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, 2008

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)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated file.

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

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* 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, and references to "U.S. dollars," "U.S.$," "dollars" or "$" are to United States dollars. "We," "our," "us," "our company," "GRUMA" and similar expressions refer to Gruma, S.A.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, 2007 and 2008 and for the years ended December 31, 2006, 2007 and 2008, which have been prepared assuming that we will continue as a going concern. As discussed in Notes 2 and 20 to the consolidated financial statements, significant liabilities arising from foreign exchange derivative financial instruments, together with the uncertainty as to whether we will be able to consummate our planned Financing and the Credit Agreement Amendments to resolve our liquidity issues, raise substantial doubt about our ability to continue as a going concern. Management's plans concerning these matters are also discussed in Note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. The financial statements have been audited by PricewaterhouseCoopers, an independent registered public accounting firm.

We publish our financial statements in pesos and prepare our consolidated financial statements in accordance with 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 differs in certain significant respects from accounting principles generally accepted in the United States of America, commonly referred to as "U.S. GAAP." See Note 21 to our audited consolidated financial statements for information relating to the nature and effect of such differences and for a quantitative reconciliation of our consolidated net income and stockholders' equity to U.S. GAAP.

As the Mexican economy 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, 2007, 2006, 2005 and 2004 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 has been qualified as non-inflationary due to a cumulative inflation in the preceding three fiscal years of 11.56%. In addition, MFRS B-10 eliminates the replacement cost and specific indexation methods for inventories and fixed assets, respectively, and requires that the cumulative gain or loss from holding non-monetary assets be reclassified to retained earnings, if such gain or loss is realized; the gain or loss that is not realized will be maintained in stockholders' equity and charged to current

earnings of the period in which the originating item is realized. Accordingly, the financial statements as of December 31, 2008 have been prepared based on the modified historical cost model, as described in Note 2-E to our financial statements, while prior periods are expressed in constant Mexican pesos, as of December 31, 2007 (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).

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 and Central America.

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 Central America and Venezuela are restated to period-end constant local currencies following the provisions of MFRS B-10 and B-15, applying the general consumer price index from the country in which the subsidiary operates. Once figures are restated, they are converted to Mexican Pesos by applying the exchange rate in effect at the end of the period. When a non-Mexican subsidiary operates in a noninflationary environment, the assets and liabilities are translated to Mexican pesos using the year-end exchange rate. The stockholders' equity as of December 31, 2007 were translated to Mexican pesos using the exchange rate at that date, whereas the transactions during 2008 for our non-Mexican subsidiaries other than subsidiaries in Central America and Venezuela were translated by applying the exchange rate in effect at the dates on which the stockholders' contributions were made and income was generated.

For the purposes of the quantitative reconciliation to U.S. GAAP, we have restated the data as of December 31, 2007 and for years ended December 31, 2006 and 2007 in pesos of constant purchasing power as of December 31, 2007 using the Mexican National Consumer Price Index, or NCPI, rather than the international restatement factor in MFRS B-15 of CINIF. 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 Results of Operations—Overview of Accounting Presentation."

Starting January 1, 2008, the Company presents the statement of cash flows for the year ended December 31, 2008, as part of the 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. For the years ended December 31, 2006 and 2007, the statement of changes in financial position is presented separately as a basic financial statement, which classifies changes in financial position for operating, financing, and investing activities. Pursuant to Mexican accounting Bulletin B-10, the latter financial statement was expressed in Mexican pesos of constant purchasing power of December 31, 2007

In connection with most of its obligations under its foreign exchange derