry of Finance and Public Credit has lodged tax assessments against the Company for an amount of Ps.93.5 million in connection with withholding on interest payments to foreign creditors for the years 2000, 2001 and 2002. Mexican authorities claim that the Company should have withheld a higher rate than the 4.9% withheld by the Company.

We intend to defend against these claims vigorously. We believe that the outcome of these claims will not have a material effect on our financial position, results of operation, or cash flows.

CNBV Investigation.- On December 8, 2009, the Surveillance Office of the Comisión Nacional Bancaria y de Valores (the Mexican National Banking and Securities Commission, or CNBV) began an investigation into the Company in respect of the timely disclosure of material events reported through the Mexican Stock Exchange during the end of 2008 and throughout 2009, in connection with the Company's foreign exchange derivative losses and the subsequent conversion of the realized losses into debt. As of the date hereof, the investigation is ongoing. The Company has complied with document requests provided by the CNBV and intends to fully cooperate with the CNBV throughout the course of this investigation.

UNITED STATES

Pending Labor Claims.- On March 24, 2009, Guadalupe Arevalo, a former employee, filed a class action complaint for damages and equitable relief for: (1) failure to pay minimum or contractual wages in violation of the California Labor Code §§ 1194 and 1197, et seq.; (2) failure to pay overtime wages in violation of the California Labor Code §§ 1194 and 510; (3) failure to provide accurate wage statements in violation of the California Labor Code §§ 226; (4) violation of the California Labor Code §§ 201 and 202 resulting in § 203 wages and penalties for failure to pay wages due former employees at the time of resignation and/or discharge; and (5) unfair competition violations in connection with the California Business and Professions Code §§ 17200 et seq. In August 2009, the case was removed to the United States District Court for the Central District of California. The federal district court remanded sua sponte on the ground that the appeal was dismissed for lack of appellate jurisdiction. The Company has filed a petition with the federal appellate court seeking a rehearing. The court has not yet acted on that petition. On June 8, 2010, the state court ordered the parties to proceed with discovery and prepare for trial. The court set the following dates to govern the litigation. Plaintiff's motion for class certification was scheduled to be heard on November 18, 2010. On June 10, 2010, Plaintiff filed a second amended complaint adding a sixth cause of action for failure to provide meal periods as required by law. We completed Plaintiff's deposition on September 8, 2010. GRUMA served and filed a motion for summary judgment against the named plaintiff on October 8, 2010 which was dismissed on January 14, 2011. Plaintiff has asked to depose the manager of the plant where he worked, the company's person most knowledgeable regarding its policies and practices for computing time worked and wages, as well for providing meal periods, and the two outside experts GRUMA has retained to provide testimony in the case. Plaintiff has also submitted additional requests for documents and written interrogatories. Plaintiff's motion for class certification was filed on February 18, 2011. The parties reached a preliminary settlement, which is pending court approval.

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11. CONTINGENCIES AND COMMITMENTS (continued)

Product Labeling Claim.- Mary Henderson brought a class action lawsuit against Gruma Corporation for (1) false advertising under the Lanham Act, (2) violations of California's Unfair Competition Law, (3) violations of California's False Advertising Law, and (4) violations of the California Consumer Legal Remedies Act. The complaint alleges that Gruma Corporation's labeling of its guacamole flavored dip and spicy bean dip products is false and misleading. The complaint was subsequently amended to dismiss the Company under the Lanham Act claim. In response to the complaint, we filed a motion to dismiss and a motion to strike. On April 11, 2011, the court granted Gruma's motions in part and denied them in part. In addition, the court struck Plaintiff's cause for disgorgement. The Plaintiff's depositions were taken on May 3, 2011 and GRUMA intends to file a motion for summary judgment. Discovery continues in this lawsuit and the court has requested that the parties submit to mediation. No date has been set for any mediation.

We intend to vigorously defend against these actions and proceedings. We believe the resolution of these proceedings if determined adversely against the Company, will not have a material effect on our financial position, results of operations or cash flows.

VENEZUELA

Expropriation Proceedings by the Venezuelan Government.- On May 12, 2010, the Venezuelan government issued decree number 7.394, published in the Official Gazette of Venezuela (the "Expropriation Decree"), announcing the forced acquisition of all goods, movables and real estate of our Venezuelan subsidiary Molinos Nacionales, C.A., or MONACA (the "MONACA Expropriation"). Pursuant to the Expropriation Decree, the government of Venezuela has instructed government officials to undertake the necessary actions to execute the MONACA Expropriation. As stated in the Expropriation Decree and in accordance with the Venezuelan Expropriation for Public Utility or Social Interest Law (the "Expropriation Law"), the taking of legal ownership can occur either through an "Administrative Arrangement" or in the event an amicable agreement is not reached through an Administrative Arrangement, then through a "Judicial Order", each process requiring certain steps as indicated in the Expropriation Law. In order to achieve an Administrative Arrangement, management began negotiations with government officials that included the sharing of information about MONACA's operations, the creation of a valuation committee with representatives from GRUMA and the government, and the initial steps to introduce government officials to the operations of MONACA. GRUMA through Valores Mundiales, S.L., has been actively cooperating with government officials and expressing its desire to continue operating in Venezuela. GRUMA has participated in these negotiations with a view to continue our presence in Venezuela by potentially entering into a joint venture with the Venezuelan government, which could also include a compensation, or absent of a joint venture arrangement, GRUMA may receive compensation for the assets subject to expropriation, which the law requires be fair and reasonable. Our negotiations with the government are still ongoing. Late in 2010, the valuation committee received the respective non-binding valuation reports which are under discussion at the date hereof and are subject to further approval by the top level authorities of each one of the parties. Based on these preliminary valuation reports, no impairment charge on GRUMA's net investment in MONACA has been identified. GRUMA's net investment in MONACA's historical value as of December 31, 2010 amounts to Ps.1,231,217.

11. CONTINGENCIES AND COMMITMENTS (continued)

The Venezuelan government has not taken physical control of the assets of MONACA and has not taken control of the operations of the company. Moreover, required steps by the Expropriation Law for the effective transfer of control has not taken place and therefore, the Venezuelan Government has limited its actions to observe the operations of MONACA with no voting or veto rights regarding MONACA's board decisions. In consequence, GRUMA can validly and legally assert that, as of today, GRUMA's subsidiary Valores Mundiales, S.L. has full legal ownership of MONACA's rights, interest, shares and assets and also full control of all kind of operational or managerial decisions in MONACA, which will not cease until GRUMA, through Valores Mundiales, S.L., and the Venezuelan government finally agree the terms and conditions to transfer those rights, interest, shares and assets in accordance with the legal and business schemes that have been in negotiations during the last months.

While as of the date of this report, negotiations with the Venezuelan government continue and GRUMA's view remains either to form a Joint Venture arrangement or obtain just and reasonable compensation for MONACA's assets subject to expropriation. GRUMA cannot assure you that these negotiations will be successful. There is not, as of today, the terms and conditions, which define the payment procedure that the Venezuela Government will adopt to compensate the acquisition of assets of MONACA, either if Valores Mundiales, S.L. accepts to form a joint venture entity or agrees to sale the entirety of the assets of MONACA.

The Company will continue to reserve the right to seek full compensation for any and all expropriated assets and investments under all applicable legal regimes, including investment treaties and customary international law. GRUMA's interest in MONACA is held through Valores Mundiales, S.L., a company organized under the laws of Spain. Venezuela and Spain are parties to a bilateral investment treaty (the "Investment Treaty"). Under the Investment Treaty, companies subject to expropriation are entitled to certain rights, including the right to arbitrate disputes before the International Centre for Settlement of Investment Disputes ("ICSID") in Washington, D.C. It is impossible to anticipate the future effects, if any, that the foregoing legal proceeding could have on GRUMA's financial position and results of operation. GRUMA's intends to pursue all legal remedies available in order to safeguard and protect the Company's legitimate interests.

Below is financial information regarding MONACA as of December 31, 2009 and 2010 (there are no material transactions between MONACA and the Group that need to be eliminated):

	2009	2010
Current assets	Ps. 3,624,199	Ps. 2,188,380
Non-current assets	2,637,347	1,481,982
Total assets	6,261,546	3,670,362
Percentage from consolidated total assets	14.2%	9.4%
Current liabilities	3,123,487	1,953,810
Long-term liabilities	44,573	26,713
Total liabilities	3,168,060	1,980,523
Percentage from consolidated total liabilities	9.9%	6.9%
Total net assets	3,093,486	1,689,839
Percentage from consolidated total net assets	26.1%	15.9%
Non-controlling interest	839,572	458,622
Interest of GRUMA in total net assets	2,253,914	1,231,217

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11. CONTINGENCIES AND COMMITMENTS (continued)

The condensed statements of income for MONACA for the years ended December 31, 2008, 2009 and 2010, are as follows:

	2008	2009	2010
Net sales	Ps. 8,624,161	Ps. 8,956,322	Ps. 5,331,063
Percentage from consolidated net sales	19.3%	17.7%	11.4%
Operating income	834,679	959,874	262,378
Percentage from consolidated operating income	25.5%	25.2%	9.4%
Net income (loss)	870,443	794,440	(169,225)
Percentage from consolidated net income	—	37.6%	22.1%

Intervention Proceedings by the Venezuelan Government.- On December 4, 2009 the Eleventh Investigations Court for Criminal Affairs of Caracas issued an order authorizing the precautionary seizure of assets of all corporations in which Ricardo Fernandez Barrueco had any direct or indirect interest. As a result of Ricardo Fernandez Barrueco's former indirect ownership of MONACA and Derivados de Maíz Seleccionado, C.A. (DEMASECA), these subsidiaries were subject to the precautionary seizure. The Ministry of Finance of Venezuela, in light of the precautionary measure ordered by the Eleventh Investigations Court for Criminal Affairs of Caracas, has made several designations of individuals as special managers and representatives on behalf of the Republic of Venezuela of the shares that were previously owned indirectly by Ricardo Fernandez Barrueco in MONACA and DEMASECA, the last designation was on January 14, 2011.

As a result of the foregoing, MONACA and DEMASECA, as well as Consorcio Andino, S.L. and Valores Mundiales, S.L., as holders of our Venezuelan subsidiaries, have filed a petition as aggrieved third-parties to the proceedings against Ricardo Fernandez Barrueco, as a challenge to the precautionary measures, the seizure and all related actions. MONACA has also filed for corresponding legal remedies. On November 19, 2010, the Eleventh Investigations Court for Criminal Affairs of Caracas issued a ruling regarding the petitions, in which the court recognized that MONACA and DEMASECA are companies wholly controlled by Valores Mundiales, S.L. and Consorcio Andino, S.L, respectively. However, the precautionary measures of seizure issued on December 4, 2009 were upheld by the court, despite the court's recognition of MONACA and DEMASECA's ownership. In virtue of the aforementioned, an appeal has been filed before the Sixth Court of Appeals of Caracas.

The People's Defense Institute for the Access of Goods and Services of Venezuela (INDEPABIS) issued an order, on a precautionary basis, authorizing the temporary occupation and operation of MONACA for a period of 90 consecutive days from December 16, 2009, which was renewed for the same period on March 16, 2010. The order expired on June 16, 2010 and, as of the date hereof MONACA has not been notified of any extension or similar measure. INDEPABIS has also initiated a regulatory proceeding against MONACA in connection with alleged failure to comply with regulations governing precooked corn flour and for allegedly refusing to sell this product as a result of the December 4, 2009 precautionary asset seizure described above. We filed an appeal against such proceeding which has not been resolved as of the date hereof.

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11. CONTINGENCIES AND COMMITMENTS (continued)

Additionally, INDEPABIS initiated an investigation of DEMASECA and issued an order, on a precautionary basis, authorizing the temporary occupation and operation of DEMASECA for a period of 90 calendar days from May 25, 2010, which was extended until November 21, 2010. INDEPABIS issued a new precautionary measure of occupation and temporary operation of DEMASECA, valid for the duration of this investigation. DEMASECA has challenged these measures but, as of the date hereof, no resolution has been issued. DEMASECA continues to operate in the ordinary course of business. We cannot assure that the government of Venezuela will not continue to expropriate our remaining operations in Venezuela.

We intend to exhaust all legal remedies available in order to safeguard and protect the Company's legitimate interests.

Tax Claims.- The Venezuelan tax authorities have lodged certain assessments against MONACA, one of our Venezuelan subsidiaries, related to income tax returns for the years 1998 and 1999, which amounted Ps.8.6 million (U.S.$699.6 thousand) plus tax debts derived from the Value Added Tax presumably omitted in the amount of Ps.0.4 million (U.S.$33.2 thousand). The case has been appealed and is pending a final decision. Any tax liability arising from the resolution of these claims will be assumed by the previous shareholder, International Multifoods Corporation, in accordance with the purchase agreement by which the Company acquired our subsidiary in Venezuela, MONACA. Likewise, MONACA has filed claims with the fiscal authorities in the corresponding tax courts for the amount of Ps.8 million (U.S.$650 thousand). This matter is pending resolution.

Labor Lawsuits.- In the past, our subsidiary MONACA was named in three labor lawsuits (2 brought by Caleteros, as defined below, and one stemming from a workplace accident) seeking damages in the amount of Ps.16 million (U.S.$1.3 million). The lawsuits and claims are related to issues and rights such as profit sharing, social security, vacation, seniority and indemnity payment issues. The "Caleteros" who brought the claims are third parties who help freighters unload goods.

MONACA has been negotiating a settlement for the labor lawsuit and the extrajudicial claims and anticipates reaching a settlement of Ps.1.9 million (U.S.$155 thousand). MONACA has created a reserve, reflected in accrued liabilities and other accounts payable, for the aforementioned amount to cover any potential liabilities.

Finally, the Company and its subsidiaries are involved in various pending litigations filed during the normal course of business. It is the opinion of the Company that the outcome of these proceedings will not have a material adverse affect on the financial position, results of operations, or cash flows of the Company.

B) COMMITMENTS

As of December 31, 2010, the Company is leasing certain facilities and equipment under long-term lease agreements in effect through 2019, which include an option for renewal. These agreements are recognized as operating leases. Future minimum lease payments under such leases amount to approximately Ps.2,087,762 (U.S.$169,050 thousand), as follows:

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11. CONTINGENCIES AND COMMITMENTS (continued)

Year	Facilities		Equipment		Total	
2011	Ps.	220,028	Ps.	294,164	Ps.	514,192
2012		163,082		247,365		410,447
2013		137,703		170,113		307,816
2014		111,940		73,022		184,962
2015		89,994		56,405		146,399
Thereafter		276,702		247,244		523,946
	Ps.	999,449	Ps.	1,088,313	Ps.	2,087,762
	U.S.$	80,927	U.S.$	88,123	U.S.$	169,050

Rental expense was approximately Ps.580,793, Ps.712,193 and Ps.745,613 for the years ended December 31, 2008, 2009 and 2010, respectively.

At December 31, 2010, the Company had various outstanding commitments in the United States to purchase commodities and raw materials for approximately Ps.1,824,317 (U.S.$147,718 thousand), which will be delivered during 2011.

As of December 31, 2010, the Company had outstanding commitments to purchase machinery and equipment amounting to approximately Ps.81,102 (U.S.$6,567 thousand).

As of December 31, 2010**,** the Company had irrevocable letters of credit of approximately Ps.241,467 (U.S.$19,552 thousand) serving as collateral for claims pursuant to the Company's self-insured worker's compensation program in the United States.

As of December 31, 2010, the Company is leasing equipment under long-term agreements in effect through 2014, which were accounted as capital leases. Future minimum lease payments amount to Ps.83,403 (U.S.$6,753 thousand) as follows:

Year	Amount	
2011	Ps.	29,998
2012		31,211
2013		22,125
2014		69
	Ps.	83,403
	U.S.$	6,753

12. STOCKHOLDERS' EQUITY

A) COMMON STOCK

Starting January 1, 2008, common stock, legal reserve, and accumulated earnings are stated in modified historical Mexican pesos (See Note 2-E).

At December 31, 2009 and 2010, the Company's outstanding common stock consisted of 563,650,709 Series "B" shares, with no par value, fully subscribed and paid, which can only be withdrawn with stockholders' approval, and 1,523,900 shares held in Treasury.

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12. STOCKHOLDERS' EQUITY (continued)

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. The legal reserve is included within retained earnings.

Dividends paid are not subject to income tax if paid from the Net Tax Profit Account (CUFIN, for its Spanish acronym), and will be taxed at a rate that fluctuates between 4.62% and 7.69% if they are paid from the reinvested Net Tax Profit Account. Dividends that exceed CUFIN and reinvested CUFIN are subject to an income tax payable at a rate of 42.86% if paid in 2011. The tax is payable by the Company and may be credited against the normal income tax payable by the Company in the year in which the dividends are paid or in the following two years or, if appropriate, against the flat tax of the year.

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 on the sale of the Company's own shares is recorded as additional paid-in capital. As of December 31, 2010, the Company has 1,523,900 of its own shares with a market value of Ps.35,370 at that date.

D) FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

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

	2009	2010
Balance at beginning of year	Ps. 523,055	Ps. 888,942
Effect of the year from translating net investment in foreign subsidiaries	24,332	(1,573,520)
Exchange differences arising from foreign currency liabilities accounted for as a hedge of the Company's net investments in foreign subsidiaries	341,555	296,636
	Ps. 888,942	Ps. (387,942)

The investment that the Company maintains in its operations in the United States and Europe generates a natural hedge of up to U.S.$418 and U.S.$395 million as of December 31, 2009 and 2010, respectively.

As of December 31, 2009 and 2010, the accumulated effect of translating net investment in foreign subsidiaries impacted noncontrolling interest in the amounts of Ps.342,750 and Ps.(193,369), respectively.

E) TAX VALUES OF COMMON STOCK AND RETAINED EARNINGS

As of December 31, 2010, tax values of common stock and retained earnings were Ps.12,053,458 and Ps.2,902,246, respectively.

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13. OTHER EXPENSE, NET

Other expense, net comprised the following:

	For the years ended December 31,		
	2008	2009	2010
Expenses related to Venezuela legal proceedings	Ps. —	Ps. —	Ps. (403,712)
Provision for economic aid to the states of Tamaulipas, Coahuila and Nuevo León for natural disasters	—	—	(149,400)
Asset tax from previous years	(67,000)	26,287	—
Impairment loss on long-lived assets (Notes 2-M and 6)	(46,851)	(26,799)	—
Amortization of other deferred costs	(47,897)	(46,407)	(47,180)
Non-recoverable costs of damaged assets	—	—	(36,865)
Net loss on sale of fixed assets	(22,869)	(94,384)	(3,034)
Current ESPS (Notes 2-N and 10-B)	(28,368)	(36,087)	(50,361)
Deferred ESPS	28,587	27,345	25,360
Other	3,030	(394)	(52,979)
	Ps. (181,368)	Ps. (150,439)	Ps. (718,171)

14. INCOME TAX

A) INCOME 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, 2008, 2009, and 2010 by Ps.332,966, Ps.379,401 and Ps.447,004, respectively, as compared to filing a tax return on an unconsolidated basis. Tax regulations permit the consolidation of 100% of the ownership interest.

Starting January 1, 2008, the asset tax was superseded and the flat tax became effective, as described in section D.

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14. INCOME TAX (continued)

B) RECONCILIATION OF FINANCIAL AND TAXABLE INCOME

For the years ended December 31, 2008, 2009 and 2010, the reconciliation between statutory income tax amounts and the effective income tax amounts is summarized as follows:

	Years ended December 31,		
	2008	2009	2010
Statutory federal income tax (28% for 2008 and 2009 and 30% for 2010)	Ps. (3,187,405)	Ps. 901,234	Ps. 481,741
Foreign dividends	—	1,073,371	278,705
Difference between tax and accounting basis for derivative financial instruments	—	(885,040)	—
Valuation allowance for tax loss carryforwards	3,334,661	(137,121)	(248,031)
Effects related to inflation	103,081	160,771	197,016
Foreign income tax rate differences	287,836	71,627	88,238
Nondeductible expenses related with legal proceedings in Venezuela	—	—	80,727
Effect due to change in deferred income tax rate (1)	—	(58,228)	—
Other	(103,478)	(18,268)	(39,678)
Effective income tax (-3.8% for 2008, 34.4% for 2009 and 52.2% for 2010)	Ps. 434,695	Ps. 1,108,346	Ps. 838,718

(1) On December 7, 2009 several dispositions contained in the Income Tax Law were modified, added and revoked, establishing among other, that the income tax rate applicable for the years 2010 through 2012 will be 30%, for 2013 29% and from 2014 onwards 28%. At December 31, 2009, the aforementioned changes in tax rates gave rise to a net decrease in deferred income tax of Ps.58,228, with the corresponding effect in income for the year, which was determined based on the estimated reversal of temporary items at the rates which will be in effect.

At December 31, 2009 and 2010, the principal components of the deferred income tax liability were as follows:

	(Assets) Liabilities	
	2009	2010
Deferred tax assets:		
Net operating loss carryforwards and other tax credits	Ps. (337,332)	Ps. (108,745)
Accrued liabilities	(395,922)	(477,512)
Recoverable asset tax	(19,167)	(15,417)
Other	(285,599)	(194,509)
	(1,038,020)	(796,183)
Deferred tax liabilities:		
Property, plant and equipment, net	2,134,717	1,890,858
Inventories	116,388	88,905
Intangible assets and other	290,154	242,113
Investment in partnership and equity method investees	973,006	1,186,637
	3,514,265	3,408,513
Net deferred tax liability	Ps. 2,476,245	Ps. 2,612,330

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14. INCOME TAX (continued)

As of December 31, 2010, the Company did not recognize a deferred income tax asset of Ps.3,521,482 for tax loss carryforwards, since due to the weight of available evidence, it is more likely than not that some or all the deferred tax assets will not be realizable.

C) TAX LOSS CARRYFORWARDS AND RECOVERABLE ASSET TAX

At December 31, 2010, the Company has tax loss carryforwards in Mexico, which amounted to Ps.16,986,912, that will expire as follows:

Year of expiration	Tax loss carryforwards
2011	Ps. 264,908
2012	206,521
2013	248,862
2014	386,438
2015	478,239
2016 onwards	15,401,944
	Ps. 16,986,912

Based on projections prepared by the Company’s management of expected future taxable income, it has been determined that only tax losses for an amount of Ps.5,248,640 will be used. Therefore, for the determination of deferred income taxes, a valuation allowance was recognized for the difference.

Asset tax paid in years prior to 2008 is subject to refund according to the procedure established in the Flat Rate Business Tax Law. The Company has the right to apply for asset tax refund of Ps.118,596 as shown below:

Year of expiration	Recoverable asset tax
2014	Ps. 46,274
2015	72,322
	Ps. 118,596

D) FLAT RATE BUSINESS TAX

The Flat Rate Business Tax Law was published on October 1, 2007, and is effective starting January 1, 2008. This law is applicable to individuals and companies with permanent establishment in Mexico, and its consolidation is not allowed. The Flat Tax for the period is calculated by applying the tax rate of 17.5% (16.5% and 17% for 2008 and 2009, respectively) to income determined based on cash flow; such income is determined by deducting the authorized expenses from total income from taxed activities. From this result, the Flat Tax credits are deducted, according to the applicable laws.

The Flat Tax determined for a fiscal year can be credited against current income tax for the same year. When the amount of Flat Tax exceeds current income tax, then the total Flat Tax amount will be paid as a final payment, and the excess may not be credited in future years.

Based on financial and tax projections, the Company considers that this tax will not have a material impact in its results of operations, since the Company will essentially pay income tax.

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14. INCOME TAX (continued)

E) INCOME TAX UNDER TAX CONSOLIDATION REGIME

Gruma, S.A.B. de C.V. is authorized to determine income tax under the tax consolidation regime, together with its subsidiaries in Mexico, according to the authorization of Ministry of Finance and Public Credit on July 14, 1986, under what is stated in the corresponding Law.

In 2010, the Company determined a consolidated tax profit of Ps.2,101,583 (Ps.1,634,246 in 2009); which was amortized against consolidated tax loss of 2008. As of December 31, 2010, consolidated tax loss carryforwards amounted to Ps.7,268,355, which expire in 2018. The consolidated tax result differs from the accounting result, mainly in such items taxed and deducted during different timing for accounting and tax purposes, from the recognition of the inflation effects for tax purposes, as well as such items only affecting either the consolidated accounting or taxable income.

Certain Income Tax Law provisions are reformed, added or derogated for 2010 was published on December 7, 2009, among which the following stand out:

1) The income tax rate applicable from 2010 to 2012 will be 30%, for 2013 will be 29% and as of 2014 and thereafter will be 28%. At December 31, 2009, the rate change previously described produced a reduction to the income tax deferred balance of Ps.58,228, with its corresponding effect in the income statement of the year, which was determined based on the expectative of temporary reversion to the effective rates.

2) The possibility of using credits for the excess of deductions on taxable income for Flat tax purposes (credit of tax loss of flat tax) in order to reduce the income tax to be paid while could be credited against the flat tax base.

3) The tax consolidation regime is modified in order to establish that the income tax payment related to the tax consolidation benefits obtained as of 1999 should be partially paid during the years sixth to tenth subsequent to such when those benefits were embraced.

   The tax consolidation benefits previously mentioned come from:

   i) Tax losses embraced in the tax consolidation and were not amortized individually by the entity which produced them.
   ii) Special consolidation items derived from transactions held between the consolidating partnerships and producing benefits.
   iii) Loss on disposal of shares individually outstanding of deduction by the holding which produced them.
   iv) Dividends distributed by the holding and which do not come from the net tax profit account (CUFIN by its Spanish acronym) balance and reinvested CUFIN.

4) It is stated that the existing differences between the consolidated CUFIN and reinvested CUFIN balances and the balances of these same accounts of the controlled entities by the Company can produce profits resulting in income tax.

14. INCOME TAX (continued)

At December 31, 2010, the liability arising from the aforementioned changes in the Income Tax Law amounts to Ps.1,534,650 and is estimated to be incurred as follows:

	2011	2012	2013	2014	2015 and thereafter	Total
Tax losses	Ps. 78,311	Ps. 81,139	Ps. 76,672	Ps. 158,178	Ps. 1,136,781	Ps. 1,531,081
Special consolidation items	343	273	206	206	—	1,028
Dividends distributed by the subsidiaries not paid from CUFIN or reinvested CUFIN	847	678	508	508	—	2,541
Total	Ps. 79,501	Ps. 82,090	Ps. 77,386	Ps. 158,892	Ps. 1,136,781	Ps. 1,534,650

The Company, through time, has been recognizing a tax liability compensated with income tax from tax loss carryforwards. At December 31, 2010, income tax payable with defined payment dates is classified in the statement of financial position as short and long-term income tax payable for Ps.79,501 and Ps.196,556, respectively. In addition, the remaining liability for which, in accordance with requirements of the Income Tax Law, settlement date is not yet determined is included as a component of the deferred income taxes.

15. FOREIGN CURRENCY

A) EXCHANGE DIFFERENCES

For the years ended December 31, 2008, 2009 and 2010, the effects of exchange rate fluctuations on the Company's monetary assets and liabilities were recognized as follows:

	2008	2009	2010
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 (1)	Ps. (1,288,778)	Ps. 341,555	Ps. 296,636
Exchange differences arising from foreign currency transactions credited to income	255,530	755,188	143,852
	Ps. (1,033,248)	Ps. 1,096,743	Ps. 440,488

(1) During October 2008, the Mexican peso experienced a devaluation against various foreign currencies. With respect to U.S. dollar, the exchange rate fell approximately 27% with respect to the exchange rate as of December 31, 2007. This situation caused the Company to incur in an exchange loss of Ps.1,033,248 as of December 31, 2008, of which Ps.1,288,778 is recognized in foreign currency translation adjustments within stockholders' equity.

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15. FOREIGN CURRENCY (continued)

B) FOREIGN CURRENCY POSITION

As of December 31, 2009 and 2010, monetary assets and liabilities held or payable in U.S. dollars are summarized below:

In companies located in Mexico:	Thousands of U.S. dollars 2009		2010	
Assets:				
Current	U.S.$	5,457	U.S.$	3,717
Non-current		—		71
Liabilities:				
Current		(106,400)		(119,713)
Long-term		(1,087,404)		(981,365)
	U.S.$	(1,188,347)	U.S.$	(1,097,290)

In foreign companies:	Thousands of U.S. dollars 2009		2010	
Assets:				
Current	U.S.$	347,425	U.S.$	281,853
Non-current		11,420		14,845
Liabilities:				
Current		(422,756)		(389,392)
Long-term		(239,221)		(152,686)
	U.S.$	(303,132)	U.S.$	(245,380)

At December 31, 2009 and 2010, the exchange rates used to translate U.S. dollar assets and liabilities were Ps.13.07 and Ps.12.35**,** respectively. On June 7, 2011, date of issuance of these financial statements, the exchange rate for the U.S. dollar was Ps. 11.70, approximately.

For the years ended December 31, 2008, 2009 and 2010, the Company's Mexican subsidiaries had transactions in U.S. dollars as follows:

	Thousands of U.S. dollars 2008		2009		2010	
Flour sales and others	U.S.$	(24,096)	U.S.$	—	U.S.$	—
Corn purchases and other inventories		225,883		124,485		178,423
Interest expense		35,740		47,195		52,663
Plant and equipment purchases		1,913		1,481		89
Services		6,975		7,924		20,838
	U.S.$	246,415	U.S.$	181,085	U.S.$	252,013

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15. FOREIGN CURRENCY (continued)

As of December 31, 2009 and 2010, the consolidated non-monetary assets of foreign origin are summarized as follows:

	2009		2010	
	Foreign currency (thousands)	Year-end exchange rate	Foreign currency (thousands)	Year-end exchange rate
U.S. dollars	936,306	13.07	914,961	12.35
Swiss francs	17,278	12.63	14,246	13.22
Euros	29,689	18.7358	35,204	16.4959
Venezuelan bolivars	826,597	6.0791	1,015,870	2.8721
Australian dollars	111,111	11.7565	109,672	12.6341
Chinese yuans	223,824	1.9145	211,545	1.8692
Pounds sterling	12,268	21.1041	15,640	19.3352
Malaysian ringgit	8,012	3.8143	8,272	4.0313
Canadian dollars	382	12.47	383	12.43
Costa Rican colons	74,586,761	0.0231	63,778,692	0.0239
Ukrainian hryvnia	—	—	26,391	1.5550

16. 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 also operating segments and no aggregation was performed.

The Company’s reportable segments are as follows:

- Corn flour and packaged tortilla division (United States and Europe) — manufactures and distributes more than 20 varieties of corn flour that are used mainly to produce and distribute different types of tortillas and tortilla chip products in the United States. The main brands are MASECA for corn flour and MISSION and GUERRERO for packaged tortillas.

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16. SEGMENT INFORMATION (continued)

- 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. The main brands are JUANA, TIA BERTA and DECASA for corn flour; ROBIN HOOD and POLAR for wheat flour; MONICA for rice and LASSIE for oats.

- “Other” division — represents those segments amounting to 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 tortillas division in Mexico, wheat flour tortillas and snacks division in Asia and Oceania and technology and equipment division. Corn flour and other products division in Central America is engaged in the production and marketing of corn products, snacks and preserves. The wheat flour division in Mexico is engaged in the production and local marketing of wheat flour in this country. The packaged tortilla division in Mexico produces and distributes packaged tortillas. The Asia and Oceania division produces and distributes wheat flour tortilla and snacks. 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’s management 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.

Segment information as of and for the year ended December 31, 2008:

Segment	Net sales to external customers	Intersegment net sales	Operating income (loss)	Depreciation and amortization
Corn flour and packaged tortilla division (United States and Europe)	Ps. 19,736,943	Ps. 23,794	Ps. 950,545	Ps. 769,379
Corn flour division (Mexico)	8,709,122	433,086	1,317,689	304,327
Corn flour, wheat flour and other products (Venezuela)	8,727,009	—	829,527	145,535
Other	7,573,730	1,017,753	207,172	199,456
Other reconciling items	45,768	(1,474,633)	(37,953)	(8,277)
Total	Ps. 44,792,572	Ps. —	Ps. 3,266,980	Ps. 1,410,420

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16. SEGMENT INFORMATION (continued)

Segment	Total assets	Total liabilities	Expenditures for fixed assets
Corn flour and packaged tortilla division (United States and Europe)	Ps. 16,998,855	Ps. 6,670,449	Ps. 1,396,143
Corn flour division (Mexico)	9,186,945	2,096,549	139,156
Corn flour, wheat flour and other products (Venezuela)	5,804,022	3,452,650	261,733
Other	8,760,088	5,727,018	952,912
Other reconciling items	3,684,767	17,206,461	(53,200)
Total	Ps. 44,434,677	Ps. 35,153,127	Ps. 2,696,744

Segment information as of and for the year ended December 31, 2009:

Segment	Net sales to external customers	Intersegment net sales	Operating income (loss)	Depreciation and amortization
Corn flour and packaged tortilla division (United States and Europe)	Ps. 23,917,125	Ps. 56,566	Ps. 1,870,468	Ps. 957,700
Corn flour division (Mexico)	9,911,545	435,994	1,267,771	293,649
Corn flour, wheat flour and other products (Venezuela)	9,025,321	—	957,329	167,746
Other.	7,611,000	705,965	(159,994)	263,664
Other reconciling items	24,057	(1,198,525)	(128,602)	(34,313)
Total	Ps. 50,489,048	Ps. —	Ps. 3,806,972	Ps. 1,648,446

Segment	Total assets	Total liabilities	Expenditures for fixed assets
Corn flour and packaged tortilla division (United States and Europe)	Ps. 15,048,272	Ps. 7,097,256	Ps. 420,317
Corn flour division (Mexico)	9,878,421	2,912,556	299,015
Corn flour, wheat flour and other products (Venezuela)	6,777,967	3,211,330	305,607
Other	8,963,793	4,495,078	199,775
Other reconciling items	3,298,062	14,438,732	(56,051)
Total	Ps. 43,966,515	Ps. 32,154,952	Ps. 1,168,663

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16. SEGMENT INFORMATION (continued)

Segment information as of and for the year ended December 31, 2010:

Segment		Net sales to external customers		Intersegment net sales		Operating income (loss)		Depreciation and amortization
Corn flour and packaged tortilla division (United States and Europe)	Ps.	21,918,639	Ps.	66,997	Ps.	1,295,910	Ps.	880,747
Corn flour division (Mexico)		11,470,628		418,647		1,271,714		315,478
Corn flour, wheat flour and other products (Venezuela)		5,381,851		—		258,997		112,517
Other		7,805,353		803,192		(11,585)		257,572
Other reconciling items		24,066		(1,288,836)		(14,941)		(41,931)
Total	Ps.	46,600,537	Ps.	—	Ps.	2,800,095	Ps.	1,524,383

Segment		Total assets		Total liabilities		Expenditures for fixed assets
Corn flour and packaged tortilla division (United States and Europe)	Ps.	13,771,981	Ps.	6,265,104	Ps.	522,741
Corn flour division (Mexico)		10,326,902		2,863,271		174,680
Corn flour, wheat flour and other products (Venezuela)		4,032,852		2,145,729		84,752
Other		8,564,189		4,189,397		205,917
Other reconciling items		2,597,871		13,209,766		20,101
Total	Ps.	39,293,795	Ps.	28,673,267	Ps.	1,008,191

The following table presents the details of “Other reconciling items” for operating income:

Other reconciling items		2008		2009		2010
Corporate expenses	Ps.	(99,018)	Ps.	(288,144)	Ps.	(215,851)
Elimination of inter-business unit transactions		61,065		159,542		200,910
Total	Ps.	(37,953)	Ps.	(128,602)	Ps.	(14,941)

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16. SEGMENT INFORMATION (continued)

Additionally, a summary of information by geographic segment is as follows:

	2008	%	2009	%	2010	%
NET SALES:						
United States and Europe	Ps. 19,736,943	44	Ps. 23,917,125	47	Ps. 21,918,639	47
Mexico	12,791,164	29	13,843,751	27	15,432,841	33
Venezuela	8,727,009	19	9,025,321	18	5,381,851	12
Central America	2,948,721	7	2,776,972	6	2,765,134	6
Asia and Oceania	588,735	1	925,879	2	1,102,072	2
	Ps. 44,792,572	100	Ps. 50,489,048	100	Ps. 46,600,537	100
IDENTIFIABLE ASSETS:						
United States and Europe	Ps. 16,998,855	38	Ps. 15,048,272	34	Ps. 13,771,981	35
Mexico	16,965,087	38	17,109,977	39	16,837,617	43
Venezuela	5,804,022	13	6,777,967	15	4,032,852	10
Central America	2,477,969	6	2,168,294	5	1,901,757	5
Asia and Oceania	2,188,744	5	2,862,005	7	2,749,588	7
	Ps. 44,434,677	100	Ps. 43,966,515	100	Ps. 39,293,795	100
CAPITAL EXPENDITURES:						
United States and Europe	Ps. 1,396,143	52	Ps. 420,317	36	Ps. 522,741	52
Mexico	205,036	8	324,994	28	329,863	33
Venezuela	261,733	10	305,607	26	84,752	8
Central America	304,941	11	51,689	4	43,477	4
Asia and Oceania	528,891	19	66,056	6	27,358	3
	Ps. 2,696,744	100	Ps. 1,168,663	100	Ps. 1,008,191	100

17. FINANCIAL INSTRUMENTS

A) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, 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 estimated fair value, due to their short maturity. In addition, the net book value of accounts and notes receivable and refundable taxes represent the expected cash flow to be received.

The Company has trading investments called interest and capital bonds for a nominal amount of U.S.$11.1 million, with annual interest of 5.25% and maturing in March 2019. The fair value of these instruments amounted to Ps.79,577. The unfavorable effect due to changes in the fair value of the outstanding contracts was Ps.24,611, which was recognized in income.

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17. FINANCIAL INSTRUMENTS (continued)

The estimated fair value of the Company's financial instruments is as follows:

	December 31, 2009	
	Carrying amount	Fair value
Liabilities:		
Perpetual bonds in U.S. dollars bearing fixed interest at an annual rate of 7.75%	Ps. 3,921,000	Ps. 3,666,135
Long-term debt	17,410,119	18,231,481
Derivative financial instruments - other raw materials	4,526	4,526
Derivative financial instruments - interest rate	7,133	7,133
Assets:		
Interest and capital bonds	127,293	127,293
Derivative financial instruments - corn	14,217	14,217
Derivative financial instruments - other raw materials	39,353	39,353

	December 31, 2010	
	Carrying amount	Fair value
Liabilities:		
Perpetual bonds in U.S. dollars bearing fixed interest at an annual rate of 7.75%	Ps. 3,705,000	Ps. 3,667,950
Long-term debt	14,091,565	15,007,339
Derivative financial instruments - exchange rate	(4,863)	(4,863)
Assets:		
Interest and capital bonds	79,577	79,577
Derivative financial instruments - other raw materials(1)	(4,121)	(4,121)

The fair values in tables above were determined by the Company as follows:

- The fair values of perpetual bonds and derivative financial instruments were determined based on available market prices and/or estimates using market data information and appropriate valuation methodologies for similar instruments.

- The fair value for the long-term debt is based on the present value of the cash flows discounted at interest rates based on readily observable market inputs.

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(1) As of December 31, 2010, the balance of receivables from derivative financial instruments for Ps.13,137 shown in Note 3 is comprised by: (a) margin calls required due to price variations of the underlying asset for Ps.17,258, to be applied against payments, and (b) unfavorable effect in the valuation of open positions of derivatives at the end of the year for Ps.4,121.

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17. FINANCIAL INSTRUMENTS (continued)

B) FINANCIAL RISKS

The availability and price of corn and other agricultural commodities are subject to important fluctuations due to factors that are beyond our control, such as the weather, planting seasons, agricultural programs and government policies (both national and foreign), global changes in the supply/demand generated by population growth, competitors and global production of similar harvests. We hedge a part of our production requirements through futures contracts and options in order to reduce the risk generated by the fluctuations in price and supply of corn, wheat, natural gas, and diesel, risks that exist as an ordinary part of the business. As of December, 31, 2009 and 2010, the open positions of these instruments were valued at their fair value. The financial instruments that did not qualify as hedges for accounting purposes resulted in a favorable effect of Ps.63,769 and an unfavorable effect of Ps.13,228 for the years ended December 31, 2009 and 2010, respectively, which was recognized in income. The instruments terminated during 2009 and 2010 represented an unfavorable effect of Ps.121,631 and Ps.42,970 as of December 31, 2009 and 2010, respectively, which were recognized in income.

During 2010, the Company entered into hedge contracts for corn purchases, which were designated as fair value hedges. Therefore, the derivative financial instruments, as well as the assets and liabilities being hedged, are recognized at fair value at inception date. Subsequently, changes in the fair value of the derivative financial instruments and the assets and liabilities being hedged are recognized in income of the year. All contracts were settled in November 2010. As of a result of the valuation at fair value, as of December 31, 2010, inventories included Ps.162,254 (U.S.$13,128 thousand) related to these contracts.

During 2010, the Company entered in certain foreign exchange financial instruments, which as of December 31, 2010 referred mainly to Mexican pesos and U.S. dollars. The fair value of these derivatives may decrease or increase in the future before their maturity date in 2011. The variations in the exchange rates may be caused by changes in the economical conditions, monetary and tax policies, volatility, liquidity in global markets, domestic and international events, among others. These exchange rate derivative financial instruments are recognized at their estimated fair value (mark-to-market). As of December 31, 2010, the open positions of these instruments represented an unfavorable effect of approximately Ps.4,863 recognized in income. The operations terminated as of December 31, 2009 and 2010 represented a loss of Ps.485,261 and Ps.21,464, respectively, which were recognized in income.

C) QUANTITATIVE INFORMATION

The derivative financial instruments for corn futures and corn options contracts are summarized as follows:

	Notional Amount (Bushels)		Underlying Asset Value (Mexican pesos)		Fair Value (thousands of Mexican pesos)	
	As of December 31,		As of December 31,		As of December 31,	
Derivative	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**
Corn Futures	2,520,000		Ps. 56.3820	Ps. —	Ps. 6,934	Ps. —
Corn Options	4,410,000		1.6514		7,283	
	6,930,000	—			Ps. 14,217	Ps. —

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17. FINANCIAL INSTRUMENTS (continued)

The operations terminated during 2009 and 2010 with respect to corn futures contracts resulted in an unfavorable effect of Ps.66,305 and Ps.162,254, respectively.

The foreign exchange derivative financial instruments that did not qualify as hedge accounting are summarized as follows:

Derivative	Purchase / Sale	Currency	Notional Amount (Thousands of U.S. dollars) As of December 31, 2009	Notional Amount (Thousands of U.S. dollars) As of December 31, 2010	Underlying Asset Value As of December 31, 2009	Underlying Asset Value As of December 31, 2010	Fair Value (thousands of Mexican pesos) As of December 31, 2009	Fair Value (thousands of Mexican pesos) As of December 31, 2010
Forwards	Sale	USD-MXN	U.S.$ —	U.S.$ 42,740	Ps. —	Ps. 12.3707	Ps. —	Ps. (4,863)
			U.S.$ —	U.S.$ 42,740			Ps. —	Ps. (4,863)

The operations terminated during 2009 and 2010 in foreign exchange derivative financial instruments resulted in a loss of Ps.485,261 and Ps.21,464, respectively.

The notional amounts related to derivative financial instruments reflect the volume of reference agreed; however, they do not reflect the amounts at risk in regard to future cash flows. The amounts at risk are generally limited to the unrealized gain or loss from market valuation for these instruments, which may vary according to changes in market value of the underlying asset, its volatility and the credit quality of the counterparties.

D) CONCENTRATION OF RISK

The financial instruments that are potentially subject to a concentration of risk are principally cash, cash equivalents and trade accounts receivable. The Company deposits its cash and cash equivalents in recognized financial institutions. The concentration of 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 of America, Central America, Venezuela, Europe, Asia and Oceania. The Company maintains reserves for potential credit losses.

Risks from Venezuela

As indicated in Note 11-A, operations in Venezuela represented approximately 12% of net sales in 2010 and 10% of total assets as of December 31, 2010. In recent years, political and social instability has prevailed in Venezuela. This severe political and civil uncertainty represents a risk to the business in this country, which cannot be controlled or measured accurately.

Also in recent years, the Venezuelan authorities have imposed foreign exchange controls and price controls on certain products such as corn flour and wheat flour. The price controls may limit the Company's ability to increase prices in order to compensate for the higher costs of raw materials. The foreign exchange controls may limit the Company's capacity to convert bolivars to other currencies and also transfer funds outside Venezuela.

Various fixed exchange rates have been established by the Venezuelan Government since 2003 and, effective January 1, 2011, the Venezuelan Government established an exchange rate of 4.30 bolivars per U.S. dollar.

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17. FINANCIAL INSTRUMENTS (continued)

The Company does not have insurance for the risk of expropriation of its investments. See Note 11-A for additional information about the expropriation proceedings of MONACA assets and the measures taken by the People´s Defense Institute for the Access of Goods and Services of Venezuela in DEMASECA.

Given the Company's operations in Venezuela, the financial position and results of the Company may be negatively affected by a number of factors, including:

a. Foreign exchange loss may result since the Company's sales are denominated in Bolivars;
b. Subsidiaries in Venezuela manufacture products subject to price controls;
c. It may be difficult for subsidiaries in Venezuela to pay dividends, as well as to import some of their requirements of raw materials as a result of the foreign exchange control;
d. The costs of some raw materials used by the Venezuelan subsidiaries may increase due to import tariffs, and
e. Inability to obtain a just and reasonable compensation for MONACA's assets subject to expropriation and if obtained, whether such compensation could be collected.

18. RELATED PARTY TRANSACTIONS

As of December 31, 2009 and 2010, the Company owns 8.7966% 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 that institution at market rates and terms. During 2010, the Company did not obtain financing from GFNorte's subsidiaries.

The Company has insurance contracts with Seguros Banorte Generali, S.A. de C.V. (subsidiary of GFNorte) in order to manage different risks in some of its subsidiaries. In 2009 and 2010, the Company paid insurance premiums of approximately Ps.112,563 and Ps.113,004, respectively.

In 1996 the Company entered into an association with Archer-Daniels Midland (ADM), a U.S. agricultural processor and trader. ADM is a shareholder and associate of the Company. ADM owns, directly or indirectly, approximately 23.2% of the Company's outstanding shares. As of December 31, 2009 and 2010, the Company had accounts payable to Archer-Daniels-Midland (ADM) included in trade accounts payable for Ps.186,316 and Ps.59,919, respectively. Additionally, during 2009 and 2010, the Company purchased inventory ingredients from ADM amounting to Ps.2,116,318 and Ps.1,225,703 (U.S.$159 and U.S.$97 million), respectively. In 1996 the Company entered into an association with ADM, a U.S. agricultural processor and trader.

As of December 31, 2009 and 2010, the Company had accounts receivable from different companies related to the minority stockholder of the Venezuelan subsidiaries for Ps.500,669 and Ps.237,432, respectively (82,359 thousand bolivars at an exchange rate of 2.15 bolivars per U.S. dollar at December 31, 2009 and 82,669 thousand bolivars at an exchange rate of 4.30 bolivars per U.S. dollar at December 31, 2010). Additionally, in 2009 the Company had accounts payable included in trade accounts of Ps.6,658.

For the years ended December 31, 2009 and 2010, related party transactions were carried out at market value.

For the years 2009 and 2010, the total compensation paid to all Board members, alternate Board members, directors and members of the audit committee and corporate practices committee amounted to Ps.132.9 and Ps.149.5 million, respectively. As of December 31, 2009 and 2010, the reserve for deferred compensation amounted to Ps.41.8 and Ps.53.7 million, respectively. The Company does not provide employees share-based compensation.

19. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

On January 2009, the Mexican Banking Securities Exchange Commission (CNBV for its Spanish acronym) issued changes to its corresponding regulation, in order to establish as requirement that, starting 2012, Mexican issuers with securities listed on the Mexican Stock Exchange (BMV for its Spanish acronym) will be required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Issuers may voluntarily report using IFRS for the fiscal years 2008 through 2011, previous notification to the CNBV and BMV. In this respect, since the Company has operations in different countries and continents, the Company has notified the CNBV and BMV its decision to adopt IFRS in advance, starting 2011.

IFRS 1, "First-time adoption of International Financial Reporting Standards", is the accounting standard that must be adopted when an entity presents its first annual or interim financial statements prepared under IFRS. IFRS 1 has exceptions to a full retrospective application of all accounting standards effective at the end of an entity's first IFRS reporting period.

The Company has applied the following exceptions:

- Business combinations. In accordance with IFRS 1, an entity may elect not to apply IFRS 3, "Business combinations" retrospectively, that is, to business combinations that occurred before the date of transition to IFRS. The Company adopted this exemption and did not modify the historical amounts of business combinations that occurred prior to January 1, 2010.

- Fixed assets and investment property. IFRS 1 allows the entity to measure on an individual basis or as a total, the components of property, plant and equipment at fair value and to use this fair value as deemed cost at transition date. If entities choose this exception, the standard does not require subsequent asset revaluations to similar classes of property, plant and equipment. Additionally, first-time adopters are allowed to use previous GAAP asset revaluations as deemed cost under IFRS, but only if those valuations are comparable to: (a) fair value, or (b) were based on depreciated cost adjusted to reflect changes to a price index. The Company adopted previous GAAP revalued amounts as deemed cost at the date of transition to IFRS.

- Foreign exchange translation. IAS 21, "The effects of changes in foreign exchange rates" requires certain exchange differences arising on net investments in subsidiaries to be recognized in other comprehensive income and then recognized as income or expense on disposal of the foreign entity to which they relate. These are known as cumulative translation differences.

  The IFRS 1 exemption on cumulative translation differences relieves entities from complying with certain requirements of IAS 21 with respect to cumulative translation differences occurring up to the date of transition. If a first-time adopter applies this exemption: (a) the cumulative translation differences of all foreign operations will be considered null at the date of transition and (b) the gain or loss on disposal of the foreign entity will exclude translation differences occurred prior to the date of transition and will only include translation differences after such date. The Company adopted the exception to recognize the balance of cumulative translation differences in retained earnings at the date of transition and to begin a new calculation.

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19. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

A description of the main accounting effects are presented below:

- Inflation effects. In accordance with MFRS B-10, the effects of inflation are recognized when the accumulated inflation for the last three years exceeds 26%. In accordance with IAS 29, the effects of inflation are recognized when the accumulated inflation rate in three years exceeds 100%. Therefore, under IFRS, México was considered a hyper-inflationary economy until December 1997. This difference affects the intangible assets of the Company, since the accumulated restatement that was registered after December 31, 1997 was cancelled at the date of transition.

- Deferred employees' statutory profit sharing (ESPS). In accordance with MFRS D-3, the Company recognizes deferred ESPS as asset or liability, as determined by the comprehensive asset and liability method. IFRS only refer to the legal or assumed ESPS, without requiring the recognition of a deferred ESPS. Consequently, the Company cancelled the balance of deferred ESPS liability in retained earnings at the date of transition.

- Debt issuance costs. Under Mexican FRS, debt issuance costs that comply with certain requirements are capitalized as intangible assets. Additionally, when a change in loan terms occur that differ in less than 10% of the present value of cash flows of the original loan and the modified loan, the debt issuance costs incurred for the modified loan are recognized in income. Under IFRS, debt issuance costs are presented as part of the net balance of the debt, within the liabilities section. Debt costs incurred for a modified loan are capitalized and amortized over the term of the related debt. At the date of transition, the Company recognized debt issuance costs as part of the acquired debt, decreasing the amount of bank loans and increasing retained earnings; also, the Company reclassified debt issuance costs from intangible assets to bank loans.

- Financial liabilities. Under Mexican FRS, financial liabilities must be recognized at the amount of the obligation they represent plus interests accrued. In accordance with IFRS, financial liabilities are recognized at amortized cost through the effective interest method. This method refers to the discount rate that equals the estimated cash flows to be paid during the term of the related debt. At transition date, the Company increased its bank loans and reduced retained earnings.

- Advertising prepaid expenses. Under Mexican FRS, expenses incurred in advertising are expensed as consumed or used; therefore, any prepaid expenses will be carried as asset until such time. Under IFRS, expenses related with the production of advertising or catalogs are recognized in income when incurred. Expenses related with the communication of advertising are recognized until the commercials are issued or the insertions are made. At the date of transition, the Company decreased current assets when prepaid expenses were canceled and reduced retained earnings.

- Other income - expense. Under Mexican FRS, operating income is determined with: sales, cost of sales and general expenses (selling and administrative). Consequently, items classified as "Other income- expense" are not included. Under IFRS, items classified as "Other income — expense" are included in the determination of operating income, regardless of its unusual or infrequent nature.

Other differences between Mexican FRS and IFRS were present; nevertheless, the Company considers that the differences described above refer to the effects that are material. Additionally, these differences have been determined on a preliminary basis by the Company and could be modified once the audited financial statements under IFRS are issued.

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19. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

As a result of the transition to IFRS, the estimated effects as of January 1, 2010 for the main captions of the balance sheet are presented below.

			Unaudited amounts			
		Mexican FRS		Estimated IFRS transition effects		IFRS
Current assets	Ps.	16,479,992	Ps.	(162,305)	Ps.	16,317,688
Non-current assets		27,486,523		(425,561)		27,060,962
Total assets	Ps.	43,966,515	Ps.	(587,866)	Ps.	43,378,649
Current liabilities	Ps.	8,949,593	Ps.	(36,844)	Ps.	8,912,749
Long-term liabilities		23,205,359		(778,993)		22,426,366
Total liabilities	Ps.	32,154,952	Ps.	(815,837)	Ps.	31,339,115
Total equity	Ps.	11,811,563	Ps.	227,971	Ps.	12,039,534

20. SUBSEQUENT EVENTS

During January 2011, the Company decided the sale of its 8.7966% stake in the capital stock of Grupo Financiero Banorte, S.A.B. de C.V. The sale, authorized by the CNBV, was carried out through a secondary public offering in Mexico and a private offering in the United States and other foreign markets, for a simultaneous global offering of up to 177,546,496 ordinary shares, Series O, Class II, representative of the variable common stock of GFNorte.

On February 15, 2011, the sale of the 177,546,496 shares of GFNorte was concluded for a total of Ps.9,232,418, excluding commissions and expenses. The Company recognized an approximate gain before taxes of Ps.4,716,188, net of commissions and expenses.

On February 18, 2011 the Company paid in advance the outstanding balances of several credit facilities as of December 31, 2010. The total amount of payments were U.S.$753.3 million and Ps.773.3 million, payments for which the company used the entirety of the net proceeds from the sale of shares of GFNorte, as well as its own resources and others obtained through short term facilities.

The aforementioned payments terminated the following loan agreements:

- Payment of U.S.$618.3 million, for the loan agreement with Deutsche Bank Trust Company Americas, as administrative agent, several banks, and The Bank of New York Mellon as collateral agent, for the financing of U.S.$668.3 million, dated October 16, 2009;

- Payment of U.S.$88.7 million and Ps.773.3 million, for the syndicated loan agreement with BBVA Bancomer, S.A. Institución de Banca Múltiple Grupo Financiero BBVA Bancomer, as administrative agent, several banks, and The Bank of New York Mellon as collateral agent, for the financing of U.S.$197.0 million, dated October 16, 2009;

- Payment of U.S.$10.4 million, for the unsecured loan agreement with ABN Amro Bank, N.V. (which was transferred to the Royal Bank of Scotland, N.V.) for the financing of U.S.$13.9 million, dated October 16, 2009;

20. SUBSEQUENT EVENTS (continued)

- Payment of U.S.$16.1 million, for the unsecured loan agreement executed with Barclays Bank, PLC for the financing of U.S.$21.5 million, dated October 16, 2009;

- Payment of U.S.$ 17.2 million, for the unsecured loan agreement executed with Standard Chartered Bank (which was transferred to Mercantil Commercebank, N.A.) for the financing of U.S.$22.9 million, dated October 16, 2009; and

- Payment of U.S.$2.6 million, for the unsecured loan agreement executed with BNP Paribas for the financing of U.S.$11.8 million, dated October 16, 2009.

On February 21, 2011, the Company concluded the necessary actions required for canceling all pledges granted pursuant to some of the loan agreements above and for the perpetual notes.

As a part of the early extinguishment, the Company wrote-off the related debt issuance costs for a total of Ps.63,815.

On March 22, 2011, the Company obtained an unsecured syndicated credit facility for U.S.$225 million, which is comprised of a revolving portion of U.S.$75 million and a term loan of U.S.$150 million. The loan matures in March 2016, with annual amortizations starting in March 2014, and bears quarterly interest payments at LIBOR rate plus 1.5% to 2.25% depending on the Company's quarterly leverage ratio.

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

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21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP

The Company's consolidated financial statements are prepared in accordance with Mexican FRS, which differ in certain significant respects from U.S. GAAP.

The principal differences between Mexican FRS and U.S. GAAP and the effect on consolidated net income and consolidated stockholders' equity are presented below, with an explanation of the adjustments.

	For the years ended December 31,		
Reconciliation of net income:	**2008**	**2009**	**2010**
Net (loss) income attributable to Gruma, S.A.B. de C.V. under Mexican FRS	Ps. (12,339,758)	Ps. 1,528,920	Ps. 541,905
U.S. GAAP adjustments:			
Depreciation expense (Note 21-B)	(78,909)	(91,367)	(88,954)
Impairment loss in the carrying value of idle assets (Note 21-B)	18,334	—	—
Pre-operating expenses and other deferred costs (Note 21-C)	(229)	675	—
Capitalized comprehensive financing costs (Note 21-D)	3,346	—	—
Sale-leaseback transaction (Note 21-E):			
Interest expense	(2,667)	—	—
Rental and depreciation expense, net	3,431	6,958	6,480
Deferred income taxes (Note 21-G)	32,843	225,007	(23,243)
Deferred employees' statutory profit sharing (Note 21-K)	2,806	7,222	7,336
Effect of U.S. GAAP adjustments on equity method investee (Note 21-Q)	(53,310)	129,750	(14,690)
Negative goodwill (Note 21-H):			
Depreciation expense	61,793	61,793	61,793
Extinguishment of debt (Note 21-J)	14,251	14,251	14,251
Debt issuance costs (Note 21-J)	1,033	85,227	(65,492)
Labor obligations (Note 21-K)	13,051	(319)	(3,870)
Fair value measurements (Note 21-L)	537,749	(536,572)	(1,177)
Effects of inflation of foreign subsidiaries (Note 21-M)	—	246,697	144,474
Subsidiaries in a highly inflationary economy (Note 21-N)	—	—	194,216
Total U.S. GAAP adjustments	553,522	149,322	231,124
Noncontrolling interest (Note 21-A)	7,296	(132,677)	(61,965)
Net (loss) income attributable to Gruma, S.A.B. de C.V. under U.S. GAAP	Ps. (11,778,940)	Ps. 1,545,565	Ps. 711,064
Basic and diluted (loss) earnings per share (in pesos)	Ps. (20.85)	Ps. 2.74	Ps. 1.26
Weighted average shares outstanding (thousands)	564,853	563,651	563,651

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21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

Reconciliation of stockholders' equity:	As of December 31, 2009	As of December 31, 2010
Stockholders' equity under Mexican FRS	Ps. 11,811,563	Ps. 10,620,528
U.S. GAAP adjustments:		
Property, plant and equipment (Note 21-B)	759,252	670,298
Sale-leaseback transaction (Note 21-E)	(109,527)	(97,157)
Goodwill arising from acquisitions of entities under common control (Note 21-F)	(172,951)	(172,951)
Deferred income taxes (Note 21-G)	438,764	463,045
Deferred employees' statutory profit sharing (Note 21-K)	(40,410)	(30,740)
Equity method investee (Note 21-Q)	(233,679)	(383,445)
Negative goodwill (Note 21-H)	(599,269)	(537,476)
Goodwill and indefinite-lived intangible assets (Note 21-I)	190,588	190,588
Extinguishment of debt (Note 21-J)	(213,762)	(199,511)
Debt issuance costs (Note 21-J)	85,537	20,045
Labor obligations (Note 21-K)	(96,810)	(124,018)
Fair value measurements (Note 21-L)	1,177	—
Effects of inflation of foreign subsidiaries (Note 21-M)	(874,310)	(731,614)
Subsidiaries in a highly inflationary economy (Note 21-N)	—	1,325,187
Total U.S. GAAP adjustments	(865,400)	392,251
Stockholders' equity under U.S. GAAP	Ps. 10,946,163	Ps. 11,012,779

A summary of the Company's statement of changes in stockholders' equity with balances determined under U.S. GAAP is as follows:

	2009	2010
Beginning balance	Ps. 9,678,726	Ps. 10,946,163
Effect due on tax consolidation	(2,475)	781
Derivative financial instruments	89,909	—
Equity ownership from associated company	(201,139)	(165,573)
Labor obligation adjustments (net of income tax)	(4,549)	(12,195)
Foreign currency translation adjustments	(438,536)	(471,867)
Other transactions related to comprehensive income	(10,981)	—
Net income for the year	1,545,565	711,064
Noncontrolling interest (Note 21-A)	289,643	4,406
Ending balance	Ps. 10,946,163	Ps. 11,012,779

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21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

On April 30, 2009, under MFRS the Company's stockholders resolved to reclassify the amount of additional paid-in capital to retained earnings. For U.S. GAAP purposes, a deficit reclassification of any nature is considered to be a quasi-reorganization, as a result, a company may not reclassify or eliminate a deficit in retained earnings unless all requisite conditions for a quasi-reorganization are satisfied. The Company does not comply with all the requisite conditions and consequently, such reclassification was reversed. As a result of the aforementioned, the stockholders' equity as of December 31, 2009 and 2010, after U.S. GAAP adjustments described above is as follows:

	As of December 31,	
	2009	2010
Capital stock	Ps. 6,972,425	Ps. 6,972,425
Additional paid-in capital	2,044,014	2,044,014
Retained earnings	(3,585,606)	(3,039,334)
Accumulated other comprehensive income	1,463,761	979,699
Equity attributable to Gruma, S.A.B. de C.V. under U.S. GAAP	6,894,594	6,956,804
Equity attributable to noncontrolling interest	4,051,569	4,055,975
Total stockholders' equity under U.S. GAAP	Ps. 10,946,163	Ps. 11,012,779

A) NONCONTROLLING INTEREST

Under U.S. GAAP, starting January 1, 2009, the Company adopted the FASB's revised standard on accounting for noncontrolling interests in consolidated financial statements included in ASC 810 — Consolidation, which clarifies that a noncontrolling interest (commonly referred to previously as minority interest) in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. It also states that changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary are accounted for consistently, as equity transactions. In addition, when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary should be initially measured at fair value. The FASB also issued Accounting Standards Update 2010-02 "Accounting and Reporting for Decreases in Ownership of a Subsidiary Consolidation", which clarifies that ASC 810 also applies to the disposal of businesses that are not subsidiaries and clarifies certain implementation issues. New guidance is required to be applied prospectively except for the presentation and disclosure requirements. The Company has retrospectively applied the presentation and disclosure requirements of these standards to all periods. This practice is consistent with Mexican FRS.

B) PROPERTY, PLANT AND EQUIPMENT

Until December 31, 2007, under Mexican FRS, the Company used a specific index, which contemplated inflation and currency exchange movements in the restatement and related depreciation expense for machinery and equipment of foreign origin. For U.S. GAAP purposes, the use of the specific index, which contemplates currency exchange variations, is not in accordance with the historical cost concept nor does it present financial information in a constant reporting currency.

Upon the adoption of MFRS B-10, starting January 1, 2008, the Company ceased the use of a specific index for the restatement of machinery and equipment of foreign origin. Therefore, the U.S. GAAP adjustments refer solely to the accumulated effect as of December 31, 2007. Under U.S. GAAP, the adjustment for restating fixed assets of foreign origin utilizing the Mexican NCPI as of December 31, 2009 and 2010 increases stockholders' equity by Ps.877,110 and Ps.819,489, respectively.

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

Under Mexican FRS, depreciation on idle equipment is not required if the carrying value is expected to be recovered and is subject to an impairment review. Under U.S. GAAP, these assets should continue to be depreciated and subject to an impairment review. Therefore, the adjustment to property, plant and equipment decreases stockholders' equity as of December 31, 2009 and 2010 by Ps.266,503 and Ps.297,836, respectively.

Under Mexican FRS, the Company recognized impairment losses in the value of certain idle assets that were not depreciated. Under U.S. GAAP, no impairment was recognized given that the depreciation of these assets had not ceased; consequently, the carrying value under U.S. GAAP was lower than Mexican FRS and the impairment recognized for Mexican FRS purposes was reversed. Therefore, the adjustment to property, plant and equipment increases stockholders' equity as of December 31, 2009 and 2010 by Ps.148,645.

C) PRE-OPERATING EXPENSES AND OTHER DEFERRED COSTS

As of December 31, 2002, under Mexican FRS, pre-operating 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 FRS, only expenses incurred during the development stage are capitalized, whereas expenses identified as research are expensed as incurred. Additionally, the pre-operating expenses capitalized until January 1, 2003 continue to be amortized using the straight-line method over a period not to exceed 12 years. Under U.S. GAAP, such expenses should be treated as period expenses. The amount has been fully amortized since December 31, 2009.

D) COMPREHENSIVE FINANCING COSTS

Under Mexican FRS, 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. For the year ended December 31, 2008, the net income reconciliation adjustment of Ps.3,346 decreases depreciation expense. There is no net income reconciliation adjustment for the years 2009 and 2010.

E) SALE-LEASEBACK TRANSACTION

Under Mexican FRS, a sale-leaseback transaction that involves real estate was 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, ASC 840 — *Leases*, such a transaction was recognized as a financing 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 lease had an original 15-year term with an effective date of May 1, 1996; however, on April 30, 2008, the Company executed the early purchase option on the lease and finished this arrangement. Therefore, under both Mexican FRS and U.S. GAAP it is now being accounted for as a fixed asset and the adjustment to property, plant and equipment decrease stockholders' equity as of December 31, 2009 and 2010 by Ps.109,527 and Ps.97,157, respectively, as a result of a higher accumulated depreciation for U.S. GAAP purposes.

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21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

F) GOODWILL ARISING FROM ACQUISITIONS OF ENTITIES UNDER COMMON CONTROL

Under Mexican FRS, until January 1, 2004, the excess of the purchase price over the proportionate book value of net assets acquired was recorded as goodwill 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 adjustment of Ps.172,951 decreases goodwill presented in the balance sheet as of December 31, 2009 and 2010. There is no net income reconciliation adjustment in 2008, 2009 and 2010, since the Company ceased amortizing goodwill under Mexican FRS with the adoption of MFRS B-7.

G) DEFERRED INCOME TAXES

Under Mexican FRS, the Company adopted the provisions of revised MFRS D-4 for the recognition of deferred tax assets and liabilities. The accounting treatment of MFRS D-4 is in accordance with the comprehensive asset and liability method of ASC 740 - *Income Taxes*. The U.S. GAAP adjustments to net income and stockholders' equity reflect the deferred income taxes generated by the other U.S. GAAP adjustments discussed elsewhere herein.

Under the comprehensive asset and liability method of ASC 740, 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 until December 31, 2007 as described in Note 2-E, and their respective tax bases also included the effects of inflation based on tax regulations.

Income tax expense:

The domestic and foreign components of income before taxes reported under Mexican FRS were as follows:

	Years ended December 31,		
	2008	2009	2010
Domestic	Ps. (12,919,047)	Ps. 675,530	Ps. 1,080,528
Foreign	1,535,283	2,543,160	525,276
	Ps. (11,383,764)	Ps. 3,218,690	Ps. 1,605,804

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21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

Provisions for domestic federal, foreign federal and state income taxes in the Mexican FRS consolidated statements of income consisted of the following components:

	Years ended December 31,					
	2008		2009		2010	
Current:						
Domestic federal	Ps.	97,307	Ps.	93,863	Ps.	181,000
Foreign federal		164,006		886,480		379,805
Foreign state		43,440		84,853		9,176
		304,753		1,065,196		569,981
Deferred:						
Domestic federal		(310,079)		206,165		271,340
Foreign federal		453,713		(159,270)		13,785
Foreign state		(13,692)		(3,745)		(16,388)
		129,942		43,150		268,737
Total income taxes	Ps.	434,695	Ps.	1,108,346	Ps.	838,718

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and liabilities at December 31, 2009 and 2010, were as follows:

	2009		2010	
Deferred tax assets:				
Net operating loss carryforwards and other tax credits (a)	Ps.	4,078,230	Ps.	3,645,644
Accrued liabilities		423,029		491,441
Intangible assets (b)		(12,949)		—
Other		285,599		229,234
Total gross deferred tax assets		4,773,909		4,366,319
Valuation allowance (a)		(3,721,731)		(3,521,482)
Total net deferred tax assets	Ps.	1,052,178	Ps.	844,837
Deferred tax liabilities:				
Property, plant and equipment, net (c)	Ps.	1,813,970	Ps.	1,633,706
Inventories		127,979		83,451
Investment in partnership and equity method investee		902,902		1,071,603
Other assets		244,808		205,362
Total gross deferred tax liabilities		3,089,659		2,994,122
Net deferred tax liability under U.S. GAAP		2,037,481		2,149,285
Net deferred tax liability under Mexican FRS		2,476,245		2,612,330
Adjustment for U.S. GAAP	Ps.	(438,764)	Ps.	(463,045)

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21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

(a) ASC 740 permits a deferred tax asset to be recorded if the asset meets a more likely than not standard (i.e. more than 50 percent likely) that the asset will be realized. Realization of the Company's net operating loss carryforwards and other tax credits depends on the Company's ability to generate sufficient future taxable income of the appropriate character within carryforward periods of the jurisdictions in which the net operating losses and other tax credits were incurred.
(b) Reflects a prepaid asset resulting from an intercompany transaction.
(c) Principally due to the differences between restated book and tax basis, including depreciation and capitalized interest.

A summary of the deferred tax liability (asset) balances on a U.S. GAAP basis is as follows:

	2009	2010
Current:		
Deferred tax asset	Ps. (237,335)	Ps. (325,363)
Deferred tax liability	108,680	79,428
Deferred tax of Mexican companies	(128,655)	(245,935)
Deferred tax of foreign subsidiaries	(424,887)	(162,055)
Total	(553,542)	(407,990)
Non-current:		
Deferred tax asset	(382,336)	(164,903)
Deferred tax liability	1,377,075	1,466,404
Deferred tax of Mexican companies	994,739	1,301,501
Deferred tax of foreign subsidiaries	1,596,284	1,255,774
Total	2,591,023	2,557,275
Total	Ps. 2,037,481	Ps. 2,149,285

The provision for income tax on a U.S. GAAP basis was as follows:

	2008	2009	2010
Current	Ps. (304,753)	Ps. (1,065,196)	Ps. (569,981)
Deferred	(97,099)	181,857	(291,980)
	Ps. (401,852)	Ps. (883,339)	Ps. (861,961)

ASC 740 — *Income Taxes* prescribes a comprehensive model for the recognition, measurement, financial statement presentation and disclosure of uncertain tax positions taken or expected to be taken in a tax return. This standard provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company classifies income tax-related interest and penalties as income taxes in the financial statements.

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21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

As of December 31, 2009 and 2010, the Company presented a liability for unrecognized tax benefits of Ps.90,418 and Ps.38,186, respectively, which included interest and penalties. The following table presents a reconciliation of the Company's unrecognized tax benefits, excluding interest and penalties (primarily related to the U.S. operations):

	2009	2010
Unrecognized tax benefits at beginning of year	Ps. 111,276	Ps. 85,452
Translation adjustment of the initial balance	(6,114)	(4,708)
Increase as result of tax position taken in the year	9,044	4,570
Settlements	—	(36,692)
Reductions due to a lapse of the statue of limitations	(28,754)	(12,758)
Unrecognized tax benefits at end of year	Ps. 85,452	Ps. 35,864

It is expected that the amount of unrecognized tax benefits will change in the next 12 months; however, the Company does not expect the change to have a significant impact on its consolidated financial position or results of operations. The Company had accrued interest and penalties, net of tax benefit of approximately Ps.10,525, Ps.4,966 and Ps.2,322 related to unrecognized tax benefits for fiscal 2008, 2009 and 2010, respectively.

The following years remain open to examination and adjustment by the Company's major tax jurisdictions: United States — 2006 and all following years; Mexico — 2006 and all following years; and Venezuela — 2007 and all following years.

H) NEGATIVE GOODWILL

Under Mexican FRS, until January 1, 2004, the excess of the net book value of identifiable assets acquired over their purchase price was recorded as "Excess of book value over cost of subsidiaries acquired, net" and was amortized over a period of time not to exceed five years. Starting January 1, 2005, MFRS B-7 "Business Acquisitions" became effective and any unamortized negative goodwill existing as of that date was fully amortized to net income.

Under U.S. GAAP, until December 31, 2008, the excess of fair value of acquired net assets over cost was allocated to the book value of the non-monetary assets acquired. Once the book value was reduced to zero, any unallocated amounts were recorded in earnings. Starting January 1, 2009, for new acquisitions, the acquirer shall reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and shall recognize any additional assets or liabilities that are identified in that review. Additionally, the acquirer shall review the procedures used to measure the amounts to be recognized at the acquisition date for all of the following: (a) the identifiable assets acquired and liabilities assumed, (b) the noncontrolling interest in the acquiree, if any, (c) for a business combination achieved in stages, the acquirer's previously held equity interest in the acquiree, and (d) the consideration transferred. If the excess remains after applying the above requirements, the acquirer shall recognize the resulting gain in earnings on the acquisition date.

As of December 31, 2009 and 2010, the U.S. GAAP equity adjustments of Ps.599,269 and Ps.537,476 respectively, decreased the net fixed assets in the same amounts.

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21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

I) GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS

Under U.S. GAAP, effective January 1, 2002, the Company adopted the provisions of ASC 350 — *Intangibles — Goodwill and Other*. Under ASC 350, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed for impairment on an annual basis at the reporting unit level.

Under Mexican FRS, until January 1, 2003, all intangible assets were amortized over their estimated useful life. MFRS 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 FRS. Starting January 1, 2004, under Mexican FRS goodwill should no longer be amortized, but subject to annual impairment tests at the cash generating unit level. Accordingly, goodwill amortization ceased in 2002 for U.S. GAAP and in 2004 for Mexican FRS.

The U.S. GAAP equity adjustment of Ps.190,588 increased goodwill in Ps.187,897 and intangible assets in Ps.2,691 as of December 31, 2009 and 2010, as a result of the above items.

J) EXTINGUISHMENT OF DEBT

In December 2004, the Company issued perpetual notes for a total of Ps.3,705,000 (U.S. $300 million) which pay interest quarterly at a 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.276,879. Under Mexican FRS, this premium was recognized in intangible assets as debt issuance costs of the perpetual notes and 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.

During 2009 the Company refinanced the U.S.$197 million Syndicated Credit facility and the Ps.3,367,000 Bancomext loan. The Company incurred debt issuance costs of Ps.102,259 related to the modified debt instruments. At the date of refinancing, the Company had Ps.11,633 of unamortized debt issuance costs related to the old debt. Under Mexican FRS, the unamortized costs related to the old debt will continue to be amortized throughout the maturity of the new debt as it has been considered a refinancing of the old debt under MFRS C-9. Debt issuance costs incurred with the issuance of the modified debt instruments have been expensed. Under U.S. GAAP, the debt issuance costs of Ps.102,259 related to the modified debt instruments were capitalized and together with the unamortized debt issuance costs related to the old debt will be amortized during the term of the modified debt instruments using the interest method.

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21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

K) LABOR OBLIGATIONS

Benefits upon retirement and employment termination

Under Mexican FRS, starting January 1, 2008, the Company adopted the provisions of new MFRS D-3, as mentioned in Note 2-N and 10. Under U.S. GAAP, the Company applied the guidelines in ASC 715 — *Compensation — Retirement Benefits*. Under ASC 715, the Company recognized as a component of other comprehensive income the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost of the period. As of December 31, 2009 and 2010, the U.S. GAAP equity adjustment of Ps.96,810 and Ps.124,018, respectively, increased Other liabilities.

The disclosures according to ASC 715 are included below:

For the years ended December 31, 2008, 2009 and 2010, the net periodic cost for the Company's plans was comprised of:

	2008	2009	2010
Service cost	Ps. 13,627	Ps. 15,020	Ps. 16,583
Interest cost	16,373	18,840	21,875
Return on plan assets	(3,140)	(2,706)	(3,067)
Settlement loss	—	23,304	12,826
Net amortization	5,718	6,614	6,087
Net cost for the year	Ps. 32,578	Ps. 61,072	Ps. 54,304

As of December 31, 2009 and 2010, the status of the plan was as follows:

	2009	2010
Actuarial present value of accumulated benefit obligations:		
Vested benefit obligation	Ps. (154,363)	Ps. (181,447)
Non-vested benefit obligation	(63,028)	(80,857)
	(217,391)	(262,304)
Excess of projected benefit obligation over accumulated benefit obligation	(41,650)	(62,766)
Projected benefit obligation	(259,041)	(325,070)
Plan assets at fair value (trust funds)	35,750	40,264
Labor obligations liability as of year-end	Ps. (223,291)	Ps. (284,806)

For the years ended December 31, 2009 and 2010, the changes in projected benefit obligation and plan assets (trust funds) are summarized as follows:

	2009	2010
Projected benefit obligation at beginning of year	Ps. 234,093	Ps. 259,041
Service cost	15,020	16,583
Interest cost	18,840	21,875
Benefit payments	(49,093)	(8,783)
Settlements and curtailments	(5,218)	(18,961)
Actuarial loss	45,399	55,315
Projected benefit obligation at end of year	Ps. 259,041	Ps. 325,070

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21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

		2009		2010
Fair value of plan assets at beginning of year	Ps.	31,753	Ps.	35,750
Return on plan assets		4,344		5,160
Benefit payments		(347)		(646)
Fair value of plan assets at end of year	Ps.	35,750	Ps.	40,264

The weighted average assumptions used to determine obligations at the end of the labor relationship and net periodic benefit cost for the years ended December 31 were as follows:

	2009	2010
Discount rate	9.00%	7.50%
Future increase rate in compensation levels	4.50%	4.50%
Estimated return rate on plan assets	9.00%	11.50%

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

	2009	2010
Equity securities	59%	59%
Fixed rate securities	41%	41%
Total	100%	100%

The following table summarizes the Company's plan assets measured at fair value at December 31, 2010:

		Quoted prices in active markets for identical assets (Level 1)
Equity securities (1)	Ps.	23,755
Fixed rate securities (2)		16,509
Total	Ps.	40,264

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(1) Equity securities consist of investments in common stock of listed entities, which are valued using quoted market prices multiplied by the number of shares owned.

(2) Fixed rate securities are comprised of investments funds shares, focused on investments in fixed rate securities, that are valued at the quoted market prices multiplied by the number of shares owned.

The Company does not have any plan assets classified as Level 2 (significant other observable inputs) or Level 3 (unobservable inputs). The description of the three hierarchy levels for measuring fair value is disclosed in Note 21-L.

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21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

The following table summarizes expected benefit payments from the Company's plans as follows:

Year	Amount
2011	Ps. 63,370
2012	36,456
2013	31,864
2014	32,863
2015	42,969
Thereafter	180,727

Included in accumulated other comprehensive income at December 31, 2009 and 2010 are the following amounts that have not yet been recognized in net periodic pension cost:

	2009	2010
Unamortized items (*)	Ps. 67,915 (net of income tax of Ps.41,626)	Ps. 82,385 (net of income tax of Ps.50,494)

(*) Comprised of actuarial losses and net transition liability.

The estimated amount of cumulative net gain that is expected to be amortized from accumulated other comprehensive loss into net periodic pension cost over the next fiscal year is Ps.7,615.

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21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

Amounts recognized in other comprehensive income included the following components:

	Before tax	Tax effect	After tax
Accumulated other comprehensive income at December 31, 2008	Ps. (100,914)	Ps. (38,347)	Ps. (62,567)
Reclassification adjustment for items included in 2009 net income:			
Actuarial (gains) losses	6,545	2,487	4,058
Transition (asset) liability	68	26	42
Enhancement to the plan	1	—	1
Items arising during 2009:			
Actuarial losses	(43,763)	(16,630)	(27,133)
Settlements	28,522	10,838	17,684
Accumulated other comprehensive income at December 31, 2009	(109,541)	(41,626)	(67,915)
Reclassification adjustment for items included in 2010 net income:			
Actuarial (gains) losses	5,983	2,274	3,709
Transition (asset) liability	68	26	42
Prior service costs	36	14	22
Items arising during 2010:			
Actuarial losses	(53,223)	(20,225)	(32,998)
Settlements	23,798	9,043	14,755
Accumulated other comprehensive income at December 31, 2010	Ps. (132,879)	Ps. (50,494)	Ps. (82,385)

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

Deferred employees' statutory profit sharing (ESPS)

As stated in Note 10-B, under Mexican FRS, the Company adopted the provisions of revised MFRS D-3 and deferred ESPS was recognized starting January 1, 2008 based on the comprehensive asset and liability method, which is consistent with ASC 740. For U.S. GAAP purposes, the Company has historically recognized deferred ESPS, using the comprehensive asset and liability method; however, book values were not restated for the effects of inflation, since per the applicable tax regulation the effects of inflation are not considered in the ESPS calculation. The revised MFRS D-3 requires full application of Mexican FRS to determine the book values of the ESPS calculation and therefore, inflation effects are considered in the ESPS calculation. In order to align U.S. GAAP and MFRS accounting for this item, the Company has concluded it would be preferable to change its U.S. GAAP accounting policy to also take into account inflation effects in the ESPS calculation. This cumulative effect of this change in accounting as of January 1, 2008 was reported as a direct deduction from retained earnings as of January 1, 2008 rather than retroactively applied for all periods presented as the effect on prior periods was considered immaterial. The U.S. GAAP adjustments to net income and stockholders' equity included in the reconciliation are related to deferred employees' statutory profit sharing generated by the other U.S. GAAP adjustments discussed elsewhere herein.

L) FAIR VALUE MEASUREMENTS

During 2008, under U.S. GAAP, the Company adopted ASC 820 — *Fair Value Measurements and Disclosures*. This standard defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements about fair-value measurements. ASC 820, among other things, requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It clarifies that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices available in active markets (i.e., observable inputs) and the lowest priority to data lacking transparency (i.e., unobservable inputs). Additionally, this standard requires an entity to consider all aspects of nonperformance risk, including the entity's own credit standing, when measuring the fair value of a liability.

Fair-Value Hierarchy

ASC 820 establishes a three-level hierarchy to be used when measuring and disclosing fair value. An instrument's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. Following is a description of the three hierarchy levels:

- Level 1—Quoted prices for identical instruments in active markets.
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

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21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

Determination of Fair Value

When available, the Company generally uses quoted market prices to determine fair value and classifies such items in Level 1. If quoted market prices are not available, fair value is valued using industry standard valuation models. When applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs, including interest rates, currency rates, volatilities, etc. Items valued using such inputs are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable. In addition, the Company considers assumptions for its own credit risk and the respective counterparty risk.

Measurement

Assets and liabilities measured at fair value are summarized below:

	December 31, 2009			
	Level 1	Level 2	Level 3	Total carrying value in the consolidated balance sheet
Assets:				
Derivative financial instruments — corn and other raw materials	Ps. 55,749	Ps. —	Ps. —	Ps. 55,749
Liabilities:				
Derivative financial instruments — other raw materials	Ps. 4,802	Ps. —	Ps. —	Ps. 4,802
Derivative financial instruments — interest rate	—		5,956	5,956
	Ps. 4,802	Ps. —	Ps. 5,956	Ps. 10,758

	December 31, 2010			
	Level 1	Level 2	Level 3	Total carrying value in the consolidated balance sheet
Assets:				
Derivative financial instruments — corn and other raw materials	Ps. 13,137	Ps. —	Ps. —	Ps. 13,137
Liabilities:				
Derivative financial instruments — foreign exchange	Ps. —	Ps. —	Ps. 4,863	Ps. 4,863

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

The adoption of ASC 820 did not change the Company's previous accounting for financial assets and liabilities, but had an impact of Ps.1,177 as equity adjustment as of December 31, 2009, when the Company's own credit risk was considered in the determination of the fair value of the derivative financial instruments. The fair values for the rest of the financial instruments are disclosed in Note 17-A.

In March 2009 the Company and its derivative counterparties agreed to terminate the derivative instruments, fixed the total amount of obligations payable by the Company and convert this amount into a secured term loan. In October 2009 the Company completed the conversion of U.S.$738.3 million that it owed to several financial institutions under its terminated foreign exchange derivative instruments, into medium and long-term loans. Therefore, the U.S. GAAP adjustment to the fair value of the existing exchange rate derivative financial instruments as of December 31, 2008 was reversed in 2009.

Level 1 Valuation Techniques

Financial instruments that are negotiated active markets are classified as Level 1. The valuation techniques and the inputs used in the Company's financial statements to measure the fair value include the following:

- Quoted market prices of corn listed on the Chicago Board of Trade.
- Quoted market prices of natural gas listed on the NYMEX Exchange.

Level 2 Valuation Techniques

Financial instruments that are classified as Level 2 refer mainly to quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, as well as model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. As of December 31, 2009 and 2010 the Company has not classified any assets or liabilities as Level 2.

Level 3 Valuation Techniques

The Company has classified as Level 3 the financial instruments whose fair values are obtained using valuation models that include observable inputs but also include certain unobservable inputs. For the Company, the unobservable input included in the valuation of its liability positions refers solely to the Company's own credit risk, which was a significant input, considering the financial condition of the Company as of December 31, 2008. Therefore, the Company classified all the Over the Counter derivatives with a liability position as Level 3.

The table below includes a roll-forward of the balance sheet amounts for the years ended December 31, 2009 and 2010 for financial instruments classified by the Company within Level 3 of the valuation hierarchy. When a determination is made to classify a financial instrument within Level 3, it is due to the use of significant unobservable inputs. However, Level 3 financial instruments typically include, in addition to the unobservable or level 3 components, observable components (that is, components that are actively quoted and can be validated to external sources); accordingly, the gains and losses in the table below include changes in fair value due, in part, to observable factors that are part of the valuation methodology:

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21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

Beginning balance	Ps. 10,816,103
Realized and unrealized loss	1,022,897
Net settlements (paid) received	(11,833,044)
Ending balance as of December 31, 2009	Ps. 5,956
Realized and unrealized loss	5,674
Net settlements (paid) received	(6,767)
Ending balance as of December 31, 2010	Ps. 4,863

M) EFFECTS OF INFLATION OF FOREIGN SUBSIDIARIES

Due to the adoption of MFRS B-10 and MFRS B-15, the Company ceased the recognition of effects of inflation, except for foreign subsidiaries considered inflationary (Venezuela and Central America). Therefore, the Company ceased to qualify for the indexation accommodation under Item 17 c (2) iv, effective January 1, 2008. As a result, the Company has reconciled the effects of inflation for 2009 and 2010 of foreign subsidiaries for U.S. GAAP purposes. Inflation effects generated during 2008 were immaterial.

N) SUBSIDIARIES IN A HIGHLY INFLATIONARY ECONOMY

U.S. GAAP considers an economy to be highly inflationary when cumulative three-year inflation exceeds 100%. The functional currency of an entity operating in a high inflationary economy must be the reporting currency.

Inflation index in Venezuela

Two different inflation indices exist for determining highly inflationary status in Venezuela: the Consumer Price Index (“CPI”) and the National Consumer Price Index (“NCPI”). The CPI, which only includes the metropolitan areas of Caracas and Maracaibo, has been available since 1984. The NCPI, which includes the entire country of Venezuela, has only been available since January 1, 2008. At its July 27, 2009 meeting, the International Practices Task Force (“IPTF”) concluded that either the CPI or a blended CPI/NCPI index is acceptable for determining the highly inflationary status of Venezuela. The IPTF concluded at that meeting, however, that once three years of data is available for the NCPI, the NCPI is the appropriate index to use because it is a broad-based measure of general inflation for the entire country of Venezuela. The Company applies the blended CPI/NCPI index. Based on this index, the Venezuelan economy exceeded the three-year cumulative inflation rate of 100% in November 30, 2009. As a result of the aforementioned, starting January 1, 2010, the Company’s Venezuelan subsidiaries are considered as highly inflationary for U.S. GAAP purposes.

Transition to highly inflationary status for the Venezuelan subsidiaries

Under Mexican FRS, financial statements of subsidiaries in inflationary economies are restated following the provisions of MFRS B-10, applying the price index of the foreign country which reflects the change in purchasing power of the currency in which the subsidiary reports.

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21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

Under U.S. GAAP, foreign currency translation guidance requires that the financial statements of a foreign entity in a highly inflationary economy be remeasured as if the functional currency were the reporting currency. Since the accounting records of the Venezuelan subsidiaries are maintained in the Bolivar, starting January 2010, the financial statements of these entities have been remeasured into the Euro (reporting currency of the immediate parent companies) and exchange gains and losses from the remeasurement of monetary assets and liabilities amounting to a gain of Ps.194,216 are reflected in current earnings. The translated amounts of assets and liabilities as of December 31, 2009 have become the accounting basis of those assets and liabilities at transition and in subsequent periods. The Company has used the exchange rate of 5.74 Bolivars per Euro for remeasurement purposes.

As of December 31, 2010, Venezuelan subsidiaries' denominated monetary liability position, net of monetary assets, was 374,670,655 bolivars.

The total amount pending government approval for settlement at December 31, 2010 is U.S.$4,238 thousand, for the payment of imports.

O) IMPAIRMENT OF LONG-LIVED ASSETS

MFRS follows a one-step impairment test by which the carrying amount of a long-lived asset (asset group) is compared with its recoverable amount. When the carrying amount exceeds the recoverable amount, the difference is accounted for as an impairment loss. See Note 2-M "Impairment of long-lived assets".

U.S. GAAP requires a two-step impairment test and measurement model as follows:

1) The carrying amount of the long-lived asset (asset group) is first compared with the undiscounted cash flows, and if the carrying amount is lower than the undiscounted cash flows, no impairment loss is recognized, although it may be necessary to review depreciation (or amortization) estimates and methods for the related long-lived asset (group of assets).
2) If the carrying value is higher than the undiscounted cash flows, an impairment loss is measured as the difference between the carrying amount and fair value.

Although there are technical accounting differences between MFRS and U.S. GAAP for the recognition and measurement of impairment for long-lived assets, as described in the above paragraphs, due to specific facts and circumstances in respect of the impairments recognized by the Company, these technical differences do not normally result in reconciliation adjustments. As an example, even though MFRS requires the reduction of such fair value by the cost to sell the assets, the Company is not adjusting the fair value since it is consider that any incremental costs directly attributable to the disposal of these assets are immaterial.

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21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

P) DERIVATIVE FINANCIAL INSTRUMENTS

The following table summarizes 2009 and 2010 net losses on the Company's derivative financial instruments under U.S. GAAP and the classification of such net losses in the consolidated statements of income:

	Classification of loss	2009	2010
Commodity contracts	Comprehensive financing expense	Ps. 54,567	Ps. 55,383
Commodity contracts	Cost of sales	78,987	76
Interest rate contracts	Comprehensive financing expense	23,982	811
Foreign exchange contracts	Comprehensive financing expense	1,001,145	26,331
		Ps. 1,158,681	Ps. 82,601

The following table summarizes the fair values under U.S. GAAP and the classification in the consolidated balance sheets of derivative financial instruments held by the Company as of December 31, 2009 and 2010:

	Classification of derivative instruments	2009	2010
Commodity contracts	Accounts receivable, net	Ps. 55,749	Ps. 13,137
Interest rate contracts	Derivative financial instruments (as liabilities)	(5,956)	—
Commodity contracts	Derivative financial instruments (as liabilities)	(4,802)	—
Foreign exchange contracts	Derivative financial instruments (as liabilities)	—	(4,863)

The following table summarizes the Company's outstanding derivative agreements as of December 31, 2009:

	Notional amount (in units)	Maturity
Commodity contracts	1,710,000 Mmbtu	2010
Commodity contracts	9,765,000 gallons	2010
Commodity contracts	6,930,000 bushels	2010
Interest rate contracts	U.S.$20,000,000	2010

The following table summarizes the Company's outstanding derivative agreements as of December 31, 2010:

	Notional amount (in units)	Maturity
Commodity contracts	2,090,000 Mmbtu	2011
Commodity contracts	252,000 gallons	2011
Foreign exchange contracts	U.S.$42,739,822	2011

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21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

The Company's objective and strategy for using derivative financial instruments is disclosed in Note 17-B. In addition, information regarding fair value of derivatives is disclosed in Note 21-L.

Q) SUPPLEMENTAL BALANCE SHEET INFORMATION

- Securities of related parties:

The investment in common stock of GFNorte is accounted for under the equity method, since the Company has significant influence over the investee due to its representation on the Board of Directors of GFNorte and the equity interest of the Company'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.

Under both Mexican and U.S. GAAP, the Company recognized goodwill for the acquisition of GFNorte in 1992. Under U.S. GAAP, effective January 1, 2002, with the adoption of ASC 350, goodwill was no longer amortized. The amount of such remaining goodwill is Ps.38,690. Under Mexican FRS, goodwill was fully amortized by December 31, 2002.

Condensed financial information under Mexican Banking GAAP for GFNorte as of and for the years ended December 31 is as follows:

	Amounts in millions of Mexican pesos	
	2009	2010
Cash and cash equivalents	Ps. 59,268	Ps. 62,497
Investment securities	226,492	218,382
Net loan portfolio	237,573	261,969
Property, furniture and equipment, net	8,622	9,316
Total assets	567,138	590,558
Deposits	274,908	292,615
Bank and other entity loans — current	13,406	13,114
Bank and other entity loans — non-current	7,562	8,496
Total liabilities	522,164	540,331
Controlling interest	41,366	46,117
Noncontrolling interest	3,608	4,110

	Amounts in millions of Mexican pesos		
	2008	2009	2010
Interest income	Ps. 50,416	Ps. 45,451	Ps. 41,479
Interest expense	(27,789)	(22,268)	(18,747)
Income before noncontrolling interest	7,387	6,190	7,362
Net income	7,014	5,854	6,705

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21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

- Other current assets:

  Included within accounts receivable, net as of December 31, 2008 are benefits obtained through PROHARINA amounting to Ps.659,918, as mentioned in Note 2-I.

- Other current liabilities:

  Included within accrued liabilities and other payables as of December 31, 2009 and 2010 are employee-related liabilities of Ps.777,481 and Ps.730,533, respectively.

- Computer software:

  Depreciation expense for the years ended December 31, 2008, 2009 and 2010 amounted to Ps.27,587, Ps.11,141 and Ps.1,783, respectively, on capitalized computer software cost. Unamortized software costs included as of December 31, 2009 and 2010 totaled Ps.14,723 and Ps.13,020, respectively.

- Capital leases:

  As of December 31, 2009 and 2010, the gross amount of assets recorded under capital leases totaled Ps.45,367 and Ps.57,225, respectively, and correspond to transportation equipment. The accumulated depreciation of these capitalized leases as of December 31, 2009 and 2010 amounted Ps.3,765 and Ps.20,236, respectively.

  During 2009, the Company entered in a sale-leaseback transaction with the production equipment in a wheat plant located in Mexico. The lease has a term of 4 years, with an early buy-out option in the third year and quarterly rental payments. As of December 31, 2009 and 2010, the gross amount of the equipment recorded under this lease totaled Ps.125,946, and its accumulated depreciation amounted to Ps.8,431 and Ps.18,527, respectively.

- Other stockholders' equity:

  Included within retained earnings as of December 31, 2009 and 2010 are undistributed earnings of GFNorte amounting to Ps.2,334,178 and Ps.2,832,241, respectively.

R) 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.989,251, Ps.1,045,081 and Ps.889,680 for the years ended December 31, 2008, 2009 and 2010, respectively. The Company had Ps.32,923 and Ps.18,686 of prepaid advertising costs reported as prepaid expenses as of December 31, 2009 and 2010, respectively.

- Shipping and handling costs:

  Shipping and handling costs are included in selling, general and administrative expenses and amounted to Ps.2,699,354, Ps.2,551,899 and Ps.2,405,322 for the years ended December 31, 2008, 2009 and 2010, respectively.

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

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21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

- Operating income:

  Under U.S. GAAP, certain other income items included in the Mexican FRS financial statements of the Company, such as employees' statutory profit sharing, amortization of other deferred costs, impairment loss on assets, and loss on sale of fixed assets would be included in the determination of operating income. For the years ended December 31, 2008, 2009 and 2010, these items amounted to Ps.117,398, Ps.176,332 and Ps.112,080, 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, 2008, 2009 and 2010 these items amounted to Ps.411,857, Ps.417,626 and Ps.396,768, respectively.

S) SUPPLEMENTAL CASH FLOW INFORMATION

Derived from the application of MFRS B-2 "Statement of Cash Flows", effective starting January 1, 2008, the Company presents under Mexican FRS, as basic financial statements, the statements of cash flows for the year ending December 31, 2008, 2009 and 2010.

Under U.S. GAAP, the Company has applied the provisions of ASC 230 — *Statement of Cash Flows*. The differences between the statement of cash flows under Mexican FRS and U.S. GAAP are mainly related with minor presentation reclassifications between the operating, investing and financing sections, as well as the recognition in operating, financing and investing activities of the U.S. GAAP adjustments. The following presents the statements of cash flows for the years ended December 31, 2008, 2009 and 2010, after considering the impact of U.S. GAAP adjustments.

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21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

	For the year ended December 31,		
	2008	2009	2010
Operating activities:			
Consolidated (loss) income	Ps. (11,264,937)	Ps. 2,259,666	Ps. 998,210
Adjustments to reconcile net income to resources provided by operating activities:			
Monetary position gain and restatement effects from companies in an inflationary environment	(147,213)	—	—
Depreciation and amortization	1,405,704	1,534,657	1,492,984
Impairment of long-lived assets	28,517	26,799	—
Allowance for doubtful accounts	79,539	85,818	127,896
Equity in earnings of associated companies	(565,166)	(624,795)	(612,643)
Seniority premium and other long-term accrued liabilities	55,796	61,070	54,303
Loss from sale of fixed assets	11,315	94,384	3,034
Change in fair value of derivative financial instruments	14,519,050	1,079,695	83,702
Foreign exchange loss (gain)	577,627	(767,801)	(314,319)
Deferred income taxes and employees' statutory profit sharing	65,706	(216,424)	259,284
	4,765,938	3,533,069	2,092,451
Changes in working capital:			
Accounts receivable	(1,766,736)	(154,815)	(742,612)
Inventories	(921,227)	275,771	(732,039)
Prepaid expenses	3,935	(141,855)	(106,328)
Trade accounts payable	(245,707)	201,000	669,916
Accrued liabilities and other payable	146,526	(71,715)	818,302
Dividends received from associated company	83,446	31,959	90,549
Income taxes and employees' statutory profit sharing	(327,249)	495,587	(186,100)
	(3,027,012)	635,932	(188,312)
Net cash flows from operating activities	1,738,926	4,169,001	1,904,139

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21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

	For the year ended December 31,		
	2008	2009	2010
Investing activities:			
Purchases of property, plant and equipment	(2,696,744)	(997,350)	(1,008,191)
Acquisition of subsidiaries, net of cash acquired	—	—	(106,970)
Proceeds from sale of property, plant and equipment	27,880	126,333	139,066
Deferred assets	(60,198)	1,627	(2,855)
Acquisition of shares of associated company	(154,568)	—	—
Trading investments	(101,829)	18,925	(19,423)
Other	(201,846)	115,573	85,714
Net cash flows from investing activities	(3,187,305)	(734,892)	(912,659)
Financing activities:			
Proceeds from bank loans and long-term debt	6,912,197	11,603,048	661,722
Repayment of bank loans and long-term debt	(3,206,050)	(2,463,168)	(3,257,291)
Proceeds from stock issuance	2,111,060	—	—
Distributions by minority interest	—	(21,503)	—
Net purchases-sales of Company’s common stock	(11,561)	—	—
Payments of derivative financial instruments	(3,538,840)	(11,485,512)	(40,809)
Dividends paid	(62,953)	(175,255)	(74,872)
Other	(60,428)	(252,779)	(25,562)
Net cash flows from by financing activities	2,143,425	(2,795,169)	(2,736,812)
Effect of inflation on cash and cash equivalents	(26,291)	—	—
Net increase (decrease) in cash and cash equivalents	668,755	638,940	(1,745,332)
Exchange differences on cash and cash equivalents	174,741	(38,312)	(114,014)
Cash and cash equivalents at beginning of year	436,539	1,280,035	1,880,663
Cash and cash equivalents at end of year	Ps. 1,280,035	Ps. 1,880,663	Ps. 21,317

The Company revised the statements of cash flows for the years ended December 31, 2008 and 2009 to reflect dividends received from associated company as operating activities instead of investing activities. The amounts revised in 2008 and 2009 were Ps.83,446 and Ps.31,959, respectively; these amounts were not considered significant to the overall financial position of the Company.

Non-cash activity:

During 2009, a capital lease obligation of Ps.171,313 was incurred when the Company entered into a lease for equipment (Note 21-Q).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010
(Expressed in thousands of Mexican pesos, except where otherwise indicated)

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

Net cash flow from operating activities reflects cash payments for interest and income taxes as follows:

	Years ended December 31,		
	2008	2009	2010
Interest paid	Ps. 781,225	Ps. 1,237,114	Ps. 1,205,310
Income taxes paid	660,589	596,954	781,441

T) COMPREHENSIVE INCOME

Comprehensive income for the majority interest is as follows:

	Years ended December 31,		
	2008	2009	2010
Net (loss) income under U.S. GAAP	Ps. (11,778,940)	Ps. 1,545,565	Ps. 711,064
Other comprehensive loss, net of taxes:			
Other transactions related to comprehensive income	—	(10,981)	—
Effect due on tax consolidation	—	(2,475)	781
Equity ownership from associated company	(18,924)	(201,139)	(165,573)
Derivative financial instruments	(131,699)	89,909	—
Labor obligations adjustments, net of income tax (a)	(23,627)	(4,549)	(12,195)
Foreign currency translation adjustments	949,769	(438,536)	(471,867)
Comprehensive (loss) income under U.S. GAAP	Ps. (11,003,421)	Ps. 977,794	Ps. 62,210

(a) Excludes amortization of net cumulative losses, net transition liability and prior service cost, reported in net income.

Comprehensive income for the noncontrolling interest is as follows:

	Years ended December 31,		
	2008	2009	2010
Net income under U.S. GAAP	Ps. 514,003	Ps. 714,101	Ps. 287,146
Other comprehensive income, net of taxes:			
Other transactions related to comprehensive income	—	(10,522)	—
Equity ownership from associated company	(700)	—	—
Labor obligations adjustments, net of income tax	(5,627)	(799)	(1,808)
Foreign currency translation adjustments	393,643	(237,883)	(206,060)
Comprehensive income under U.S. GAAP	Ps. 901,319	Ps. 464,897	Ps. 79,278

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010
(Expressed in thousands of Mexican pesos, except where otherwise indicated)

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

The components of accumulated other comprehensive income (loss) were as follows as of December 31, 2009 and 2010:

	Foreign currency translation adjustments	Derivative financial instruments	Labor obligations adjustments, net of income tax	Accumulated other comprehensive income (loss)
Balance at December 31, 2008	Ps. 1,963,645	Ps. (89,909)	Ps. (56,799)	Ps. 1,816,937
Current period changes	(438,536)	89,909	(4,549)	(353,176)
Balance at December 31, 2009	1,525,109	—	(61,348)	1,463,761
Current period changes	(471,867)	—	(12,195)	(484,062)
Balance at December 31, 2010	Ps. 1,053,242	Ps. —	Ps. (73,543)	Ps. 979,699

U) 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
2008	Ps. 233,733	Ps. 79,539	Ps. (67,331)	Ps. 245,941
2009	245,941	85,818	(23,222)	308,537
2010	308,537	127,896	(39,349)	397,084

V) CONDENSED FINANCIAL INFORMATION UNDER U.S. GAAP

Condensed consolidated balance sheets prepared on a U.S. GAAP basis as of December 31 are as follows:

	2009	2010
Total current assets	Ps. 16,520,879	Ps. 14,084,710
Property, plant and equipment	19,094,842	17,908,002
Total assets	42,808,031	39,424,190
Short-term debt	2,203,392	2,192,871
Total current liabilities	8,958,053	9,221,271
Long-term debt	20,039,868	16,220,413
Total liabilities	31,861,868	28,411,411
Noncontrolling interest	4,051,569	4,055,975
Total stockholders' equity	10,946,163	11,012,779

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010
(Expressed in thousands of Mexican pesos, except where otherwise indicated)

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

Condensed consolidated statements of income prepared on a U.S. GAAP basis for the years ended December 31 are as follows:

	2008	2009	2010
Net sales	Ps. 44,381,012	Ps. 49,034,395	Ps. 45,734,036
Gross profit	14,134,076	16,986,695	14,731,527
Operating income	3,171,353	4,020,016	2,513,198
Majority net (loss) income	(11,778,940)	1,545,565	711,064

W) RECENTLY ISSUED ACCOUNTING STANDARDS

Business Combinations. In December 2010, the Financial Accounting Standards Board (FASB) issued a new standard addressing the disclosure of supplemental pro forma information for business combinations that occur during the current year. The new standard requires public entities that present comparative financial statements to disclose the revenue and earnings of the combined entity as though the business combinations that occurred during the current year had occurred as of the beginning of the prior annual reporting period. The standard is effective as of January 1, 2011. The Company does not expect this standard will have a material impact on its financial condition, results of operations, and disclosures.

Report of Independent Registered Public Accounting Firm
To the Board of Directors and Stockholders of Grupo Financiero
Banorte, S.A.B. de C.V. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Grupo Financiero Banorte, S.A.B. de C.V. and Subsidiaries (the "Financial Group") as of December 31, 2010 and 2009, and the related consolidated statements of income and changes in stockholders' equity for each of the three years in the period ended December 31, 2010, of cash flows for the years ended December 31, 2010 and 2009, and of changes in financial position for the year ended December 31, 2008. These consolidated financial statements are the responsibility of the Financial Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico and with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in conformity with the accounting practices prescribed by the Mexican National Banking and Securities Commission (the "Commission"). The Financial Group is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Financial Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Note 1 to the financial statements describes the Financial Group's operations. Note 4 describes the accounting criteria established by the Commission in the "General Provisions Applicable to Banking Institutions", which the Financial Group adheres to for the preparation of its financial information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Grupo Financiero Banorte, S. A.B. de C. V. and Subsidiaries as of December 31, 2010 and 2009, and the results of their operations and changes in their stockholders' equity for each of the three years in the period ended December 31, 2010, their cash flows for the years ended December 31, 2010 and 2009 and changes in their financial position for the year ended December 31, 2008, in conformity with the accounting practices prescribed by the Mexican National Banking and Securities Commission.

Accounting practices prescribed by the Commission vary in certain significant respects from Mexican Financial Reporting Standards. The application of the latter would have affected the determination of stockholders' equity and net income as of and for the years ended December 31, 2010 and 2009, to the extent summarized in Note 38.

Accounting practices prescribed by the Commission vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of stockholders' equity as of December 31, 2010 and 2009 and net income for each of the three years in the period ended December 31, 2010, to the extent summarized in Note 39.

The accompanying consolidated financial statements have been translated into English for the convenience of users.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

CPC Fernando Nogueda Conde
Monterrey, N.L., Mexico

February 21, 2011
March 25, 2011 for Notes 38 and 39

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2010 AND 2009
(In millions of Mexican pesos)

	2010	2009
ASSETS		
CASH AND CASH EQUIVALENTS	**Ps. 62,497**	**Ps. 59,268**
MARGIN SECURITIES	**177**	**18**
INVESTMENTS IN SECURITIES		
Trading securities	66,181	24,459
Available for sale securities	12,288	11,701
Held to maturity securities	139,913	190,332
	218,382	**226,492**
DEBTOR BALANCES UNDER REPURCHASE AND RESALE AGREEMENTS	**583**	**4**
DERIVATIVES FINANCIAL INSTRUMENTS		
For trading purposes	7,463	4,824
For hedging purposes	596	1,056
	8,059	**5,880**
PERFORMING LOAN PORTFOLIO		
Commercial loans		
Business loans	126,483	117,237
Financial institutions' loans	5,521	7,131
Government loans	47,550	38,993
Consumer loans	27,828	25,712
Mortgage loans	56,168	49,881
TOTAL PERFORMING LOAN PORTFOLIO	**263,550**	**238,954**
PAST-DUE LOAN PORTFOLIO		
Commercial loans		
Business loans	4,417	3,163
Consumer loans	1,276	1,942
Mortgage loans	971	1,049
TOTAL PAST-DUE LOAN PORTFOLIO	**6,664**	**6,154**
LOAN PORTFOLIO	**270,214**	**245,108**
(Minus) Allowance for loan losses	(8,245)	(7,535)
LOAN PORTFOLIO, net	**261,969**	**237,573**
ACQUIRED COLLECTION RIGHTS	**2,025**	**2,548**
TOTAL LOAN PORTFOLIO, net	**263,994**	**240,121**
RECEIVABLES GENERATED BY SECURITIZATIONS	**950**	**432**
OTHER ACCOUNTS RECEIVABLE, net	**10,864**	**11,324**
MERCHANDISE INVENTORY	**49**	**119**
FORECLOSED ASSETS, net	**809**	**928**
PROPERTY, FURNITURE AND EQUIPMENT, net	**9,316**	**8,622**
PERMANENT STOCK INVESTMENTS	**3,130**	**3,036**
DEFERRED TAXES, net	**1,340**	**1,411**
OTHER ASSETS		
Other assets, deferred charges and intangible assets	**10,408**	**9,483**
TOTAL ASSETS	**Ps. 590,558**	**Ps. 567,138**

MEMORANDUM ACCOUNTS (Note 33)

These balance sheets, consolidated with those of the financial entities and other companies that form part of the Financial Group and are susceptible to consolidation, were prepared according to accounting principles applicable to Financial Service Holding Companies issued by the Mexican National Banking and Securities Commission according to article 30 of the Law of Financial Institutions. Such principles are consistently applied in the financial statements, which are presented according to sound practices and applicable legal and administrative provisions and reflect all the operations conducted by the Financial Group, its financial service subsidiaries and the other companies that form part of the Financial Group and are consolidated as of the balance sheet dates above. The stockholders' equity amounts to Ps. 7,016 (nominal value).

The accompanying Consolidated Balance Sheets have been approved by the Board of Directors in accordance with the responsibility assigned to them. The attached notes are an integral part of these consolidated balance sheets.

	2010	2009
LIABILITIES		
DEPOSITS		
Demand deposits	Ps. 149,817	Ps. 137,581
Time deposits		
General public	132,673	134,141
Money market	6,347	3,186
Senior debt issued	3,778	—
	292,615	**274,908**
INTERBANK AND OTHER LOANS		
Demand loans	4,837	21
Short-term loans	13,114	13,385
Long-term loans	8,496	7,562
	26,447	**20,968**
ASSIGNED SECURITIES PENDING SETTLEMENT	**—**	**159**
CREDITOR BALANCES UNDER REPURCHASE AND RESALE AGREEMENTS	**178,747**	**185,480**
COLLATERAL SOLD OR PLEDGED		
Repurchase or resale agreements (creditor balance)	**11**	**2**
DERIVATIVES FINANCIAL INSTRUMENTS		
For trading purposes	7,238	4,553
For hedging purposes	3,499	3,822
	10,737	**8,375**
OTHER ACCOUNTS PAYABLES		
Income tax	711	617
Employee profit sharing	797	676
Creditors from settlements of transactions	867	2,224
Sundry debtors and other payables	9,871	8,968
	12,246	**12,485**
SUBORDINATED DEBENTURES	**17,803**	**18,168**
DEFERRED CREDITS AND ADVANCED COLLECTIONS	**1,725**	**1,619**
TOTAL LIABILITIES	**540,331**	**522,164**
STOCKHOLDERS' EQUITY		
PAID-IN CAPITAL		
Common stock	11,971	11,956
Additional paid-in capital	1,673	1,525
	13,644	**13,481**
OTHER CAPITAL		
Capital reserves	3,181	3,154
Retained earnings from prior years	25,492	20,681
Result from valuation of securities available for sale	309	206
Result from valuation of instruments for cash flow hedging	(2,214)	(1,369)
Cumulative foreign currency translation adjustment	(1,000)	(641)
Net income	6,705	5,854
	32,473	**27,885**
NONCONTROLLING INTEREST	**4,110**	**3,608**
TOTAL STOCKHOLDERS' EQUITY	**50,227**	**44,974**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**Ps. 590,558**	**Ps. 567,138**

Dr. Alejandro Valenzuela del Río
Chief Executive Officer

Ing. Sergio García Robles Gil
Managing Director - CFO

Lic. Benjamín Vidargas Rojas
Managing Director - Audit

Lic. Jorge Eduardo Vega Camargo
Deputy Managing Director — Controller

C.P.C. Nora Elia Cantú Suárez
Deputy Managing Director — Accounting and Tax

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(In millions of Mexican pesos)

	2010	2009	2008
Interest income	Ps. 41,479	Ps. 45,451	Ps. 50,417
Interest expense	(18,747)	(22,268)	(27,789)
NET INTEREST INCOME	**22,732**	**23,183**	**22,628**
Provision for loan losses	(6,889)	(8,286)	(6,896)
NET INTEREST INCOME AFTER ALLOWANCE FOR LOAN LOSSES	**15,843**	**14,897**	**15,732**
Commission and fee income	9,234	8,291	8,535
Commission and fee expense	(1,548)	(1,338)	(1,208)
Brokerage revenues	1,689	1,244	1,039
Other revenues	1,739	980	746
	11,114	**9,177**	**9,112**
NET OPERATING REVENUES	**26,957**	**24,074**	**24,844**
Administrative and promotional expenses	(17,691)	(17,024)	(16,687)
OPERATING INCOME	**9,266**	**7,050**	**8,157**
Other income	1,879	2,438	2,997
Other expenses	(1,298)	(1,566)	(1,523)
	581	**872**	**1,474**
INCOME BEFORE INCOME TAX	**9,847**	**7,922**	**9,631**
Current income tax	(2,735)	(2,581)	(2,765)
Deferred income taxes, net	(70)	536	245
	(2,805)	**(2,045)**	**(2,520)**
INCOME BEFORE EQUITY IN EARNINGS OF UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES	**7,042**	**5,877**	**7,111**
Equity in earnings of unconsolidated subsidiaries and associated companies	320	313	276
INCOME BEFORE NONCONTROLLING INTEREST	**7,362**	**6,190**	**7,387**
Noncontrolling interest	(657)	(336)	(373)
NET INCOME	**Ps. 6,705**	**Ps. 5,854**	**Ps. 7,014**

These income statements, consolidated with those of the financial entities and other companies that form part of the Financial Group and are susceptible to consolidation, were prepared according to accounting principles applicable to Financial Service Holding Companies issued by the Mexican National Banking and Securities Commission according to article 30 of the Law of Financial Institutions. Such principles are consistently applied in the financial statements, which are presented according to sound practices and applicable legal and administrative provisions and reflect all the operations conducted by the Financial Group, its financial service subsidiaries and the other companies that form part of the Financial Group and are consolidated as of the income statement dates above.

The accompanying Consolidated Statements of Income have been approved by the Board of Directors in accordance with the responsibility assigned to them.

The attached notes are an integral part of these consolidated statements of income.

Dr. Alejandro Valenzuela del Río
Chief Executive Officer

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Deputy Managing Director —Controller

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Deputy Managing Director — Accounting and Tax

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(In millions of Mexican pesos)

	PAID-IN CAPITAL		OTHER CAPITAL			
	Common stock	Additional paid-in capital	Capital reserves	Retained earnings from prior years	Result from valuation of available for sale securities	Result from valuation of cash flow hedging instruments
Balances, January 1, 2008	**Ps. 11,965**	**Ps. 1,272**	**Ps. 2,452**	**Ps. 21,279**	**—**	**—**
TRANSACTIONS APPROVED BY STOCKHOLDERS						
Issuance (repurchase) of shares	(24)	199	(72)	—	—	—
Transfer of prior year's result	—	—	—	6,810	—	—
Creation of reserves as per General Stockholders' meeting on April 29, 2008	—	—	340	340	—	—
Dividend declared at the General Stockholders' meeting on October 6, 2008	—	—	—	(949)	—	—
Total transactions approved by stockholders	**(24)**	**199**	**268**	**5,521**	**—**	**—**
COMPREHENSIVE INCOME						
Net income	—	—	—	—	—	—
Effect of subsidiaries, affiliates and mutual funds	—	(3)	—	(30)	(550)	—
Result from valuation of cash flow hedging instruments	—	—	—	—	—	—
Changes in accounting principles (NIF B-10)	—	—	—	(9,835)	—	—
Total comprehensive income	**—**	**(3)**	**—**	**(9,865)**	**(550)**	**—**
Noncontrolling interest	—	—	—	—	—	—
Balances, December 31, 2008	**11,941**	**1,468**	**2,720**	**16,935**	**(550)**	**—**
TRANSACTIONS APPROVED BY STOCKHOLDERS						
Issuance (repurchase) of shares	15	(328)	83	—	(221)	—
Transfer of prior year's result	—	—	—	7,014	—	—
Creation of reserves as per General Stockholders' meeting on April 30, 2009	—	—	351	(351)	—	—
Dividend declared at the General Stockholders' meeting on October 5, 2009	—	—	—	(364)	—	—
Total transactions approved by stockholders	**15**	**(328)**	**434**	**6,299**	**(221)**	**—**
COMPREHENSIVE INCOME						
Net income	—	—	—	—	—	—
Result from valuation of available for sale securities	—	—	—	—	592	—
Effect of subsidiaries, affiliates and mutual funds	—	(5)	—	(47)	—	—
Result from valuation of cash flow hedging instruments	—	—	—	—	—	209
Application of the effect of holding non-monetary assets	—	(4)	—	(1,640)	385	(1,578)
Change in credit card loan rating methodology (net of deferred taxes)	—	—	—	(683)	—	—
Total comprehensive income	**—**	**(9)**	**—**	**(2,370)**	**977**	**(1,369)**
Noncontrolling interest	—	394	—	(183)	—	—
Balances, December 31, 2009	**11,956**	**1,525**	**3,154**	**20,681**	**206**	**(1,369)**
TRANSACTIONS APPROVED BY STOCKHOLDERS						
Issuance (repurchase) of shares	15	146	27	(17)	(102)	—
Transfer of prior year's result	—	—	—	5,854	—	—
Dividend declared at the General Stockholders' meeting on:						
February 15, 2010	—	—	—	(343)	—	—
April 23, 2010	—	—	—	(343)	—	—
October 4, 2010	—	—	—	(343)	—	—
Total transactions approved by stockholders	**15**	**146**	**27**	**4,808**	**(102)**	**—**
COMPREHENSIVE INCOME						
Net income	—	—	—	—	—	—
Result from valuation of available for sale securities	—	—	—	—	205	—
Effect of subsidiaries, affiliates and						

mutual funds	—	2	—	3	—	—
Result from valuation of cash flow hedging instruments	—	—	—	—	—	(845)
Total comprehensive income	**—**	**2**	**—**	**3**	**205**	**(845)**
Noncontrolling interest	—		—		—	—
Balances, December 31, 2010	**Ps. 11,971**	**Ps. 1,673**	**Ps. 3,181**	**Ps. 25,492**	**Ps. 309**	**Ps. (2,214)**

These statements of changes in stockholder's equity, consolidated with those of the financial entities and other companies that form part of the Financial Group and are susceptible to consolidation, were prepared according to accounting principles applicable to Financial Service Holding Companies issued by the Mexican National Banking and Securities Commission according to article 30 of the Law of Financial Institutions. Such principles are consistently applied in the financial statements, which are presented according to sound practices and applicable legal and administrative provisions and reflect all the operations conducted by the Financial Group, its financial service subsidiaries and the other companies that form part of the Financial Group and are consolidated as of the dates above. These consolidated statements of changes in stockholder's equity were approved by the Board of Directors in accordance with the responsibility assigned to them.

The attached notes are an integral part of these consolidated statements of changes in stockholders' equity.

	OTHER CAPITAL						
	Cumulative foreign currency translation adjustment	Insufficiency in restated stockholders' equity	Effect of holding non-monetary assets	Net income	Total majority interest	Total non-controlling interest	Total stockholders' equity
Balances, January 1, 2008	**Ps. —**	**Ps. (6,380)**	**Ps. (5,009)**	**Ps. 6,810**	**Ps. 32,389**	**Ps. 1,667**	**Ps. 34,056**
TRANSACTIONS APPROVED BY STOCKHOLDERS							
Issuance (repurchase) of shares	—	—	—	—	103	—	103
Transfer of prior year's result	—	—	—	(6,810)	—	—	—
Creation of reserves as per General Stockholders' meeting on April 29, 2008	—	—	—	—	—	—	—
Dividend declared at the General Stockholders' meeting on October 6, 2008	—	—	—	—	(949)	—	(949)
Total transactions approved by stockholders	**—**	**—**	**—**	**(6,810)**	**(846)**	**—**	**(846)**
COMPREHENSIVE INCOME							
Net income	—	—	—	7,014	7,014	—	7,014
Effect of subsidiaries, affiliates and mutual funds	1,095	—	—	—	512	—	512
Result from valuation of cash flow hedging inst.	—	—	(1,267)	—	(1,267)	—	(1,267)
Changes in accounting principles (NIF B-10)	—	6,380	3,455	—	—	—	—
Total comprehensive income	**1,095**	**6,380**	**2,188**	**7,014**	**6,259**	**—**	**6,259**
Noncontrolling interest	—	—	—	—	—	277	277
Balances, December 31, 2008	**1,095**	**—**	**(2,821)**	**7,014**	**37,802**	**1,944**	**39,746**
TRANSACTIONS APPROVED BY STOCKHOLDERS							
Issuance (repurchase) of shares	—	—	—	—	(451)	—	(451)
Transfer of prior year's result	—	—	—	(7,014)	—	—	—
Creation of reserves as per General Stockholders' meeting on April 30, 2009	—	—	—	—	—	—	—
Dividend declared at the General Stockholders' meeting on October 5, 2009	—	—	—	—	(364)	—	(364)
Total transactions approved by stockholders	**—**	**—**	**—**	**(7,014)**	**(815)**	**—**	**(815)**
COMPREHENSIVE INCOME							
Net income	—	—	—	5,854	5,854	—	5,854
Result from valuation of available for sale sec.	—	—	—	—	592	—	592
Effect of subsidiaries, affiliates and mutual funds	(54)	—	—	—	(106)	—	(106)
Effect of the acquisition of the remaining 30% of the subsidiary INB	(1,698)	—	—	—	(1,698)	—	(1,698)
Result from valuation of cash flow hedging inst.	—	—	—	—	209	—	209
Application of the effect of holding non-monetary assets	16	—	2,821	—	—	—	—
Change in credit card loan rating methodology (net of deferred taxes)	—	—	—	—	(683)	—	(683)
Total comprehensive income	**(1,736)**	**—**	**2,821**	**5,854**	**4,168**	**—**	**4,168**
Noncontrolling interest	—	—	—	—	211	1,664	1,875
Balances, December 31, 2009	**(641)**	**—**	**—**	**5,854**	**41,366**	**3,608**	**44,974**
TRANSACTIONS APPROVED BY STOCKHOLDERS							
Issuance (repurchase) of shares	—	—	—	—	69	—	69
Transfer of prior year's result	—	—	—	(5,854)	—	—	—
Dividend declared at the General Stockholders' meeting on:							
February 15, 2010	—	—	—	—	(343)	—	(343)
April 23, 2010	—	—	—	—	(343)	—	(343)
October 4, 2010	—	—	—	—	(343)	—	(343)
Total transactions approved by stockholders	**—**	**—**	**—**	**(5,854)**	**(960)**	**—**	**(960)**
COMPREHENSIVE INCOME							
Net income	—	—	—	6,705	6,705	—	6,705
Result from valuation of available for sale sec.	—	—	—	—	205	—	205
Effect of subsidiaries, affiliates and mutual funds	(359)	—	—	—	(354)	—	(354)
Result from valuation of cash flow hedging inst.	—	—	—	—	(845)	—	(845)
Total comprehensive income	**(359)**	**—**	**—**	**6,705**	**5,711**	**—**	**5,711**
Noncontrolling interest	—	—	—	—	—	502	502
Balances, December 31, 2010	**Ps. (1,000)**	**Ps. —**	**Ps. —**	**Ps. 6,705**	**Ps. 46,117**	**Ps. 4,110**	**Ps. 50,227**

Dr. Alejandro Valenzuela del Río
Chief Executive Officer

Ing. Sergio García Robles Gil Managing Director - CFO

Lic. Benjamín Vidargas Rojas
Managing Director - Audit

Lic. Jorge Eduardo Vega Camargo
Deputy Managing Director — Controller

C.P.C. Nora Elia Cantú Suárez
Deputy Managing Director — Accounting and Tax

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(In millions of Mexican pesos)

	2010	2009
Net income	**Ps. 6,705**	**Ps. 5,854**
Items not requiring (generating) resources:		
Provision for loan losses	6,889	8,286
Provision for uncollectible or doubtful accounts receivable	164	182
Depreciation and amortization	1,181	954
Other Provisions	430	(1,786)
Current and deferred income tax	2,805	2,045
Equity in earnings of unconsolidated subsidiaries and associated companies	337	(313)
	18,511	**15,222**
OPERATING ACTIVITIES:		
Changes in margin securities	(159)	(11)
Changes in investments in securities	7,626	12,312
Changes in debtor balances under repurchase and resale agreements	(579)	144
Changes in asset position of derivative financial instruments	(2,639)	501
Change in loan portfolio	(32,062)	(8,167)
Changes in acquired collection rights	523	502
Changes in receivables generated by securitizations	(518)	364
Change in foreclosed assets	94	(94)
Change in other operating assets	(1,461)	(969)
Change in deposits	18,975	15,344
Change in interbank and other loans	5,483	(15,644)
Change in creditor balances under repurchase and sale agreements	(6,892)	(7,088)
Collateral sold or pledged	9	—
Change in liability position of derivative financial instruments	2,684	(717)
Change in subordinated debentures	(350)	(2,481)
Change in other operating liabilities	(3,274)	(2,365)
Change in hedging instruments related to operations	136	133
Net operating activity cash flows	**6,107**	**6,986**
INVESTMENT ACTIVITIES:		
Proceeds on disposal of property, furniture and fixtures	304	259
Acquisition of property, furniture and fixtures	(2,215)	(1,447)
Sale of subsidiaries and associated companies	69	
Acquisition of subsidiaries and associated companies	(171)	(183)
Sale of other permanent investments	1	1
Acquisition of other permanent investments	—	(1)
Dividends received	227	135
Net investment activities cash flows	**(1,785)**	**(1,236)**
FINANCING ACTIVITIES:		
Dividends paid	(1,029)	(364)
Repurchase of shares	69	(451)
Net financing activity cash flows	**(960)**	**(815)**
Net increase in cash and cash equivalents	3,362	4,935
Adjustments to cash flows from variation in the foreign exchange rate	(133)	(63)
Cash and cash equivalents at the beginning of the year	59,268	54,396
Cash and cash equivalents at the end of the year	**Ps. 62,497**	**Ps. 59,268**

These statements of cash flows, consolidated with those of the financial entities and other companies that form part of the Financial Group and are susceptible to consolidation, were prepared according to accounting principles applicable to Financial Service Holding Companies issued by the Mexican National Banking and Securities Commission according to article 30 of the Law of Financial Institutions. Such principles are consistently applied in the financial statements, which are presented according to sound practices and applicable legal and administrative provisions and reflect all the operations conducted by the Financial Group, its financial service subsidiaries and the other companies that form part of the Financial Group and are consolidated as of the dates above. The accompanying Consolidated Statements of cash flows have been approved by the Board of Directors in accordance with the responsibility assigned to them. The attached notes are an integral part of these consolidated statements of cash flows.

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GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2008
(In millions of Mexican pesos)

		2008
OPERATING ACTIVITIES:		
Net Income	**Ps.**	**7,014**
Items not requiring (generating) resources:		
Fair value adjustments of financial instruments		(268)
Provision for loan losses		6,896
Depreciation and amortization		1,099
Deferred taxes		(245)
Provisions for other obligations		24
Noncontrolling interest		373
Equity in earnings of subsidiaries and associated companies		(276)
		14,617
Changes in operating accounts:		
Increase in deposits		57,462
Increase in loan portfolio		(52,095)
Increase from treasury transactions		(220,239)
Decrease in transactions with securities or derivative financial instruments		194,552
Increase in bank and other loans		13,960
Increase in deferred taxes		(12)
Net resources generated by operating activities		**8,245**
FINANCING ACTIVITIES:		
Increase (decrease) in subordinated debentures		10,403
Issuance of shares		103
Increase in other payables		1,269
Dividends paid		(949)
Net resources generated by financing activities		**10,826**
INVESTING ACTIVITIES:		
Acquisition of property, furniture and fixtures, net		(1,308)
Increase in permanent stock investments		(644)
Increase in deferred charges and credits		(1,958)
Increase in foreclosed assets		(478)
Increase in other accounts receivable		(1,897)
Net resources used in investing activities		**(6,285)**
Net increase in cash and cash equivalents		12,786
Cash and cash equivalents available at the beginning of the year		41,610
Cash and cash equivalents available at the end of the year	**Ps.**	**54,396**

This statement of changes in financial position, consolidated with those of the financial entities and other companies that form part of the Financial Group and are susceptible to consolidation, was prepared according to accounting principles applicable to Financial Service Holding Companies issued by the Mexican National Banking and Securities Commission according to Article 30 of the Law of Financial Institutions. Such principles are consistently applied in the financial statements, which are presented according to sound practices and applicable legal and administrative provisions and reflect all the operations conducted by the Financial Group, its financial service subsidiaries and the other companies that form part of the Financial Group and are consolidated as of the dates above.

The accompanying Consolidated Statement of Changes in Financial Position has been approved by the Board of Directors in accordance with the responsibility assigned to them.

The attached notes are an integral part of this consolidated statement of changes in financial position.

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Executive Director Controller

C.P.C. Nora Elia Cantú Suárez
General Deputy Director — Accounting and Taxes

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(In millions of Mexican pesos, except exchange rates and Note 30)

1 — ACTIVITY AND REGULATORY ENVIRONMENT

Grupo Financiero Banorte, S.A.B. de C.V. and subsidiaries (the Financial Group) are authorized by Mexico's Ministry of Finance and Public Credit (SHCP) to operate as a holding company under the form and terms established by the Laws Regulating Financial Groups, subject to the supervision and monitoring of the Mexican National Banking and Securities Commission (the Commission). Their main activities consist of acquiring and managing entities engaged in the financial services industry and supervising their activities, as defined in the above-mentioned law. The Financial Group and its subsidiaries are regulated, depending on their activities, by the Commission, the Mexican National Insurance and Bond Commission, the Mexican National Retirement Savings Systems Commission (the Commissions), the Mexican Central Bank (Banco de México) and other applicable laws and regulations.

The main activity of the Financial Group's subsidiaries is to carry out financial transactions that include the rendering of full-banking services, securities brokerage activities, management of retirement funds, leasing, the purchase and sale of uncollected invoices and notes, rendering of general warehousing services, annuities (pensions) and providing life insurance and casualty insurance.

Per legal requirements, the Financial Group has unlimited liability for the obligations assumed and losses incurred by each of its subsidiaries.

The powers of the Commission in their capacity as regulator of the Financial Group include reviewing the financial information and requesting modifications to such information.

The Financial Group performs their activities throughout Mexico and the United States of America (U.S.).

The Financial Group's consolidated financial statements have been approved by the Board of Directors at their January 25, 2011 meeting in accordance with the responsibility assigned to them.

2 — SIGNIFICANT EVENTS DURING THE YEAR

a. Issuance of promissory senior notes

On July 19, 2010, Banco Mercantil del Norte, S.A. de C.V., Institución de Banca Múltiple, Grupo Financiero Banorte (Banorte) successfully concluded the issuance in the international market of unsecured senior debt promissory notes for a total amount of 300 million USD with a maturity of 5 years and an 4.437% rate (United States Treasury (UST) + 262.5 bps). Standard and Poor's rated these securities BBB- and Moody's A3.

b. Listing of American Depositary Receipts (ADRs) operations in the OTCQX International Premier platform

On July 15, 2010, the Level 1 ADR's program (ticker: GBOOY) was authorized to operate in OTCQX International Premier; the highest level in the "Over The Counter" (OTC) market.

c. Exposure to Compañía Mexicana de Aviación, S.A. de C.V. (CMA)

In August 2010, CMA filed for bankruptcy and suspended its operations. The outstanding balance of the loan granted by Banorte to Gamma Servicios de Negocios, S.A. de C.V. (Gamma Servicios), a CMA subsidiary, totaled Ps.1,576 at the time of such filing. As the loan granted to Gamma Servicios was secured with present and future collection rights derived from the sale of plane tickets using credit card sales in Mexico and the U.S., it was partially amortized by the resources obtained through some of these guarantees. As of December 31, 2010 and 2009, the outstanding loan balance is Ps. 1,252 and Ps. 1,576, respectively. To date, the reserves that Banorte has constituted to cover potential losses from this loan equal 100% of the outstanding balance. Since the loan's origination, the collection rights derived from ticket sales have been voluntarily and irrevocably transferred by CMA to the Administration and Payment Trust managed by HSBC Mexico, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, and by accounts in custody of banks in the U.S. According to the external Counsel, for the time being, it is impossible to predict the final outcome of the bankruptcy proceeding or the potential losses stemming from this loan.

d. Merger with IXE Grupo Financiero, S.A.B. de C.V. (IXE Grupo Financiero)

On November 17, 2010, the Financial Group and IXE Grupo Financiero signed a merger agreement through an exchange of shares valued at Ps. 16,232 at the moment. The Financial Group will issue approximately 308 million new shares and will exchange them at an exchange ratio of 0.3889943074 shares of the Financial Group for each IXE Grupo Financiero share. Such merger, still subject to government authorization, is expected to be formalized during the first quarter of 2011. The operations of both companies will be merged into a single financial group called Grupo Financiero Banorte, S.A.B. de C.V.

e. Securitization of Controladora Commercial Mexicana, S.A.B. de C.V.'s loan (CCM)

In December 2010, Banorte securitized CCM's loan, transferring the risks and benefits related to the loan to a Trust created especially for this transaction (the Trust). The Trust issued Series A stock certificates for Ps. 190, Series B for Ps. 175, Series C for Ps. 168 and Series D for Ps. 63, placed among private investors, which secured the holders the net payment of the funds received from each tranche of CCM's loan which they are linked to, once the expenses related to the Trust are discounted. The securitization was recorded as a sale and reported in 2010 a profit for Ps. 596. This profit is equivalent to the difference between the received assets recorded at fair value and the book value of the transferred assets.

3 — BASIS OF PRESENTATION

Monetary unit of the financial statements

The consolidated financial statements and notes as of December 31, 2010 and 2009 and for the years then ended include balances and transactions in Mexican pesos of purchasing power of such dates.

Consolidation of financial statements

The accompanying consolidated financial statements include those of the Financial Group and its subsidiaries mentioned below. All significant intercompany balances and transactions have been eliminated in consolidation.

As of December 31, 2010 and 2009, the Financial Group's consolidated subsidiaries and its equity ownership is as follows:

Banco Mercantil del Norte, S.A. and subsidiaries	92.72%
Casa de Bolsa Banorte, S. A. de C. V. and subsidiaries	99.99%
Arrendadora y Factor Banorte, S. A. de C. V.	99.99%
Almacenadora Banorte, S. A. de C. V.	99.99%

Conversion of Financial Statements of Banorte USA, Corporation and Subsidiaries (indirect foreign subsidiary)

In order to consolidate the financial statements of Banorte USA, they are first adjusted in the recording and functional currency (U.S. dollar) to conform to the accounting criteria established by the Commission. The financial statements are then converted to the reporting currency (Mexican peso) according to the following methodology:

Foreign operations whose recording and functional currency are one and the same convert their financial statements using the following exchange rates: a) year-end rate for assets and liabilities, b) historical rate for stockholders' equity, and c) weighted average rate of the period for income, costs and expenses. The conversion effects are presented in the Financial Group's stockholders' equity.

Comprehensive Income

This is the change in stockholders' equity during the year, for items other than distributions and activity in contributed common stock, and is comprised of the net income of the year plus other comprehensive income (loss) items of the same period, which are presented directly in stockholders' equity without affecting the consolidated statements of income, in accordance with the accounting practices established by the Commission. In 2010 and 2009, comprehensive income includes the net income of the year, the result from valuation of available for sale securities, the effect of subsidiaries, affiliates and mutual funds; the result from valuation of cash flow hedging instruments; the application of the cumulative result of non-monetary asset holdings, and the change in credit card loan rating methodology.

4 — SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Financial Group are in conformity with practices prescribed by the Commission through issued accounting standards and other applicable laws, which require Management to make certain estimates and use certain assumptions to determine the valuation of certain items included in the consolidated financial statements and make the required disclosures therein. Even though they may differ in their final effect, management considers the estimates and assumptions to have been adequate under the current circumstances.

Pursuant to accounting Circular A-1, "Basic Framework of the Accounting Criteria Applicable to Banking Institutions", prescribed by the Commission, the Financial Group's accounting will adhere to Mexican Financial Reporting Standards (NIF), defined by the Mexican Board for Research and Development of Financial Reporting Standards (CINIF), except when the Commission deems it necessary to apply a specific accounting standard or Circular, considering the fact that financial institutions perform specialized operations.

Recognition of the effects of inflation in financial information

Inflation recognition is done pursuant to NIF B-10 "Inflation Effects" which considers two types of economic environments: a) inflationary, when the accumulated inflation of the three previous years is 26% or over, in which case the inflation effects must be acknowledged; b) non-inflationary, when in the same period inflation is less than 26%; in this case the effects of inflation should not be recorded in the financial statements.

The cumulative Mexican inflation over the three years prior to 2010 and 2009 was 14.55% and 15.03%, respectively. Therefore, the Mexican economy is considered as non-inflationary according to the NIF B-10 definition. As of January 1, 2008, the Financial Group is no longer adjusting for the effects of inflation. However, assets, liabilities and stockholders' equity as of December 31, 2010 and 2009 include the restatement effects recorded up through December 31, 2007.

The Mexican inflation rates for the years ended December 31, 2010 and 2009 were 4.29% and 3.72%, respectively.

Cash and cash equivalents

Cash and cash equivalents are stated at nominal value, except for precious metal coins, which are stated at fair value at the end of the period. Funds available in foreign currency are valued at the FIX exchange rate published by Banco de México at the consolidated balance sheet date.

Trading securities

Trading securities are those owned by the Financial Group, acquired with the intention of selling them for a profit derived from price differences in short-term purchase and sale operations made by the Financial Group as a market participant.

At acquisition they are initially recorded at fair value, which may include either a discount or premium.

These securities (including both capital and accrued interest) are stated at fair value, which is determined by the price vendor contracted by the Financial Group.

The trading securities valuation result is recorded in the results of the period.

Available for sale securities

Securities available for sale are debt or equity securities that are neither classified as trading nor held to maturity, therefore they represent a residual category, which means that, they are purchased with an intention different from the trading or held to maturity securities.

They are valued in the same way as trading securities, but with unrealized gains and losses recognized in other comprehensive income within stockholders' equity.

In an inflationary environment, the result of the monetary position corresponding to the valuation result of securities available for sale is recorded in other comprehensive income in stockholders' equity.

Held-to-maturity securities

Securities held to maturity consist of debt instruments whose payments are fixed or can be determined with a set maturity, which are acquired with the intent and capability to hold them to maturity.

They are initially recorded at fair value and valued at amortized cost, which means that the amortization of the premium or discount (included in the fair value at which they were initially recorded), is part of the earned interest.

General valuation standards

Upon the sale of trading securities, the valuation result previously recorded in the year's results is reclassified as part of the gain or loss on the sale. Similarly, upon the sale of available for sale securities, the cumulative valuation result recorded in other comprehensive income in stockholders' equity is reclassified as part of the gain or loss on the sale.

Accrued interest on debt instruments is determined using the effective interest method and is recorded in the corresponding category of investments in securities and in the year's results.

Dividends on equity instruments are recorded in the corresponding category of investments in securities and in the year's results when the right to receive such dividends is established.

The foreign exchange gain or loss on investments in securities denominated in foreign currency is recorded in the year's results.

Reclassification of securities from held to maturity to available for sale is allowed, provided there is no intention or ability of holding them to maturity. The Commission's expressed authorization is required to reclassify securities to held to maturity, or from trading to securities available for sale.

If securities held to maturity are reclassified as available for sale, the corresponding valuation result on the reclassification date is recorded in other comprehensive income within stockholders' equity.

An impairment loss on a security is recorded against the year's results if there is objective evidence of such impairment as a result of one or more events, occurring after the initial recording of the security, that have had an impact on the estimated future cash flows that can be reliably determined. The effect of recording the impairment of securities is shown in Note 6.

A previously recorded impairment loss is reversed against the year's results if, in a later period, the amount of the loss decreases and such decrease is objectively associated with an event occurring after the impairment was recorded.

The Financial Group periodically verifies whether it's available for sale securities and those held to maturity show any impairment loss, by means of an evaluation on the quarterly balance sheet date or whenever there are indications of an impairment loss.

Securities are deemed as impaired and therefore incur an impairment loss if and only if there is objective evidence of the impairment loss as a result of a set of events that occurred after their initial value was recorded. Such events should have an impact on the estimated future cash flows, which must be determined in a reliable manner.

These events may include: issuer's significant financial difficulties; likelihood of the issuer's filing for bankruptcy or financial reorganization; noncompliance with contractual clauses such as failure to pay interest or the principal; loss of an active market for the securities due to financial difficulties; lower credit rating and sustained reduction in the issue price, in combination with additional information.

In addition to the aforementioned events, objective evidence of impairment loss for a net asset instrument includes information about significant changes with adverse effects that occurred in the technological, market, economic or legal situation in which the issuer operates, and which indicates a possible loss of the cost of investing in the net asset instrument.

The events considered by the model are divided into:

a) Information that the Financial Group has about the securities (breach of contract covenants, financial, economic or legal problems).
b) Information that the Financial Group has about the issuer (issuer's probability of bankruptcy, financial reorganization and financial difficulties).
c) Information that the market has about the securities (rating assigned by Commission-approved agencies).
d) Information that the market has about the issuer (rating assigned by Commission-approved agencies).

The evaluation model that the Financial Group applies to determine impairment loss incorporates the aforementioned events according to their importance and rates them as per a severity average used to estimate the return on investment. Similarly, it incorporates the existence of guarantees, which contributes to lower impairment losses.

The investments on which impairment losses have been recognized are analyzed on a quarterly basis to identify the possible recovery of their value and, if applicable, reverse the recorded loss in the consolidated statements of income for the year such recovery is achieved.

Customer repurchase agreements (repos)

This is a transaction through which the purchaser acquires ownership of credit securities for a sum of money and is obligated to transfer the property of another amount of securities of the same kind to the seller of the securities within the agreed term and in exchange for the same price, plus a premium. The purchaser keeps the premium unless agreed otherwise.

Repurchase transactions are recorded according to their economic substance, which is financing with collateral, through which the Financial Group, acting as the purchaser, provides cash as financing in exchange for financial assets that serve as guarantee in case of non-compliance.

On the repurchase agreement transaction contract date, the Financial Group, acting as the seller, records the cash inflow, or else a settlement debtor account as well as a payable account at its fair value, initially at the agreed price, which represents the obligation to reimburse the cash to the purchaser. The account payable is subsequently valued over the term of the repurchase agreement at amortized cost by recognizing the interest from the repurchase agreement in the year's results using the effective interest method.

As to the collateral granted, the Financial Group reclassifies the financial asset in the consolidated balance sheets as restricted and values it according to the criteria mentioned earlier in this note until the maturity of the repurchase agreement.

The Financial Group, acting as the purchaser, on the repurchase transaction contract date records cash and cash equivalents or a creditor settlement account, with an account receivable at its fair value, initially at the agreed price, which represents the right to recover the cash that was delivered. The receivable is subsequently valued over the life of the repurchase agreement at amortized cost by recognizing the repurchase agreement interest in the year's results using the effective interest method.

As to the collateral received, the Financial Group records it in off balance sheet memorandum accounts until the repurchase agreement's maturity, following the guidelines of Circular B-9, "Asset Custody and Management", issued by the Commission.

Derivatives financial instruments

The Financial Group is authorized to perform two types of transactions involving derivatives financial instruments:

Transactions to hedge the Financial Group's open risk position: Such transactions involve purchasing or selling derivatives financial instruments to mitigate the risk resulting from one or a group of given transactions.

Transactions for trading purposes: The Financial Group enters into such transactions as a market participant for reasons other than to hedge its exposed position.

Transactions with derivative financial instruments are presented in assets or liabilities, as applicable, under the heading "Derivatives financial instruments", separating derivatives for trading purposes from those for hedging purposes.

When entering into transactions involving derivatives financial instruments, the Financial Group's internal policies and norms require an assessment and if necessary determination of different risk exposures for each counterparty in the financial system that have been authorized by the Banco de México to enter into these types of transactions. Regarding corporate customers, a preauthorized credit line by the National Credit Committee must be granted or liquid guarantees must be given through a securitized collateral contract before entering into these types of transactions. Medium and small sized companies and individuals must provide liquid guarantees established in securitized collateral contracts with this type of transactions.

The recognition or cancellation of assets and/or liabilities resulting from transactions involving derivatives financial instruments occurs when these transactions are entered into, regardless of the respective settlement or the delivery date.

Forward and futures contracts

Forward and futures contracts with trading purposes establish an obligation to buy or sell a financial asset or an underlying at a future date in the quantity, quality and prices pre-established in the contract. Futures contracts are recorded initially by the Financial Group in the consolidated balance sheets as an asset and a liability at fair value, which represents the price agreed in the contract in order to acknowledge the right and obligation to receive and/or deliver the underlying, as well as the right and obligation to receive and/or deliver the cash equivalent to the underlying, object of the contract.

The derivatives are presented in a specific item in assets or liabilities depending on whether their fair value (as a consequence of the rights and/or obligations it establishes) corresponds to a debtor balance or creditor balance. Such debtor or creditor balances in the consolidated balance sheets are offset when the Financial Group has the contractual right to offset the stated amount, the intention to settle the net amount or to realize the asset and cancel the liability simultaneously.

In the case of transactions for trading purposes, their balance represents the difference between the fair value of the contract and the established "forward" price.

Option contracts

Through paying a premium, options contracts grant the right but not the obligation to buy or sell a financial asset or underlying instrument at a given price within an established term.

Options are divided into: options to buy (calls) and options to sell (puts). Both can be used as trading or hedging instruments.

Options can be executed on a specific date or within a certain period of time. The price is agreed in the option and may be exercised at the discretion of the buyer. The instrument used to establish the price is the reference or underlying value.

The premium is the price the holder pays to the issuer for the option rights.

The holder of a call option has the right, but not the obligation, to purchase from the issuer a certain financial asset or underlying instrument at a fixed price (transaction price) within a certain term.

The holder of a put option has the right, but not the obligation, to sell a certain financial asset or underlying instrument at a fixed price (transaction price) within a certain term.

The Financial Group records the option premium as an asset or liability at the transaction date. The fluctuations resulting from market valuation of the option's premium are recorded by affecting the income statement in the account "Trading results" and the corresponding balance sheet account.

Swaps

These are two-party contracts through which a bilateral obligation is established to exchange a series of cash flows for a certain period of time on pre-set dates at a nominal or reference value.

They are recorded at fair value which corresponds to the net amount between the asset and liability portion for the rights and obligations agreed upon; they are subsequently valued at fair value using the present value of the future flows to receive or grant according to the projections for future implicit applicable rates, discounting the market rate on the valuation date with yield curves given by the price provider. The result of such valuation is recorded in the year's results.

Management's risk policies regarding hedging contracts to protect the Financial Group's balance sheet is to anticipate interest and exchange rate fluctuations, thereby protecting the Shareholders' Equity.

For hedging derivatives, the Financial Group applies in all cases the cash flow hedging method and the accumulated compensation method to measure effectiveness. Both methods are approved by current accounting standards. In case ineffective hedges are detected, they are recorded in the year's results.

The Financial Group documents hedging transactions from the moment that the derivative instruments are designated as hedging transactions. A file for each transaction is created in order to have documented proof as per Circular B-5 paragraph 71, which establishes conditions for the use of hedge accounting.

Accordingly, the Financial Group documents its hedging transactions based on the following guidelines:

- A cash flow hedging transaction is recorded as follows:

  a. The effective portion of the hedging instrument's gain or loss is recorded as a component of other comprehensive income in stockholders' equity using as an asset or liability account called "derivatives financial instruments" with an offsetting account in the liquid assets or liabilities. The portion determined as ineffective is measured through retrospective test, and when they result in over-hedging, they are immediately recognized in current earnings.

  b. The effective hedge component recognized in stockholders' equity associated with the hedged item is adjusted to equal the lower (in absolute terms) of these items:
     I. The accumulated gain or loss of the hedging instrument from its inception.
     II. The accumulated change in the fair value (present value) of the hedged item's expected future cash flows from the beginning of the transaction.

Valuation method

Since the derivatives used by the Financial Group are considered as conventional ("plain vanilla"), the standard valuation models contained in the derivatives transaction systems and the Financial Group's risk management is used.

All of the valuation methods that the Financial Group uses result in the fair value of the transactions and are periodically adjusted. Furthermore, they are audited by internal and external auditors, as well as by the financial authorities.

Valuation of the positions is done on a daily basis, and a price provider generates the input used by the transaction and risk management systems. The price provider generates these valuations based on daily market conditions.

The valuation methods are based on the market's accepted and commonly used principles. At present, derivatives are valued by the cash flow present value method, except in the case of options. This method consists of estimating future derivative flows, using the difference between the derivative's fixed level and the forward market curves on the valuation date, and then discounting such flows and updating them to the present value. Options are valued under the Black and Scholes method, which in addition to the present value, involves the volatility and probability of occurrence for calculating the premium. Once the option's market value is obtained, it is compared to the original premium accrued on the valuation date.

Operation strategies

Trading

The Financial Group participates in the derivatives market with trading purposes, and the risk exposures generated are computed within its overall VaR limit.

The trading strategy is submitted on a weekly basis to the Financial Group's Treasury Committee, which analyzes the current risks and makes any necessary decisions.

The trading strategy is carried out according to market levels and expectations, maximizing the circumstances to obtain a benefit by trading, margin and volatility. Each trading strategy is submitted to the Treasury Committee on a weekly basis for its consideration. The Committee analyzes the risks and then decides accordingly.

Hedging

The hedging strategy is determined annually and when market conditions require it. Hedging strategies are submitted to the Risk Policies' Committee.

Hedging transactions comply with the applicable norm set forth in Circular B-5 of the CNBV. This implies, among other things, that the hedge's effectiveness must be evaluated both prior to its arrangement (prospective) and thereafter (retrospective). These tests are performed on a monthly basis.

The hedging strategy is determined annually and each time the market conditions require. Hedges are used to reduce foreign exchange risks, through both exchange rate forwards and currency swaps, as well as interest rates by means of interest rate swaps. This is done with the purpose of setting the rates paid in debt issued by the Financial Group, thereby insuring its payment, and to make investments that generate greater value for the customers. The main strategy is to insure the Financial Groups' future income and expenses, maximizing the benefits.

Hedging derivatives can be restated whole or partially due to hedging inefficiencies, maturity or sale of primary position.

Contingencies

To enter the derivatives market, the Financial Group is bound by an agreement to deliver its financial information in a timely manner and to abide by the applicable laws, regulations and provisions, as well as to give written notice to the affected parties in an event that could be considered as early termination, which could lead to a credit contingency. These include the following: bankruptcy filing, payment suspension, restructuring, intervention, liquidation, dissolution or other similar judicial or extra-judicial proceedings that affect the Financial Group; if the statements stipulated in the contract are incorrect; the Financial Group's failure to fulfill its obligations and/or payments; breach of contract; the Financial Group's consolidates or merges with another entity thereby transferring a substantial portion of its assets; failure to provide the guarantees that were agreed in the event of noncompliance with obligations or if such guarantees are expired or diminished in value; the Financial Group's falls into insolvency, lower credit quality or illegality due to changes in the tax or legal legislation; the existence of a ruling, proceeding or embargo against the Financial Group that could substantially affect its ability to fulfill its obligations in a timely manner; or general noncompliance with obligations. Each ground for early termination is subject to the counter-party's consideration to determine its importance and significance regarding the Financial Group's ability to comply.

At present no such contingency situations have arisen.

Embedded derivatives

Embedded derivatives are those contract components that do not intend to explicitly originate a derivative financial instrument but rather that the implicit risks generated or hedged by those components differ in their economic and risk features from those of the contract, and therefore display behavior and features similar to those of a common derivative.

Identified embedded derivatives are separated from the host contract for valuation purposes and are treated as a derivative when they meet the features set forth in Circular B-5 paragraph 22. The main embedded derivatives recognized by the Financial Group are from service and leasing contracts established in US dollars.

Loan portfolio

The loan portfolio represents the balance of amounts effectively granted to borrowers plus uncollected accrued interest minus interest collected in advance. The allowance for loan losses from credit risks is presented as a reduction of the loan portfolio.

The unpaid loan balance is classified in the past-due portfolio as follows:

- Loans with bullet payment of principal and interest at maturity: 30 calendar days after being overdue.

- Loans involving a single principal payment at maturity, but with periodic interest payments: total principal and interest payments 30 and 90 calendar days after being overdue, respectively.
- Loans for which the payment of principal and interest is agreed based on partial periodic payments: 90 calendar days after the first payment is due.
- In the case of revolving loans, whenever payment is outstanding for two billing periods or when they are 60 or more days overdue.
- Overdrawn customer checking accounts are considered as part of the past-due portfolio when such situations arise.

Interest is recognized and accrued as income when earned. The accrual of interest income is suspended when loans are transferred to the past-due portfolio.

The fees charged for the initial granting of loans will be recorded as a deferred credit, which will be amortized as interest income, using the straight-line method over the loan’s contractual term, except those originating from revolving loans, which are amortized over a 12-month period.

Annual credit card fees whether the first annual charge of a renewal, are recorded as a deferred credit and amortized over a 12-month period against the year’s results in the commission and fee income line item.

The costs and expenses associated with the initial granting of a loan are stated as a deferred charge, which is amortized against the year’s earnings as interest expense for the duration of the loan, except those originating from revolving loans and credit cards which are amortized over a 12-month period.

Restructured past-due loans are not considered in the performing portfolio until evidence of sustained payment is obtained; this occurs when credit institutions receive three timely consecutive payments, or a payment is received for periods exceeding 60 days.

Renewed loans in which the borrower has not paid on time or when the accrued interest balance equals at least 25% of the original loan amount are considered past-due until evidence of sustained payment is obtained.

Accrued interest during the period in which the loan was included in the past-due portfolio is recognized as income when collected.

The recognition of interest income is renewed when the portfolio is no longer considered past-due, which occurs when the outstanding balances, including the principal, interest and any other item, are paid in full.

Restructured loans are those whose terms have been modified due to the borrowers’ financial difficulties, and it was decided to grant them a concession. Such modifications may include: reductions in the interest rate, debt forgiveness or term extensions.

The Financial Group regularly evaluates whether a past-due loan should remain in the balance sheet or be written off. Such write-offs are done by canceling the outstanding loan balance against the allowance for loan losses. The Financial Group may opt to eliminate from its assets those past-due loans that are 100% provisioned according to the following parameters:

Commercial loans — Must be classified in past-due loans, with an E risk rating, 100% reserved and unsecured by any fund.

Consumer loans — 180 days or more overdue.

Mortgage loans — 270 days or more overdue.

Allowance for loan losses

Application of new portfolio classification provisions

The loan portfolio is rated according to the rules issued by the Commission and the internal methodology authorized by such Commission.

In the case of consumer and mortgage loans, the Financial Group applies the general provisions applicable to credit institutions in rating the loan portfolio as issued by the Commission on October 25, 2010 and December 2, 2005, respectively. The Financial Group uses the internal methodology authorized by the Commission for rating commercial loans.

Such provisions also establish general methodologies for the rating and calculation of allowances for each type of loan, while also allowing credit institutions to classify and calculate allowances based on internal methodologies, when previously approved by the Commission.

Since June 2001, the Financial Group has the Commission's approval to apply its own methodology to commercial loans, called Internal Risk Classification (CIR Banorte). CIR Banorte applies to commercial loans with outstanding balances equal to or greater than 4 million UDIS or its equivalent in Mexican pesos. This methodology is explained below.

The commercial loan portfolio rating procedure requires credit institutions to apply the established methodology (general or internal) based on quarterly information for the periods ending in March, June, September and December of each year, while also recording the allowances determined at the close of each period in their financial statements. Furthermore, during the months following each quarterly close, financial institutions must apply to any loan the respective rating used at the close of the immediately preceding quarter, based on the outstanding balance on the last day of the aforementioned months. The allowances for loan risks that have exceeded the amount required to rate the loan will be cancelled on the date of the following quarterly rating against the period's results. Additionally, recoveries on previously written-off loan portfolio are recorded in the period's results.

Derived from the acquisition of INB Financial Corp. (INB) in 2006, the Financial Group applied the loan rating methodologies established by the Commission to INB's loans, homologating the risk degrees and adjusting the allowance for loan losses derived from applying such methodologies.

On November 30, 2010, the Commission issued Document 121-4/5486/2010, which renews for a two-year period, as of December 1, 2010, the authorization for such internal loan rating methodology.

Commercial loans equal to or greater than 4 million UDIS or its equivalent in Mexican pesos are rated based on the following criteria:

- Debtor's credit quality
- The loans in relation to the value of the guarantees or the value of the assets in trusts or in "structured" programs, as applicable.

The commercial loan segment includes loans granted to business groups and corporations, state and municipal governments and their decentralized agencies, as well as financing to companies of the financial services sector.

The Financial Group applied the internal risk classification methodology, CIR Banorte, authorized by the Commission to rate the debtor, except in financing granted to state and municipal governments and their decentralized agencies, loans intended for investment projects with their own source of payment and financing granted to trustees that act under trusts and "structured" loan programs in which the affected assets allow for an individual risk evaluation associated with the type of loan, for which the Financial Group applied the procedure established by the Commission.

When evaluating a debtor's credit quality with the CIR Banorte method, the following risks and payment experiences are classified specifically and independently:

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 in which debtor participates
	- Target markets
	- Risk acceptance criteria
3. Borrower’s experience	6. Borrower’s experience
4. Country risk	7. Country risk

Each of the risk factors is analyzed using descriptive evaluation tables, the result of which indicates the borrower’s rating. This, in turn, is standardized with the risk degrees established by the Commission.

CIR Banorte	Risk level description	Commission classification equivalent
1	Substantially risk free	A1
2	Below minimal risk	A2
3	Minimum risk	A2
4	Low risk	B1
5	Moderate risk	B2
6	Average risk	B3
7	Risk requiring management attention	C1
8	Potential partial loss	C2
9	High loss percentage	D
10	Total loss	E

For commercial loans under 4 million UDIS or its equivalent in Mexican pesos, loans under 900 thousand UDIS to state and municipal governments and their decentralized agencies, mortgage loans and consumer loans, the Financial Group applied the general provisions applicable to credit institutions for classifying the loan portfolio as issued by the Commission.

Acquired loan portfolios

This balance is represented by the acquisition cost of the various loan asset packages acquired by the Financial Group, which are subsequently valued by applying one of the three following methods:

Cost Recovery Method - Payments received are applied against the acquisition cost of the loan portfolio until the balance equals zero. Recoveries in excess of the acquisition cost are recognized in current earnings.

Interest method - The result of multiplying the acquired portfolio’s outstanding balance by the estimated yield is recorded in current earnings. Differences between the Financial Group’s collection estimates and actual collections are reflected prospectively in the estimated yield.

Cash basis method - The amount resulting from multiplying the estimated yield times the amount actually collected is recorded in the income statement, provided it is not greater than the amount obtained by the interest method. The difference between the recorded amount and the amount collected reduces the outstanding portfolio balance, once the entire initial investment has been amortized. Any subsequent recovery will be recorded in the income statement.

For the portfolios valued using the interest method, the Financial Group evaluates them twice a year to verify if the cash flow estimate of its collection rights is consistent with actual recoveries and therefore considered to be effective. The Financial Group uses the cost recovery method on those collection rights in which the expected cash flow estimate is not highly effective. The expected cash flow estimate is considered as “highly effective” if the result of dividing the sum of the flows actually collected by the sum of the expected cash flows is between 0.8 and 1.25 when such effectiveness is evaluated.

Securitizations involving transfer of ownership

Through securitization transactions involving the transfer of ownership in mortgage and government loans, the Financial Group transfers those financial assets to a trust so that it publicly issues securities through an intermediary. The securities represent the right to the yield on the securitized portfolio and, as compensation the Financial Group receives cash and a receipt, which grants it the right over the trust's cash flow remnants after paying the holders for their certificates. This receipt is recorded at its fair value under "Receivables generated by securitizations"

The Financial Group provides management services for the transferred financial assets and records the revenue in the period's earning when accrued. These revenues are stated under "Other income."

The valuation of the benefits to be received from securitization operations is recorded in the income statement under other income or other expenses, as applicable.

Other accounts receivable and payable

The Financial Group performs a study to quantify the different future events that could affect the amount in accounts receivable over 90 days and thus determine the percentage of non-recoverability in order to calculate its allowance for doubtful accounts. The remaining balance of accounts receivable is reserved at 90 calendar days from the initial recognition.

The balances of asset and liability settlement accounts represent transactions involving the sale and purchase of currency and securities, which are recorded when entered into and are settled within 48 hours.

Merchandise Inventory

This is comprised mainly of finished goods and prior to 2008 was restated to the lower of replacement cost or market. Cost of sales, included in "Other expenses", is restated using the replacement cost at the time of the sale prior to 2008.

Impairment of the value of long-lived assets and their disposal

The Financial Group has established guidelines to identify and, if applicable, record losses derived from the impairment or decrease in value of long-lived tangible or intangible assets, including goodwill.

Foreclosed assets, net

Foreclosed property or property received as payments in kind are recorded at the lower of their cost or fair value minus the strictly necessary costs and expenses disbursed in the foreclosure. Cost is determined as the forced-sale value established by the judge upon foreclosure or, in the case of payments in kind, the price agreed between the parties involved.

When the value of the asset or the accrued or past due amortizations leading to the foreclosure, net of estimates, is higher than that of the foreclosed property, the difference is recorded in the period's results under "Other Revenues."

When the value of the asset or the accrued or past due amortizations leading to the foreclosure, net of estimates, is lower than that of the foreclosed property, its value is adjusted to the asset's net value.

The carrying value is only modified when there is evidence that the fair value is lower than the recorded carrying value. Reductions in the carrying value of the loan are recorded in the current earnings as they occur.

The provisions applicable to the new valuation methodology for the allowance for loan losses mentioned above define the valuation methodology for reserves related to either foreclosed property or those assets received as payment in kind, establishing that additional quarterly provisions must be created to recognize the potential decrease in value over time of property awarded under legal proceedings, out-of-court or received as payment in kind and the investments in securities received as foreclosed goods or payment in kind, based on the following guidelines:

I. In the case of collection rights and real property, the provisions referenced in the preceding paragraph must be treated as follows:

Personal property reserves

Time elapsed as of award date or receipt as payment in kind (months)	Reserve percentage
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%

The amount of the reserves to be created will be the result of applying the reserve percentage determined under the preceding table to the value of collection rights or foreclosed property, received as payment in kind or awarded in a court proceeding.

II. Investments in securities must be valued in accordance with the provisions of the Commission's accounting Circular B-2, using annual audited financial statements and monthly financial information of the issuer.

Following the valuation of foreclosed assets or those received as payment in kind, the reserves resulting from applying the percentages established in the table of Section I above to the estimated value, must be created.

III. In the case of real property, provisions must be created as follows:

Real property reserves

Time elapsed as of award date or receipt as payment in kind (months)	Reserve percentage
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%

The amount of the reserves to be created will be the result of applying the reserve percentage determined under the preceding table to the awarded value of the property based on the accounting criteria. Furthermore, when problems are identified regarding the realization of the value of the foreclosed property, the Financial Group records additional reserves based on management's best estimates. On December 31, 2010, there are no reserves in addition to those created by the percentage applied based on the accounting criteria that could indicate realization problems with the values of the foreclosed properties.

If appraisals subsequent to the foreclosure or payment in kind result in the recording of a decrease in the value of the collection rights, securities, personal or real property, the reserve percentages contained in the preceding table can be applied to the adjusted value.

Property, furniture and equipment

Property, furniture and equipment are recorded at acquisition cost. The balances of acquisitions made until December 31, 2007, were restated using factors derived from the value of the UDI of that date.

Depreciation is calculated using the straight-line method based on the useful lives of the assets as estimated by independent appraisers.

Permanent stock investments

The Financial Group recognizes its investments in associated companies where it has control or significant influence using the equity method, based on the book values shown in the most recent financial statements of such entities.

Income Taxes (ISR), Business Flat Tax (IETU) and Employee Statutory Profit-Sharing (PTU)

The provisions for ISR, IETU and PTU are recorded in the results of the year in which they are incurred. Deferred taxes are recognized if, based on financial projections, the Financial Group expects to incur ISR or IETU, and records the deferred tax it will pay. The Financial Group will record deferred ISR or IETU, corresponding to the tax it will pay. Deferred taxes are calculated by applying the corresponding tax rate to the applicable temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. The deferred tax assets are recorded only when there is a high probability of recovery.

The net effect of the aforementioned items is presented in the consolidated balance sheets under the “Deferred taxes, net” line.

Intangible assets

Intangible assets are recognized in the consolidated balance sheets provided they are identifiable and generate future economic benefits that are controlled by the Financial Group. The amortizable amount of the intangible asset is assigned on a systematic basis during its estimated useful life. Intangible assets with indefinite lives are not amortized, and their value is subject to annual impairment tests.

Goodwill

The Financial Group records goodwill when the total fair value of the acquisition cost and the noncontrolling interest is greater than the fair value of the net assets of the acquired business, pursuant to NIF B-7 “Business acquisitions.” As goodwill is considered an intangible asset with an indefinite life, it is subject to impairment tests at least annually according to NIF C-15 “Impairment in the value of long-lasting assets and their disposal.” No indicators of impairment of goodwill have been identified as of December 31, 2010 and 2009.

Deposits

Liabilities derived from deposits, including promissory notes settled at maturity, are recorded at their funding or placement cost plus accrued interest, determined according to the number of days elapsed at each monthly close, which are charged against results when accrued as an interest expense.

Interbank and other loans

These loans are recorded based on the contractual value, recognizing the interest in the year’s earnings as accrued. The Financial Group records in this item the direct loans obtained from domestic and foreign banks, loans obtained through bids with Banco de Mexico and development fund financing. Furthermore, this includes discounted loan portfolios from funds provided by banks specializing in financing economic, productive or development activities.

Provisions

Provisions are recognized when the Financial Group has a current obligation that results from a past event and are likely to result in the use of economic resources and can be reasonably estimated.

Employee retirement obligations

According to Mexican Federal Labor Law, the Financial Group has obligations derived from severance payments and seniority premiums payable to employees that cease to render their services under certain circumstances.

Defined benefits plan

The Financial Group records a liability for seniority premiums, pensions and post-retirement medical services as incurred based on calculations by independent actuaries using the projected unit credit method, using nominal interest rates. Accordingly, this recognizes the liability whose present value will cover the obligation from benefits projected to the estimated retirement date of the Company's overall employees, as well as the obligation related to retired personnel.

The balance at the beginning of each period of actuarial gains and losses derived from pension plans exceeding 10% of the greater amount between the defined benefits obligation and plan assets are amortized in future periods against current results, in the case of pension plan, medical service and seniority premiums to retirement.

In the case of seniority premiums related to termination and remuneration at the end of the employment relation, earnings or losses are recognized immediately in the period that are generated, as specified by the NIF D-3 "Employee benefits".

The Financial Group applies the provision of NIF D-3 related to the recognition of the liability for severance payments for reasons other than restructuring, which is recorded using the projected unit credit method based on calculations by independent actuaries.

Defined contribution plan

As of January 2001, the Financial Group provided a defined contribution pension plan. The participating employees are those hired as of this date as well as those hired prior to such date that enrolled voluntarily. The pension plan is invested in a fund.

The employees who were hired prior to January 1, 2001 and decided to enroll voluntarily in the defined contribution pension plan received a contribution from the Financial Group for prior services equivalent to the actuarial benefit accrued in their previous defined benefit plan that was cancelled. The initial contribution was made from the plan assets that had been established for the original defined benefit plan and participants were immediately assigned 50% of such amount with the remaining 50% to be assigned over 10 years.

The initial payment to the defined contribution plan for past services was financed with funds established originally for the defined benefit plan as a result of the early termination of its obligations and recognized in accordance with the requirements of NIF D-3.

The labor obligations derived from the defined contribution pension plan do not require an actuarial valuation as established in NIF D-3, because the cost of this plan is equivalent to the Financial Group's contributions made to the plan's participants.

Foreign currency conversion

Foreign currency transactions are recorded at the applicable exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Mexican pesos at the applicable exchange rate at the close of each period. The exchange rate used to establish Mexican peso equivalence is the

FIX exchange rate published by Banco de México. Foreign exchange fluctuations are recorded in the results of operations.

Interest from outstanding subordinated debentures

Accrued interest from outstanding subordinated debentures is recognized as it is accrued and translated according to the exchange rate in effect at each monthly close.

Transfer of financial assets

The Financial Group may act as the assignor o assignee, as applicable, in this type of transactions. Moreover the Financial Group evaluates whether or not to retain the risks and benefits associated with the asset property to determine whether or not there was a transfer of property in a transaction. In transactions involving the transfer of ownership in financial assets, the assignor yields control and substantially transfers all the risks and benefits over such assets. Therefore, the assignor derecognizes such assets and records the consideration received in the transaction. Conversely, the assignee recognizes such financial assets and the transfer consideration in its accounting records.

Share-based payments

The Financial Group grants stock options to key officers through different payment schemes based on stocks. The Financial Group has established trusts to manage the plans and contributes the necessary funds so that shares can be purchased directly from the market at the initiation of each plan.

The Financial Group records its stock option plans according to the guidelines of NIF D-8, “Share-based payments.” The compensation expense is recorded at fair value as of the date the stock options are granted. The NIF D-8 guidelines stipulate that the fair value determined at the beginning is not revalued at a later date.

The fair value of each share is estimated as of the date granted using the Black-Scholes option pricing model or the forwards valuation model, depending on the plans’ features.

Main subsidiaries’ income recognition

Banorte Casa de Bolsa

Permanent stock investments — represented mainly by stockholders’ equity shares of the distributing Investment Companies. Permanent stock investments are originally recorded at their acquisition cost and restated up to December 31, 2007, based on the factor derived from the UDI or the equity method, as applicable, based on the last available financial statements, and if necessary, losses in value are recorded based on the information provided by the affiliated companies’ management. Regarding the mutual funds managed by the Operating Company, the valuation increase is from comparing the original value to the book value one day prior to the close of the period. The valuation effect at book value is recorded in the statement of income under “Share in subsidiaries and affiliates’ income”.

Recognition of income from services, financial advisory and securities purchase-sales — the fees and rates generated by customer securities’ operations are recorded as performed.

Income from financial advisory is recorded when accrued as per the contract.

Securities purchase-sales results are recorded when performed.

Income and expenses are recorded as generated or accrued as per the relative contracts.

Share dividends are recorded at zero value in investments: therefore they only affect the results when the shares are sold.

Arrendadora y Factor Banorte

Credit from finance leasing operations, net — finance leasing operations are recorded as direct financing, wherein the account receivable is the total amount of the settled rents, and potential profit is the difference between such amount and the cost of the leased properties. Net financed capital is recorded on the general balance sheet, deducting the total of rents from the potential profit.

Loans from operating leasing operations — represent company assets given to a third party for the latter's temporary use and enjoyment for a given term equal to or over six months. The operating leasing contract rents are recorded as income as accrued.

Loans from factoring operations, net — funded or non-funded factoring is recorded as follows:

- Ceded portfolio — the amount is recorded in loan portfolios, minus the difference between loans and the financed amount.

- Profit from acquired documents (interest) - calculated in advance, per completed month and upon maturity, recorded in factoring, and both are applied to results as accrued.

Recognition of income — interest from leasing and financial factoring is recognized as income as accrued; however the accumulation of interest is suspended whenever the uncollected interest and/or total loan is transferred to past-due loans. Accrued, normal and past-due interest during the period the loan is considered past-due is recognized as income as collected.

Profit to realize from financial leasing is recognized as income as accrued. The final value of the good in financial leasing is recognized as income when purchased.

The fees for credit opening in leasing and factoring operations are recognized as income as accrued.

Afore Banorte-Generali

Recognition of income - the administration fees are recognized as income as accrued.

The Pension Fund can only collect fees from workers charged to their individual accounts and the contributions received. Such fee is determined by the balance of received contributions. It may be a percentage of such concepts, a fixed fee or a combination of both, and can only be made when the worker's contributions are effectively invested in the Siefores that the Pension Fund manages and the necessary daily provisions have been recorded in the Siefores accounting.

The profit or loss generated from selling investments in Siefores shares is recorded in the income statement as realized.

Seguros Banorte-Generali

Income from premiums — Recognized as follows:

a. The income for group and collective life insurance premiums is recorded in income as the partial payment receipt is issued, deducting the premiums ceded in reinsurance.

b. Income from premiums for accidents, illness and damage is recorded in terms of the policies contracted in the year, even though their term is for over one year, deducting the premiums ceded in reinsurance.

c. Income from rights and surcharges on policies with segmented payments is recorded in income as collected and the uncollected portion is recorded in deferred loans.

5 — CASH AND CASH EQUIVALENTS

As of December 31, 2010 and 2009, this line item was composed as follows:

	2010	2009
Cash	Ps. 12,308	Ps. 9,415
Banks	46,113	45,949
Other deposits and available funds	4,076	3,904
	Ps. 62,497	**Ps. 59,268**

On December 31, 2010, "Other deposits and available funds" include Ps. 857 for funds due to be received in 24 and 48 hours, and Ps. 36 in gold and silver coins. In 2009, it included Ps. 1,598 for funds due to be received in 24 and 48 hours, and Ps. 35 in gold and silver coins.

The exchange rate used for the conversion of gold and silver coins (Centenarios and Troy ounces, respectively) was Ps. 17,872.67 and Ps. 399.63, per unit, respectively, in 2010 and Ps. 14,627.95 and Ps. 239.89, per unit, respectively, in 2009.

"Banks" is represented by cash in Mexican pesos and US dollars converted at the exchange rate issued by Banco de México of Ps. 12.3496 and Ps. 13.0659 as of December 31, 2010 and 2009, respectively and is made up as follows:

	Mexican pesos		Denominated in US dollars		Total	
	2010	2009	2010	2009	2010	2009
Call money	Ps. 3,000	Ps. 2,447	Ps. 3,458	Ps. 653	Ps. 6,458	Ps. 3,100
Deposits with foreign credit institutions	—	—	12,368	15,928	12,368	15,928
Domestic banks	834	370	—	—	834	370
Banco de México	26,345	26,510	108	41	26,453	26,551
	Ps. 30,179	**Ps. 29,327**	**Ps. 15,934**	**Ps. 16,622**	**Ps. 46,113**	**Ps. 45,949**

As of December 31, 2010 and 2009, the Financial Group had made monetary regulation deposits of Ps. 26,345 and Ps. 26,342, respectively.

As of December 31, 2010 and 2009, the total sum of restricted cash and cash equivalents is Ps. 36,819 and Ps. 33,289, respectively. This includes monetary regulation deposits, futures placed in the domestic and foreign market, call money and contracted transactions pending settlement in 24 and 48 hours.

The interbank loans are documented and accrued at an average rate of return of 0.182% and 0.167% in USD and 4.5% and 4.5% in pesos, as of December 31, 2010 and 2009, respectively.

6 - INVESTMENTS IN SECURITIES

a. Trading securities

As of December 31, 2010 and 2009, trading securities are as follows:

	2010				2009
	Acquisition cost	Accrued interest	Valuation increase (decrease)	Book value	Book value
CETES	Ps. 2,544	Ps. —	Ps. (1)	Ps. 2,543	Ps. 926
Bonds	532	25	1	558	520
Development Bonds	3,241	4	3	3,248	3,136
Savings protection bonds (BPAS)	39,000	194	33	39,227	9,494
Bank securities	17,218	12	5	17,235	9,994
UMS	54	1	(2)	53	—
Securitization certificates	3,114	14	43	3,171	260
Treasury notes	23	—	—	23	65
Other securities	61	1	—	62	—
Investment funds	61	—	—	61	64
	Ps. 65,848	**Ps. 251**	**Ps. 82**	**Ps. 66,181**	**Ps. 24,459**

During 2010 and 2009, the Financial Group recognized a profit (loss) of Ps. 46 and (Ps. 17), respectively, under “Brokerage revenues” for the fair value valuation of these instruments.

As of December 31, 2010 and 2009, there are Ps. 58,154 and Ps. 19,310, respectively, in restricted trading securities associated mainly with repurchase operations.

As of December 31, 2010, these investments mature as follows (stated at their acquisition cost):

	One year or less	More than one and up to 5 years	More than 5 and up to 10 years	More than 10 years	Total
CETES	Ps. 2,544	Ps. —	Ps. —	Ps. —	Ps. 2,544
Bonds	532	—	—	—	532
Development Bonds	1,070	2,171	—	—	3,241
Savings protection bonds (BPAS)	2,463	35,595	942	—	39,000
Bank securities	13,440	3,778	—	—	17,218
UMS	—	—	54	—	54
Securitization certificates	44	2,870	—	200	3,114
Treasury notes	—	—	23	—	23
Other securities	2	—	27	32	61
Investment funds	—	—	—	61	61
	Ps. 20,095	**Ps. 44,414**	**Ps. 1,046**	**Ps. 293**	**Ps. 65,848**

b. Available for sale securities

As of December 31, 2010 and 2009, available for sale securities were as follows:

	2010				2009
	Acquisition cost	Accrued interest	Valuation increase (decrease)	Book value	Book value
US Government bonds	Ps. 7,769	Ps. 28	Ps. 76	Ps. 7,873	Ps. 6,603
UMS	248	10	—	258	361
Bonds	1,424	10	85	1,519	2,718
MASTER CARD	—	—	—	—	35
BMV Shares	234	—	134	368	219
EUROBONDS	608	15	34	657	941
PEMEX bonds	833	12	25	870	824
Securitization certificates	755	1	(13)	743	—
	Ps. 11,871	**Ps. 76**	**Ps. 341**	**Ps. 12,288**	**Ps. 11,701**

As of December 31, 2010 and 2009 there are Ps. 2,674 and Ps. 2,489, respectively, in restricted trading securities.

As of December 31, 2010, these investments mature as follows (stated at their acquisition cost):

	One year or less	More than one and up to 5 years	More than 5 and up to 10 years	More than 10 years	Total
US Gov. Bonds	Ps. —	Ps. —	Ps. 7,769	Ps. —	Ps. 7,769
UMS	248	—	—	—	248
Bonds	—	183	1,241	—	1,424
BMV Shares	—	—	—	234	234
EUROBONDS	—	364	244	—	608
PEMEX bonds	63	124	603	43	833
Securitization certificates	—	53	702	—	755
	Ps. 311	**Ps. 724**	**Ps. 10,559**	**Ps. 277**	**Ps. 11,871**

c. Held to maturity securities

As of December 31, 2010 and 2009, held to maturity securities are as follows:

Medium and long-term debt instruments:

	2010			2009
	Acquisition cost	Accrued interest	Book value	Book value
Government bonds- support program for Special Federal Treasury Certificates	Ps. 756	Ps. 3	Ps. 759	Ps. 725
Government bonds	578	28	606	631
Development Bonds	33,035	57	33,092	33,127
Saving protection bonds (BPAS)	71,826	377	72,203	103,759
UMS	2,277	61	2,338	2,470
Bank securities	13,930	91	14,021	26,005
PEMEX bonds	3,207	62	3,269	4,991
Private securitization certificates	13,536	47	13,583	18,582
Other securities	41	1	42	42
	Ps. 139,186	**Ps. 727**	**Ps. 139,913**	**Ps. 190,332**

As of December 31, 2010 and 2009, there are Ps. 125,938 and Ps. 175,369, respectively, in restricted trading securities associated mainly with repurchase operations.

As of December 31, 2010, these investments mature as follows (stated at their acquisition cost):

	One year or less	More than one and up to 5 years	More than 5 and up to 10 years	More than 10 years	Total
Government bonds- support program for Special Federal Treasury Certificates	Ps. —	Ps. —	Ps. —	Ps. 756	Ps. 756
Government bonds	578	—	—	—	578
Development Bonds	22,746	10,289	—	—	33,035
Saving protection bonds (BPAS)	32,683	39,143	—	—	71,826
UMS	—	516	1,761	—	2,277
Bank securities	11,554	1,559	—	817	13,930
PEMEX bonds	—	450	2,757	—	3,207
Private securitization certificates	1,205	5,245	1,933	5,153	13,536
Other securities	3	—	11	27	41
	Ps. 68,769	**Ps. 57,202**	**Ps. 6,462**	**Ps. 6,753**	**Ps. 139,186**

Some of the investments in securities are given as collateral in derivative transactions without any restriction. Therefore, the receiver has the right to trade them and offer them as collateral.

d. Collateral

The fair value of the collateral given in derivatives' transactions as of December 31, 2010 and 2009, is as follows:

		2010		
		Fair value in millions		
Type of collateral:	**Instrument category**	**Pesos**	**USD**	**Euros**
Cash	—	Ps. 155	243	—
CETES	Trading	232	—	—
UMS	Held to maturity	—	189	—
PEMEX bonds	Held to maturity	—	238	20
UMS	Available for sale	—	10	—
PEMEX bonds	Available for sale	—	58	—
Bank bonds	Available for sale	—	137	—
		Ps. 387	**875**	**20**

		2009		
		Fair value in millions		
Type of collateral:	**Instrument category**	**Pesos**	**USD**	**Euros**
Cash	—	Ps. 102	164	—
CETES	Trading	120	—	—
UMS	Held to maturity	—	167	—
PEMEX bonds	Held to maturity	—	353	20
UMS	Available for sale	—	13	—
PEMEX bonds	Available for sale	—	56	—
Bank bonds	Available for sale	—	116	—
		Ps. 222	**869**	**20**

As of December 31, 2010 and 2009, the Financial Group had no instruments received as collateral.

As of December 31, 2010 and 2009, interest income from securities was Ps. 11,045 and Ps. 14,458, respectively.

During 2010 and 2009, accrued interest income not collected from impaired instruments was Ps. 2 and Ps. 13, respectively.

The amount recorded for impaired available for sale and held to maturity securities as of December 31, 2010 and 2009 was:

Concept	2010		2009	
Available for sale securities	Ps.	24	Ps.	81
Held to maturity securities		59		59
	Ps.	**83**	**Ps.**	**140**

7 - CREDITOR BALANCES UNDER REPURCHASE AND RESALE AGREEMENTS

As of December 31, 2010 and 2009, the creditor balance in repurchase transactions consist of:

Acting as seller of securities

Instrument	2010		2009	
CETES	Ps.	2,234	Ps.	697
Development bonds		36,298		36,159
Bonds IPAB		1,855		654
Quarterly IPAB bonds		83,137		86,513
Semi-annual IPAB bonds		26,350		25,587
10-year bonds		1,157		625
20-year bonds		5		491
UDIBONOS		1		1
10-year UDIBONDS		3		3
Government securities		**151,040**		**150,730**
Promissory notes		1,884		5,055
CEDES		3,749		9,035
CEBUR Bank		10,975		7,628
Bank securities		**16,608**		**21,718**
Private paper		7,005		9,114
CEBUR government short term		3,924		2,481
Mortgage certificates		170		212
CEBUR government		—		1,200
Securitization certificates		—		25
Private securities		**11,099**		**13,032**
	Ps.	**178,747**	**Ps.**	**185,480**

With the Financial Group acting as the vendor, accrued premiums charged to the results of operations during 2010 and 2009, totaled Ps. 10,913 and Ps. 13,434, respectively.

During 2010, repurchase transactions carried out by the Financial Group in its capacity as vendor ranged in term from 1 to 91 days.

Acting as securities purchaser

Instrument	2010 Repurchase agreement from debtors	2010 Received, sold collateral in repurchase	2010 Debit difference	2010 Credit difference	2009 Repurchase agreement from debtors	2009 Received, sold collateral in repurchase	2009 Debit difference	2009 Credit difference
CETES	Ps. —	Ps. —	Ps. —	Ps. —	Ps. 400	Ps. 400	Ps. —	Ps. —
Development bonds	50	50	—	—	7,113	7,114	1	2
Quarterly IPAB bonds	158	158	—	—	1	—	1	—
Semi-annual IPAB bonds	1,302	1,301	1	—	390	390	—	—
7-year bonds	—	—	—	—	—	—	—	—
10-year bonds	2,639	2,639	—	—	221	219	2	—
20-year bonds	2,239	2,239	—	—	73	73	—	—
10-year UDIBONDS	—	—	—	—	1,120	1,120	—	—
Government securities	**6,388**	**6,387**	**1**	**—**	**9,318**	**9,316**	**4**	**2**
Promissory notes	964	964	—	—	1,785	1,785	—	—
CEDES	3,453	3,446	7	—	—	—	—	—
Bank acceptances	3,050	3,050	—	—	—	—	—	—
Bank securities	**7,467**	**7,460**	**7**	**—**	**1,785**	**1,785**	**—**	**—**
Private paper	657	86	571	—	—	—	—	—
CEBUR government	1,510	1,517	4	11	—	—	—	—
Private securities	**2,167**	**1,603**	**575**	**11**	**—**	**—**	**—**	**—**
	Ps. 16,022	**Ps. 15,450**	**Ps. 583**	**Ps. 11**	**Ps. 11,103**	**Ps. 11,101**	**Ps. 4**	**Ps. 2**

With the Financial Group acting as the purchaser, accrued premiums charged to the results of operations during 2010 and 2009 totaled Ps. 2,121 and Ps. 2,173, respectively.

During 2010, repurchase transactions carried out by the Financial Group in its capacity as purchaser ranged in term from 1 to 354 days.

By December 31, 2010, the amount of securities corresponding to guarantees granted and received in repurchase transactions that involved the transfer of property totaled Ps. 3 and Ps. 46, respectively, and by December 31, 2009, the totals were Ps. 120 in guarantees granted and Ps. 4 in guarantees received.

8 - DERIVATIVES FINANCIAL INSTRUMENTS

The transactions carried out by the Financial Group involving derivatives correspond mainly to futures, swaps and options contracts. These transactions are done to hedge various risks and for trading purposes.

As of December 31, 2010, the Financial Group has evaluated the effectiveness of derivatives' transactions for hedging purposes and has concluded that they are highly effective.

As of December 31, 2010 and 2009, the Financial Group's derivatives positions held for trading purposes are as follows:

Asset position	2010 Nominal amount	2010 Asset position	2009 Nominal amount	2009 Asset position
Futures				
CETES-rate futures	Ps. 500	Ps. —	Ps. —	Ps. —
TIIE-rate futures	160,469	—	600	—
Forwards				
Foreign currency forwards	135	72	3,454	313
Options				
Foreign currency options	—	—	283	2
Interest rate options	16,493	257	8,485	126
Swaps				
Interest rate swaps	289,938	6,106	194,317	2,612
Exchange rate swaps	5,328	1,028	7,377	1,771
Total trading	**472,863**	**7,463**	**214,516**	**4,824**
Options				
Interest rate options	15,550	80	24,200	188
Swaps				
Interest rate swaps	28,940	4	27,648	8
Exchange rate swaps	7,496	512	9,996	860
Total hedging	**51,986**	**596**	**61,844**	**1,056**
Total position	**Ps. 524,849**	**Ps. 8,059**	**Ps. 276,360**	**Ps. 5,880**

Liability position	2010 Nominal amount	2010 Liability position	2009 Nominal amount	2009 Liability position
Futures				
CETES-rate futures	Ps. 500	Ps. —	Ps. —	Ps. —
TIIE-rate futures	160,469	—	600	—
Forwards				
Foreign currency forwards	115	2	2,825	88
Options				
Foreign currency options	60	1	287	2
Interest rate options	30,559	272	9,168	71
Swaps				
Interest rate swaps	289,954	6,106	194,340	2,713
Exchange rate swaps	5,273	857	7,322	1,679
Total trading	**486,930**	**7,238**	**214,542**	**4,553**
Swaps				
Interest rate swaps	28,940	2,043	27,650	980
Exchange rate swaps	3,921	1,456	4,146	2,842
Total hedging	**32,861**	**3,499**	**31,796**	**3,822**
Total position	**Ps. 519,791**	**Ps. 10,737**	**Ps. 246,338**	**Ps. 8,375**

The hedging instruments operated and their main underlying instruments are as follows:

Forwards	Options	Swaps	CCS
Fx-USD	Fx-USD	TIIE 28	TIIE 28
	TIIE 28	TIIE 91	TIIE 91
	TIIE 91	CETES 91	Libor
	Libor	Libor	

The risk management policies and internal control procedures for managing risks inherent to derivatives are described in Note 32.

Transactions carried out for hedging purposes have maturities from 2011 to 2030 and are intended to mitigate the financial risk derived from long-term loans offered by the Financial Group at fixed nominal rates, as well as the exchange rate risk generated by market instruments in the Financial Group's portfolio.

The book value of collateral used to ensure compliance with obligations derived from currency swap contracts as of December 31, 2010 is USD 632,002 thousand and EUR 20,326 thousand, and as of December 31, 2009 it was USD 704,841 thousand and EUR 20,255 thousand. Futures transactions are made through recognized markets, and as of December 31, 2010 they represent 0.10% of the nominal amount of all the derivatives' operations contracts; the remaining 99.90% correspond to option and swap transactions in OTC markets.

As of December 31, 2010 and 2009, the collateral was comprised mainly of cash, CETES, ITS BPAS, PEMEX bonds, UMS bonds and bank bonds restricted under the categories of trading, held to maturity and available for sale securities. The restriction maturity date for this collateral is from 2011 to 2030. Their fair value is shown in Note 6 d).

As of December 31, 2010 and 2009, the Financial Group had no instruments received as collateral in derivatives' transactions.

During 2010 and 2009, the net income on financial assets and liabilities associated with derivatives was Ps. 252 and Ps. 200, respectively.

The net amount of estimated gains or losses to date originated by transactions or events that are recorded in cumulative other comprehensive income in the consolidated financial statements and that are expected to be reclassified to earnings within the next 12 months totals Ps. 48.

As of December 31, 2010 and 2009, the main positions hedged by the Financial Group and the derivatives designated to cover such positions are:

Cash flow hedging
The Financial Group has cash flow hedges as follows:

- Forecast funding using TIIE rate Caps and Swaps.
- Recorded liabilities in Mexican pesos using TIIE rate Swaps.
- Recorded liabilities in foreign currency using Cross Currency Swaps.
- Recorded assets in foreign currency using Cross Currency Swaps.

As of December 31, 2010, there are 27 files related to hedging transactions. Their effectiveness ranges between 85% and 100%, well within the range established by the accounting standards in effect (80% to 125%). Furthermore, there is no overhedging on any of the derivatives, so as of December 31, 2010, there are no ineffective portions that the Financial Group has to record in earnings.

The following are the Financial Group's hedged cash flows as of December 31, 2010 expected to occur and affect earnings:

Concept	Up to 3 months	More than 3 months and up to 1 year	More than 1 and up to 5 years	More than 5 years
Forecasted funding	Ps. 254	Ps. 800	Ps. 3,883	Ps. 1,316
Liabilities in Mexican pesos	111	337	983	19
Liabilities denominated in USD	—	3,932	—	—
Assets denominated in USD	360	378	2,510	7,645
Assets denominated in Euros	—	21	373	—
	Ps. 725	**Ps. 5,468**	**Ps. 7,749**	**Ps. 8,980**

As of December 31, 2010 and 2009, Ps. 2,114 and Ps. 1,404, respectively, were recognized in other comprehensive income in stockholders' equity. Furthermore, Ps. 43 and Ps. 127, respectively, were reclassified from stockholders' equity to results.

Trading and hedging derivatives: the loan risk is minimized through means of contractual compensation agreements, in which asset and liability derivatives with the same counterparty are settled for their net balance. Similarly, there may be other types of collateral such as credit lines, depending on the counterparty's solvency and the nature of the transaction.

The following table shows the value of cash flow hedging comprehensive income:

	Valuation of cash flow hedging instruments	Net change in period	Reclassified to income
Balance, January 1, 2007	Ps. (58)	Ps. —	Ps. —
Balance, December 31, 2007	Ps. (308)	Ps. (250)	Ps. —
Balance, December 31, 2008	Ps. (1,567)	Ps. (1,259)	Ps. 18
Balance, December 31, 2009	Ps. (1,394)	Ps. 173	Ps. 47
Balance, December 31, 2010	Ps. (2,114)	Ps. (720)	Ps. 42

9 - LOAN PORTFOLIO

As of December 31, 2010 and 2009, the loan portfolio by loan type is as follows:

	Performing loan portfolio		Past-due loan portfolio		Total	
	2010	2009	2010	2009	2010	2009
Commercial loans						
Denominated in domestic currency						
Commercial	Ps. 99,851	Ps. 90,189	Ps. 3,765	Ps. 2,325	Ps. 103,616	Ps. 92,514
Rediscounted portfolio	5,377	4,831	—	—	5,377	4,831
Denominated in USD						
Commercial	20,581	21,471	652	838	21,233	22,309
Rediscounted portfolio	674	746	—	—	674	746
Total commercial loans	**126,483**	**117,237**	**4,417**	**3,163**	**130,900**	**120,400**
Loans to financial institutions	5,521	7,131	—	—	5,521	7,131
Consumer loans						
Credit card	11,159	11,801	1,040	1,610	12,199	13,411
Other consumer loans	16,669	13,911	236	332	16,905	14,243
Mortgage loans	56,168	49,881	971	1,049	57,139	50,930
Government loans	47,550	38,993	—	—	47,550	38,993
	137,067	**121,717**	**2,247**	**2,991**	**139,314**	**124,708**
Total loan portfolio	**Ps. 263,550**	**Ps. 238,954**	**Ps. 6,664**	**Ps. 6,154**	**Ps. 270,214**	**Ps. 245,108**

As of December 31, 2010, the deferred balance of fees is Ps. 1,623, and the amount recorded in results was Ps. 654. Furthermore, the deferred balance of costs and expenses associated with the initial loan origination is Ps. 328, and the amount recorded in results was Ps. 386. The average term over which the deferred fee balance and the costs and expenses will be recorded is equivalent to the average term of the portfolio balance.

The average terms of the portfolio's main balances are: a) commercial, 3 years; b) financial institutions, 3.2 years; c) mortgage, 17.7 years; d) government loans, 8.1 years; and e) consumer, 2.5 years.

During the years ended December 31, 2010 and 2009, the balance of written off loans that had been fully reserved as past-due loans was Ps. 5,551 and Ps. 8,278, respectively.

For the years ended December 31, 2010 and 2009, revenues from recoveries of previously written-off loan portfolios were Ps. 1,561 and Ps. 848, respectively.

Customer insurance policies that the Financial Group includes as part of the loan portfolio are car insurance; the rest of the policies are not recorded in the general balance sheet and are collected when the loan amortization is charged to the client. The amount of financed car insurance policies by December 31, 2010 and 2009 is Ps. 23 and Ps. 14, respectively.

The loan portfolio grouped into economic sectors as of December 31, 2010 and 2009, is shown below:

	2010			2009		
		Amount	**Reserve percentage**		**Amount**	**Reserve percentage**
Private (companies and individuals)	Ps.	130,900	48.44%	Ps.	120,400	49.12%
Financial institutions		5,521	2.04%		7,131	2.91%
Credit card and consumer		29,104	10.77%		27,654	11.28%
Mortgage		57,139	21.15%		50,930	20.78%
Government		47,550	17.60%		38,993	15.91%
	Ps.	**270,214**	**100%**	**Ps.**	**245,108**	**100%**

Loan support programs

Special accounting treatment for the Hurricane Alex flood aid program

Given the negative impact of the floods caused by Hurricane Alex, the Financial Group decided to assist in the region's economic recovery; this includes the states of Nuevo León, Coahuila, Tamaulipas, San Luis Potosí and Oaxaca. The support program included the following:

Car, credit card and consumer loan support consisting of:

- Car loans. Deferral of up to three monthly installments or freezing of balances with no interest charged for three months.
- Credit cards. Minimum monthly payment was waived for up to three months, and in some case balances were frozen without interest charges or penalties for such period.
- Personal and payroll loans. Capital and interest payment deferral for up to 3 months.

In that regard, the Commission issued a special accounting standard in document number 100/042/2010 applicable to the Financial Group from July 1 to September 30, 2010, which authorized the Financial Group not to consider as restructured loans the ones which payment of the principal and interest was deferred for three months according to the Plan, as per paragraph 24 of criterion B-6 "Loan portfolio" and to keep them in the current loans during such period. These loans were considered as performing loans to determine the allowance for loan losses.

If such special standards had not been authorized, the Financial Group would have presented the following loan amounts in the December 31, 2010 consolidated balance sheet:

PERFORMING LOAN PORTFOLIO	
Commercial loans	
Business loans	Ps. 126,482
Loans to financial institutions	5,521
Government loans	47,550
Consumer loans	27,825
Mortgage loans	56,168
TOTAL PERFORMING LOAN PORTFOLIO	**263,546**
PAST-DUE LOAN PORTFOLIO	
Commercial loans	
Business loans	4,417
Consumer loans	1,280
Mortgage loans	971
TOTAL PAST-DUE LOAN PORTFOLIO	**6,668**
LOAN PORTFOLIO	
(Minus) Allowance for loan losses	(8,256)
LOAN PORTFOLIO, net	**261,958**
ACQUIRED COLLECTION RIGHTS	**2,025**
TOTAL LOAN PORTFOLIO, net	**Ps. 263,983**

Moreover, the period's net income would have been Ps. 6,693 as a result of the additional Ps. 12 in allowance for loan losses that would have been created if such support had not been provided to the borrowers.

The amount of deferred payments from consumer loans derived from the plans as of December 31, 2010 totals Ps. 6.

Policies and Procedures for Granting Loans

The granting, control and recovery of loans is regulated by the Financial Group's Credit Manual, which has been authorized by the Board of Directors. Accordingly, administrative portfolio control is performed in the following areas:

I. Business Areas (includes corporate, commercial, business, governmental and consumer banking), primarily through the branch network
II. Operations Areas
III. General Comprehensive Risk Management
IV. Recovery Management

Similarly, the Financial Group has manuals establishing the policies and procedures to be utilized for credit risk management purposes.

The structure of the credit management process is based on the following stages:

a) Product design
b) Promotion
c) Evaluation
d) Formalization
e) Operation
f) Administration
g) Recovery

Procedures have also been implemented to ensure that amounts related to the past-due portfolio are timely transferred and recorded in the books and records, and those loans with recovery problems are properly and promptly identified.

Pursuant to the Commission's Circular B-6, "Loan Portfolio", the distressed portfolio is defined as the commercial loans which, based on the current information and facts as well as on the loan revision process, are very unlikely to be fully recovered (both principal and interest) pursuant to the original terms and conditions. The performing and past-due portfolios are susceptible to be identified as a distressed portfolio. The commercial loan rating D and E risk degrees are as follows:

	2010	2009
Performing portfolio	Ps. 2,283	Ps. 1,373
Total rated portfolio	279,798	253,660
Distressed portfolio/total rated portfolio	0.82%	0.54%

The Financial Group's Treasury Department is the central unit responsible for balancing resource requirements and eliminating the interest rate risk derived from fixed rate transactions through the use of hedging and arbitrage strategies.

10 - LOANS RESTRUCTURED IN UDIS

The loans restructured in UDIS correspond to mortgage loans. The balance as of December 31, 2010 and 2009 is detailed below:

	2010	2009
Current portfolio	Ps. 45	Ps. 542
Current accrued interest	—	2
Past-due portfolio	1	14
Past-due accrued interest	—	1
	Ps. 46	**Ps. 559**

Early termination of mortgage loan borrower support programs

On June 30, 2010 the Federal Government through the SHCP and Banking Institutions signed an agreement for the early termination of the mortgage loan debtors support programs (punto final and UDIS trusts) (the Agreement) consequently as of January 1, 2011 the Financial Group absorbed its part of the early discount granted to mortgage loan debtors participating in the program. As of December 31, 2010, the Financial Group recorded a Ps. 57 reserve to face such obligation.

Below are some of the effects of applying the Agreement that went into effect as of the signing date.

The total amount of Federal Government payment obligations for commercial loans as of December 31, 2010 (Cut-off Date) is Ps. 140, which includes Ps. 138 associated with the conditioned discount portion from loans in Mexican pesos and UDIS; and Ps. 2 associated with the discount applied to those mentioned in number 3.1.2 of Circular 1430. Such amount may vary if there are no indications of sustained payment by March 31, 2011 as per the Agreement.

The Federal Government obligations subject to the Agreement are described below:

	Payment date	Amount
First amortization	December 1, 2011	Ps. 28
Second amortization	June 1, 2012	28
Third amortization	June 1, 2013	28
Fourth amortization	June 1, 2014	28
Fifth amortization	June 1, 2015	28
		Ps. 140

A monthly financial cost is incorporated to each amortization as of the day following the Cut-off Date and up to the close of the month prior to each payment date. The rate for January 2011 is the arithmetic average of the annual rate of return based on the 91-day CETES discount issued in December 2010, and for the subsequent months the 91-day future CETES rate of the previous month as published by Proveedor Integral de Precios, S.A. on the business day after the Cut-off Date, or that of the nearest month contained in said publication, taken on a 28-day return term, then dividing the resulting rate by 360 and multiplying the result by the number of days effectively elapsed during the period it is accrued, capitalized on a monthly basis.

A rollforward of the allowance for loan losses for the loans included in the Agreement is detailed below:

		2010
Initial balance	Ps.	19
Financial Group support		67
Debt forgiveness, discounts and write-offs		14
Reserves reclassification		(9)
Contribution to settle fiduciary liability		1
Final balance	**Ps.**	**92**

The maximum amount the Financial Group would absorb for loans not susceptible to the Early Termination program and that would be entitled to the discount benefits program is Ps. 14.

Ps. 13 were used to repurchase Special Federal Treasury Certificates (CETES); the remaining balance of Special CETES not repurchased by the Federal Government is Ps. 760 with maturities between 2017 and 2027.

The Financial Group recognized Ps. 330 as an allowance for loan losses and Ps. 56 in deferred taxes as a result of terminating the Trusts.

11 - ALLOWANCE FOR LOAN LOSSES

The Financial Group's portfolio classification, which serves as the basis for recording the allowance for loan losses, is detailed below:

	2010				
		Required allowances for losses			
Risk category	Loan portfolio	Commercial portfolio	Consumer portfolio	Mortgage portfolio	Total
Exempted portfolio	Ps. 107	Ps. —	Ps. —	Ps. —	Ps. —
Risk A	66,862	—	75	181	256
Risk A1	115,479	576	—	—	576
Risk A2	65,389	621	—	—	621
Risk B	6,711	—	115	168	283
Risk B1	6,824	101	391	—	492
Risk B2	7,628	51	468	—	519
Risk B3	2,684	274	—	—	274
Risk C	1,944	—	628	92	720
Risk C1	968	219	—	—	219
Risk C2	1,190	552	—	—	552
Risk D	1,992	227	873	317	1,417
Risk E	2,240	1,919	326	—	2,245
Unclassified	(220)				
	Ps. 279,798	**Ps. 4,540**	**Ps. 2,876**	**Ps. 758**	**Ps. 8,174**
Less: recorded allowance					**8,245**
Additional allowance					**Ps. 71**

Risk category	Loan portfolio		2009 Required allowances for losses: Commercial portfolio		Consumer portfolio		Mortgage portfolio		Total
Exempted portfolio	Ps.	56	Ps.	—	Ps.	—	Ps.	—	Ps. —
Risk A		58,169		—		63		159	222
Risk A1		106,990		495		—		—	495
Risk A2		57,118		520		—		—	520
Risk B		6,269		—		102		184	286
Risk B1		5,700		74		266		—	340
Risk B2		8,249		84		509		—	593
Risk B3		2,579		269		—		—	269
Risk C		2,494		—		795		132	927
Risk C1		1,404		301		—		—	301
Risk C2		803		380		—		—	380
Risk D		2,592		245		1,356		264	1,865
Risk E		1,272		1,008		272		—	1,280
Unclassified		(35)		—		—		—	—
	Ps.	**253,660**	**Ps.**	**3,376**	**Ps.**	**3,363**	**Ps.**	**739**	**Ps. 7,478**
Less: recorded allowance									**7,535**
Additional allowance									**Ps. 57**

The sum of the rated loan portfolio includes Ps. 6,124 and Ps. 5,114 in loans granted to subsidiaries whose balance was eliminated in the consolidation process as of December 31, 2010 and 2009, respectively.

The total portfolio balance used as the basis for the classification above includes amounts related to credit commitments, which is recorded in memorandum accounts.

The additional allowances comply with the general provisions applicable to credit institution and the notices issued by the Commission to regulate debtor support programs, denominated in UDIS trusts.

As of December 31, 2010 and 2009, the estimated allowance for loan losses is determined based on portfolio balances at those dates. As of December 31, 2010 and 2009, the allowance for loan losses includes a reserve for 100% of the delinquent interest owed.

As of December 31, 2010 and 2009, the allowance for loan losses represents 124% and 122%, respectively, of the past-due portfolio.

The estimated allowance includes the classification of loans granted in foreign currency, which are evaluated at the exchange rate in effect as of December 31, 2010 and 2009.

Credit card rating

Changes in the rating methodology for consumer loan portfolio related to credit card transactions

On August 12, 2009 the Commission issued a resolution amending the general regulations applicable to banking institutions, this change modified the methodology for the classification of revolving consumer loans so that the parameters used for estimating loan loss reserves reflect, the expected 12 months losses of credit cards based on the current environment.

As a result of this modification, the Financial Group opted to recognize against the results of previous years the initial cumulative financial effect resulting from the first application of the provisions mentioned under section I of the second transitory article. This condition occurred in September 2009.

The accounting record originated in the Financial Group for this recognition led to a charge of Ps. 1,102 in the account “Retained earnings” within stockholders’ equity, against claims by the same amount to the account

"Allowance for loan loss reserves" within the loan portfolio item in the balance sheet. Furthermore, a deferred tax was registered to reflect the change through a charge of Ps. 419in the asset account "Deferred Taxes" in the balance sheet, against a credit in the account "Retained earnings" within stockholders' equity.

If the recognition of the abovementioned effect would have been made against earnings, the items affected and the amounts recorded and presented at both the balance sheet and the income statement of the Financial Group, would have been:

				Effect		**How would be presented**
Consolidated Balance Sheet						
Stockholders' equity						
Retained earnings from prior years	Ps.	20,681	Ps.	683	Ps.	21,364
Net income		5,854		(683)		5,171
Total stockholders' equity	**Ps.**	**44,974**	**Ps.**	**—**	**Ps.**	**44,974**
Consolidated Statement of Income						
Provision for loan losses		8,286		1,102		9,388
Net interest income after allowance for loan losses		**14,897**		**(1,102)**		**13,795**
Deferred income taxes, net		(535)		(419)		(954)
Net income	**Ps.**	**5,854**	**Ps.**	**(683)**	**Ps.**	**5,171**

Movements in allowance for loan losses

An analysis of the movements in allowance for loan losses is detailed below:

		2010		2009
Balance at the beginning of the year	Ps.	7,535	Ps.	6,690
Increase charged to results		6,841		8,208
Debt forgiveness and write-offs		(6,066)		(8,464)
Valuation in foreign currencies and UDIS		(18)		(19)
Rebates granted to housing debtors		(70)		(46)
Created with profit margin (UDIS Trusts)		34		59
Loan purchase		2		—
Recognized against retained earnings from prior years		—		1,136
Other		(13)		(29)
Year-end balance	**Ps.**	**8,245**	**Ps.**	**7,535**

As of December 31, 2010, the net amount of preventive loan loss reserves charged to the consolidated statement of income totals Ps. 6,889 and Ps. 14 charged to "Other revenues". These amounts charged to results are made up of Ps. 6,841 credited directly to the estimate and Ps. 34 from the UDIS trust. As of December 31, 2009, the net amount of preventive loan loss reserves charged to the consolidated statement of income totals Ps. 8,282 and is comprised of Ps. 8,286 directly credited to the estimate and Ps. 4 charged to "Other revenues".

12 - ACQUIRED COLLECTION RIGHTS

As of December 31, 2010 and 2009, the acquired collection rights are comprised as follows:

	2010		2009		Valuation Method
Bancomer IV	Ps.	360	Ps.	456	Cash Basis Method
Banamex Mortgage		262		302	Cash Basis Method
Serfin Mortgage		126		160	Cash Basis Method
Bital I		121		171	Cash Basis Method
Bancomer III		111		125	Cash Basis Method
Goldman Sach's		98		145	Cash Basis Method
Banorte Mortgage		158		196	Interest Method
Solida Mortgage		382		473	Cost Recovery Method
Serfin Commercial II		95		105	Cost Recovery Method
Serfin Commercial I		81		92	Cost Recovery Method
Confia I		72		80	Cost Recovery Method
GMAC Banorte		60		66	Cost Recovery Method
Bital II		58		72	Cost Recovery Method
Banorte Sólida Commercial		34		35	Cost Recovery Method
Cartera Segmento II		7		—	Cost Recovery Method
Santander		—		70	Interest Method (Commercial); Cash Basis Method (Mortgage)
	Ps.	**2,025**	**Ps.**	**2,548**	

As of December 31, 2010, the Financial Group recognized income from credit asset portfolios of Ps. 595, together with the respective amortization of Ps. 482, the effects of which were recognized under the "Other income" heading in the consolidated statement of income. For the year ended December 31, 2009, the Financial Group recognized income of Ps. 718, together with the respective amortization of Ps. 448.

The Financial Group performs an analysis based on events or information to estimate the amount of expected cash flows to determine the estimated rate of return used in applying the valuation method for the amortization of the receivable. If based on current events information, the analysis demonstrates that the expected future cash flows will decrease to the degree that they will not cover the book value, it will constitute an estimate for non-recoverability or difficult collection against the year's results for the amount that such expected cash flows are lower than the book value of the receivable.

The result of the expected cash flows of the portfolios Serfin Commercial I, GMAC Banorte, Bital II Solida Mortgage, Serfin Commercial II and Cartera Segmento II were not highly effective since the quotient resulting from dividing the flows collected by the sum of expected cash flows was below 0.8. As a result, the Financial Group decided to move these portfolios to the cost recovery method.

Assets other than cash that the Financial Group has received as part of portfolio collection or recovery have been mainly in real property.

The main feature considered for segmenting acquired portfolios has been the type of loan.

13 - OTHER ACCOUNTS RECEIVABLE, NET

As of December 31, 2010 and 2009, the other accounts receivable balance is as follows:

	2010	2009
Loans to officers and employees	Ps. 1,211	Ps. 1,134
Debtors from liquidation settlement	909	2,706
Real property portfolios	1,864	1,183
Fiduciary rights	4,778	4,104
Sundry debtors in Mexican pesos	1,838	1,182
Sundry debtors in foreign currency	321	928
Other	419	380
	11,340	**11,617**
Allowance for doubtful accounts	(476)	(293)
	Ps. 10,864	**Ps. 11,324**

The real property portfolios include Ps. 301 that corresponds to the collection rights of the INVEX trust that is valued applying the interest method.

Loans to officers and employees mature in 2 to 30 years and accrue interest at a 6% to 10% rate.

14 - FORECLOSED ASSETS, NET

As of December 31, 2010 and 2009, the foreclosed assets balance is as follows:

	2010	2009
Personal property	Ps. 64	Ps. 67
Real property	1,107	1,230
Goods pledged for sale	18	14
	1,189	**1,311**
Allowance for losses on foreclosed assets	(380)	(383)
	Ps. 809	**Ps. 928**

15 - PROPERTY, FURNITURE AND EQUIPMENT, NET

As of December 31, 2010 and 2009, the property, furniture and fixtures balance is as follows:

	2010	2009
Furniture and equipment	Ps. 5,777	Ps. 5,207
Property intended for offices	5,530	5,272
Installation costs	2,888	2,750
	14,195	**13,229**
Less - Accumulated depreciation and amortization	(4,879)	(4,607)
	Ps. 9,316	**Ps. 8,622**

The depreciation recorded in the results of 2010 and 2009 was Ps. 1,121 and Ps. 997, respectively.

The average estimated useful lives of the Financial Group's assets subject to depreciation are listed below:

	Useful Life
Transportation equipment	4 years
Computer equipment	4.7 years
Furniture and fixtures	10 years
Real estate	From 4 to 99 years

16 - PERMANENT STOCK INVESTMENTS

Investment in unconsolidated subsidiaries and associated companies are valued according to the equity method, as detailed below:

	Share %	2010	2009
Seguros Banorte Generali, S. A. de C. V.	51%	Ps. 1,243	Ps. 1,209
Fondo Solida Banorte Generali, S. A. de C. V., SIEFORE	99%	843	719
Pensiones Banorte Generali, S. A. de C. V.	51%	524	518
Banorte Investment funds	Various	129	121
Controladora Prosa, S. A. de C. V.	19.73%	46	49
Servicio Pan Americano de Protección, S. A. de C. V.	8.50%	—	115
Transporte Aéreo Técnico Ejecutivo, S. A. de C. V.	45.33%	42	72
Fideicomiso Marhnos (Sólida)	100%	156	156
Internacional de Inversiones (Sólida)	5.62%	95	—
Others	Various	52	77
		Ps. 3,130	**Ps. 3,036**

The Financial Group exercises significant influence over its affiliates valued under the equity method through its representation in the board of directors or equivalent management body, as well as through significant intercompany transactions.

17 - DEFERRED TAXES, NET

The tax reported by the Financial Group is calculated based on the current taxable result of the year and enacted tax regulations. However, due to temporary differences between accounting and tax balance sheet accounts, the Financial Group has recognized a recoverable net deferred tax asset of Ps. 1,340 and Ps. 1,411 as of December 31, 2010 and 2009, respectively, as detailed below:

	2010			2009		
	Temporary Differences	Deferred Effect ISR	Deferred Effect PTU	Temporary Differences	Deferred Effect ISR	Deferred Effect PTU
Temporary Differences _ Assets						
Allowance for loan losses	Ps. 339	Ps. 119	Ps. —	Ps. 315	Ps. 110	Ps. —
Tax loss carryforwards of Uniteller and Banorte USA	11	4	—	—	—	—
Tax loss carryforwards	5	2	—	(72)	(25)	—
State tax on deferred assets	10	3	—	6	2	—
Surplus preventive allowances for credit risks over the net tax limit	5,526	1,548	552	4,757	1,332	476
Excess of tax over book value of foreclosed and fixed assets	1,361	374	60	1,132	308	52
PTU	798	239	80	775	232	77
Fees collected in advance	20	6	2	—	—	—
Non-deductible provisions	1,390	417	131	—	—	—
Other assets	46	13	—	1,422	427	135
Total assets	**Ps. 9,506**	**Ps. 2,725**	**Ps. 825**	**Ps. 8,335**	**Ps. 2,386**	**Ps. 740**

	2010			2009		
	Temporary Differences	Deferred Effect ISR	Deferred Effect PTU	Temporary Differences	Deferred Effect ISR	Deferred Effect PTU
Temporary Differences_ Liabilities						
Excess of book over tax value of fixed assets and expected expenses	Ps. 33	Ps. 10	Ps. —	Ps. 16	Ps. 4	Ps. —
Unrealized loss in available-for-sale securities	75	26	—	—	—	—
Unrealized capital gain from special allowance	170	51	—	125	38	—
ISR payable on UDI trusts	22	6	—	145	40	—
Portfolios acquired	2,126	617	110	2,302	655	111
Capitalizable projects expenses	706	211	71	528	159	53
Reversal of sales costs	8	3	—	16	4	—
Contribution to pension fund	2,000	560	200	1,500	420	150
Federal Home Loan Bank dividends	4	1	—	—	—	—
Intangible assets	64	22	—	—	—	—
Other	953	276	46	260	81	—
Total liabilities	**Ps. 6,161**	**Ps. 1,783**	**Ps. 427**	**Ps. 4,892**	**Ps. 1,401**	**Ps. 314**
Net accumulated asset	**Ps. 3,345**	**Ps. 942**	**Ps. 398**	**Ps. 3,443**	**Ps. 985**	**Ps. 426**
Deferred tax, net			**Ps. 1,340**			**Ps. 1,411**

As discussed in Note 27, as of January 1, 2010 and up to December 31, 2012, the applicable income tax rate is 30% and it will be 29% in 2013. Pursuant to the provisions of NIF D-4, “Incomes Taxes”, and INIF 8, “Effects of the Business Flat Tax”, based on financial forecasts, the Financial Group adjusted their balances based on the rates likely to be in effect at the time of their recovery. Additionally, they made forecasts for the IETU and compared it to ISR, and concluded that they will continue to pay ISR. Thus no change was made to the deferred tax calculations.

Banorte USA’s deferred tax assets and liabilities are determined using the liability method. According to this method, the net asset of deferred taxes is determined based on the tax effects of temporary differences between the book and tax base of assets and liabilities. Due to the consolidation of Banorte USA, a net amount of Ps. 38 was added to deferred taxes determined at a rate of 35% as per the tax law of the USA.

18 - OTHER ASSETS

As of December 31, 2010 and 2009, other assets are as follows:

	2010	2009
Plan assets held for employee pension plans and savings fund	Ps. 5,303	Ps. 4,255
Other amortizable expenses	2,343	2,200
Accumulated amortization of other expenses	(188)	(93)
Goodwill	2,950	3,121
	Ps. 10,408	**Ps. 9,483**

As of December 31, 2010, the balance of the investments related to provisions for staff pensions and savings fund, is comprised of Ps. 3,827, which corresponds to the defined benefit pension plan, seniority premiums and medical expenses for retirees, Ps. 1,283 for the voluntary defined contribution plan “secure your future” and Ps. 193 for the savings fund. As of December 31, 2009, this balance is comprised of Ps. 3,115 for the defined benefit pension plan, seniority premiums and medical expenses for retirees and Ps. 1,140 for the voluntary defined contribution plan “secure your future” (see Note 23).

As of December 31, 2010, goodwill was Ps. 2,950 and was comprised of the following: Ps. 28 for the purchase of Banorte Generali, S.A. de C.V., AFORE; Ps. 2,682 for the purchase of INB and Ps. 240 for the purchase of Uniteller. As of December 31, 2009, the goodwill was Ps. 3,121 and was comprised as follows: Ps. 29 for the purchase of Banorte Generali, S.A. de C.V., AFORE; Ps. 2,838 for the purchase of INB; and Ps. 254 for the purchase of Uniteller. As mentioned in Note 4, goodwill is not amortized and is subject to annual impairment tests. No impairment to goodwill value was noted as of December 31, 2010 and 2009.

19 - DEPOSITS

Liquidity Coefficient

The "Investment regime for transactions in foreign currency and conditions to be fulfilled during the term of transactions in such currency", designed for credit institutions by Banco de México, establishes the mechanism for determining the liquidity coefficient of liabilities denominated in foreign currency.

In accordance with such regime, during 2010 and 2009 the Financial Group generated a liquidity requirement of USD 498,373 thousand and USD 755,917 thousand, respectively, and held investments in liquid assets of USD 1,069,131 thousand and USD 1,230,740 thousand, representing a surplus of USD 570,758 thousand and USD 474,823 thousand, respectively.

Deposits

The liabilities derived from traditional deposits are made up as follows:

	2010	2009
Immediately due and payable deposits		
Checking accounts earning no interest:		
Cash deposits	Ps. 65,583	Ps. 59,334
Checking accounts in US dollars for individual residents of the Mexican border	637	662
Demand deposits accounts	5,125	4,142
Checking accounts earning interest:		
Other bank checking deposit	34,178	35,395
Savings accounts	262	268
Checking accounts in US dollars for individual residents of the Mexican border	1,615	2,055
Demand deposits accounts	42,417	35,705
IPAB checking accounts	—	20
	Ps. 149,817	**Ps. 137,581**

	2010	2009
Time deposits		
General public:		
Fixed term deposits	Ps. 25,299	Ps. 25,711
Over the counter investments	43,677	49,156
Promissory note with interest payable at maturity (PRLV) primary market for individuals	61,835	57,819
PRLV primary market for business entities	1,644	1,195
Foreign residents deposits	28	83
Provision for interest	190	177
	132,673	**134,141**
Money market:		
Fixed-term deposits	2,648	459
Over the counter promissory notes	2,208	1,430
Provision for interest	1,491	1,297
	6,347	**3,186**
	139,020	**137,327**
Senior debt issued	**3,778**	**—**
	Ps. 292,615	**Ps. 274,908**

The funding rates which the Financial Group uses as reference are: a) for Mexican pesos, Interbank Interest Rate (TIIE), Average Cost of Funds (CCP) and; b) for foreign currency, the London Interbank Offered Rate (LIBOR).

These liabilities incur interest depending on the type of instrument and average balance held in the investments. The average interest rates and their currency of reference are shown below:

Immediately due and payable deposits:

	2010				2009			
Foreign exchange	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
Mexican pesos and UDIs	0.56%	0.62%	0.61%	0.57%	0.99%	0.73%	0.60%	0.59%
Foreign currency	0.03%	0.03%	0.03%	0.03%	0.05%	0.04%	0.03%	0.03%
Banorte USA (INB)								
Demand deposits accounts	0.18%	0.14%	0.07%	0.12%	0.19%	0.09%	0.12%	0.13%
Money market	0.94%	0.92%	0.78%	0.81%	1.47%	1.30%	1.06%	1.04%

Time deposits:

	2010				2009			
Foreign exchange	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
General public								
Mexican pesos and UDIs	3.52%	3.55%	3.62%	3.37%	5.68%	4.45%	3.55%	3.50%
Foreign currency	0.84%	0.91%	0.80%	0.69%	0.91%	0.79%	0.90%	0.79%
Money market	7.66%	6.53%	7.06%	7.32%	8.59%	7.54%	5.72%	6.61%
Banorte USA (INB)	2.76%	2.76%	2.61%	2.39%	3.84%	3.56%	3.19%	2.95%

As of December 31, 2010 and 2009, the terms at which these deposits are traded are as follows:

	2010			
	From 1 to 179 days	**From 6 to 12 months**	**More than 1 year**	**Total**
General public				
Fixed-term deposits	Ps. 14,879	Ps. 6,062	Ps. 4,358	Ps. 25,299
Over the counter investments	43,614	63	—	43,677
PRLV primary market for individuals	61,345	433	57	61,835
PRLV primary market for business entities	1,610	32	2	1,644
Foreign resident deposits	20	2	6	28
Provision for interest	174	15	1	190
	121,642	**6,607**	**4,424**	**132,673**
Money market:				
Fixed-term deposits	—	—	2,648	2,648
Over the counter promissory notes	—	—	2,208	2,208
Provision for interest	—	4	1,487	1,491
	—	**4**	**6,343**	**6,347**
Senior debt issued	**—**	**—**	**3,778**	**3,778**
	Ps. 121,642	**Ps. 6,611**	**Ps. 14,545**	**Ps. 142,798**

	2009			
	From 1 to 179 days	From 6 to 12 months	More than 1 year	Total
General public				
Fixed-term deposits	Ps. 15,740	Ps. 6,972	Ps. 2,999	Ps. 25,711
Over the counter investments	49,105	51	—	49,156
PRLV primary market for individuals	57,337	418	64	57,819
PRLV primary market for business entities	1,170	25	—	1,195
Foreign residents deposits	20	20	43	83
Provision for interest	162	13	2	177
	123,534	**7,499**	**3,108**	**134,141**
Money market:				
Fixed-term deposits	—	—	459	459
Over the counter promissory notes	—	—	1,430	1,430
Provision for interest	—	11	1,286	1,297
	—	**11**	**3,175**	**3,186**
	Ps. 123,534	**Ps. 7,510**	**Ps. 6,283**	**Ps. 137,327**

20 - INTERBANK AND OTHER LOANS

The loans received from other banks as of December 31, 2010 and 2009 are as follows:

	Mexican pesos		Denominated in US dollars		Total	
	2010	2009	2010	2009	2010	2009
Immediately due						
Domestic banks (Call money)	Ps. 4,837	Ps. 21	Ps. —	Ps. —	Ps. 4,837	Ps. 21
	4,837	**21**	**—**	**—**	**4,837**	**21**
Short-term:						
Banco de México	250	—	—	1,964	250	1,964
Commercial banking	326	204	321	220	647	424
Development banking	6,747	6,233	1,211	1,593	7,958	7,826
Public trusts	3,977	2,801	192	314	4,169	3,115
Provision for interest	87	54	3	2	90	56
	11,387	**9,292**	**1,727**	**4,093**	**13,114**	**13,385**
Long-term						
Commercial banking	1,524	895	1,284	1,439	2,808	2,334
Development banking	2,421	1,553	267	319	2,688	1,872
Public trusts	2,825	3,236	173	116	2,998	3,352
Provision for interest	—	—	2	4	2	4
	6,770	**5,684**	**1,726**	**1,878**	**8,496**	**7,562**
	Ps. 22,994	**Ps. 14,997**	**Ps. 3,453**	**Ps. 5,971**	**Ps. 26,447**	**Ps. 20,968**

These liabilities incur interest depending on the type of instrument and average balance of the loans.

The average interest rates are shown below:

Foreign exchange	2010 1Q	2010 2Q	2010 3Q	2010 4Q	2009 1Q	2009 2Q	2009 3Q	2009 4Q
Call money								
Mexican pesos and UDIs	4.44%	4.63%	4.43%	4.48%	7.52%	5.53%	4.53%	4.46%
Other bank loans								
Mexican pesos and UDIs	6.01%	5.55%	5.56%	5.59%	7.61%	6.51%	5.66%	5.48%
Foreign currency	1.30%	1.67%	1.79%	1.84%	3.00%	2.04%	1.30%	0.92%

Banorte USA liabilities accrue interest at an average rate of 4.09% and 1.91% as of December 2010 and 2009, respectively. Moreover, the Arrendadora y Factor Banorte, S.A. de C.V. loans accrue an average interest rate of 6.59% and 6.46% in Mexican pesos and 2.39% and 2.86% in U.S. dollars as of December 31, 2010 and 2009, respectively.

21 - SUNDRY CREDITORS AND OTHER PAYABLES

As of December 31, 2010 and 2009, the balance of sundry creditors and other payables is as follows:

	2010	2009
Cashier and certified checks and other negotiable instruments	Ps. 1,001	Ps. 796
Provision for employee retirement obligations	3,333	2,773
Provisions for other obligations	2,691	2,291
Other	2,846	3,108
	Ps. 9,871	**Ps. 8,968**

22 - EMPLOYEE RETIREMENT OBLIGATIONS

The Financial Group recognizes the liabilities for pension plans and seniority premium using the projected unit credit method, which considers the benefits accrued at the balance sheet date and the benefits generated during the year.

The amount of current and projected benefits as of December 31, 2010 and 2009, related to the defined benefit pension plan, seniority premiums and retiree medical coverage, determined by independent actuaries, is analyzed below:

2010	Pension plan	Seniority premiums	Medical services	Total
Projected benefit obligation (PBO)	Ps. (778)	Ps. (174)	Ps. (1,782)	Ps. (2,734)
Fund market value	1,281	306	2,240	3,827
Funded status	**503**	**132**	**458**	**1,093**
Transition asset (obligation)	15	(7)	164	172
Unrecognized prior service cost	2	(2)	—	—
Unrecognized actuarial losses	277	7	564	848
Net projected asset	**Ps. 797**	**Ps. 130**	**Ps. 1,186**	**Ps. 2,113**

	2009							
	Pension plan		Seniority premiums		Medical services		Total	
Projected benefit obligation (PBO)	Ps.	(725)	Ps.	(149)	Ps.	(1,633)	Ps.	(2,507)
Fund market value		1,125		269		1,749		3,143
Funded status		**400**		**120**		**116**		**636**
Transition asset (obligation)		22		(10)		246		258
Unrecognized prior service cost		2		(3)		—		(1)
Unrecognized actuarial losses		217		4		488		709
Net projected asset	**Ps.**	**641**	**Ps.**	**111**	**Ps.**	**850**	**Ps.**	**1,602**

The Financial Group has a net prepayment (net prepaid asset) of Ps. 3 generated by transferring personnel from Sólida Administradora de Portafolios, S.A. de C.V. (Sólida) to Banorte. Moreover, as of December 31, 2010, a separate fund amounting to Ps. 3,827, (Ps. 3,143 in 2009) has been set aside to meet the above-mentioned obligations, in accordance with NIF D-3 and is recorded under “Other assets”.

For the years ended December 31, 2010 and 2009, the net periodic pension cost is as follows:

	2010		2009	
Service cost	Ps.	103	Ps.	95
Interest cost		227		197
Expected return on plan assets		(316)		(274)
Amortizations of unrecognized items:				
Transition obligation		86		86
Variations in assumptions		30		27
Net periodic pension cost	**Ps.**	**130**	**Ps.**	**131**

The rates used in the calculation of the projected benefit obligation and return on plan assets as of December 31, 2010 and 2009, are shown below:

Concept	2010 Nominal	2009 Nominal
Discount rate	8.75%	9.25%
Rate of wage increase	4.50%	4.50%
Rate of increase in costs and expenses of other postretirement benefits	n/a	5.57%
Long-term inflation rate	3.50%	3.50%
Expected long-term rate of return on plan assets of the Banorte Brokerage House	10.25%	10.25%
Expected long-term rate of return on plan assets	8.75%	10.00%

The liability for severance indemnities due to causes other than restructuring, which was also determined by independent actuaries, is comprised as follows:

Concept	2010		2009	
Defined and projected benefit obligations	Ps.	(171)	Ps.	(158)
Transition obligation		41		62
Net projected liability	**Ps.**	**(130)**	**Ps.**	**(96)**

For the years ended December 31, 2010 and 2009, the net periodic pension cost is as follows:

Concept	2010		2009	
Service cost	Ps.	26	Ps.	27
Interest cost		12		12
Transition obligation		21		21
Variations in assumptions		14		8
Net periodic pension cost	**Ps.**	**73**	**Ps.**	**68**

The balance of the employee retirement obligations presented in this Note refers to the Financial Group's defined benefit pension plan for those employees who remain enrolled.

The labor obligations derived from the defined contribution pension plan do not require an actuarial valuation as established in NIF D-3, because the cost of this plan is equivalent to the Financial Group's contributions made to the plan. Moreover, this pension plan maintains a fund as of December 31, 2010 and 2009, equivalent to Ps. 1,283 and Ps. 1,140, respectively, which is recorded under "Other assets" and is equivalent to the recorded plan liability.

23 - SUBORDINATED DEBENTURES

As of December 31, 2010 and 2009, the subordinated debentures in circulation are as follows:

	2010		2009	
Preferred subordinated, nonconvertible debentures, maturing in April 2016, denominated in US dollars, at an interest rate of 6.135%, payable semiannually with a final principal payment at maturity (10-year term)	Ps.	4,940	Ps.	5,226
Non preferred subordinated nonconvertible debentures (Q BANORTE 08 debentures), maturing in February 2018, paying interest at the 28-day TIIE rate plus 0.60%.		3,000		3,000
Preferred subordinated nonconvertible debentures (Q BANORTE 08-2), maturing in June 2018, paying interest at the 28-day TIIE rate plus 0.77%.		2,750		2,750
Preferred subordinated nonconvertible debentures, BANORTE 09 maturing in March 2019, paying interest at the 28-day TIIE rate plus 2%, payable in 130 periods of 28 days each.		2,200		2,200
Nonpreferred subordinated nonconvertible debentures, maturing in April 2021, denominated in US dollars, at an interest rate of 6.862%, payable semiannually with a final principal payment at maturity (15-year term).		2,470		2,613
Preferred subordinated nonconvertible debentures, Q BANORTE 08-U maturing in February 2028, paying interest at a 4.95% annual rate.		2,024		1,941
Subordinated debentures, maturing in June 2034, denominated in US dollars, at a 3-months LIBOR interest rate plus 2.75%.		127		135
Preferred subordinated debentures maturing in April 2034, denominated in US dollars, at a 3-months LIBOR interest rate plus 2.72%.		127		135
Accrued interest		165		168
	Ps.	**17,803**	**Ps.**	**18,168**

The costs related to these debentures are amortized using the straight-line method over the term of the debt. The amortization charged to results was Ps. 6 and Ps. 8 in 2010 and 2009, respectively.

24 - TRANSACTIONS AND BALANCES WITH NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

The balances and transactions with subsidiaries and associated companies as of December 31, 2010, 2009 and 2008, are as follows:

	Revenues						Accounts receivable			
Institution	2010		2009		2008		2010		2009	
Seguros Banorte Generali, S. A. de C. V.	Ps.	650	Ps.	598	Ps.	613	Ps.	29	Ps.	9

	Expenses						Accounts payable			
Institution	2010		2009		2008		2010		2009	
Seguros Banorte Generali, S. A. de C. V.	Ps.	251	Ps.	101	Ps.	300	Ps.	19	Ps.	5

All balances and transactions with the subsidiaries indicated in Note 3 have been eliminated in consolidation.

Pursuant to article 73 of the LIC (Credit Institutions Law), the loans granted by Banorte to any related party cannot exceed 50% of the basic portion of their net capital. For the years ended December 31, 2010 and 2009, the amount of the loans granted to related parties is Ps. 8,772 and Ps. 7,362, respectively, representing 47.1% and 46.2%, respectively, of the limit established by the LIC.

Loan portfolio sales

Sale of loan portfolio packages between related parties (nominal values)

In February 2003 Banorte sold Ps. 1,925 of its proprietary portfolio (with interest) to its subsidiary Sólida at a price of Ps. 378. Of this transaction, Ps. 1,891 was related to past-due amounts and Ps. 64 to the performing portfolio. The transaction was recorded based on figures as of August 2002, and therefore the final amount affecting the February 2003 balance sheet was Ps. 1,856, considering the collections made since August 2002. In conjunction with the loan portfolio sold, Ps. 1,577 of the associated allowance for loan losses was transferred as well.

In official letter 601-II-323110 dated November 5, 2003, the Commission established the accounting criteria to be applied to this transaction and issued a series of rulings whereby Banorte must provide detailed information on the activities of this transaction throughout its duration, in the understanding that this transaction was a one-time event and not a recurring portfolio transfer procedure.

Pursuant to the foregoing, below is a summary of the activity of the loan portfolio sold to Sólida since August 2002 and for the years of 2009 and 2010:

	Mexican pesos			Foreign currency			Total		
Type of portfolio	Aug 02	Dec 09	Dec 10	Aug 02	Dec 09	Dec 10	Aug 02	Dec 09	Dec 10
Performing loan portfolio									
Commercial	Ps. 5	Ps. —	Ps. —	Ps. 5	Ps. —	Ps.	Ps. 10	Ps. —	Ps. —
Mortgage	54	27	20	—	—	—	54	27	20
Total	**59**	**27**	**20**	**5**	**—**	**—**	**64**	**27**	**20**
Past-due portfolio									
Commercial	405	361	331	293	110	104	698	471	435
Consumer	81	72	72	—	—	—	81	72	72
Mortgage	1,112	350	323	—	—	—	1,112	350	323
Total	**1,598**	**783**	**726**	**293**	**110**	**104**	**1,891**	**893**	**830**
Total portfolio	**Ps. 1,657**	**Ps. 810**	**Ps. 746**	**Ps. 298**	**Ps. 110**	**Ps. 104**	**Ps. 1,955**	**Ps. 920**	**Ps. 850**
Allowance for loan losses(1)									
Commercial	326	349	318	246	110	104	572	459	422
Consumer	77	72	72	—	—	—	77	72	72
Mortgage	669	336	313	—	—	—	669	336	313
Total allowance for loan losses	**Ps. 1,072**	**Ps. 757**	**Ps. 703**	**Ps. 246**	**Ps. 110**	**Ps. 104**	**Ps. 1,318**	**Ps. 867**	**Ps. 807**

(1) Allowances required based on the classification methodology applied in Banorte that maintained a 99.99% equity interest in Sólida during 2010 and 2009.

As of December 31, 2010 and 2009, the composition of the Banorte's loan portfolio, including the loan portfolio sold to Sólida, is as follows:

Type of portfolio	Mexican pesos Dec 10	Mexican pesos Dec 09	Foreign Currency Dec 10	Foreign Currency Dec 09	Total Dec 10	Total Dec 09
Commercial loans	Ps. 148,786	Ps. 133,823	Ps. 13,330	Ps. 11,316	Ps. 162,116	Ps. 145,139
Consumer loans	27,637	25,525	—	—	27,637	25,525
Mortgage loans	54,013	47,378	—	—	54,013	47,378
Performing loan portfolio	**230,436**	**206,726**	**13,330**	**11,316**	**243,766**	**218,042**
Commercial loans	3,954	2,583	252	150	4,206	2,733
Consumer loans	1,348	2,014	—	—	1,348	2,014
Mortgage loans	1,025	1,151	—	—	1,025	1,151
Past-due portfolio	**6,327**	**5,748**	**252**	**150**	**6,579**	**5,898**
Total portfolio	**236,763**	**212,474**	**13,582**	**11,466**	**250,345**	**223,940**
Allowance for loan losses	8,131	7,425	297	384	8,428	7,809
Net portfolio	**Ps. 228,632**	**Ps. 205,049**	**Ps. 13,285**	**Ps. 11,082**	**Ps. 241,917**	**Ps. 216,131**
Allowance for loan losses					**128.10%**	**132.40%**
% of past-due portfolio					**2.63%**	**2.63%**

25 - INFORMATION BY SEGMENT

The main operations and balances per concept and/or business segment in the general balance sheet and the statement of income are comprised as follows:

a. The balances by service sector of the Financial Group, without considering the eliminations relative to the consolidation of the financial statements, are as follows:

	2010	2009	2008
Banking sector:			
Net income	Ps. 6,035	Ps. 5,132	Ps. 6,543
Stockholders' equity	44,316	40,348	35,526
Total portfolio	257,957	234,878	236,236
Past-due portfolio	6,523	6,051	4,836
Allowance for loan losses	(7,955)	(7,358)	(6,582)
Total net assets	564,386	548,560	562,433
Brokerage sector:			
Net income	403	203	183
Stockholders' equity	1,883	1,396	1,143
Portfolio balance	174,068	135,621	119,286
Total net assets	10,169	5,273	1,662
Savings sector:			
Net income	903	772	579
Stockholders' equity	5,244	4,727	4,216
Total net assets	40,993	32,026	27,789
Other finance companies sector:			
Net Income	500	425	336
Stockholders' equity	2,136	1,631	1,308
Total portfolio	15,884	13,461	13,913
Past-due portfolio	141	103	74
Allowance for loan losses	(289)	(177)	(79)
Total net assets	Ps. 16,456	Ps. 13,645	Ps. 14,322

b. The trading results for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Valuation results		
Trading securities	Ps. 46	Ps. (17)
Repurchase or resale agreement	30	(156)
Derivative financial instruments	382	20
Total valuation results	**458**	**(153)**
Purchase-sale results		
Trading securities	455	318
Available for sale securities	214	23
Derivative financial instruments	(143)	180
Total securities purchase sale	**526**	**521**
Spot foreign currency	690	731
Foreign currency forwards	(1)	154
Foreign currency futures	(2)	(1)
Foreign currency valuation	3	(20)
Minted metals purchase sales	3	4
Minted metals valuation	12	8
Total foreign currency purchase sale	**705**	**876**
Total purchase sale results	**1,231**	**1,397**
Total trading results	**Ps. 1,689**	**Ps. 1,244**

c. The performing loan portfolio, grouped by economic sector and geographical location, is as follows:

	2010				
	Geographical location				
Economic sector	**North**	**Central**	**West**	**South**	**Total**
Agriculture	Ps. 2,473	Ps. 1,094	Ps. 741	Ps. 911	Ps. 5,219
Mining	354	176	19	19	568
Manufacturing	7,830	5,014	1,459	635	14,938
Construction	5,346	7,433	557	2,023	15,359
Public utilities	35	293	2	1	331
Commerce	12,157	10,412	3,493	6,103	32,165
Transportation	1,174	5,062	123	253	6,612
Financial services	8,302	9,233	198	1,300	19,033
Communal, social services	6,680	5,234	1,520	417	13,851
Business groups	9	364	6	5	384
Public administration and services	24,164	16,189	2,188	4,901	47,442
International organization services	2	—	—	—	2
INB	—	—	—	—	9,232
Credit card	—	—	—	—	11,159
Consumer	—	—	—	—	16,668
Mortgage	—	—	—	—	56,168
Other	—	—	—	—	105
Arrendadora y Factor Banorte	—	—	—	—	14,314
Performing loan portfolio	**Ps. 68,526**	**Ps. 60,504**	**Ps. 10,306**	**Ps. 16,568**	**Ps. 263,550**

Economic sector	2009 Geographical location North		Central		West		South		Total	
Agriculture	Ps.	2,314	Ps.	1,167	Ps.	581	Ps.	732	Ps.	4,794
Mining		347		18		14		13		392
Manufacturing		7,872		4,725		1,661		688		14,946
Construction		6,042		6,236		546		1,828		14,652
Public utilities		43		252		2		1		298
Commerce		10,543		7,241		3,307		6,031		27,122
Transportation		1,308		6,173		105		269		7,855
Financial services		8,975		11,280		130		1,473		21,858
Communal, social services		2,524		4,242		1,514		369		8,649
Business groups		12		457		2		6		477
Public administration and services		21,403		12,938		2,070		2,516		38,927
INB		—		—		—		—		14,100
Credit card		—		—		—		—		11,801
Consumer		—		—		—		—		13,726
Mortgage		—		—		—		—		47,351
Other		—		—		—		—		54
Arrendadora y Factor Banorte		—		—		—		—		11,952
Performing loan portfolio	**Ps.**	**61,383**	**Ps.**	**54,729**	**Ps.**	**9,932**	**Ps.**	**13,926**	**Ps.**	**238,954**

d. The past-due loan portfolio, grouped by economic sector and geographical location, is summarized as follows:

Economic sector	2010 Geographical location North		Central		West		South		Total	
Agriculture	Ps.	261	Ps.	125	Ps.	46	Ps.	24	Ps.	456
Mining		5		—		1		1		7
Manufacturing		107		250		63		38		458
Construction		297		104		12		21		434
Commerce		329		231		148		159		867
Transportation		17		1,318		8		11		1,354
Financial services		10		13		—		1		24
Communal, social services		45		50		44		30		169
Business groups		—		—		—		1		1
INB		—		—		—		—		505
Credit card		—		—		—		—		1,040
Consumer		—		—		—		—		236
Mortgage		—		—		—		—		971
Arrendadora y Factor Banorte		—		—		—		—		142
Past-due loan portfolio	**Ps.**	**1,071**	**Ps.**	**2,091**	**Ps.**	**322**	**Ps.**	**286**	**Ps.**	**6,664**

Economic sector	2009 Geographical location North	Central	West	South	Total
Agriculture	Ps. 77	Ps. 129	Ps. 33	Ps. 20	Ps. 259
Mining	2	3	1	7	13
Manufacturing	121	175	73	46	415
Construction	89	105	12	27	233
Commerce	363	298	147	195	1,003
Transportation	41	27	13	19	100
Financial services	8	15	1	6	30
Communal, social services	74	49	47	37	207
Business groups	1	—	—	—	1
INB	—	—	—	—	1,047
Credit card	—	—	—	—	1,610
Consumer	—	—	—	—	332
Mortgage	—	—	—	—	801
Arrendadora y Factor Banorte	—	—	—	—	103
Past-due loan portfolio	**Ps. 776**	**Ps. 801**	**Ps. 327**	**Ps. 357**	**Ps. 6,154**

e. Deposit accounts grouped by product and geographical location are as follows:

Product	2010 Geographical location Monterrey	Mexico City	West	Northwest	Southeast	Treasury and other	Foreign	Total
Non-interest bearing checking accounts	Ps. 14,964	Ps. 22,000	Ps. 6,992	Ps. 8,876	Ps. 7,873	Ps. 89	Ps. —	Ps. 60,794
Interest-bearing checking accounts	7,532	26,293	4,093	6,041	7,580	166	—	51,705
Savings accounts	1	1	—	—	—	—	—	2
Current account in pesos and preestablished	4,042	5,983	1,612	3,024	2,840	138	—	17,639
Non-interest bearing demand deposits, USD	1,611	818	212	1,177	266	-0	4,435	8,519
Interest bearing demand deposits, USD	2,258	1,398	465	2,038	218	-0	4,520	10,897
Savings accounts in USD	—	—	—	—	—	—	258	258
Over the counter promissory notes	12,623	26,581	6,843	7,551	9,881	1,754	—	65,233
Time deposits, USD	3,307	3,737	1,525	2,307	688	16	13,747	25,327
Money desk customers	17,416	15,940	5,076	3,745	4,001	150	—	46,328
Financial intermediaries	—	—	—	—	—	2,208	3,705	5,913
Total deposits	**Ps. 63,754**	**Ps. 102,751**	**Ps. 26,818**	**Ps. 34,759**	**Ps. 33,347**	**Ps. 4,521**	**Ps. 26,665**	**Ps. 292,615**

Product	2009 Geographical location Monterrey	Mexico City	West	Northwest	Southeast	Treasury and other	Foreign	Total
Non-interest bearing checking accounts	Ps. 13,209	Ps. 19,770	Ps. 5,845	Ps. 7,773	Ps. 7,963	Ps. 70	Ps. —	Ps. 54,630
Interest-bearing checking accounts	6,417	23,033	4,041	6,192	8,039	162	—	47,884
Savings accounts	1	1	—	—	—	—	—	2
Current account in pesos and preestablished	3,449	5,232	1,492	2,733	2,556	122	—	15,584
Non-interest bearing demand deposits, USD	834	848	199	1,085	221	—	3,694	6,881
Interest bearing demand deposits, USD	2,454	1,570	577	2,463	238	—	5,012	12,314
Savings accounts in USD	—	—	—	—	—	—	265	265
Over the counter promissory notes	11,362	25,040	6,358	7,245	9,009	1,474	—	60,488
Time deposits, USD	3,328	4,095	1,775	2,255	897	17	13,427	25,794
Money desk customers	19,366	14,858	6,953	4,588	2,877	127	—	48,769
Financial intermediaries	—	—	—	—	—	2,277	—	2,277
FOBAPROA checking accounts bearing interest	20	—	—	—	—	—	—	20
Total deposits	**Ps. 60,440**	**Ps. 94,447**	**Ps. 27,240**	**Ps. 34,334**	**Ps. 31,800**	**Ps. 4,249**	**Ps. 22,398**	**Ps. 274,908**

26 - TAX ENVIRONMENT

In 2010 and 2009 the Financial Group was subject to ISR and IETU.

Income tax

Income tax (ISR) is calculated considering as taxable or deductible certain inflation effects; as of until December 31, 2010 and 2009, the ISR rate was 30% and 28%, respectively. On December 7, 2009, the decree was published reforming, adding and repealing various provisions of the Income Tax Law that went into effect on January 1, 2010. Temporary provisions were established through which the income tax rate from 2011 to 2012 will be 30%; 29% for 2013 and 28% for 2014.

Book to tax reconciliation

The principal items affecting the determination of the current tax expense of the Financial Group were the annual adjustment for inflation, the nondeductible amount of the allowance for loan losses that was over 2.5% of the average loan portfolio and the valuation of financial instruments.

PTU

The Financial Group determine employee statutory profit sharing based on the criteria established in the guidelines set forth by the Mexican Constitution.

Business Flat Tax

Revenues, as well as deductions and certain tax credits, are determined based on cash flows generated for each period. The rate is 17.5% and 17.0% for 2010 and 2009, respectively. The Asset Tax Law was repealed upon enactment of LIETU; however, under certain circumstances, asset taxes paid in the ten years prior to the year in which ISR is paid, may be refunded, according to the terms of the law. As of December 31, 2010, the Financial Group has no recoverable asset taxes.

Based on financial projections, pursuant to the provisions in INIF-8, the Financial Group found that it will essentially pay ISR, therefore acknowledging only the deferred ISR.

27 - STOCKHOLDERS' EQUITY

At the Stockholders' Ordinary General Meeting held on April 23, 2010, the resolution was adopted to transfer the profits of 2009 equal to Ps. 5,854 to the account "earnings from prior years".

At the Stockholders' Ordinary General Meetings held on February 15, 2010, April 23, 2010 and October 4, 2010, the resolution was adopted to declare cash dividends of Ps. 343 on each of said dates.

The Financial Group's shareholders' common stock as of December 31, 2010, 2009 and 2008 is comprised as follows:

	Number of shares with a nominal value of Ps. 3.50		
	2010	2009	2008
"O" Series	2,018,347,548	2,017,847,548	2,013,997,548

	Historical Amounts					
	2010		2009		2008	
"O" Series	Ps.	7,016	Ps.	7,000	Ps.	6,986
Restatement in Mexican pesos through December 2007		4,955		4,956		4,955
	Ps.	11,971	Ps.	11,956	Ps.	11,941

Restrictions on profits

Stockholders' equity distribution, except restated paid-in capital and tax retained earnings, will be subject to a tax payable by the Financial Group at the rate in effect when the dividend is distributed. Any tax paid on such distribution may be credited against the income tax payable of the year in which the tax on the dividend is paid and the two fiscal years following such payment against the year's tax and its partial payments.

The Financial Group's net profit is subject to the requirement that at least 5% of net income of each year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value. The legal reserve may not be distributed to the stockholders during the life of the Financial Group, except in the form of a stock dividend. As of December 31, 2010 and 2009, the legal reserve is Ps. 3,181 and Ps. 2,444, respectively, and represents 27% and 20% of paid-in capital, respectively.

Capitalization ratio (pertaining to Banorte, the Financial Group's main subsidiary)

The capitalization rules for financial institutions establish requirements for specific levels of net capital, as a percentage of assets subject to both market and credit risk.

The information as of December 31, 2010 sent to Banco de México to review is shown below.

- The capitalization ratio of Banorte as of December 31, 2010 was 16.12% of total risk (market, credit and operational), and 23.68% of credit risk, which in both cases exceed the current regulatory requirements.

- The amount of net capital, divided by basic and complementary capital, is detailed below (these figures may differ from those in the basic financial statements):

Net capital as of December 31, 2010

Stockholders' equity	**Ps.**	**44,306**
Subordinated debentures and capitalization instruments		**5,135**
Deduction of investment in securitized instruments		(446)
Deduction of investments in shares of financial entities		(6,124)
Deduction of investments in shares of non-financial entities		(3,238)
Deduction of intangibles and deferred expenses or costs		(264)
Basic capital		**39,369**
Debentures and capitalization instruments		12,413
Allowance for loan losses		1,285
Deduction of investment in securitized instruments		(446)
Complementary capital		**13,252**
Net capital	**Ps.**	**52,621**

Characteristics of the subordinated debentures:

Concept		**Issuance amount**	**Maturity**	**Basic capital proportion**	**Complementary capital proportion**
Complementary capital debentures 2006	Ps.	5,006	13/10/2016	0%	100%
Basic capital debentures 2006	Ps.	2,507	13/10/2021	100%	0%
Basic capital debentures 2008	Ps.	3,008	27/02/2018	87%	13%
Complementary capital debentures 2008	Ps.	2,056	15/02/2028	0%	100%
Complementary capital debentures 2008-2	Ps.	2,760	15/06/2018	0%	100%
Complementary capital debentures 2009	Ps.	2,211	18/03/2019	0%	100%

Assets subject to risk are detailed below:

Assets subject to market risk

Concept		**Positions weighted by risk**		**Capital requirement**
Transactions in Mexican pesos with nominal interest rate	Ps.	47,037	Ps.	3,763
Transactions with debt instruments in Mexican pesos with variable interest rates		10,374		830
Transactions in Mexican pesos with real interest rates or denominated in UDIS		1,802		144
Transactions in UDIS or with yields referenced to the National Consumer Price Index (INPC)		2		—
Transactions in Mexican pesos with nominal interest rates		4,700		376
Exchange transactions		1,604		129
Total	**Ps.**	**65,519**	**Ps.**	**5,242**

Assets subject to credit risk

Concept	Assets weighted by risk	Capital requirement
Group III (weighted at 10%)	Ps. 13	Ps. 1
Group III (weighted at 11.5%)	1	—
Group III (weighted at 20%)	11,451	916
Group III (weighted at 23%)	483	39
Group III (weighted at 50%)	2,226	178
Group III (weighted at 57.5%)	608	48
Group III (weighted at 100%)	150	12
Group IV (weighted at 20%)	2,851	228
Group V (weighted at 20%)	7,282	583
Group V (weighted at 50%)	3,723	298
Group V (weighted at 150%)	4,899	392
Group VI (weighted at 50%)	6,445	515
Group VI (weighted at 75%)	5,608	449
Group VI (weighted at 100%)	59,100	4,728
Group VII (weighted at 20%)	845	68
Group VII (weighted at 50%)	99	8
Group VII (weighted at 100%)	72,788	5,823
Group VII (weighted at 115%)	7,556	604
Group VII (weighted at 150%)	635	51
Group VIII (weighted at 125%)	1,948	156
Group IX (weighted at 100%)	19,387	1,551
Sum	**208,098**	**16,648**
For permanent shares, furniture and real property, and advance payments and deferred charges	14,086	1,127
Total	**Ps. 222,184**	**Ps. 17,775**

Assets subject to credit risk:

Concept	Assets weighted by risk	Capital requirement
Total	**Ps. 38,816**	**Ps. 3,105**

28 - FOREIGN CURRENCY POSITION

As of December 31, 2010 and 2009, the Financial Group holds certain assets and liabilities in foreign currency, mainly US dollars, converted to the exchange rate issued by Banco de México at Ps. 12.3496 and Ps. 13.0659 per USD 1.00, respectively, as shown below:

	Thousands of US dollars	
	2010	2009
Assets	5,543,911	5,497,623
Liabilities	5,234,040	5,166,587
Net asset position in US dollars	**309,871**	**331,036**
Net asset position in Mexican pesos	**Ps. 3,827**	**Ps. 4,325**

29 - POSITION IN UDIS

As of December 31, 2010 and 2009, the Financial Group holds certain assets and liabilities denominated in UDIS, converted to Mexican pesos based on the current equivalency of Ps. 4.526308 and Ps. 4.340166, per UDI, respectively, as shown below:

	Thousands of UDIS	
	2010	2009
Assets	365,531	207,824
Liabilities	454,251	544,676
Net liability position in UDIS	**(88,720)**	**(336,852)**
Net liability position in Mexican pesos	**Ps. (402)**	**Ps. (1,462)**

30 - EARNINGS PER SHARE

Earnings per share is the result of dividing the net income by the weighted average of the Financial Group's shares in circulation during the year.

Earnings per share for the years ended December 31, 2010, 2009 and 2008 are shown below:

	2010			2009	2008
	Net Income	Weighted share average	Earnings per share	Earnings per share	Earnings per share
Net income per share	Ps. 6,705,043,285	2,018,257,560	Ps. 3.3222	Ps. 2.9021	Ps. 3.4775

31 - RISK MANAGEMENT (unaudited)

Authorized bodies

To ensure adequate risk management of the Financial Group, as of 1997, the Financial Group's Board of Directors created the Risk Policy Committee (CPR), whose purpose is to manage the risks to which the Financial Group is exposed, and ensure that the performance of operations adheres to the established risk management objectives, guidelines, policies and procedures.

Furthermore, the CPR provides oversight on the global risk exposure limits approved by the Board of Directors, and also approves the specific risk limits for exposure to different types of risk.

The CPR is composed of regular members of the Board of Directors, the CEO of the Financial Group, the Managing of Comprehensive Risk Management, the Managing Director of Long Term Savings, and the Managing Director of the Brokerage House, as well as the Managing Director of Internal Audits, who has the right to speak but not to vote.

To adequately carry out its duties, the CPR performs the following functions, among others:

1. Propose for the approval of the Board of Directors:

- The objectives, guidelines and policies for comprehensive risk management
- The global limits for risk exposure
- The mechanisms for implementing corrective measures
- The special cases or circumstances in which the global and specific limits may be exceeded

2. Approve and review at least once a year:

   - The specific limits for discretionary risks, as well as tolerance levels for nondiscretionary risks
   - The methodology and procedures to identify, measure, oversee, limit, control, report and disclose the different kinds of risks to which the Financial Group is exposed
   - The models, parameters and scenarios used to perform the valuation, measurement and control of risks proposed by the Comprehensive Risk Management Unit

3. Approve:

   - The methodologies for identification, valuation, measurement and control of risks of the new operations, products and services which the Financial Group intends to introduce into the market
   - The corrective measures proposed by the Comprehensive Risk Management Unit
   - The manuals for comprehensive risk management

4. Appoint and remove the person responsible for the Comprehensive Risk Management Unit, who is ratified by the Board of Directors.

5. Inform the Board, at least every quarter, of the exposure to risk and its possible negative effects, as well as follow up on limits and tolerance levels.

6. Inform the Board of the corrective measures implemented.

32 - COMPREHENSIVE RISK MANAGEMENT UNIT (UAIR) (unaudited, regarding Banorte, the Financial Group's main subsidiary)

The function of the UAIR is to identify, measure, oversee, limit, control, report and disclose the different kinds of risk to which the Financial Group is exposed, and which is the responsibility of the Office of Risk Management (DGAR).

The DGAR reports to the CPR in compliance with the requirements set forth in the Commission's circular, the "General Risk Management Rules Applicable to Credit Financial Groups", in relation to the independence of the different business areas.

The DGAR focuses Comprehensive Risk Management efforts through six different departments:

- Operating and Credit Risk Management;
- Market Risk Management;
- Credit Management;
- Risk Policy Management;
- Consumer Loan Quality; and
- Risk Management Tools.

The Financial Group currently has methodologies for managing risk in its different phases, such as credit, market, liquidity and operating risk.

The primary objectives of the DGAR are summarized as follows:

- Provide the different business areas with clear rules that facilitate their understanding so as to minimize risks and ensure that they are within the parameters established and approved by the Board of Directors and the Risk Policy Committee.
- Establish mechanisms that provide for follow-up on risk-taking within the Financial Group, ensuring that they are preventive as much as possible, and supported by advanced systems and processes.
- Standardize risk measurement and control.
- Protect the Financial Group's capital against unexpected losses from market movements, credit losses and operating risks.
- Develop valuation methods for the different types of risks.

- Establish procedures for portfolio optimization and loan portfolio management.

The Financial Group has segmented risk assessment and management into the following headings:

Credit Risk: Volatility of revenues due to the creation of provisions for impairment of credits and potential credit losses due to nonpayment by a borrower or counterpart.

Market Risk: Volatility of revenues due to changes in the market, which affect the valuation of the positions from operations involving assets, liabilities or generating contingent liabilities, such as: interest rates, exchange rates, price indexes, etc.

Liquidity Risk: Potential loss derived from the impossibility of renewing debts or contracting others under normal conditions for the Financial Group, due to the anticipated or forced sale of assets at unusual discounts to meet its obligations.

Operating Risk: Loss resulting from lack of adaptation or failure in processes, personnel, internal systems or external events. This definition includes Technological Risk and Legal Risk. Technological Risk groups includes all potential losses from damage, interruption, alteration or failures derived from the use of or dependence on hardware, software, systems, applications, networks and any other information distribution channel, while Legal Risk involves the potential loss from penalties for noncompliance with legal and administrative regulations or the issuance of adverse final court rulings in relation to the operations performed by the Financial Group.

Credit risk

Risk that the customers, issuers or counterparts will not comply with their payment obligations; therefore, adequate risk management is essential to maintain a high quality loan portfolio.

The Financial Group credit risk management objectives are as follows:

- Improve the quality, diversification and composition of the loan portfolio to optimize the risk-return ratio.
- Provide senior management with reliable and timely information to support decision-making in credit matters.
- Provide the business departments with clear and sufficient tools to support credit placement and follow up.
- Support the creation of economic value for shareholders by means of efficient credit risk management.
- Define and constantly update the regulatory framework for credit risk management.
- Comply with the credit risk management reporting requirements established by the relevant authorities.
- Perform risk management in accordance with best practices; implementing models, methodologies, procedures and systems based on the latest international advances.

Individual credit risk

The Financial Group segments the loan portfolio into two large groups: the consumer and corporate portfolios.

Individual credit risk for the consumer portfolio is identified, measured and controlled by means of a parametric system (scoring) which includes models for each of the consumer products: mortgage, automotive, payroll credit, personal and credit card.

Individual risk for the corporate portfolio is identified, measured and controlled by means of the Target Markets, the Risk Acceptance Criteria and the Banorte Internal Risk Rating (CIR Banorte).

The Target Markets and Risk Acceptance Criteria are tools which, together with the Internal Risk Rating CIR, form part of the credit strategy of the Financial Group and support the estimate of the credit risk level.

The Target Markets are activities selected by region and economic activity - supported by economic studies and portfolio behavior analyses - in which the Financial Group has interest to place loans.

The Risk Acceptance Criteria are parameters which describe the risks identified by industries, facilitating an estimate of the risk involved for the Financial Group in granting a credit to a customer depending on the economic activity which it performs. The types of risks evaluated in the Risk Acceptance Criteria are the financial risk,

operating risk, market risk, company lifecycle risk, legal and regulatory risk, credit history and quality of management.

Early Warnings are a set of criteria based on information and indicators of the borrowers and their environment that have been set forth for timely prevention and identification of likely impairment in the loan portfolio, in order to take credit risk mitigating preventive actions in a timely manner.

The CIR Banorte is in line with the "General Regulations Applicable to the Classification Methodology for the Loan Portfolio of Credit Institutions" issued by the Commission on December 2, 2005. The CIR Banorte has been certified by the Commission and by an international external auditor since 2001.

The CIR Banorte is applied to a commercial portfolio equal to or exceeding an amount equivalent in Mexican pesos to four million UDIS at the classification date.

Portfolio credit risk

The Financial Group has designed a portfolio credit risk methodology which, while also including the best and most current international practices with regard to identification, measurement, control and follow up, has been adapted to function within the context of the Mexican financial system.

The credit risk methodology identifies the exposure of all the loan portfolios of the Financial Group, overseeing risk concentration levels based on risk classifications, geographical regions, economic activities, currencies and type of product, for the purpose of ascertaining the portfolio profile and taking actions to diversify it and maximize profit with the lowest possible risk.

The calculation of loan exposure involves the generation of the cash flow from each of the loans, both in terms of principal and interest, for their subsequent discount. This exposure is sensitive to market changes, and facilitates the performance of calculations under different economic scenarios.

Apart from considering loan exposure, the methodology takes into account the probability of default, the recovery level associated with each customer and the sorting of the borrowers based on the Merton model. The probability of default is the probability that a borrower will not comply with its debt obligation to the Financial Group on the terms and conditions originally agreed. The probability of default is based on the transition matrixes which the Financial Group calculates as of the migration of the borrowers to different risk classification levels. The recovery level is the percentage of the total exposure that is expected to be recovered if the borrower defaults on its obligations. The sorting of the borrowers based on the Merton model is intended to tie the future behavior of the borrower to credit and market factors on which, using statistical techniques, the borrower's "credit health" depends.

The primary results obtained are the expected loss and unexpected loss over a one-year time horizon. The expected loss is the median of the distribution of losses of the loan portfolio, which enables a measurement of the average loss expected in the following year due to noncompliance or variations in the credit status of the borrowers. The unexpected loss is an indicator of the loss expected under extreme circumstances, and is measured as the difference between the maximum loss based on the distribution of losses, at a specific confidence level, which in the case of the Financial Group is 95%, and the expected loss.

The results obtained are used as a tool for better decision-making in granting loans and portfolio diversification, in accordance with the global strategy of the Financial Group. The individual risk identification tools and the portfolio credit risk methodology are reviewed and updated periodically to incorporate new techniques that can support or strengthen them.

As of December 31, 2010, the total portfolio of the Financial Group is Ps. 249,495. The expected loss represents 2.2% and the unexpected loss represents 3.7% of the total operating portfolio. The average expected loss was 2.2% for the period between October and December 2010. As of December 31, 2009, the Financial Group's total operating portfolio is Ps. 223,019. The expected loss represents 2.4% and the unexpected loss represents 3.9% of the total operating portfolio. The average expected loss was 2.5% for the period between October and December 2009.

Credit risk of financial instruments

There are specific policies for the origination, analysis, authorization and management of financial instruments to identify, measure, keep track and control credit risk.

The origination policies define the type of financial instruments to operate and how to evaluate the credit quality of different types of issuers and counterparts. Credit quality is assigned by means of a rating obtained by an internal methodology, external rating evaluations or a combination of both. Additionally, there are maximum operating parameters depending on the type of issuer or counterpart, rating and operation type.

Analysis policies include the type of information and variables considered to analyze operations with financial instruments when they're presented for their authorization by the corresponding committee, including information about the issuer or counterpart, financial instrument, operation destination and market information.

The Credit Committee is the body that authorizes operation lines with financial instruments according to the authorization policies. The authorization request is submitted by the business area and the areas involved in the operation with all the relevant information to be analyzed and, if applicable, authorized by the Committee.

The financial instrument operating lines management policy contemplates the procedures for registration, instrumentation, regulation compliance, revision, consumer monitoring, line management and responsibility of the areas and bodies involved in operating financial instruments.

Concentrating loan risk with financial instruments is managed continuously on an individual level, monitoring maximum operation parameters per counter-party or issuer depending on the rating and type of operation. For portfolios there are economic and internal group risk diversification policies in place. Additionally, concentration is monitored by type of counter-party or issuer, size of the financial institutions and where they operate in order to get the right diversification and avoid unwanted concentrations.

Credit risk is measured by means of the rating associated with the issuer, issue or counterpart, which has an assigned degree of risk measured based on two elements:

1) The probability of delinquency by the issuer, issue or counterpart; expressed as a percentage between 0% and 100%. The higher the rating, the lower the probability of delinquency and vice versa.

2) The gravity of the loss with respect to the operation's total in the event of noncompliance, expressed as a percentage between 0% and 100%. The better the guarantees or credit structure, the lower the severity of the loss and vice versa.

In order to mitigate credit risk and reduce the gravity of the loss in case of noncompliance, the Financial Group and counter-parts entered into ISDA contracts settling agreements, which contemplate implementing credit lines and using collateral to mitigate losses due to noncompliance.

As of December 31, 2010, the investment in securities exposure to credit risk is Ps. 200,026, of which 99.2% has a rating greater than or equal to A-(mex) on the local scale. This places them in investment grade and the three main issuers other than the Federal Government, Semi-Private agencies and Domestic Financial Institutions represent 20% of the basic capital as of September 2010. Additionally, the investment exposure with the same issuer other than the Federal Government that represents a concentration greater than or equal to 5% of the net capital as of September 2010 has a rating of at least AA+(mex) and is made up of (term and weighted average interest rate): 6-month Bancomer stock certificates for Ps. 11,580 at 5.0%; 4-month Inbursa stock certificates and bonds for Ps. 9,772 at 4.8%; 5-year 8-month certificates of deposit of Pemex for Ps. 7,347 at 4.7%; and 26-year 5-month State and Municipal Governments securitized loan certificates for Ps. 4,085 at 4.9%.

For derivatives, the exposure is (Ps. 3,045), of which 99.9% is rated at least A-(mex) on the local scale, which places them at an investment grade and the three main counterparts other than the Federal Government, Semi-Private agencies and Domestic Financial Institutions represent 3% of the basic capital as of September 2010.

As of December 31, 2009, the investment in securities exposure to credit risk is Ps. 213,274, of which 99.4% has a rating greater than or equal to A-(mex) on the local scale. This places them in investment grade and the three main issuers other than the Federal Government, Semi-Private agencies and Domestic Financial Institutions represent 23% of the basic capital as of September 2009. Additionally, the investment exposure with the same issuer other than the Federal Government that represents a concentration greater than or equal to 5% of the net capital as of September 2009 has a rating of at least AA+(mex) as is made up of (term and weighted average interest rate): 3-month Bancomer stock certificates for Ps. 14,001 at 4.8%; 5-month Pemex stock certificates and bonds for Ps. 8,445 at 6.2%; 3-month certificates of deposit of the Federal Mortgage Association for Ps. 5,012 at 4.8%; 27-year State and Municipal Governments securitized loan certificates for Ps. 4,321 at 5.3%; 4-month Banobras stock certificates and bonds for Ps. 4,043 at 4.8%; and 11-day Banco Inbursa promissory notes for Ps. 3,004 at 4.6%.

For derivatives, the exposure is (Ps. 2,669), of which 99.9% is rated at least A-(mex) on the local scale, which places them at an investment grade and the three main counterparts other than the Federal Government, Semi-Private agencies and Domestic Financial Institutions represent 5% of the basic capital as of September 2009.

Risk Diversification

In December 2005, the CNBV issued the "General Rules for Risk Diversification in Performing Asset and Liability Transactions Applicable to Credit Institutions".

These regulations require that the Financial Group perform an analysis of the borrowers and/or loans they hold to determine the amount of their "Common Risk". Also, the Financial Group must have the necessary documentation to support that a person or group of persons represents a common risk in accordance with the assumptions established under such rules.

In compliance with the risk diversification rules for asset and liability transactions, the following information is provided below:

Basic capital as of September 30, 2010 **Ps. 37,233**

I. Financing whose individual amount represents more than 10% of basic capital:

Credit transactions	
Number of financings	1
Amount of financings taken as a whole	4,437
% in relation to basic capital	12%
Money market transactions	
Number of financings	2
Amount of financings taken as a whole	8,753
% in relation to basic capital	24%
Overnight transactions	
Number of financings	1
Amount of financings taken as a whole	5,455
% in relation to basic capital	15%

II. Maximum amount of financing with the three largest debtors and common risk groups **Ps. 18,527**

Market risk

Value at risk

The exposure to market risk is determined through the calculation of the Value at Risk ("VaR"). The meaning of the VaR under this method is the potential day loss which could be generated in the valuation of the portfolios at a given date. This methodology is used both for the calculation of market risk and for the establishment and control of internal limits.

The Financial Group applies the nonparametric historical simulation method to calculate the VaR, considering for such purpose a 99% confidence level, using the 500 immediate historical scenarios, multiplying the result by a security factor that fluctuates between 3 and 4 depending on the annual Back Testing results calculated on the previous quarter, considering 10 days to dispose of the risk portfolio in question. These measures ensure that unforeseen volatiles are considered in the main risk factors that affect such portfolios.

Such methodology is applied to all financial instrument portfolios within and beyond the scope of the Financial Group, including money market and treasury transactions, capital, foreign-exchange and derivatives held for trading and hedging purposes, which are exposed to variations in their value due to changes in the risk factors affecting their market valuation (domestic and foreign interest rates, exchange rates and indexes, among others).

The average VaR for the portfolio of financial instruments was Ps. 1,600 for the last quarter 2010.

	4Q09	1Q10	2Q10	3Q10	4Q10
VaR Banorte*	Ps. 2,584	Ps. 3,442	Ps. 2,677	Ps. 2,246	Ps. 1,600
Banorte net capital***	49,679	49,878	50,184	51,187	52,620
VaR / net capital Banorte	5.20%	6.90%	5.33%	4.39%	3.04%

* Quarterly Average
*** Sum of net capital at the close of the quarter

Also, the average of the VaR per risk factor for the Financial Group's portfolio of securities behaved as follows during the fourth quarter of 2010:

Risk factor	VaR
Domestic interest rate	Ps. 1,582
Foreign interest rate	300
Exchange rate	141
Total VaR	Ps. 1,600

The VaR for each of the risk factors presented is determined by simulating 500 historical scenarios of the variables comprising each of such factors, maintaining constant the variables that affect the other risk factors shown. By the same token, the consolidated VaR for the Financial Group considers the correlations of all the risk factors influencing the valuation of the portfolios, for which reason the arithmetical sum of the VaR Factor does not match.

Operations with derivative products

The one-day individual VaR that the Financial Group has for each type of trading and hedging derivatives for the fourth quarter of 2010 is:

Trading derivatives	4Q09	4Q10
Futures		
MEXDER rate futures	Ps. —	Ps. 13
Exchange rate derivatives		
Forwards	15	—
Options	—	1
Interest rate options		
TIIE	4	3
Libor	—	1
Swap options		
Libor	—	2
TIIE	2	5
Rate swaps (IRS) and exchange rate		
TIIE swaps	12	11
LIBOR swaps	2	2
Cross currency exchange rate swaps	207	12
Total trading derivatives	**Ps. 242**	**Ps. 50**

Hedging derivatives	4Q09		4Q10	
Swaps				
Cross currency exchange rate swaps for portfolio hedging in USD	Ps.	8	Ps.	2
Cross currency exchange rate swaps for hedging obligations in USD		145		86
Cross currency exchange rate swaps for hedging bonds in USD		304		220
TIIE swaps for hedging obligations in Mexican pesos		63		30
TIIE swaps for hedging promissory note in Mexican pesos		265		181
Rate operations for hedging portfolio at a fixed rate		59		14
Total hedging derivatives	**Ps.**	**844**	**Ps.**	**533**

To calculate the VaR for each of the derivatives listed, the non-parametric historic simulation method is applied to a 99% level of confidence and a one-day horizon. For instance, the Value at Risk for TIIE Swaps is Ps. 11. This means that under normal condition, 99 days out of every 100 the maximum potential loss is Ps. 11 in one day.

The trading and hedging derivatives totals are the arithmetic sum of the VaR of each without considering any correlation among them.

Investments in securities

The one-day individual VaR that the Financial Group has for each type of securities for the fourth quarter of 2010 was:

Trading Securities	4Q09		4Q10	
Variable rate government bonds	Ps.	7	Ps.	11
Fixed rate government bonds		2		2
Bank bonds		3		—
Securitization certificates		37		20
CEDES		—		2
Capital		13		—
US treasury bonds		3		1
PEMEX eurobonds		28		29
UMS		12		6
Bank eurobonds		107		37
Private company eurobonds		11		8
Total	**Ps.**	**223**	**Ps.**	**116**

Securities at maturity	4Q09		4Q10	
Variable rate government bonds	Ps.	92	Ps.	52
Fixed rate government bonds		4		1
Securitization certificates		42		41
CEDES		4		—
Bank bonds		—		1
PEMEX eurobonds		157		90
UMS		89		64
Zero coupon bank bonds		11		8
Private company eurobonds		4		—
Total	**Ps.**	**403**	**Ps.**	**257**

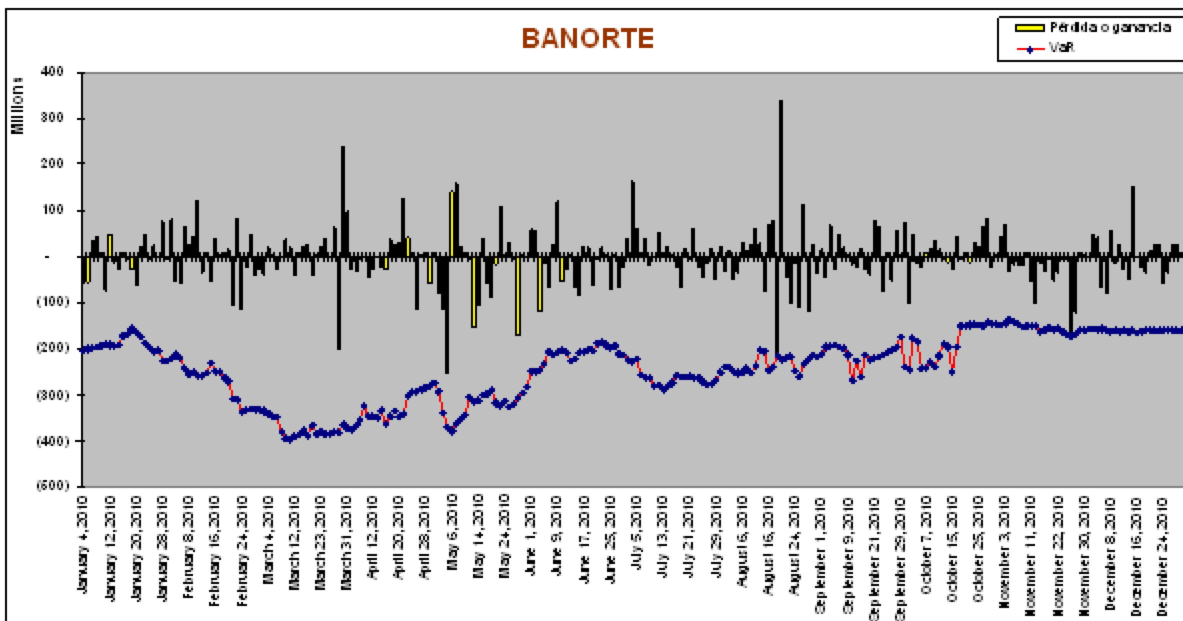
To calculate the VaR for each of the types of securities listed, the non-parametric historic simulation method is applied to a 99% level of confidence and a one-day horizon. For instance, the Value at Risk for trading UMS is Ps. 64. This means that under normal condition, 99 days out of every 100 the maximum potential loss is Ps. 64 in one day.

The trading and hedging derivatives totals are the arithmetic sum of the VaR of each without considering any correlation among them.

Backtesting analysis

To validate the effectiveness of the measurements of the calculation of the daily VaR as a measurement of market risk, the Backtesting analysis is updated each week. This analysis makes it possible to compare the estimated results through the VaR with the actual results generated.

The Backtesting results for the Financial Group during 2010 are as follows:



During 2010 there was only one excess event on November 25th.

Sensitivity analysis and tests under extreme conditions

To improve analysis and obtain the impact of any movements in risk factors, sensitivity analyses and tests under extreme conditions are performed periodically. These analyses foresee potential situations in which the Financial Group might suffer extraordinary losses from the valuation of the financial instruments in which it holds positions.

Sensitivity for derivatives transactions

Sensitivity analysis on derivative transactions is carried out as follows:

- Estimate gain or loss of the securities valuation in the event of:

- A parallel change of +100 basis points of domestic interest rates
- A parallel change of +100 basis points of foreign interest rates
- A 5% devaluation in the MXP/USD and MXP/EUR exchange rate.

The results may be gains or losses depending on the nature of the derivative.

Trading derivatives	+100 bp domestic rates	+100 bp foreign rates	+5% Exchange rate
Futures			
MEXDER rate futures	Ps. (118)	Ps. —	Ps. —
Exchange rate derivatives			
Options	—	—	(2)
Forwards	—	—	(1)
Interest rate options			
TIIE	(10)	—	—
Libor	—	12	—
Swap options			
Libor		(38)	(1)
TIIE	(33)	—	—
Interest rate swaps (IRS) and exchange rate			
TIIE Swaps	(2)	—	—
LIBOR Swaps	—	28	(1)
Cross currency exchange rate Swaps	(47)	—	—
Total trading derivatives	**Ps. (210)**	**Ps. 2**	**Ps. (5)**

Hedging derivatives	+100 bp domestic rates	+100 BP foreign rates	+5% Exchange rate
Rate swaps and exchange rate			
Cross exchange rate Swaps for hedging obligations in USD	Ps. 25	Ps. (30)	Ps. 196
Cross exchange rate Swaps for hedging bonds in USD	(239)	400	(466)
TIIE Swaps for hedging obligations in Mexican pesos	168	—	—
TIIE Swaps for hedging promissory note in Mexican pesos	617	—	—
TIIE caps for fixed rate loan hedging	28	—	—
Total hedging derivatives	**Ps. 599**	**Ps. 370**	**Ps. (270)**

In the event of any of above scenarios, the losses or gains of the trading securities will directly impact the Financial Group's statements of income and capital hedging derivatives.

Based on the above analysis, it can be concluded that the trading derivatives portfolio is exposed mainly to increases in domestic interest rates and exchange rate devaluations. However, the hedging derivatives portfolio is exposed to foreign interest rate increases without considering the gain of the hedged liability.

Sensitivity for operations with securities

Sensitivity analysis on derivative transactions is carried out as follows:

- Estimate gain or loss of the securities valuation in the event of:

- A parallel change of +100 basis points of domestic interest rates
- A parallel change of +100 basis points of foreign interest rates
- A 5% devaluation in the MXP/USD and MXP/EUR exchange rate.
- A change of +5 basis points in government bonds surcharges
- A change of +50 basis points in sovereign risk
- A change of +10% in the IPC (Consumer Price Index)

The results may be gains or losses depending on the nature of the instrument.

Trading Securities	+100 bp domestic rates	+100 bp foreign rates	+5% exchange rate	+5 bp rate spreads	+50 bp sovereign risk
Variable rate government bonds	Ps. (52)	Ps. —	Ps. —	Ps. (39)	Ps. —
Fixed rate government bonds	(14)	—	—	—	—
Securitization certificates	(4)	—	—	—	—
CEDES	(2)	—	—	—	—
US treasury bonds	—	(2)	1	—	—
PEMEX eurobonds	—	(51)	64	—	(22)
UMS	—	(4)	16	—	(2)
Bank eurobonds	—	(71)	90	—	—
Private company eurobonds	—	—	9	—	—
Total	**Ps. (72)**	**Ps. (128)**	**Ps. 180**	**Ps. (39)**	**Ps. (24)**

Securities held to maturity	+100 bp domestic rates	+100 bp foreign rates	+5% exchange rate	+5 bp rate spreads	+50 bp sovereign risk
Variable rate government bonds	Ps. (275)	Ps. —	Ps. —	Ps. (173)	Ps. —
Fixed rate government bonds	(6)	—	—	—	—
Securitization certificates	(25)	—	—	—	—
Bank bonds	(4)	—	—	—	—
PEMEX eurobonds	—	(183)	280	—	(93)
UMS	—	(116)	154	—	(59)
Zero coupon bank bonds	(2)	(49)	—	—	—
Private company eurobonds	—	—	—	—	—
Total	**Ps. (312)**	**Ps. (348)**	**Ps. 434**	**Ps. (173)**	**Ps. (152)**

In the event of any of above scenarios, the losses or gains of the operations with trading securities and securities held to maturity will directly impact the Financial Group's results.

In conclusion, trading securities and securities held to maturity are exposed to domestic interest rate increases, foreign rate increases, interest rate spreads and deterioration of the sovereign risk.

Liquidity and balance sheet risk

In order to provide a measurement of liquidity risk in the Financial Group and provide follow-up consistently, the Financial Group relies on the use of financial ratios, which include the Liquidity Ratio (Current Assets/Liquid Liabilities). Liquid assets include cash and cash equivalents, trading securities and available for sale securities. By the same token, liquid liabilities include immediate demand deposits, immediate demand interbank loans and short-term loans. The liquidity ratio at the end of the fourth quarter of 2010 is 82.7%, while the average during the quarter is 93.1%, as shown below:

	End of quarter				
	4Q09	1Q10	2Q10	3Q10	4Q10
Liquid assets	Ps. 91,931	Ps. 109,668	Ps. 141,019	Ps. 127,518	Ps. 132,713
Liquid liabilities	143,834	132,465	140,406	140,506	160,432
Liquidity ratio	63.9%	82.8%	100.4%	90.8%	82.7%

	Average				
	4Q09	1Q10	2Q10	3Q10	4Q10
Liquid assets	Ps. 92,729	Ps. 96,900	Ps. 123,044	Ps. 129,638	Ps. 125,871
Liquid liabilities	130,575	124,820	122,584	126,698	135,251
Liquidity ratio	71.0%	77.6%	100.4%	102.3%	93.1%

Average calculation considering the Liquidity Ratio's weekly estimates.

To quantify and follow up on the liquidity risk for its dollar portfolio, the Financial Group uses the criteria established by Banco de México for the determination of the Liquidity Ratio. It facilitates an evaluation of the differences between the flows of assets and liabilities in different time periods. The above promotes a healthier distribution of terms for these assets.

Also, to prevent concentration risks in relation to payment terms and dates for the Financial Group, gap analysis is performed to match the resources with the funding sources, which detects any concentration in a timely fashion. These analyses are performed separately by currency (Mexican pesos, foreign currency and UDIS).

Furthermore, balance sheet simulation analyses are prepared for the Financial Group, which provides either a systematic or dynamic evaluation of the future behavior of the balance sheet. The base scenario is used to prepare sensitivity analyses for movements in domestic, foreign and real interest rates. Also, tests are performed under extreme conditions to evaluate the result of extreme changes in interest, funding and exchange rates.

As an evaluation measure of the effectiveness of the simulation model, the projections are periodically compared with actual data. Using these tests, the assumptions and methodology used can be evaluated and, if necessary, adjusted.

The operation with derivatives allows a leveling of the differentials between assets and liabilities in different maturity gaps, minimizing the Liquidity Risk. Considering only the contractual obligations of the different types of hedging and trading swaps that the Financial Group operates, a maturity analysis is found below:

	Net position		
Gap	**Asset position**	**Liability position**	**Net**
1 month	Ps. —	Ps. (2)	Ps. (2)
3 months	—	—	—
6 months	1	—	1
1 year	1	(546)	(545)
2 years	2	(5)	(3)
3 years	—	(12)	(12)
4 years	1	(35)	(34)
5 years	1	(43)	(42)
7 years	460	(75)	385
10 years	86	(922)	(836)
15 years	12	—	12
20 years	429	(401)	28
> 20 years	657	(8)	649
Total	**Ps. 1,650**	**Ps. (2,049)**	**Ps. (399)**

Operational risk

In January 2003, the Financial Group established a formal operational risk department denominated "Operational Risk Management Department" as part of its Risk Management Strategy.

The Financial Group defines operational risk as the potential loss due to failures or deficiencies in internal controls because of operation processing and storing or in data transfer, and adverse administrative and judicial rulings, frauds or theft (this definition includes technology and legal risk).

Operational Risk Management's objectives are: a) to enable and support the organization to reach its institutional objectives through operational risk prevention and management; b) to ensure that the existing operational risks and the required controls are duly identified, evaluated and aligned with the organization's risk strategy; and c) to ensure that operational risks are duly quantified in order to assign the proper capital for operational risk.

Operational risk management's cornerstones

I. Policies, objectives and guidelines

The Financial Group has documented the operational risk policies, objectives, guidelines, methodologies and responsible areas.

The Operational Risk Department works closely with the Controllership Department to promote effective Internal Control that defines the proper procedures and controls the mitigation of Operational Risk. The Internal Audit Department follows up on compliance.

Regulations Control, as part of the Internal Control System, performs the following risk-mitigating activities: a) internal control validation; b) institutional regulations management and control; c) monitoring of operating process internal control by means of control indicator reports submitted by the process controllers in the various areas; d) money-laundering prevention process management; e) regulatory provisions controls and follow-up; and f) analysis and assessment of operating processes and projects with the participation of the directors in each process in order to insure proper internal control.

Quantitative and qualitative measuring tools

Operating Losses Database

To record operating loss events, a system has been developed internally known as the "Operating Loss and Events Capture System" (SCERO). This system enables the central information supplier areas to directly record such events online, which are classified by type of event in accordance with the following categories (in line with the Basle II Agreement proposals):

Types of events	Description
Internal fraud	Losses derived from actions intended to defraud, illegally seize ownership or evade the regulations, law or policies of the Institution (excluding diversity/discrimination events) involving at least one internal party.
External fraud	Losses derived from actions taken by third parties intended to defraud, illegally seize ownership or evade the law.
Labor relations and job safety	Losses derived from actions inconsistent with laws or employment, health or safety agreements, or which result in the payment of claims for damages to personnel or diversity/discrimination claims.
Customers, products and business practices	Losses derived from negligence or unintentional breaches which prevent compliance with professional obligations with customers (including trust and adaptation requirements or due to the nature or design of a product.
Natural disasters and other events	Losses due to damage or harm to physical assets due to natural disasters or other events.
Business incidences and system failures	Losses derived from incidences in the business and system failures.
Process execution, delivery and management	Losses derived from errors in transaction processing or in process management, as well as relations with counterparties and suppliers.

This historical database provides the statistics of the operating events experienced by the Financial Group in order to be able to determine the respective trends, frequency, impact and distribution. Furthermore, the database will serve to calculate capital requirements for advanced models in the future.

Legal and tax contingencies database

For the recording and follow-up of legal, administrative and tax issues that may arise from adverse unappealable ruling, an internal system called "Legal Risk Issues Monitoring System" (SMARL) was developed. This system enables the central data supplying areas to record such events directly and on-line, which are then classified by company, sector and legal issue, among others.

As part of the Financial Group's Legal Risk management initiative, legal and tax contingencies are estimated by the attorneys that process the issues based on an internal methodology. This makes it possible to create the necessary book reserve to face such estimated contingencies.

Risk management model

The Financial Group and its subsidiaries had defined objectives, which are achieved through different plans, programs and projects. Compliance with such objectives may be adversely affected due to operating risks, for which reason a methodology must be in place to manage them within the organization. Consequently, operational risk management is now an institutional policy defined and supported by senior management.

To perform operational risk management, each of the operating risks involved in the processes must be identified in order to analyze them. In this regard, the risks identified by Regulations Control are recorded in a risk matrix and processed to eliminate or mitigate them (trying to reduce their severity or frequency) and to define the tolerance levels, as applicable. A new Operating Risk Management Model and the technology tool for its implementation are currently been developed.

II. Calculating capital requirement

Pursuant to the Operational Risk Capitalization Rules, the Financial Group has adopted a Basic Model, which is calculated and reported periodically to the authorities. Assets subject to operational risk are found in the corresponding note of the Rules.

III. Information and reporting

The information generated by the databases and the Management Model is processed regularly in order to report the main operating events detected, trends, identified risks (risk matrix) and the mitigating strategies to the Risk Policy Committee and the Board of Directors. The status of the principal initiatives for operating risk mitigation implemented by the different areas of the organization is also reported.

Technology risk

It is defined as the potential loss due to damage, interruption, alteration or failures in the use of or dependence on hardware, software, IT systems, applications, networks and any other data distribution channel for rendering services to customers. Technology risk forms an inherent part of operating risk, for which reason its management is performed throughout the entire organization.

To address operating risk associated with data integrity, the "Integrity Committee" was created. Its objectives include aligning data security and control efforts to a prevention approach, defining new strategies, policies, processes or procedures and solving data security issues that affect or may affect the Financial Group's assets.

The Financial Group performs the functions for technology risk management set forth by the Commission under the guidelines established by the institutional regulations and the Integrity Committee.

To address the operating risk caused by high impact external events, the Financial Group has a Business Continuity Plan (BCP) and Business Recovery Plan (BRP) based on a same-time data replication system at an alternate computer site. This guarantees the back-up and recovery of critical applications in the event of an operating contingency.

Legal risk

Legal risk is defined as the potential loss due to noncompliance with applicable legal and administrative provisions, adverse administrative and judicial rulings, and imposed penalties.

The legal risk must be measured as an inherent part of operating risk in order to understand and estimate its impact. Therefore, those legal issues which result in actual operating losses in the SMARL system are recorded in the SCERO in accordance with a predetermined classification.

Based on the statistics of the current legal issues and real loss events, the Financial Group can identify specific legal or operating risks, which are analyzed in order to eliminate or mitigate them in an attempt to reduce or limit their future occurrence or impact.

33 - MEMORANDUM ACCOUNTS

	2010		2009	
Banks customers (current accounts)	Ps.	9	Ps.	4
Settlement of customer transactions		1		(80)
Customer valuables received in custody		172,922		134,480
Customer repurchase agreements		28,647		35,680
Managed trusts		4,348		4,641
	Ps.	**205,927**	**Ps.**	**174,725**
Other contingent assets and liabilities	Ps.	256	Ps.	273
Credit commitments		3,155		2,272
Deposits of assets		2,429		1,632
Assets in trusts or under mandate		124,723		112,942
Managed assets in custody		230,140		158,547
Investment banking transactions on account of third parties (net)		78,069		74,646
Collateral received by the institution		62,224		33,464
Collateral received and sold or given as a pledge by the entity		36,195		43,165
Past-due loan portfolio accrued but not charged interest		136		198
	Ps.	**537,327**	**Ps.**	**427,139**

34 - COMMITMENTS

As of December 31, 2010 and 2009, the Financial Group had the following contingent obligations and commitments:

- Other contingent obligations and opening of credits totaling Ps. 3,411 (Ps. 2,545 in 2009), which are recorded in memorandum accounts.

- Certain real property and operating equipment are leased. Total property lease payments for the periods ended December 31, 2010 and 2009, were Ps. 207 and Ps. 197, respectively.

35 - CONTINGENCIES

As of December 31, 2010, there are lawsuits filed against the Financial Group in civil and business court cases; however, the Financial Group's attorneys consider that the claims filed are unsubstantiated and, in the event of an adverse ruling, they would not significantly impact the Financial Group's consolidated financial position. A reserve of Ps. 118 is recorded for such contentious matters.

36 - SAVINGS PREVENTIVE AND PROTECTION MECHANISM

The objective of the Institute for the Protection of Bank Savings (IPAB) is to protect the deposits of small customers and thereby contribute to maintaining the financial system's stability and the proper functioning of the payments systems.

According to the Law of Bank Savings Protection (LPAB), the IPAB manages a bank savings protection system that guarantees the payment of bank deposits or loans or credits to Full Service Banking Institution up to an amount equivalent to 400 thousand UDIS per individual or business entity, regardless of the number or type of such obligations in the customer's favor and charged to a single bank.

On July 30, 2007, general rules were issued for addressing joint accounts or those in which there is more than one account holder, referred to in art.14 of the LPAB, as well as the rules banks must observe for classifying information relative to transactions associated with guaranteed obligations.

The IPAB plays a major role in the implementation of the LPAB resolutions methods and the Law of Credit Institutions (LIC) as timely and adequate mechanisms for salvaging and liquidating Full Service Banking Institutions in financial trouble that may affect their solvency. The purpose is to provide maximum protection to the public while minimizing the negative impact that salvaging an institution may have on others in the banking system.

During 2010 and 2009, the amount of contributions to the IPAB payable by Banorte for fees amounted to Ps. 1,084 and Ps. 1,073, respectively.

37 — NEW ACCOUNTING PRINCIPLES

Modification of the consumer and mortgage loan rating methodology.

On October 25, 2010 the Commission issued a resolution to the General Provisions for Banking Institutions modifying the applicable non-revolving consumer and housing mortgage loan rating so that the allowance for loan losses will be calculated on the basis of expected rather than incurred loss. This modification will become effective on March 1, 2011. The Financial Group considers that the initial impact from entry into force of this amendment is approximately Ps. 600 increase in the reserve requirement. This will be recognized in stockholders' equity no later than March 31, 2011, in the prior year's results.

38 — DIFFERENCES BETWEEN MEXICAN BANKING GAAP AND MEXICAN FINANCIAL REPORTING STANDARDS

The Financial Group's consolidated financial statements are prepared in accordance with the Accounting Practices established by the Commission ("Mexican Banking GAAP"), which differ in certain respects from Mexican Financial Reporting Standards ("MFRS").

The principal differences and the effect on consolidated net income and consolidated stockholders' equity are presented below with an explanation of the adjustments. This information is not required by Mexican Banking GAAP.

Reconciliation of stockholders' equity:

	December 31, 2010	December 31, 2009
Stockholders' equity under Mexican Banking GAAP	Ps. 50,227	Ps. 44,974
Adjustments:		
Loan loss reserves (See B)	—	(198)
Loan origination fees and costs (See A)	277	275
Reserve for foreclosed assets (See C)	143	45
Insurance and postretirement activities (See A)	2,231	1,857
Purchased loan portfolio (See A)	86	(163)
Securitizations (See D)	(222)	(179)
Investment valuation (See A)	—	7
Total adjustments	2,515	1,644
Tax effect on adjustments (See F)	(783)	(439)
Noncontrolling interest attributable to adjustments (See G)	(777)	(645)
Stockholders' equity under MFRS	Ps. 51,182	Ps. 45,534

Reconciliation of net income:

	Year ended December 31,	
	2010	2009
Net income under Mexican Banking GAAP	Ps. 6,705	Ps. 5,854
Adjustments:		
Loan loss reserves (See B)	198	(101)
Loan origination fees and costs (See A)	2	126
Reserve for foreclosed assets (See C)	99	90
Insurance and postretirement activities (See A)	374	119
Derivatives (See A)	—	75
Purchased loan portfolio (See A)	249	220
Securitizations (See D)	(43)	152
Repurchase agreements (See A)	—	24
Investment valuation (See A)	(7)	19
Change in credit card loan rating methodology (E)	—	(1,102)
Total adjustments	872	(378)
Tax effect on adjustments (See F)	(311)	157
Noncontrolling interest attributable to adjustments (See G)	(150)	(31)
Net income under MFRS	Ps. 7,116	Ps. 5,602

Explanation of reconciling items:

A) General

This difference between Mexican Banking GAAP and MFRS is explained further in Note 39, as the accounting treatment under MFRS and U.S. GAAP are the same for this item.

B) Loan loss reserves

Mexican Banking GAAP establishes rules for loan portfolio ratings and general methodologies for the rating and constitution of preventive allowances for loan losses for each type of loan and allows credit institutions to rate and develop preventive allowances based on internal methodologies, previously authorized by the Commission.

According to Circular B-6, “Loan Portfolio”, additional reserves may be recorded to cover risks that are not foreseen by the existing loan portfolio rating methodologies. Before doing so, the Financial Group must report the following to the Commission: a) the origin of the estimates; b) the methodology applied; c) the amount of the estimates; and d) the period over which they are considered to be necessary. Prior to 2007, specific provisions were calculated when it was determined to be probable that the Financial Group would not recover the full contractual principal and interest on a loan (impaired loan).

Under Mexican Banking GAAP debtor support program allowances were canceled during the first quarter of 2007 as they did not meet the requirements mentioned above and additional allowances related to UDI Trusts are recorded in accordance with accounting circulars prescribed by the Commission. Under MFRS, additional reserves are not recorded and reserves for debtor support programs must be established and additional allowances related to UDI Trusts allowances must be reversed.

As disclosed in Note 10, on June 30, 2010 the Federal Government through the SHCP and Banking Institutions signed an agreement for the early termination of the mortgage loan debtors support programs (punto final and UDI trusts) As a result of signing the agreement, the Financial Group reduced its reserve to Ps. 57 related to such obligation. Under MFRS additional reserves for debtor programs were cancelled.

C) Reserve for foreclosed assets

Under Mexican Banking GAAP, reserves for foreclosed assets are required based on their nature and number of months outstanding. Under MFRS, these assets are recognized at the lower of the corresponding loan's book value or the fair value of the foreclosed asset. Potential impairment should also be evaluated and recognized, as necessary, on these assets.

D) Securitizations

Under Mexican Banking GAAP, the Financial Group accounts for its securitization transactions as disclosed in Note 4. If it has transferred a financial asset, MFRS requires the Financial Group to assess whether it has transferred substantially all the risks and rewards of ownership of the transferred asset. If it has retained substantially all such risks and rewards, it continues to recognize the transferred asset. If it has transferred substantially all such risks and rewards, it derecognizes the transferred asset. If the Financial Group concludes that it has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred asset, it assesses whether it has retained control over the transferred asset. If it has retained control, it continues to recognize the transferred asset to the extent of its continuing involvement in the transferred asset. If it has not retained control, it derecognizes the transferred asset.

Under MRFS, the securitization transactions entered into by the Financial Group, were evaluated under the "transfer of risks and rewards" approach, concluding that all of such risks and rewards were not transferred, thus, the adjustment represents the reinstatement of the assets and liabilities to the Financial Group's balance sheet.

E) Change in credit card loan rating methodology

As disclosed in Note 11, in 2009, the cumulative effect of the change in consumer loan rating methodology for credit card operations was charged against retained earnings with the Commission's expressed authorization. MFRS requires such changes to be recorded in current earnings.

F) Income taxes

MFRS differences as described above, to the extent taxable, are reflected in the MFRS deferred tax balances.

G) Non-controlling interest

The effects of the MFRS differences as described in this Note reflect the amounts assigned to the noncontrolling interests.

39 — DIFFERENCES BETWEEN MEXICAN BANKING GAAP AND U.S. GAAP

The Financial Group's consolidated financial statements are prepared in accordance with Mexican Banking GAAP, which differ in certain significant respects from accounting principles generally accepted in the United States of America ("U.S. GAAP"). Through December 31, 2007, the Mexican Banking GAAP consolidated financial statements include the effects of inflation as provided for under NIF B-10, "Effects of Inflation", whereas financial statements prepared under U.S. GAAP are presented on a historical cost basis. The application of NIF B-10 represented a comprehensive measure of the effects of price level changes in the inflationary Mexican economy and, as such, was considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. accounting purposes. Beginning on January 1, 2008, and through December 31, 2010, in accordance with NIF B-10, "Effects of Inflation", the Financial Group discontinued the recognition of inflation in its financial statements under Mexican Banking GAAP as the cumulative inflation for the preceding three years was less than 26%. Notwithstanding the prior comments, the following reconciliation to U.S. GAAP through December 31, 2007 does not include the reversal of the adjustments required under NIF B-10, as permitted by the rules and regulations of the Securities and Exchange Commission (the "SEC").

The principal differences as they relate to the Financial Group between Mexican Banking GAAP and U.S. GAAP and the effect on consolidated stockholders' equity and consolidated net income are presented below, with an explanation of the adjustments.

Reconciliation of stockholders' equity:

	December 31,	
	2010	2009
Stockholders' equity under Mexican Banking GAAP	Ps. 50,227	Ps. 44,974
U.S. GAAP adjustments:		
Loan loss reserves (See A)	2,868	3,034
Loan origination fees and costs (See B)	277	275
Purchased loan portfolio (See C)	86	(163)
Reserve for foreclosed assets (See E)	143	45
Insurance and postretirement activities (See F)	2,231	1,857
Business combinations (See G)	81	969
Employee retirement obligations (See H)	(1,062)	(1,029)
Securitizations (See J)	(26)	(22)
Other adjustments (See K)	423	322
Fair value measurements (See L)	(51)	(63)
IFC transaction (See M)	(4,244)	(3,651)
Income taxes (See N)	(1,602)	(1,617)
Total U.S. GAAP adjustments	(876)	(43)
Tax effect on U.S. GAAP adjustments (See N)	(1,751)	(1,794)
Noncontrolling interest attributable to U.S. GAAP adjustments (See O)	(762)	(689)
Stockholders' equity under U.S. GAAP	Ps. 46,838	Ps. 42,448

Reconciliation of net income:

	Years ended December 31,		
	2010	2009	2008
Net income under Mexican Banking GAAP	Ps. 6,705	Ps. 5,854	Ps. 7,014
U.S. GAAP adjustments:			
Loan loss reserves (See A)	(166)	1,668	225
Loan origination fees and costs (See B)	2	126	4
Purchased loan portfolio (See C)	249	220	278
Derivatives (See D)	—	75	(93)
Reserve for foreclosed assets (See E)	99	90	(210)
Insurance and postretirement activities (See F)	374	119	286
Business combinations (See G)	1	29	(318)
Employee retirement obligations (See H)	88	129	55
Capitalized costs (See I)	—	—	68
Securitizations (See J)	(4)	114	(134)
Other adjustments (See K)	(129)	(413)	(814)
Fair value measurements (See L)	12	74	(137)
Income taxes (See N)	15	(3)	11
Total U.S. GAAP adjustments	541	2,228	(779)
Tax effect on U.S. GAAP adjustments (See N)	(167)	(825)	362
Noncontrolling interest attributable to U.S. GAAP adjustments (See O)	(130)	(183)	(121)
Net income under U.S. GAAP	Ps. 6,949	Ps. 7,074	Ps. 6,476

A rollforward of the Financial Group's U.S. GAAP stockholders' equity balance is as follows:

	2010	2009
Balance at the beginning of the year	Ps. 42,448	Ps. 38,789
Net income under U.S. GAAP	6,949	7,074
Dividends declared	(1,029)	(364)
Issuance (repurchase) of shares	69	(451)
Acquisition of the 30% non-controlling interest of INB	—	(811)
Other comprehensive loss	(1,599)	(1,789)
Balance at the end of the year	Ps. 46,838	Ps. 42,448

I Explanation of reconciling items:

A) Loan loss reserves

Mexican Banking GAAP establishes rules for loan portfolio ratings and general methodologies for the rating and constitution of preventive allowances for loan losses for each type of loan and allows credit institutions to rate and develop preventive allowances based on internal methodologies, previously authorized by the Commission.

The Financial Group assigns an individual risk category to each commercial loan based on the borrower's financial and operating risk level, its credit experience and the nature and value of the loans' collateral. A loan loss reserve is determined for each loan based on a prescribed range of reserves associated to each risk category. In the case of the consumer and mortgage loan portfolio, the risk rating procedure and the establishment of loan reserves considers the accounting periods reporting past-due, the probability of noncompliance, and the severity of the loss in proportion to its amount and the nature of loan guarantees.

The U.S. GAAP methodology for recognition of loan losses is provided by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 450, "Contingencies", (previously SFAS No. 5, "Accounting for Contingencies"), and ASC 310 "Receivables" (previously SFAS No. 114, "Accounting by Creditors for Impairment of a Loan"), which establish that 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, the Financial Group assesses for impairment all individual loans with an outstanding balance greater than 4 million UDI or its equivalent in Mexican Pesos. Under U.S. GAAP, estimated losses on impaired loans, which are individually assessed, are required to be measured at the present value of expected future cash flows discounted at the loan's effective rate, the loan's observable market price or at the fair value of the collateral if the loan is collateral dependent.

To calculate the allowance required for smaller-balance impaired loans and unimpaired loans, historical loss ratios are determined by analyzing historical trends. These ratios are determined by loan type to obtain loss estimates for homogeneous groups of clients. Such historical ratios are updated to incorporate the most recent data reflective of current economic conditions, in conjunction with industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information, resulting in the estimation of the allowance 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. On the other hand for U.S. GAAP, loans (or portions of particular loans) should be written-off in the period that they are deemed uncollectible.

On August 12, 2009, the Commission issued a resolution modifying the "General Provisions applicable to Banking Institutions", which modifies the consumer loan rating methodology to show the expected loss in these operations based on the current environment.

This new methodology requires separating the consumer loan portfolio into two groups: those that refer to credit card operations and those that do not. The consumer loan portfolio that does not include credit card operations will consider the number of unpaid billing periods established by the Financial Group as well as the probability of noncompliance and the severity of the loss according as percentages established by the Commission. If this portfolio has collateral or means of payment in favor of the Financial Group, the covered balance will be considered to have zero unpaid periods for the provisioning purposes.

Regarding credit card loans, such portfolio shall be provisioned and rated on a loan-by-loan basis taking into consideration the probability of noncompliance, the severity of the loss and the exposure to noncompliance. The probability of noncompliance is determined using a formula which considers the number of delinquent payments before the calculation date, the number of payments not made in the previous six months, the percentage represented by the payment made with regards to the total payable balance, and the percentage represented by the payment made in relation to the account's authorized credit limit. The percentage to be utilized to determine the amount of loss reserves for each credit, results from multiplying the severity of the loss by the probability of noncompliance. The amount of the reserves to record results from multiplying the percentage referred to, by the exposure to noncompliance. Exposure to noncompliance is determined by applying a formula that considers both the total balance of the creditor's debt and its credit limit. In the case of inactive accounts, a provision equivalent to 2.68% of the credit limit shall be constituted. The resulting effect of applying the revised consumer loan rating method for credit card operations is shown in Note 11. Given that the methodology remained unchanged for purposes of U.S. GAAP, the adjustment related to the loan loss reserve for credit cards increased when compared to 2008.

U.S. GAAP loan loss reserves are as follows:

Loan loss reserves	2010	2009	2008
Loan loss reserves for ASC 310	Ps. 1,986	Ps. 388	Ps. 523
Loan loss reserves for ASC 450	3,391	4,113	4,728
Total loan loss reserves US GAAP	5,377	4,501	5,251
Mexican Banking GAAP loan loss reserves	8,245	7,535	6,617
Stockholders' equity adjustment	2,868	3,034	1,366
Net Income adjustment	Ps. (166)	Ps. 1,668	Ps. 225

Roll forward of loan loss reserves:

	2010	2009	2008
Beginning of the year	Ps. 4,501	Ps. 5,251	Ps. 2,572
Charge-offs net of recoveries	(6,329)	(7,560)	(4,002)
Charges to income of the year	7,205	6,810	6,681
End of the year	Ps. 5,377	Ps. 4,501	Ps. 5,251

Ratios:

Loan loss reserves for ASC 310	December 31, 2010	December 31, 2009	December 31, 2008	Percentage 2010	Percentage 2009	Percentage 2008
Total reserves	Ps. 1,986	Ps. 388	Ps. 523			
Total balances of impaired loans	Ps. 977	Ps. 387	Ps. 153	203.23%	100.26%	341.83%
Total balances of outstanding loans	Ps. 4,731	Ps. 7,596	Ps. 1,256	41.98%	5.11%	41.64%

Loan loss reserves for ASC 450	December 31, 2010	December 31, 2009	December 31, 2008	Percentage 2010	Percentage 2009	Percentage 2008
Total reserves	Ps. 3,391	Ps. 4,113	Ps. 4,728			
Total balances of impaired loans	Ps. 3,653	Ps. 4,717	Ps. 4,548	92.82%	87.22%	103.96%
Total balances of outstanding loans (1)	Ps. 265,483	Ps. 237,512	Ps. 243,990	1.28%	1.73%	1.94%

(1) The Financial Group has also recorded loan loss reserves in accordance with ASC 450 related to items such as guarantees and other off-balance sheet liabilities. Such balances, which are not included in the total balance of outstanding loans, amounted to Ps. 3,155, Ps. 2,272 and Ps. 2,793 as of December 31, 2010, 2009 and 2008, respectively.

Government Sponsored Programs

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 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 refinancing or deferring the loss and amortizing this loss in the statement of income in subsequent periods. For individual loan restructurings, the Financial Group generally charges off any difference in the carrying amount of the original loan and the restructured loan.

For U.S. GAAP purposes, discounts available for clients as stated in these programs were written-off as the Financial Group estimated that would be the expected reduction on the future cash flows.

B) Loan origination fees and costs

Under Mexican Banking GAAP, fees charged in connection with the issuance of loans are recorded as a deferred credit, which is amortized into interest income over the loan's term, using the straight line method. Until December 31, 2006, loan origination fees were recognized on a cash basis. This change in accounting principle was applied retrospectively. Costs and expenses associated with the initial granting of the loan are recorded as a deferred charge to be amortized as interest expense over the same period in which the fee income is recognized. This applies only to those costs and expenses that are considered incremental. Until December 31, 2007 loan origination costs were expensed as incurred. This change was applied prospectively given the practical impossibility of determining them for prior years. In addition, annual credit card fees, the fees for unused credit lines, as well as the associated costs and expenses, are amortized in 12 months. Under U.S. GAAP, as required by ASC 310 "Receivables" (previously SFAS No. 91 "Accounting for Nonrefudable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases"), loan origination fees are deferred and recognized over the life of the loan as an adjustment of yield (interest income). Likewise, direct loan origination costs defined in the following paragraph are deferred and recognized as a reduction in the yield of the loan. Loan origination fees and related direct loan origination costs for a given loan are offset and only the net amount is deferred and amortized.

Direct loan origination costs of a completed loan include (a) incremental direct costs of loan origination incurred in transactions with independent third parties for that loan and (b) certain costs directly related to specified activities performed by the lender for that loan. Those activities include evaluating the prospective borrower's financial condition; evaluating and recording guarantees, collateral, and other security arrangements; negotiating loan terms; preparing and processing loan documents; and closing the transaction.

Credit card fees and costs are recognized on a straight-line basis over the period the cardholder is entitled to use the card.

C) Purchased loan portfolio

As discussed below, prior to December 31, 2004 Mexican Banking GAAP had no specific rules covering the accounting treatment of loan portfolios purchases. As collections on the purchased loan portfolios were received, the Financial Group recognized the amounts recovered as investment income. In addition, the Financial Group amortized 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, were written off when the collection process had ceased.

In 2005, the Financial Group adopted the guidance found in ASC 310 "Receivables" (previously SOP 03-3 "Accounting for Certain Loans or Debt Securities Acquired in a Transfer") for its Mexican Banking GAAP financial statements and applied it prospectively to all existing portfolios held. U.S. GAAP addressed accounting for differences between contractual cash flows and cash flows expected to be collected from an investor's initial investment (the amount paid to the seller plus any fees paid or less any fees received) in loans or debt securities (loans) acquired in a transfer if those differences are attributable, at least in part, to credit quality. For U.S. GAAP purposes, in 2004 the Financial Group early adopted this guidance and began to apply its requirements for all portfolios purchased after December 31, 2003.

In 2007, the Financial Group adopted the Commission's new Circular B-11, "Collection Rights"; therefore under Mexican Banking GAAP purchased portfolios are valued using one of the following methods: cash basis method, interest method and cost recovery method, established in such circular.

Under U.S. GAAP, ASC 310 "Receivables" (previously APB 6, "Amortization of Discounts on Certain Acquired Loans"), addressed the accounting and reporting by purchasers of loans in fiscal years beginning on or before December 15, 2004. This accounting was utilized for all portfolios purchased prior to December 31, 2003. 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. If these criteria are not satisfied, the loan should be accounted for using the cost-recovery method.

The 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 collectability 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.

Under Mexican Banking GAAP, origination costs and other fees are capitalized as part of the original investment, while for U.S. GAAP purposes those costs are expensed as incurred.

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The Financial Group's portfolio disclosures and U.S. GAAP methodology applied are disclosed in the following table:

Portfolio	Stockholders' equity December 31, 2010	Stockholders' equity December 31, 2009	Net income Year ended December 31, 2010	Net income Year ended December 31, 2009	Net income Year ended December 31, 2008	Methodology applied under U.S. GAAP
Bancrecer I	Ps. (106)	Ps. (131)	Ps. 25	Ps. 21	Ps. 13	Cost-recovery method
Serfin Santander	14	(57)	71	3	10	Cost-recovery method
Meseta	34	33	1	48	23	Cost-recovery method
Bancrecer II	(2)	(2)	—	—	—	Cost-recovery method
Goldman Sachs	(96)	(147)	51	39	42	Cost-recovery method
Cremi	(34)	(41)	7	8	13	Cost-recovery method
Banorte Sólida	(104)	(128)	24	23	46	Cost-recovery method
Bancomer I	(134)	(153)	19	(17)	(27)	Cost-recovery method
Bancomer II	—	1	(1)	(8)	(2)	Interest method
Banco Unión	20	10	10	4	(5)	Interest method
Bital I	6	(17)	23	30	19	Interest method
Bancomer III	13	36	(23)	2	6	Interest method
Bancomer IV	288	243	45	68	71	Interest method
Bital II	17	13	4	(1)	(6)	Interest method
Banamex Hipotecario	69	80	(11)	(1)	20	Interest method
GMAC Banorte	10	14	(4)	(10)	7	Interest method
Serfin Comercial I	7	10	(3)	(6)	27	Interest method
Serfin Hipotecario	87	73	14	14	17	Interest method
Vipesa	(3)	—	(3)	3	4	Interest method
	Ps. 86	Ps. (163)	Ps. 249	Ps. 220	Ps. 278	

D) Derivatives

Beginning in 2007, under Mexican Banking GAAP, trading instruments are carried at fair value in the balance sheet, and changes in fair value are recognized in current earnings. The Financial Group accounts the hedge instruments as follows:

- For fair value hedges, the transactions are recorded as follows: the fair value of the derivative instrument is recorded in the balance sheet, and changes in the fair value of both the derivative instrument and the hedged item are recognized in current earnings.

- For cash flow hedges, the transactions are recorded as follows: the fair value of the derivative instrument is recorded in the balance sheet and changes in the effective portion are temporarily recognized as a component of other comprehensive income in stockholders' equity and subsequently reclassified to current earnings when affected by the hedged item. The ineffective portion of the gain or loss on the hedging instrument is recognized in current earnings.

Under Mexican Banking GAAP, through December 31, 2008, the Financial Group was not required to bifurcate its embedded derivatives related to service contracts and purchase and sale transactions from their host contracts and record them at their fair value for financial statement purposes.

Through December 31, 2008, under Mexican Banking GAAP, the designation of a derivative instrument as a hedge of a net position ("macro hedging") was allowed. However, macro hedging is not permitted under U.S. GAAP.

ASC 815, "Derivatives and Hedging" (previously SFAS 133, "Accounting for Derivative Instruments and Hedging Activities"), of U.S. GAAP provides that:

- Derivative financial instruments considered to be an effective hedge from an economic perspective that have not been designated as a hedge for accounting purposes are recognized in the balance sheet at fair value with changes in the fair value recognized in earnings concurrently with the change in fair value of the underlying assets and liabilities.

- For all derivative instruments that qualify as fair value hedges for accounting purposes, of existing assets, liabilities or firm commitments, the change in fair value of the derivative should be accounted for in the statement of income and 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 for accounting purposes, the change in the fair value of the derivative should be initially recorded in other comprehensive income in stockholders' equity. Once the effects of the underlying hedged transaction are recognized in earnings, the corresponding amount in OCI is reclassified to the statement of income to offset the effect of the hedged transaction. All derivative instruments that qualify as hedges are subject to periodic effectiveness testing. Effectiveness is the derivative instrument's ability to generate offsetting changes in the fair value or cash flows of the underlying hedged item. The ineffective portion of the change in fair value for a hedged derivative is immediately recognized in earnings, regardless of whether the hedged derivative is designated as a cash flow or fair value hedge.

Under U.S. GAAP, prior to January 1, 2007, the Financial Group's derivative contracts are not accounted for as hedges for accounting purposes and are recognized in the balance sheet at fair value with changes in the fair value recognized in earnings concurrently with the change in fair value of the underlying assets and liabilities.

Under U.S. GAAP, certain embedded 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.

E) Reserve for foreclosed assets

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. Foreclosed assets are subsequently valued based on standard provisions established by the Commission depending on the nature of the foreclosed asset and the number of months outstanding.

Until December 31, 2006, in accordance with Mexican Banking GAAP foreclosed assets were considered to be monetary assets, while for U.S. GAAP these were treated as non-monetary assets. As a result of the change in the accounting for foreclosed assets under Mexican Banking GAAP, in 2007 the Financial Group no longer calculated REPOMO related to these assets as they were considered to be non-monetary assets.

Under U.S. GAAP, as required by ASC 310 "Receivables" (previously SFAS No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings"), 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 if the fair value of these assets decreases below the value measured when repossessed or received, determined on an asset by asset basis. Those assets not eligible for being considered as 'available-for-sale' are depreciated based on their useful life and are subject to impairment tests.

F) Insurance and postretirement activities

According to the accounting practices prescribed by the Mexican National Insurance and Surety Commission (Mexican Insurance GAAP), commissions and costs at the origination of each policy are charged to income as incurred. In addition, for life insurance policies, any amount received from individuals is considered as premium income. As required by U.S. GAAP, commissions and costs at origination are capitalized and amortized over the life of the policy using the effective interest method (deferred acquisition costs). Furthermore, premiums received in excess for life insurance policies are recorded as premium income.

Also, under the accounting practices prescribed by the National System of Saving for the Retirement Commission, the direct costs associated with the reception of new clients for the administration of the bills of retirement is recognized in income as incurred. Under U.S. GAAP the costs are capitalized and amortized over the time in which the service is rendered.

Accumulated deferred acquisition costs (DAC) as of December 31, 2010, 2009 and 2008 under U.S. GAAP are as follows:

	December 31, 2010	December 31, 2009	December 31, 2008
Life	Ps. 24	Ps. 22	Ps. 20
P&C	316	287	255
Health	28	58	197
Afore	1,640	1,351	1,397
Total accumulated DAC	Ps. 2,008	Ps. 1,718	Ps. 1,869
DAC - net amount charged to net income	Ps. 290	Ps. (151)	Ps. 371

Under Mexican Insurance GAAP, certain reserves (disaster) are calculated using internal models previously approved by the Mexican National Insurance and Surety Commission. Generally pension reserves are based on the present value of benefits to be paid together with fees suggested by this Commission. U.S. GAAP establishes the use of a fee that allows policy benefits to be covered through premiums collected for pension reserves. Under U.S. GAAP, provisions for disaster reserves are based on actuarial calculations for losses incurred using the experience of the Financial Group.

The Financial Group recorded a reserve for catastrophic events under Mexican GAAP as a liability which is not allowed by U.S. GAAP.

Loss reserves and unearned premiums:

	December 31, 2010	December 31, 2009
Life	Ps. 23	Ps. 68
P&C	(348)	(267)
Health	(38)	(125)
LAE	(161)	(107)
Afore	(343)	(308)
Pensions	739	696
Total	(128)	(43)
Catastrophic reserve:		
P&C	320	252
	320	252
Reinsurance activities	30	(70)
Total reserves	Ps. 222	Ps. 139

Summary:

	December 31, 2010		December 31, 2009	
DAC	Ps.	2,008	Ps.	1,718
Total reserves		222		139
Total adjustments	Ps.	2,230	Ps.	1,857

G) Business combinations

Through December 31, 2004, under Mexican Banking GAAP the excess of the purchase price over the adjusted book value of net assets acquired was recorded as goodwill (negative goodwill if book value exceeded the purchase price). Effective January 1, 2005, NIF B-7, which substantially conforms to the accounting established by U.S. GAAP, except as it relates to transactions between shareholders, requires the excess of the purchase price over the book value of assets and liabilities acquired to be allocated to the fair value of separately identifiable assets and liabilities acquired.

Under U.S. GAAP, ASC 805, "Business Combinations" (previously SFAS No. 141), requires the excess purchase price over the book value of assets and liabilities acquired to be allocated 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, are identified and valued separately. In addition, any negative goodwill (excess of fair value over cost) is first allocated to reduce long-lived assets acquired and if any negative goodwill remains that amount is recognized as an extraordinary gain. The Financial Group's U.S. GAAP stockholders' equity and net income balances have been adjusted for differences generated by the balances of both intangible and fixed assets resulting from the Bancrecer acquisition in 2001.

The Financial Group's subsidiary Banorte, through its wholly-owned subsidiary Banorte USA acquired 70% of the outstanding common stock of INB on November 16, 2006. The total purchase price including acquisition costs, exceeded the estimated fair value of tangible net assets acquired by approximately USD 176 million, of which approximately USD 16 million was assigned to an identifiable intangible asset with the remaining balance recorded by the Financial Group as goodwill. The identifiable intangible asset represents the future benefit associated with the acquisition of the core deposits and is being amortized over a period that approximates the expected attribution of the deposits. Factors that contributed to a purchase price resulting in goodwill include INB's historical record of earnings, capable management, and the Financial Group's ability to enter the US market, which are expected to complement and create synergies with the Financial Group's existing service locations. The results of operations of INB are included in the consolidated earnings of the Financial Group as of the effective date of the acquisition. Certain differences related to Banorte USA, which prepares its financial information in accordance with U.S. GAAP are included in the reconciliation within the corresponding U.S. GAAP adjustments. The goodwill recorded in the acquisition of INB is being accounted for in accordance with ASC 350, "Intangibles — Goodwill and Other" (previously SFAS No. 142 "Goodwill and Other Intangible Assets"). Accordingly, goodwill will not be amortized; rather it is being tested annually for impairment. In addition, goodwill is not deductible for tax purposes.

In conjunction with the acquisition of 70% of the outstanding shares of INB, Banorte entered into a stock option agreement with INB shareholders. The agreement granted Banorte, or its assignees, an irrevocable option to purchase the remaining 30% of the outstanding shares of INB (hereinafter referred to as the "Call Option"). In addition, the agreement granted INB shareholders the option to require Banorte, or its assignees to purchase the remaining 30% of the outstanding shares of INB (hereinafter referred to as the "Put Right"). If Banorte or the INB shareholders exercise the Call Option or the Put Right, each party must purchase or sell the entire 30% of the remaining share of INB. In conformity with recommendations made by the Commission, the Financial Group recognized a liability for the obligation represented by the Put Right at the acquisition date. In subsequent periods, the obligation was revised based on the contractual amount established in the purchase agreement with changes in the value recognized in goodwill. Under U.S. GAAP, the Put Right was recognized as a free standing financial instrument under the premises of ASC 480 "Distinguishing Liabilities from Equity" (previously SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity"), and was recorded at the acquisition date at its estimated fair market value, with corresponding changes in fair value recognized in current earnings.

In April 2009 the Financial Group exercised its call option acquiring the remaining 30% of INB's shares and as of December 31, 2010 and 2009 is the 100% owner. For purposes of Mexican Banking GAAP this resulted in cancelling the value of the call option that had been recorded upon initial recognition. Under U.S. GAAP, the acquisition of the remaining 30% of the shares of INB, was treated as an equity transaction with no further valuation of the assets or liabilities of INB Financial Corp, and thus no recording of additional goodwill.

H) Employee retirement obligations

Under Mexican Banking GAAP NIF D-3 requires the recognition of a severance indemnity liability calculated based on actuarial computations. Similar recognition criteria under U.S. GAAP are established in ASC 712 "Compensation — Nonretirement Postemployment Benefits" (previously SFAS No. 112, "Employers' Accounting for Postemployment Benefits"), which requires that a liability for certain termination benefits provided under an ongoing benefit arrangement such as these statutorily mandated severance indemnities, be recognized when the likelihood of future settlement is probable and the liability can be reasonably estimated. Prior to 2008, Mexican Banking GAAP allowed for the Financial Group to amortize the transition obligation related to the adoption of NIF D-3 over the expected service life of the employees. Beginning in 2008, an amendment to NIF D-3 requires the amortization of the unrecognized transition as of January 1, 2008 over the lesser of the expected remaining service period of employees or over five years. However, U.S. GAAP required the Financial Group to recognize such effect upon initial adoption and does not permit an entity to reduce the accrued liability by any unrecognized items, which results in a difference in the amount recorded under the two accounting principles.

Under Mexican Banking GAAP, pension and seniority premium obligations are determined in accordance with NIF D-3. For U.S. GAAP, such costs are accounted for in accordance with ASC 715 "Compensation — Retirement Benefits" (previously SFAS No. 87, "Employers' Accounting for Pension"), whereby the liability is measured, similar to Mexican Banking GAAP, using the projected unit credit method at net discount rates. Those requirements became effective on January 1, 1989 whereas NIF D-3 became effective on January 1, 1993. Therefore, a difference between Mexican Banking GAAP and U.S. GAAP exists due to the accounting for the transition obligation at different implementation dates.

Postretirement benefits are accounted for under U.S. GAAP in accordance with ASC 715 "Compensation — Retirement Benefits" (previously SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions"), which applies to all post-retirement benefits, such as life insurance provided outside a pension plan or other postretirement health care and welfare benefits expected to be provided by an employer to current and former employees. The cost of postretirement benefits is 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. For Mexican Banking GAAP purposes as required by NIF D-3, the Financial Group accounts for such benefits in a manner similar to U.S. GAAP. The requirements in ASC 715 became effective on January 1, 1993 whereas NIF D-3 became effective on January 1, 2003. Therefore, a difference between Mexican Banking GAAP and U.S. GAAP exists due to the accounting for the transition obligation at different implementation dates.

The Financial Group has adopted the provisions of ASC 715 "Compensation — Retirement Benefits" (SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans"). This statement requires the Financial Group to (1) fully recognize, as an asset or liability, the overfunded or underfunded status of defined pension and other postretirement benefit plans; (2) recognize changes in the funded status through other comprehensive income in the year in which the changes occur; and (3) measure the funded status of defined pension and other postretirement benefit plans as of the date of the its fiscal year-end.

I) Capitalized costs

Under Mexican Banking GAAP, prior to the issuance of NIF C-8, "Intangible Assets", all expenses incurred in the preoperating or development stages were capitalized. Upon adoption of NIF C-8, research costs and preoperating 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, in accordance with ASC 730, "Accounting for Research and Development", and ASC 340, "Other Assets and Deferred Cost" (previously SFAS No. 2, "Accounting for Research and Development Costs," and SOP 98-5, "Reporting on the Costs of Start-Up Activities"), such research and preoperating expenses are expensed as incurred.

Under Mexican Banking GAAP, the Financial Group has capitalized certain significant costs related to implementation projects. For U.S. GAAP purposes, the Financial Group follows the guidance established by ASC 350 “Intangibles — Goodwill and Other” (previously SOP 98-1, “Accounting for the Costs of Computer Software Developed or Obtained for Internal Use”). This standard establishes that computer software costs incurred in the preliminary project stage should be expensed as incurred. Once the capitalization criteria of the standard have been met, external direct costs of materials and services consumed in developing or obtaining internal-use computer software; payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal-use computer software project (to the extent of the time spent directly on the project); and interest costs incurred when developing computer software for internal use should be capitalized. Generally, training costs and data conversion costs should be expensed as incurred. As the U.S. GAAP standard is more stringent, the reconciling item represents an adjustment for items that have been capitalized for Mexican Banking GAAP purposes that do not qualify for capitalization under U.S. GAAP.

J) Securitizations

Mortgage Loan Securitization

During December 2006, the Financial Group securitized mortgage loans in the amount of Ps. 2,147, by transferring such loans to a qualifying special purpose entity (the “Trust”) created specifically for purposes of this transaction. The Trust issued certificates that trade on the Mexican Stock Exchange and guarantees its holders with a specific rate of return. The Financial Group received a subordinated certificate from the Trust, which entitles the Financial Group to retain the excess cash flows in the Trust, after reimbursing the holders of the certificates, which was recorded at its nominal value and classified as an available-for-sale security. Under Mexican Banking GAAP, this securitization was accounted for as a sale and as a result of recognizing the retained interest represented by the subordinated certificate at nominal value no gain or loss on the sale was recognized. As of January 2007, subsequent increases or decreases in the fair value of the subordinated certificate are reflected by an adjustment, net of taxes, being charged or credited to the other comprehensive income portion of stockholders’ equity, which conforms to the accounting established by U.S. GAAP.

Under US GAAP, the securitization met the criteria established by ASC 860 for sale accounting and the securitized loans were derecognized by the Financial Group as of the date of sale. The Financial Group allocated the previous book carrying amount between the loans sold and the subordinated certificate (the retained interest) in proportion to their relative fair values on the date of transfer. The Financial Group recognized a gain on the sale of Ps. 358 by comparing the net sale proceeds (after transaction costs) to the allocated book value of the loans sold. The subordinated certificate was recorded at its relative book value at the date of sale and has been classified as an available-for-sale security under ASC 320. Subsequent increases or decreases in the fair value of the subordinated certificate are reflected by an adjustment, net of taxes, being charged or credited to the other comprehensive income portion of stockholders’ equity.

State and Municipal Government Loans Securitization

During November 2007, the Financial Group securitized state and municipal government loans in the amount of Ps. 5,599 by transferring such loans to a qualifying special purpose entity (the “Trust”) created specifically for purposes of this transaction. The Trust issued certificates that trade on the Mexican Stock Exchange and guarantees its holders with a specific rate of return. The Financial Group retained the 100% of the securitization certificates issued by the Trust and immediately subsequent to the securitization sold them under repurchase agreements. The Financial Group received a subordinated certificate from the Trust, which entitles the Financial Group to retain the excess cash flows in the Trust, after reimbursing the holders of the certificates, which was recorded at its fair value and classified as a trading security. Under Mexican Banking GAAP, this securitization was accounted for as a sale and generated a gain, resulting from the difference between the fair value of the assets received and the carrying value of the transferred assets.

For U.S. GAAP purposes, given that the Financial Group repurchased 100% of the certificates issued by the Trust, the transactions did not meet the sales criteria established by ASC 860 and as a result were accounted for as secured borrowings.

For Mexican Banking GAAP, through December 2008, both subordinated certificates were presented as part of the “Investments in securities” line item in the Consolidated Balance Sheet. In 2009, the Financial Group reclassified them to the “Receivables generated by securitizations” line item, due to a change in the Commissions’ accounting criteria

K) Other adjustments

These include the following:

	Stockholders' equity December 31,		Net income Year ended December 31,		
	2010	2009	2010	2009	2008
1) Non-accrual loans	Ps. 428	Ps. 326	Ps. 102	Ps. 157	Ps. 142
2) Guarantees	(5)	(11)	6	(18)	29
3) Repurchase agreements	—	—	—	24	46
4) Investment valuation	—	7	(237)	(629)	(1,121)
5) Equity method investments	—	—	—	53	90
	Ps. 423	Ps. 322	Ps. (129)	Ps. (413)	Ps. (814)

These other adjustments are related to the following differences between Mexican Banking GAAP and U.S. GAAP:

1) Under Mexican Banking GAAP, the recognition of interest income is suspended when certain of the Financial Group's loans become past due based on criteria established by the Commission. 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 make 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.

2) For U.S. GAAP purposes, guarantees are accounted for under ASC 460 "Guarantees", which requires that an entity recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. For Mexican Banking GAAP purposes, the Financial Group does not record the fair value of such guarantees in its consolidated financial statements.

3) The repurchase and resale agreements are transactions by which the purchaser acquires ownership of financial instruments for a sum of money and is obligated to transfer instruments of the same kind to the seller of the securities within the agreed term and in exchange for the same price, plus a premium. Under Mexican Banking GAAP repurchase transactions are recorded according to their economic substance, which is financing with collateral, by which the Financial Group, acting as the purchaser, gives cash as financing in exchange for financial assets as guarantee in the event of noncompliance. Prior to September, 2008, repurchase and resale agreements represented 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 and were recorded as sales and purchases of securities, respectively. A net asset or liability was recorded at the fair value of the commitment to subsequently repurchase or resell the securities, respectively. 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 U.S. enter into repurchase and reverse repurchase transactions that qualify as secured borrowings. Accordingly, the Financial Group's assets subject to a repurchase agreement would not be derecognized. Due to changes in Mexican Banking GAAP effective October 2008, repurchase and reverse repurchase agreements are accounted for as secured borrowings, as is also required under U.S. GAAP.

4) Until December 31, 2008, the investment valuation adjustment was related to a difference in the income recognition for available-for-sale and held-to-maturity securities. For U.S. GAAP purposes, the premiums and discounts of such securities are accounted for based on the interest method. Under Mexican Banking GAAP, the Financial Group recognized income based on the straight line method. Additionally, under Mexican Banking GAAP, the Financial Group recognizes the effect of exchange rate fluctuations of its securities available for sale within income of the year. Under U.S. GAAP, this impact is recognized in other comprehensive income. As disclosed in Note 4, due to changes in Mexican Banking GAAP effective January 2009, the investment valuation related to available-for-sale and held-to-maturity securities substantially conforms to U.S. GAAP requirements.

5) Until December 31, 2008, under Mexican Banking GAAP, investments in associated companies in which the Financial Group had more than a 10% ownership, were accounted for by the equity method. For U.S. GAAP purposes, investments in associated companies in which the Financial Group has a 20% to 50% ownership, but not a controlling interest, are accounted for by the equity method. Investments in which the Financial Group has less than a 20% ownership are generally accounted for under the cost method, unless it can demonstrate that it has significant influence.

L) Fair value measurements

For purposes of U.S. GAAP, the Financial Group applies the accounting provisions of ASC 820 "Fair Value Measurements and Disclosure" (previously SFAS No. 157, Fair Value Measurements). U.S. GAAP establishes a framework for measuring fair value and expands disclosures about fair value measurements and clarifies the definition of exchange price as the price between market participants in an orderly transaction to sell an asset or transfer a liability in the market in which the reporting entity would transact for the asset or liability, that is, the principal or most advantageous market for the asset or liability. The changes to existing practice resulting from the application of this statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. This guidance was effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years for financial assets and liabilities. On October 10, 2008, the FASB issued guidance included in ASC 820 (Staff Position ("FSP") FAS No. 157-3 "Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active"), which was effective upon issuance. The provisions of ASC 820 were deferred until fiscal years beginning after November 15, 2008 for nonfinancial assets and liabilities. The effect of adopting ASC 820 as it relates to the Financial Group's financial assets and liabilities is included in the reconciliation between Mexican Banking GAAP and U.S. GAAP. There was no impact to the Financial Group's U.S. GAAP balances as a result of adopting this standard related to its nonfinancial assets and liabilities.

The Financial Group applied the following hierarchy for fair value.

Level 1. - Assets and liabilities for which an identical instrument is negotiated in an active market, such as publicly negotiated instruments or futures contracts (highly liquid and actively traded).

Level 2. - Assets and liabilities valued using information observable in the market for similar instruments; prices quoted in inactive markets; or other observable assumptions that can be evidenced with available information in the market for substantially the entire terms of the asset and liability.

Level 3. - Assets and liabilities whose significant valuation assumptions are not readily observable in the market; instruments valued using the best information available, some of which is developed internally, considering the risk premium that a market participant would need.

The Financial Group considers the primary or the best market where the transaction can take place and the assumptions that a market participant would use to value the asset or liability. When possible, the Financial Group uses active markets and observable market prices for identical assets and liabilities. When the identical assets and liabilities are not negotiated in active markets, the Financial Group uses observable market information for similar assets and liabilities. However, certain assets and liabilities are not actively negotiated in observable markets, so the Financial Group has to use alternate valuation methods to measure fair value.

Many over the counter ("OTC") contracts have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that a party is willing to pay for an asset. Ask prices represent the lowest price that a party is willing to accept for an asset. For financial instruments whose inputs are based on bid-ask prices, the Financial Group does not require that the fair value estimate always be a predetermined point in the bid-ask range. The Financial Group's policy is to allow for mid-market pricing and adjusting to the point within the bid-ask range that meets the Financial Group's best estimate of fair value. For offsetting positions in the same financial instrument, the same price within the bid-ask spread is used to measure both the long and short positions.

Fair value for many OTC contracts is derived using pricing models. Pricing models take into account the contract terms (including maturity) as well as multiple inputs, including, where applicable, commodity prices, equity prices, interest rate yield curves, credit curves, correlation, and creditworthiness of the counterparty, option volatility and currency rates. In accordance with U.S. GAAP, the impact of the Financial Group's own credit spreads is also considered when measuring the fair value of liabilities, including OTC derivatives contracts. Where appropriate, valuation adjustments are made to account for various factors such as liquidity risk (bid-ask adjustments), credit quality and model uncertainty. These adjustments are subject to judgment, are applied on a consistent basis and are based upon observable inputs where available. The Financial Group generally subjects all valuations and models to a review process initially and on a periodic basis thereafter.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Financial Group's own assumptions are set to reflect those that the Financial Group believes market participants would use in pricing the asset or liability at the measurement date.

Certain assets are measured at fair value on a non recurring basis. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances. These include property, furniture and fixtures, foreclosed assets and goodwill that are written down to fair value when they are determined to be impaired. As mentioned in Note 4, the Financial Group has established guidelines to identify and, if applicable, record losses derived from the impairment or decrease in value of long-lived tangible or intangible assets, including goodwill. No impairment to property, furniture, fixtures, foreclosed assets or goodwill was identified for the years ended December 31, 2010 and 2009. As a result no fair value adjustments to these assets were recorded and the related fair value disclosures were not necessary.

As of December 31, 2010 and 2009, the Financial Group did not have any liabilities measured on a non recurring basis; as such, no disclosure was necessary.

Below is a description of the valuation methods used for the instruments measured at fair value on a recurring basis, including the general classification of such instruments according to their fair value hierarchy.

Investments in securities

When reference prices are available in an active market and the financial instruments are negotiated in liquid organized markets, they are considered Level 1 in the fair value hierarchy. If market price is not available or is available solely in inactive markets, fair value is estimated using valuation methods, prices established for other instruments with similar characteristics or using discounted cash flows that include assumptions prepared by management. This type of securities is classified in Level 2, and in the event the model includes assumptions prepared by management, the securities are classified in Level 3, following the fair value hierarchy.

Derivative financial instruments

Derivatives quoted on stock exchanges whose fair value is based on quoted market prices are classified in fair value hierarchy Level 1. However, for those derivative contracts quoted over the counter, their fair value is based on widely accepted valuation methods in the market using observable inputs that can be evidenced with information available in the market. Such derivatives are classified in fair value hierarchy Level 2.

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The following fair value hierarchy table presents information regarding the Financial Group's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2010 and 2009:

	Fair value measurements as of December 31, 2010			
	Quoted prices In active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	December 31, 2010 Fair value
Trading securities	Ps. 66,181	Ps. —	Ps. —	Ps. 66,181
Available for sale securities	4,415	7,873	—	12,288
Derivative asset position	—	8,059	—	8,059
Derivative liability position	—	(10,737)	—	(10,737)
Securitization receivables	—	—	950	950
IFC Transaction	—	—	4,244	4,244
Total	Ps. 70,596	Ps. 5,195	Ps. 5,194	Ps. 80,985

	Fair value measurements as of December 31, 2009			
	Quoted prices In active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	December 31, 2009 Fair value
Trading securities	Ps. 24,459	Ps. —	Ps. —	Ps. 24,459
Available for sale securities	5,098	6,603		11,701
Derivative asset position	—	5,880	—	5,880
Derivative liability position	—	(8,375)	—	(8,375)
Securitization receivables	—	—	432	432
IFC Transaction	—	—	3,651	3,651
Total	Ps. 29,557	Ps. 4,108	Ps. 4,083	Ps. 37,748

	Fair value measurements using significant unobservable inputs (Level 3) Securities
Beginning balance	Ps. 4,083
Total gains or losses (realized/unrealized)	
Included in earnings (or changes in net assets)	518
Included in other comprehensive income	593
Ending balance	Ps. 5,194

The definition of fair value under U.S. GAAP, which is based on an exit price notion, differs from the definition established by Mexican Banking GAAP, which is based on a settlement price notion. Therefore, the Financial Group has included a reconciling item in U.S. GAAP reconciliation as a result of adopting this accounting pronouncement.

M) IFC transaction

At the Banorte Extraordinary Stockholders' Meeting held on October 23, 2009 both an increase in its ordinary shareholders' equity and a modification to its corporate bylaws in order to complete the capitalization of the IFC to become a Banorte stockholder with an investment of USD 150 million were approved, which was settled in November 2009 by turning over to the IFC 3,370,657,357 ordinary nominative "O" Series shares with a nominal value of Ps. 0.10 (ten cents). The IFC liquidated this operation with USD 82.3 million in cash and the capitalization of a credit of USD 67.7 million. Banorte, the IFC and the Financial Group executed a series of agreements in which the IFC is compelled to maintain its share in Banorte for at least five years. After five years the IFC may sell its share to the Financial Group, which will have to purchase it with shares of its own or cash, depending on the Financial Group's choice and convenience.

For US GAAP purposes, the redeemable shares held by the IFC that allow them to exchange their shares in Banorte for cash or shares of the Financial Group (to be determined by the Financial Group if the IFC excercises their option) has been classified outside the permanent equity in accordance with ASC 480 "Distinguishing Liabilities from Equity", (previously SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity") which requires securities with redemption features that are not solely within the control of the issuer to be classified outside of permanent equity. The initial carrying amount of the redeemable equity security should be its fair value at date of issue. The Financial Group has elected to recognize changes in the redemption value immediately as they occur and adjust the carrying value of the security to equal the redemption value at the end of each reporting period.

Under Mexican Banking GAAP, NIF C-12 "Financial Instruments with Characteristics of Liability, Equity, or Both" requires the Financial Group to record the noncontrolling interest held by the IFC at the original transaction value within stockholders' equity since the IFC is exposed to the same risks and rewards as any other shareholder of Banorte and given that the intention of the Financial Group is to redeem the IFC's noncontrolling interest in exchange of the Financial Group's own shares in the event that the IFC exercises its option. Any future transactions between the Financial Group and the IFC as it relates to this matter will be accounted for directly in stockholders' equity as it is between common shareholders.

N) Income taxes

Under Mexican Banking GAAP as required by NIF D-4, "Income Taxes", income tax and employee statutory profit sharing (PTU) are charged to results as they are incurred and the Financial Group recognizes deferred income tax assets and liabilities for the future consequences of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax basis, measured using enacted rates. The effects of changes in the statutory rates are accounted for in the period in which the enactment occurs. The Financial Group recognizes the benefits related to tax loss carryforwards and asset tax credit carryforwards when such amounts are realized. Deferred tax assets are recognized only when it is highly probable that sufficient future taxable income will be generated to recover such deferred tax assets. Under Mexican Banking GAAP the Financial Group did not recognize deferred tax assets in the acquisition of Bancrecer as their potential utilization was not considered to be highly probable at the acquisition date.

PTU arises from temporary differences between the accounting result and income for PTU purposes and is recognized only when it can be reasonably assumed that such difference will generate a liability or benefit, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.

Under U.S. GAAP, as required by ASC 740, "Income Taxes" (previously SFAS No. 109 "Accounting for Income Taxes"), the Financial Group recognizes deferred income tax and PTU assets and liabilities for the future consequences of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax or PTU bases, measured using enacted rates. The effects of changes in the statutory rates are accounted for in the period when the enactment occurs. Deferred income tax assets are also recognized for the estimated future effects of tax loss carryforwards and asset tax credit carryforwards. Deferred income tax assets are reduced by any benefits that, in the opinion of management, more likely than not that the tax assets will be realized. Under U.S. GAAP the Financial Group recognized deferred tax asset related to Bancrecer's acquisition as their realization was considered to be more likely than not.

U.S. GAAP differences as described above, to the extent taxable are reflected in the U.S. GAAP deferred tax balances.

O) Noncontrolling interest

The effects of the U.S. GAAP differences as described in this Note reflect the amounts assigned to the noncontrolling interests.

II Consolidation:

Under Mexican Banking GAAP, the Financial Group's consolidated financial statements include all subsidiaries under the control of financial holding companies, except those in the insurance and pension sector. The determination of which companies are deemed to be within the insurance and pension sector is not based solely on the application of a conceptual framework. The SHCP has the right to determine if a company is or is not within the insurance and pension sector, and therefore could be required to consolidate.

Under U.S. GAAP, the basic principle is that when a Financial Group has a controlling financial interest (either through a majority voting interest or through the existence of other control factors) of an entity, such entity's financial statements should be consolidated, irrespective of whether the activities of the subsidiary are nonhomogeneous with those of the parent.

No adjustments to consolidated net income or consolidated stockholders' equity result due to the different consolidation principles disclosed above.

III Additional disclosures:

A) Earnings per common share ("EPS") in accordance with U.S. GAAP

In accordance with U.S. GAAP, EPS is based on the provisions of ASC 260, "Earnings per Share" (previously SFAS No. 128), and is calculated using the weighted-average number of common shares outstanding during each period. Basic and diluted earnings per share are based upon, 2,018,257,560, 2,017,132,134, and 2,016,959,232 weighted-average shares outstanding for 2010, 2009 and 2008, respectively. Potentially dilutive common shares for all periods presented are not significant. Basic and diluted net income per common share computed in accordance with U.S. GAAP is presented below:

	Year ended December 31,		
	2010	2009	2008
Basic and diluted earnings per share attributable to controlling interest	Ps. 3.4776	Ps. 3.5423	Ps. 3.2379

B) Subsequent events

The Financial Group's consolidated financial statements have been approved by the Board of Directors at their January 25, 2011 meeting in accordance with the responsibility assigned to them. The Financial Group has evaluated events subsequent to December 31, 2010 to assess the need for potential recognition or disclosure in the accompanying consolidated financial statements. Such events were evaluated through January 25, 2011, the date the Financial Group's Mexican Banking GAAP consolidated financial statements were available to be issued.

In an official letter UBVA/012/2011 dated March 8, 2011, the SHCP having previously obtained a positive opinion from the Commission and Banco de México, authorized the merger of the Financial Group as the merging and subsisting entity with IXE Grupo Financiero as the merged and absorbed entity, in accordance with Article 10 of the Law Regulating Financial Groups. The merger is subject to the terms and conditions established by the shareholders of each entity as presented to the SHCP.

C) Cash flow information

Beginning in 2009, an amendment to Mexican Banking GAAP requires the presentation of a cash flow statement on a prospective basis instead of a statement of changes in financial position. Prior to such date Mexican Banking GAAP established the presentation requirements related to the statement of changes in financial position. The statement of changes in financial position presents the sources and uses of funds during the period measured as the differences, in constant pesos, between the beginning and ending balances of balance sheet items adjusted by the excess (shortfall) in restatement of capital. The monetary effect and the effect of changes in exchange rates are considered cash items in the determination of resources generated from operations due to the fact that they affect the purchasing power of the entity. The following price-level adjusted consolidated statement of cash flows presented for the years ended December 31, 2010, 2009 and 2008, includes the impact of U.S. GAAP adjustments in conformity with recommendations established by the American Institute of Certified Public Accountants, SEC Regulations and International Practices Task Force Committees.

Grupo Financiero Banorte, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2010, 2009 and 2008
(In millions of Mexican pesos)

	2010	2009	2008
Cash flows from operating activities:			
Net income under U.S. GAAP	Ps. 6,949	Ps. 7,074	Ps. 6,476
Unrealized investment (income) loss	(52)	350	1,171
Allowance for loan losses	7,056	6,616	6,625
Depreciation and amortization	1,191	953	1,450
Deferred income taxes and employee profit sharing	67	(518)	(290)
Other provisions	597	(961)	(354)
Equity in earnings of subsidiaries and associated companies	(83)	(131)	(125)
Allowance for doubtful accounts	164	182	59
Periodic pension cost	206	160	199
Loss (gain) on sale of property	8	(8)	—
Loss on sale of foreclosed assets	85	31	273
Loss (gain) on sale of trading securities	455	280	(116)
Loss (gain) on sale of available for sale securities	157	23	(53)
Amortization of purchased portfolios	588	566	680
Insurance and postretirement reserves	(375)	(117)	(286)
Amortization of debt issuance fees and costs	(2)	(126)	(4)
Income recognition of purchased portfolios	(249)	(221)	(278)
Other non-cash items	923	535	(2,014)
Changes in operating assets and liabilities:			
Trading securities	(16,232)	(23,015)	(1,455)
Trading derivative financial instruments	181	(82)	2,435
Decrease (increase) in settlement accounts payable	1,357	182	(649)
(Increase) decrease in settlement accounts receivable	(1,804)	63	1,262
Decrease (increase) in other accounts receivable	1,759	(1,769)	(4,286)
Increase in other accounts payable	6,087	3,756	5,709
(Increase) decrease in deferred charges	(1,216)	623	(1,560)
(Decrease) increase in deferred credits	(174)	4	242
Net cash provided by (used in) operating activities	7,643	(5,550)	15,111

	2010	2009	2008
Cash flows from investing activities:			
Proceeds from sale of property, furniture and equipment	305	259	123
Acquisitions of property, furniture and equipment	(2,364)	(1,467)	(1,345)
Proceeds from sale of foreclosed assets	596	636	758
Treasury transactions - held to maturity securities	17,408	31,284	(219,851)
Treasury transactions - available for sale securities	(7,056)	(5,365)	(4,430)
Granting of loans	(32,462)	(8,698)	(48,294)
Purchased credit portfolios	(553)	(391)	(302)
Repurchase agreements — purchases	4,566	5,454	(90)
Other investing activities	123	129	753
Net cash (used in) provided by investing activities	(19,437)	21,841	(272,678)
Cash flows from financing activities:			
(Repayments of) proceeds from subordinated liabilities	(298)	(2,481)	10,343
Issuance (repurchase) of shares	70	(451)	103
Dividends paid	(1,029)	(364)	(949)
Deposits received	19,005	15,361	53,319
Repayments of bank debt and other loans	5,483	(15,636)	9,037
Repurchase agreements — sales	(6,883)	(7,087)	196,368
Net cash provided by (used in) financing activities	16,348	(10,658)	268,221
Effects of exchange rates on cash	(1,032)	(738)	2,026
Net increase in cash and cash equivalents	3,522	4,895	12,680
Cash and cash equivalents at the beginning of the year	59,291	54,396	41,716
Cash and cash equivalents at the end of the year	62,813	59,291	54,396
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Income taxes	Ps. 2,811	Ps. 2,649	Ps. 4,013
Interest	Ps. 37,356	Ps. 38,934	Ps. 44,630
Supplemental schedule of non-cash investing activities:			
Transfers from loans to foreclosed assets	198	523	542
Transfers from purchased credit portfolio to foreclosed assets	488	327	233
Transfers (from) to foreclosed assets from (to) loans and purchased credit portfolio, net	Ps. (686)	Ps. (850)	Ps. (775)

Cash and cash equivalents include all cash balances and highly liquid instruments purchased with an original maturity of three months or less. In addition, the Financial Group maintains a minimum capital requirement as required by the Commission (regulatory monetary fund), which is included as a cash equivalent.

D) New accounting pronouncements

On June 12, 2009, the FASB issued ASC 860-10 (previously SFAS No. 166, Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140), which eliminates the concept of a qualifying special purpose entity ("QSPE") and modifies the derecognition provisions of a previously issued accounting standard. ASC 860-10 also requires additional disclosures which focus on the transferor's continuing involvement with the transferred assets and the related risks retained. ASC 860-10 is effective for financial asset transfers occurring after the beginning of an entity's first fiscal year that begins after November 15, 2009. The adoption of FASB ASC 860-10 (SFAS No. 166) had no effect on the Financial Group's consolidated financial statements.

On June 12, 2009, the FASB issued ASC 810-10 (previously SFAS No. 167, Amendments to FASB Interpretation No. 46 (R)), which amends the consolidation guidance that applies to variable interest entities. The new guidance requires an entity to carefully reconsider its previous consolidation conclusions, including (1) whether an entity is a variable interest entity (VIE), (2) whether the enterprise is the VIE's primary beneficiary, and (3) what type of financial statement disclosures are required. ASC 810-10 is effective as of the beginning of the first fiscal year that begins after November 15, 2009. The amendments to the consolidation guidance affect all entities and enterprises currently within the scope of ASC 810-10, as well as qualifying special-purpose entities that are currently outside the scope of ASC 810-10 (FIN 46(R)). The adoption of FASB ASC 810-10 (SFAS No. 167) had no effect on the Financial Group's consolidated financial statements.

In October 2009, the FASB issued Accounting Standards Update (ASU) 2009-13, which contains new guidance on accounting for revenue arrangements with multiple deliverables. When vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative selling price method. The new guidance includes new disclosure requirements on how the application of the relative selling price method affects the timing and amount of revenue recognition. The guidance in the ASU will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning after June 15, 2010. The adoption of FASB ASU 2009-13 had no effect on the Financial Group's consolidated financial statements.

On January 21, 2010, the FASB issued ASU 2010-06. The ASU amends ASC 820, Fair Value Measurements and Disclosures (SFAS No. 157) to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. This ASU amends guidance on employers' disclosures about postretirement benefit plan assets under ASC 715, Compensation — Retirement Benefits, to require that disclosures be provided by classes of assets instead of by major categories of assets. The guidance in the ASU is effective for the first reporting period (including interim periods) beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. In the period of initial adoption, entities will not be required to provide the amended disclosures for any previous periods presented for comparative purposes. However, those disclosures are required for periods ending after initial adoption. The adoption of FASB ASU 2010-06 (SFAS No. 157) had no effect on the Financial Group's consolidated financial statements.

In March 2010, the FASB issued ASU 2010-11 - Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives which is included in the Certification under ASC 815. This update clarifies the type of embedded credit derivative that is exempt from embedded derivative bifurcation requirements. Only an embedded credit derivative that is related to the subordination of one financial instrument to another qualifies for the exemption. This guidance became effective for the fiscal years beginning January 1, 2010. Accordingly, the adoption of FASB ASU 2010-11 had no effect on the Financial Group's consolidated financial statements.

In April 2010, the FASB issued ASU 2010-13 - Compensation-Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades, a consensus of the FASB Emerging Issues Task Force (ASU 2010-13. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning on

or after December 15, 2010. Earlier application is permitted. The Company is currently evaluating the effects of adopting the guidance in the ASU.

E) International Financial Reporting Standards

In January 2009, the Commission published amendments to the Mexican Securities Law, including the obligation to prepare and present financial statements using International Financial Reporting Standards (“IFRS”) beginning in 2012, with early adoption permitted. Financial institutions such as the Financial Group are prohibited from presenting IFRS for purposes of their local filings and must continue to present their basic financial statements in accordance with Mexican Banking GAAP. However, the Financial Group’s equity method investor Gruma, S.A.B. de C.V. (“Gruma”) is required to comply with the changes to the Mexican Securities Law and has disclosed in public documents that they intend to early adopt IFRS beginning in 2011. The Financial Group is in the process of assessing the impacts of IFRS on its financial information for purposes of providing such information to Gruma for their future filings.

Exhibit 2(b)(4)

US $225,000,000

LOAN AGREEMENT

Dated as of March 22, 2011

between

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

and

BBVA BANCOMER, S.A., INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO BBVA BANCOMER,
as Administrative Agent

and

BBVA SECURITIES INC.,
as Documentation Agent and Joint Bookrunner

and

BANAMEX USA,
BANK OF AMERICA, N.A.,
COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.
"RABOBANK NEDERLAND," NEW YORK BRANCH,
GOLDMAN SACHS BANK USA, and
THE BANK OF NOVA SCOTIA,
each as a Bank and a Joint Bookrunner

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LOAN AGREEMENT

This LOAN AGREEMENT is entered into as of March 22, 2011, among GRUMA, S.A.B. de C.V., a sociedad anonima bursátil 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"), BBVA SECURITIES INC., as Documentation Agent, and BBVA BANCOMER, S.A., INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO BBVA BANCOMER, as Administrative Agent for the Banks (the "Administrative Agent").

WHEREAS, the Company desires to obtain Loans from the Banks in an aggregate principal amount of up to US$225,000,000; 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:

"2009 Collateral Documents" means any collateral documents securing the 2009 Facilities and the Perpetual Bonds.

"2009 Facilities" means the following outstanding credit facilities:

(a) Senior Secured Loan Agreement, dated as of October 16, 2009, by and among the Company, the several financial institutions party thereto from time to time, Deutsche Bank Trust Company Americas as Administrative Agent, and The Bank of New York Mellon, as Collateral Agent;

(b) Senior Secured Loan Agreement, dated as of October 16, 2009, by and among the Company, the several financial institutions party thereto from time to time, BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer as Administrative Agent, and The Bank of New York Mellon, as Collateral Agent;

(c) Loan Agreement, dated as of October 16, 2009, by and among the Company and Barclays Bank PLC;

(d) Loan Agreement, dated as of October 16, 2009, by and among the Company and BNP Paribas;

(e) Loan Agreement, dated as of October 16, 2009, by and among the Company and Standard Chartered Bank, as assigned to Mercantile Commercebank N.A. pursuant to the Form of Assignment and Acceptance dated May 25, 2010, between Standard Chartered Bank, Mercantile Commercebank N.A. and the Company; and

(f) Loan Agreement, dated as of October 16, 2009, by and among the Company and The Royal Bank of Scotland, N.V. (formerly ABN AMRO BANK N.V.).

"Administrative Agent" means BBVA 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 Account" means the following account:

Bank:	JPMorgan Chase, New York
ABA:	021 000 021
Account #:	400001942
Account Name:	BBVA Bancomer, S.A. Mexico DF
Reference:	Gruma fees
Attention:	Concepción Zúñiga

"Administrative Agent's Payment Office" means the address in New York City 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 and completed by a Bank.

"Affected Bank" has the meaning specified in Section 3.02(a).

"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 determined by BBVA as its "prime rate" and (b) the Federal Funds Rate most recently announced by the Administrative Agent plus 0.50%. The "prime rate" is a rate set by BBVA based upon various factors, including BBVA's 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

BBVA shall take effect at the opening of business on the day specified in the public announcement of such change.

"Anti-Terrorism Laws" has the meaning specified in Section 5.19(a).

"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 which shall be 2.0% from the Closing Date to April 30, 2011, and thereafter shall be as set forth below according to the Maximum Leverage Ratio as of the end of the most recent Fiscal Quarter:

Maximum Leverage Ratio	Applicable Margin
Greater than or equal to 3.0x	2.25%
Greater than or equal to 2.5x and less than 3.0x	2.00%
Greater than or equal to 2.0x and less than 2.5x	1.75%
Less than 2.0x	1.50%

"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.

"BBVA" means BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer.

"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.

"Base Rate Loan" means a Loan bearing interest at a fluctuating rate of interest per annum determined by reference to the Alternate Base Rate.

"Board of Directors" means the board of directors of the Company.

"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, New York or Mexico City, Mexico are authorized or required by law or administrative rule to close; provided, however, with respect only to any determination of LIBOR, the term "Business Day" shall also exclude any day on which banks are not open for dealings in US Dollar deposits 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, for any period, without duplication, any expenditures of the Company and its Subsidiaries for fixed or capital assets related to the Company's Core Business which, in accordance with IFRS, would be classified as capital expenditures.

"Cash Equivalent Investment" means, at any time:

(g) 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;

(h) commercial paper maturing not more than 270 days from the date of issue, which is issued by either:

(i) any corporation rated A-l or higher by S&P or P-l or higher by Moody's, or

(ii) any Bank (or its holding company); or

(i) 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.

"Commitment Fee" has the meaning specified in Section 2.09(b).

"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, without duplication, of (a) consolidated operating income (determined in accordance with IFRS) for such Measurement Period and (b) the amount of depreciation and amortization expense deducted during such Measurement Period 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 IFRS, 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 IFRS.

"Consolidated Net Worth" means, at any time, all amounts which, in accordance with IFRS, 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 IFRS, 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, or businesses ancillary thereto or in support thereof.

"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" 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.

"Eligible Assignee" means (a) a Bank, (b) an Affiliate of a Bank so long as such Person, upon execution of an Assignment Agreement is entitled to receive additional amounts under Section 3.01(a) in amounts not in excess of the amounts the assignor would have been entitled to receive were the assignee a Foreign Financial Institution, (c) a Foreign Financial Institution, (d) an Export Credit Agency, (e) a Mexican Financial Institution or (f) any other Person (other than a natural Person) approved by the Company in its absolute discretion; provided that, notwithstanding the foregoing, "Eligible Assignee" shall not include the Company or any of the Company's Subsidiaries or Affiliates.

"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.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Company or any of its Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"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 Section 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.

"Executive Order" has the meaning specified in Section 5.19(a) (*Anti-Terrorism Laws*).

"Export Credit Agency" means an official non-Mexican Financial Institution for the promotion of exports duly registered in Book I *(Libro I) Section 5 (Sección 5)* of the Foreign Banks, Financial Entities, Pension and Retirement Funds and Investment Funds Registry (*Registro de Bancos, Entidades de Financiamiento, Fondos de Pensiones y*

Jubilaciones y Fondos de Inversión del Extranjero) of the Ministry of Finance for purposes of Rule II.3.9.1 of the Resolución Miscelanea Fiscal for the year 2010 and Article 196-II of the Mexican Income Tax Law (or any successor provision).

"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 BBVA on such day on such transactions as determined by the Administrative Agent.

"Fee Letter" means the fee letter, dated March 22, 2011 from the Company to the Administrative Agent and the Banks, or the Affiliate of any Bank specified by such Bank.

"Fiscal Quarter" means a period of three (3) consecutive calendar months ending on March 31, June 30, September 30 or December 31 of each year.

"Fiscal Year" means any period of twelve consecutive calendar months ending on December 31 of each year.

"Foreign Financial Institution" means a bank or financial institution (i) registered in Book I (*Libro I*), Section 1 (*Sección 1*) or Section 2 (*Sección 2*) of the Foreign Banks, Financial Entities, Pension and Retirement Funds and Investment Funds Registry (*Registro de Bancos, Entidades de Financiamiento, Fondos de Pensiones y Jubilaciones y Fondos de Inversión del Extranjero*) maintained by the Ministry of Finance for purposes of Rule II.3.9.1 of the *Resolución Miscelánea Fiscal* for the year 2010 and Article 195-I of the *Ley del Impuesto Sobre la Renta* (or any successor provisions thereof), (ii) which is a resident (or, if such entity is lending through a branch or agency, the principal office of which is a resident) for tax purposes in a jurisdiction with which Mexico has entered into a treaty for the avoidance of double-taxation which is in effect, and (iii) which is the effective beneficiary (*beneficiario efectivo*) of any interest paid hereunder.

"Funding Losses" has the meaning specified in Section 3.05 (*Funding Losses*).

"GAAP" means generally accepted accounting principles set forth as "generally accepted" in the applicable jurisdiction, issued by and consistent with the opinions and pronouncements of the applicable accounting board or agency or similar institution in such jurisdiction or such other principles as may be approved by a significant segment of the accounting profession in such jurisdiction, consistently applied during a relevant period.

"Gimsa" means Grupo Industrial Maseca, S.A.B. 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.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Hedging Policy" means the policy of the Company and its Subsidiaries with respect to Hedging Transactions, a current copy of which is attached as Exhibit H, as amended from time to time with the approval of the Board of Directors of the Company (or of a committee duly delegated by such Board of Directors comprised of two or more members thereof).

"Hedging Transaction" means (a) any and all derivative transactions, rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward

bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, swaptions, forward purchase transactions, future transactions or any other similar transactions or option or any other transactions involving or settled by reference to one or more rates, currencies, commodities, equity or debt instruments or securities or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement.

"IFRS" means the International Financial Reporting Standards, as adopted by the International Accounting Standards Board.

"IMSS" means the *Instituto Mexicano del Seguro Social* of Mexico.

"Indebtedness" of any Person means at any date, without duplication:

(j) any obligation of such Person in respect of borrowed money and any obligation of such Person evidenced by bonds, notes, debentures or similar instruments;

(k) any obligation of such Person in respect of a lease or hire purchase contract which would, under IFRS (or, in the case of Persons organized under laws of any state of the United States, U.S. GAAP therein), be treated as a financial or capital lease;

(l) any indebtedness of others secured by a Lien on any asset of such Person, whether or not such indebtedness is assumed by such Person;

(m) 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

(n) with respect to the Company, all Guaranty Obligations of the Company in respect of obligations of third parties unrelated to the Company's existing Core Business as of the date hereof;

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 la Vivienda para los Trabajadores* of Mexico.

"Interest Coverage Ratio" means, as of the last day of any Fiscal Quarter, the ratio of (a) Consolidated EBITDA to (b) Consolidated Interest Charges, in each case determined for the relevant Measurement Period.

"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:

(o) 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;

(p) 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; and

(q) 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 debt, loan, advance or capital contribution to, guaranty or 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 all or a substantial portion of the business or Property or other beneficial

ownership of any other Person or the assets of another person that constitute a business unit or division. 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 Loan:

(r) 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

(s) 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

(t) 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 BBVA 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 with respect to any Property, any security interest, mortgage, deed of trust, *fideicomiso*, pledge, usufruct, fiduciary transfer, charge or deposit arrangement, encumbrance, lien (statutory or other) or preferential arrangement (including a securitization) of any kind or nature whatsoever in respect of any Property that has the practical effect of creating a security interest.

"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, any Assignment and Acceptance, 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; (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Company of any Loan Document; or (d) a material adverse change in any of the rights and remedies of the Administrative Agent or the Banks under the Loan Documents.

"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;

provided that, notwithstanding the foregoing, the Venezuelan Subsidiaries shall not be considered Material 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 as of the last day of such Fiscal Quarter to (b) Consolidated EBITDA of the Company and its Consolidated Subsidiaries determined for the relevant Measurement Period.

"Measurement Period" means any period of four (4) consecutive Fiscal Quarters of the Company, ending with the most recently completed Fiscal Quarter, taken as one accounting period.

"Mexican Financial Institution" means a banking institution (*institución de crédito*) organized under and existing pursuant to and in accordance with the laws of Mexico and duly authorized to conduct banking activities in Mexico by the Mexican Ministry of Finance.

"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*) and/or any of its agencies including, without limitation, the *Servicio de Administración Tributaria* 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.

"OFAC" has the meaning specified in Section 5.19(b)(v).

"Originating Bank" has the meaning specified in Section 10.08(e).

"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).

"Patriot Act" has the meaning specified in Section 5.19(a).

"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.

"Permitted Hedging Transaction" means any Hedging Transaction that;

(i) is not for speculative purposes and was not entered into and is not being maintained with the aim of obtaining profits based on changing market values; and

(ii) is based on or associated with the underlying value of a product, instrument, security, commodity, interest rate, currency, index or measure of risk or value that is used by the Company or any of its Subsidiaries in the ordinary course of business; and

(iii) is in compliance with the Hedging Policy.

"Perpetual Bonds" means the 7.75% Perpetual Bonds issued by the Company in an initial aggregate principal amount of US$300,000,000 pursuant to the Indenture, dated as of December 3, 2004, by and between the Company and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee.

"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.

"Pro Rata Share" means with respect to each Bank its Term Pro Rata Share or its Revolving Pro Rata Share, as applicable.

"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.

"Register" has the meaning set forth in Section 10.08(c).

"Release Documentation" means the documentation listed in Exhibit I attached hereto pertaining to the release of the Liens created pursuant to the 2009 Collateral Documents.

"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 with respect to any Person:

(u) 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; and

(v) any payment (whether in cash, securities or other Property), including any sinking fund or similar deposit, 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, partnership interest or other interest in, such Person.

"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.

"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 the *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) 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 the principal office of which is 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 or (B) a multiple banking institution (*institución de banca múltiple*) that is organized as a *sociedad anónima* under

Mexican law and is authorized to engage in the business of banking by the Ministry of Finance.

"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, 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 fifteen Business Days after the Closing Date.

"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.

"Term 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 Term Commitment of such Bank and the denominator of which is the Term Commitments of the Banks. The initial Term 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.

"Total Funded Debt" means, at any time, on a consolidated basis and 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.

"Venezuelan Subsidiaries" means (i) each of Derivados de Maiz Seleccionado. S.A. and Molinos Nacionales, C.A., together with their respective direct and indirect Subsidiaries, and (ii) any Subsidiary of the Company that is organized after the date of this Agreement if such new Subsidiary is organized under the laws of Venezuela.

"Withdrawal Liability" has the meaning given such term under Part I of Subtitle E of Title IV of ERISA.

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 IFRS, consistently applied.

(b) References herein to "Fiscal Year" and "Fiscal Quarter" refer to such fiscal periods of the Company.

ARTICLE II
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.

(iii) 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 Promise to Pay; Evidence of Indebtedness.

(a) The Company agrees to pay the principal amount of the Term Loans in installments on the dates and in the amounts set forth in Section 2.07 with a final installment on the Maturity Date, and further agrees to pay all unpaid interest accrued thereon, in accordance with the terms of this Agreement and any Term Notes evidencing the Term Loans owing by the Company to the Bank. 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. The Company shall execute

and deliver to each Bank on the Closing Date a Term Note to evidence the Term Loan owing to such Bank and thereafter after giving effect to any assignment thereof pursuant to Section 10.08.

(b) The Company agrees to pay on the Maturity Date the principal amount of each Revolving Loan that is made to the Company, and further agrees to pay all unpaid interest accrued thereon, in accordance with the terms of this Agreement and any Revolving Note evidencing the Revolving Loans owing by the Company to the Banks. 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. The Company shall execute and deliver to each Bank on the Closing Date a Revolving Note evidencing such Bank's Revolving Commitment.

(c) It is the intent of the Company and the Banks that the Term Notes and the Revolving Notes qualify as *pagarés* under Mexican law. To the extent of any inconsistencies between the terms of any Note and this Agreement, this Agreement shall prevail.

(d) Upon payment in full of the Loans, the Administrative Agent, on behalf of the Banks, agrees to promptly deliver to the Company customary documentation, including any payoff letters, evidencing such payment by the Company.

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:

(1) the requested Borrowing Date, which shall be a Business Day;

(2) 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

(3) in the case of any Borrowing comprised of LIBOR Loans, the duration of the initial Interest Period applicable to such Loans. If such LIBOR Loan is a Term Loan, the Interest Period specified in the Notice of Borrowing shall apply to such Term Loan until the Maturity Date and shall be three months. 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 (b) and (c) 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 Administrative Agent's Payment Account or such other account designated by the Administrative Agent for such purposes 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 Revolving Loans that are 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 Revolving Loans that are 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 Revolving Loans that are Base Rate Loans to LIBOR Loans, any continuation of Revolving Loans that are LIBOR Loans or of any conversion of Revolving Loans that are 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 Revolving Loans that are LIBOR Loans, the Company has failed to select timely a new Interest Period, the Company shall, subject to clauses (b) and (c) 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 Revolving 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 of Revolving Loans (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 principal 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 such prepayment shall be applied to the remaining installments of the Term Loans pro rata to remaining installments, and such amounts shall be paid on a pro rata basis among each of the Banks holding Term Loans 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 principal 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.

(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) 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) The aggregate principal amount of the Term Loans shall be payable in Dollars in installments on the dates and in the amounts set forth below:

Date	**Term Loan Scheduled Repayment**
Third Anniversary of the Closing Date	US$25,000,000
Fourth Anniversary of the Closing Date	US$25,000,000
Maturity Date	Remaining Balance

; provided that the final installment payable by the Company on the Maturity Date in respect of the Term Loans shall be in an amount, if such amount is different from that specified above, sufficient to repay the aggregate outstanding principal amount of all Term Loans.

(b) 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 or repayment of Loans under Section 2.05 or 2.07 with respect to the portion of the Loans so prepaid or repaid, 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 amounts 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, or an Affiliate of a Bank specified to the Company by such Bank, a structuring fee as agreed upon by the Company in accordance with the Fee Letter 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 40% of the Applicable Margin in effect at such time.

(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 expiration, 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 BBVA's prime rate or Federal Funds 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 BBVA's 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 Section 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, within two Business Days 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.

ARTICLE III
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;

provided, however, that the Company shall not be required in any circumstance to increase any such amounts payable to any Bank or the Administrative Agent with respect to withholding tax in excess of the rate applicable to a Person that is a Foreign Financial Institution, including during the occurrence and continuance of a Default or an Event of Default.

(c) Subject to the proviso contained in the last paragraph of Section 3.01(b) above, the Company agrees to indemnify and hold harmless each Bank and the Administrative Agent for the full amount of (i) Taxes and (ii) Other Taxes (including deductions and withholdings applicable to additional sums payable under this Section 3.01) in the amount that such Bank or the Administrative Agent, as the case may be, specifies as necessary to preserve the after-tax yield such Bank or the Administrative Agent 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 (c) 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 reasonable 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 (i) disclose information regarding its tax affairs or computations to the Company in connection with this paragraph (e) or any other information that is protected by bank secrecy provisions or (ii) furnish any such form, document or other information if doing so would materially prejudice its legal or commercial position. 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 payable to a Foreign Financial Institution, interest or penalties that would not have became payable by such Person had such documentation been accurate or delivered.

(f) Should any Bank become subject to Taxes and not be entitled to indemnification under Section 3.01(c) or Section 10.05 with respect to Taxes imposed by the relevant Governmental Authority, the Company shall take such steps as the Bank shall reasonably request at the expense of the applicable Bank to assist the Bank to recover such Taxes.

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 from such Bank (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.

(c) Notwithstanding anything to the contrary herein, it is understood and agreed that the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub.L. 111-203, H.R. 4173), all requests, rules, guidelines and directives relating thereto, all interpretations and applications thereof and any compliance by a Bank with any request or directive relating thereto, shall, for the purposes of this Agreement, be deemed to be adopted subsequent to the date hereof.

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 Company 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 Section 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 Company 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.

ARTICLE IV
CONDITIONS PRECEDENT

4.01 Conditions to Effectiveness. The obligations of each Bank hereunder is subject to the satisfaction of each of the following conditions precedent and the Administrative Agent shall have received on or before the Closing Date evidence thereof, 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 shall have been duly executed by each of the parties hereto and each of the Term Notes and Revolving Notes duly executed by the Company;

(b) Organizational Documents. The Administrative Agent shall have received copies, certified by a notary public as to authenticity and by an officer of the Company as to effectiveness, of each of the (i) *acta constitutiva* and (ii) the *estatutos sociales* of the Company as in effect on the Closing Date;

(c) Resolutions; Incumbency.

(i) The Administrative Agent shall have received copies of all applicable powers-of-attorney (*poderes*) designating the Persons authorized to execute this Agreement and the other Loan Documents on behalf of the Company, certified by a Mexican notary public and by the Secretary or an Assistant Secretary of the Company;

(ii) The Administrative Agent shall have received 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; and

(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. 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, deliver and performance by the Company of this Agreement shall have been obtained and are in full force and effect. The Administrative Agent shall have received evidence satisfactory to it of such approvals and their effectiveness and if no such approvals, authorizations, consents, notices or registrations are necessary, a certificate executed by an authorized officer of the Company, shall be delivered to the Administrative Agent so stating;

(e) Change in Condition. There shall have occurred no circumstance and/or event of a financial, political or economic nature in Mexico or in the international financial, banking or capital markets that has a reasonable likelihood having a Material Adverse Effect on the Company and its Subsidiaries;

(f) Process Agent. The acceptance by the Process Agent of an irrevocable appointment 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 notary public of the power of attorney granted by the Company in favor of the Process Agent;

(g) 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 & McCloy LLP, special New York counsel to the Company, substantially in the form of Exhibit G; (iii) a favorable opinion of Ritch Mueller, S.C., special Mexican counsel to the Administrative Agent; and (iv) a favorable opinion of Sullivan & Cromwell LLP, special New York counsel to the Administrative Agent;

(h) Payment of Fees. The Company shall have paid, and the Administrative Agent shall have received satisfactory evidence thereof, (i) all fees and expenses then due and payable to the Banks and the Administrative Agent on or prior to the Closing Date, and (ii) all reasonable costs and expenses to the extent due and payable to the Administrative Agent 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

(i) Closing Conditions. Each of the conditions contained in Section 4.02 shall have been satisfied;

(j) Certificate. The Administrative Agent shall have received 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, 2009, (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;

(k) Repayment of 2009 Facilities. The 2009 Facilities shall have been terminated in full in accordance with their respective terms prior to the Closing Date and all outstanding loans issued under the 2009 Facilities, together with all interest, fees and expenses due and payable, including all outstanding Attorney Costs and trustee fees and other expenses provided for in the documentation related to the 2009 Facilities, shall have been paid in full and all commitments shall have been terminated or cancelled;

(l) Release of Security Interests. All security interests granted in connection with the 2009 Facilities and the Perpetual Bonds shall have been released and the Administrative Agent shall have received evidence of such release; and

(m) Other Documents. The Administrative Agent shall have received 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 each 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 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;

(c) No Material Adverse Effect. There has occurred since December 31, 2009, no event or circumstance that has had or could reasonably be expected to have a Material Adverse Effect; and

(d) No Existing Default. No Default or Event of Default shall have occurred and be continuing either prior to or after giving effect to the Borrowings contemplated to be made on such Borrowing Date.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to the Administrative Agent and each Bank as of the Closing Date and as of each Borrowing Date that:

5.01 Corporate Existence and Power. The Company and each of its Subsidiaries:

(a) is a *sociedad anonima bursátil de capital variable* 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 *acta constitutiva* or *estatutos sociales* in effect,

(b) conflict with or result in any breach, violation or contravention of, or the creation of any Lien under, or give rise to any right to accelerate or require prepayment, repurchase or redemption of any obligation under or constitute a default in respect of (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 any which have been obtained and are in full force and effect.

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*, *quiebra*, 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, with respect to Section 5.05(b) only, as otherwise disclosed by the Company (i) in the Financial Statements delivered pursuant to Section 6.01(a) or (ii) in the most recent annual report of the Company either on Form 20-F as filed with the Securities and Exchange Commission, or in an annual report filed with the Mexican Stock Exchange, or (iii) in an event-driven report filed with the Securities and Exchange Commission or 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, 2009 (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, 2009.

(b) The Company's consolidated unaudited financial statements for the Fiscal Quarter ended September 30, 2010 (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 annual 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 timely filed all tax returns and reports required to be filed under the laws of Mexico, and have timely

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 IFRS; and (ii) those to the extent that non-compliance therewith could not be reasonably expected, individually or in the aggregate, to have a Material Adverse Effect.

5.09 Environmental Matters.

(a) The on-going operations of the Company and each of its Subsidiaries are in compliance in all material respects with all applicable Environmental Laws except as set forth on Schedule 5.09 or 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 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 Subsidiaries is in compliance with all material terms and conditions of such permits, except as set forth on Schedule 5.09 or 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 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 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 5.09 or 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 noncompliance 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 Subsidiaries has good and marketable title to, or valid leasehold interests in, all Property that is reasonably necessary to or used in the ordinary conduct of or is otherwise material to, their business, except to the extent that the failure to have such good and marketable title or valid leasehold interests could not be reasonably expected, individually or in the aggregate, to have a Material Adverse Effect.

(b) The Company and each of its Subsidiaries owns or are licensed or otherwise has the right to use all of the material trademarks, trade names, copyrights, patents, contractual franchises, licenses, authorizations, other intellectual property and other rights that are reasonably necessary for the operation of its business, without conflict with the rights of any other Person, except to the extent that the failure to be so licensed or otherwise have such rights could not be reasonably expected, individually or in the aggregate, to have a Material Adverse Effect.

(c) The Company and each of its Subsidiaries have 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, in accordance with normal industry practice, except to the extent that the failure to maintain such insurance could not be reasonably expected, individually or in the aggregate, to have a Material Adverse Effect.

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 Material 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), except for any such agreements that have been entered into after the Closing Date and are otherwise permitted by Section 7.05.

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, a Spanish translation of the documents prepared by 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. Both immediately before and after giving effect to this Agreement and the transactions contemplated herein, neither the Company nor any of its Subsidiaries is, or will be required to register as, an "investment company" or an "affiliated person" or "promoter" of, or "principal underwriter" of or for, an "investment company", as such terms are defined in 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. No part of the proceeds of the Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose that entails a violation of, or that is inconsistent with, the provisions of Regulation T, U or X of the Board of Governors of the U.S. Federal Reserve System, or that entails a violation by the Company of any other regulations of the Board of Governors of the US Federal Reserve System.

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, or such Plan is a prototype or volume submitter plan that is subject to an opinion letter from the IRS. 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 Section 4069 or 4212(c) of ERISA.

(d) None of the Company or any of its Material Subsidiaries are a party to any labor dispute that could reasonably be expected to have a Material Adverse Effect, and there are no strikes, walkouts, lockouts or slowdowns against the Company or its Subsidiaries pending or, to the best knowledge of the Company or its Subsidiaries, threatened, except as would not be expected to have a Material Adverse Effect on the business, financial condition or operations of the Company or such Material Subsidiary. There is no unfair labor practice complaint pending against any of the Company or its Subsidiaries or, to the best knowledge of any of the Company or its Subsidiaries, threatened against any of them that could reasonably be expected to have a Material Adverse Effect. There is no grievance or significant arbitration Proceeding arising out of or under any collective bargaining agreement pending against any of the Company or its Subsidiaries or, to the best knowledge of any of the Company or its Subsidiaries, threatened against any of them, in each case that could reasonably be expected to have a Material Adverse Effect.

5.19 Anti-Terrorism Laws.

(a) Neither the Company nor, to its knowledge, any of its Affiliates is in violation of any laws relating to terrorism or money laundering ("Anti-Terrorism Laws"), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "Executive Order"), and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56 (the "Patriot Act").

(b) Neither the Company nor, to its knowledge, any of its Affiliates acting or benefiting in any capacity in connection with the Loan is any of the following:

(i) a Person or entity that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(ii) a Person or entity owned or Controlled by, or acting for or on behalf of, any Person or entity that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(iii) a Person or entity with which any Bank is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;

(iv) a Person or entity that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order; or

(v) a Person or entity that is named as a "specially designated national and blocked person" on the most current list published by the US Treasury Department Office of Foreign Assets Control ("OFAC") at its official website or any replacement website or other replacement official publication of such list.

(c) Neither the Company nor, to the Company's knowledge, any of the Company's Affiliates acting in any capacity in connection with the Loan (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Person known to the Company to be a Person described in clause (b)(ii) above, (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or (iii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

5.20 Hedging Policy. The Hedging Policy has been approved by the Board of Directors of the Company (or by a committee duly delegated by such Board of Directors that is comprised of two or more members thereof) and is currently in effect.

ARTICLE VI
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 IFRS consistently applied (except as otherwise discussed in the notes to such financial statements), which financial statements shall present fairly in accordance with IFRS 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 IFRS, consistently applied (except as otherwise discussed in the notes to such statements), which financial statements shall present fairly in accordance with IFRS 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) To the extent not otherwise provided pursuant to clause (a) or (b) above, 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 Subsidiaries as the Administrative Agent or any Bank may reasonably

request, including for know-your-customer and anti-money laundering rules and regulations, including the Patriot Act.

(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 Material 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. The Company will use the proceeds of the Loans for general corporate purposes including, but not limited to, working capital financing.

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 IFRS 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 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 IFRS 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 Subsidiaries to, maintain books, accounts and other records in accordance with IFRS, and the Company will cause its 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 IFRS.

(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 Material 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 2009 Facilities. The Company will provide evidence to the Administrative Agent of the proper filing, recording or other official action required in connection with the release of any Liens in favor of the creditors under the 2009 Facilities and the Perpetual Bonds effected by the Release Documentation within 10 Business Days of the Closing Date.

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.

ARTICLE VII
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, which, for the avoidance of doubt, shall not include any Liens related to the 2009 Collateral Documents;

(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 clause (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 IFRS 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 IFRS 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 Permitted Hedging Transactions on Cash and Cash Equivalent Investments or on the commodity underlying such Permitted Hedging Transaction, to the extent such Permitted Hedging Transaction contemplates the purchase or sale of such commodity; provided that the market value of such assets subject to the Lien shall not exceed, in the aggregate, US$50,000,000 at any time outstanding;

(k) Liens 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; and

(l) Liens in connection with bank overdraft protection, lines of credit or similar arrangements incurred in the ordinary course of business.

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 other than Investments in any of the Venezuelan Subsidiaries;

(c) Cash Equivalent Investments;

(d) Investments by the Company in any Subsidiary other than a Venezuelan Subsidiary or by any Material Subsidiary in the Company or in any Subsidiary other than a Venezuelan 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;

(g) subject to the limitations set forth in Section 7.06 and 7.08, Guaranty Obligations of the Company or any Material Subsidiary in connection with primary obligations of any Subsidiary of the Company other than a Venezuelan Subsidiary;

(h) Permitted Hedging Transactions; and

(i) Investments by any Venezuelan Subsidiary in another Venezuelan Subsidiary with funds of such Venezuelan Subsidiary.

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 Person 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 (a) 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 and (b) no Default or Event of Default shall have occurred and be continuing.

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 30% 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 of its Material Subsidiaries 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.

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 of the last day of any Fiscal Quarter, 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.

7.11 Limitation on Hedging Transactions. Neither the Company nor any of its Subsidiaries shall enter into any Hedging Transactions other than Permitted Hedging Transactions.

ARTICLE VIII
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 (i) 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 herein or (ii) fails to observe the covenant set forth in Section 7.11, and such default continues unremedied for a period of 3 Business Days; 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, *concurso mercantil, quiebra* 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, *concurso mercantil*, *quiebra* 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 or *embargos*, 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 is suspended or revoked or 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 performance by the Company under any of the Loan Documents shall become illegal, or the Company shall assert that any obligation under a Loan Document has become illegal; or

(j) Expropriation. The Mexican government, the Mexican Congress 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, his former spouse and their respective family members (including spouses, 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 Company 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.

ARTICLE IX
THE ADMINISTRATIVE AGENT

9.01 Appointment and Authorization. Each Bank hereby irrevocably appoints, designates and authorizes BBVA, 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. Furthermore, each Bank hereby authorizes and appoints the Administrative Agent as an agent (*comisionista*) under the terms of Articles 273 and 274 of the Mexican Commerce Code (*Código de Comercio*) to execute, deliver and perform any Loan Document to which the Administrative Agent is a party, as well as any other document, agreement or instrument necessary or convenient for the delivery, perfection, execution and foreclosure of the Loan Documents or Lien that may be granted in connection with this Agreement. 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 "agents" 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 an 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. BBVA 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 BBVA were not the Administrative Agent hereunder and without notice to or consent of the Banks. The Banks acknowledge that, pursuant to such activities, BBVA 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, BBVA 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 BBVA 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.

ARTICLE X
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; 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, including but not limited to Article IX.

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, IX 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 Loan 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 and the Banks 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 as agreed to in writing from time to time; 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, 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; (d) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Company or any of its Subsidiaries or any Environmental Liability related in any way to the Company or any of its Subsidiaries and (e) 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 (10) 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, conditioned or delayed 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, (y) other than in the case of a failure of an assigning Bank to comply with clause (C) below, 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 (z) with respect to Eligible Assignees described in clause (f) of the definition thereof, that any assignment to any such Eligible Assignee is subject to the Company's absolute discretion), and, if demanded by the Company pursuant to Section 3.09 shall, at any time assign to one or more Eligible Assignees (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$5,000,000 (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, (B) following any assignment, the provisions of Sections 10.04 and 10.05 shall inure to the benefit of the assigning Bank to the extent related to events, circumstances, claims, costs, expenses or liabilities arising prior to such assignment, (C) in the case of an assignment to an entity described in clause (f) of the definition of Eligible Assignee, the relevant Bank shall furnish to the Company information and documents relating to the proposed assignee as the Company may request and (D) 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 (such processing fee being payable for all assignments, including, but not limited to, an assignment by a Bank to another Bank); 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 without any consent to one or more entities that would have been an Eligible Assignee (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 and provided, further, that the Participant shall, at the time that it purchases the Participation and from time to time thereafter as the Company may reasonably request, provide to the Company documentation evidencing that it is an Eligible Assignee. 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, 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 Federal or state 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 present or future 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 Corporation Service Company (the "Process Agent"), with an office on the date hereof at 1180 Avenue of the Americas, Suite 210 New York, New York 10036-8401, 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.

10.18 No Fiduciary Duty. The Administrative Agent, each Bank and their respective Affiliates (collectively, solely for purposes of this paragraph, the "Lenders"), may have economic interests that conflict with those of the Company, its stockholders and/or its Affiliates. The Company agrees that nothing in the Loan Documents or

otherwise will be deemed to create an advisory, fiduciary or agency relationship or fiduciary or other implied duty between any Lender, on the one hand, and such Company, its stockholders or its Affiliates, on the other. The Company acknowledges and agrees that (i) the transactions contemplated by the Loan Documents (including the exercise of rights and remedies hereunder and thereunder) are arm's-length commercial transactions between the Lenders, on the one hand, and the Company, on the other, and (ii) in connection therewith and with the process leading thereto, (x) no Lender has assumed an advisory or fiduciary responsibility in favor of any Company, its stockholders or its Affiliates with respect to the transactions contemplated hereby (or the exercise of rights or remedies with respect thereto) or the process leading thereto (irrespective of whether any Lender has advised, is currently advising or will advise the Company, its stockholders or its Affiliates on other matters) or any other obligation to the Company except the obligations expressly set forth in the Loan Documents and (y) each Lender is acting solely as principal and not as the agent or fiduciary of the Company, its management, stockholders, creditors or any other Person. The Company acknowledges and agrees that it has consulted its own legal and financial advisors to the extent it deemed appropriate and that it is responsible for making its own independent judgment with respect to such transactions and the process leading thereto. The Company agrees that it will not claim that any Lender has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to such Company, in connection with such transaction or the process leading thereto.

Exhibit 8

List of Principal Subsidiaries
of
Gruma, S.A.B. de C.V.

Subsidiary	Jurisdiction of Incorporation
Gruma Corporation	Nevada, United States
Azteca Milling LP	Texas, United States
Compañía Nacional Almacenadora S.A. de C.V.	Mexico

Exhibit 12(a)(1)

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. §1350)

I, Raúl Alonso Peláez Cano, certify that:

1. I have reviewed this annual report on Form 20-F of Gruma, S.A.B. 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(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) 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

   (d) 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(s) 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 the 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 control 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.

Date: June 7, 2011

/s/ Raúl Alonso Peláez Cano
Raúl Alonso Peláez Cano
Chief Executive Officer

Exhibit 12(a)(2)

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. §1350)

I, Juan Antonio Quiroga García, certify that:

1. I have reviewed this annual report on Form 20-F of Gruma, S.A.B. 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(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) 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

   (d) 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(s) 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 the 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 control 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.

Date: June 7, 2011

/s/ Juan Antonio Quiroga García
Juan Antonio Quiroga García
Chief Corporate Officer

Exhibit 13

Officer Certifications
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 States Code), each of the undersigned officers of Gruma, S.A.B. de C.V., a *sociedad anónima bursátil de capital variable* organized under the laws of Mexico (the "Company"), does hereby certify to such officer's knowledge that:

The annual report on Form 20-F for the fiscal year ended December 31, 2010 (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.

Dated: June 7, 2011

/s/ Raúl Alonso Peláez Cano
Name: Raúl Alonso Peláez Cano
Title: Chief Executive Officer

Dated: June 7, 2011

/s/ Juan Antonio Quiroga García
Name: Juan Antonio Quiroga García
Title: 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.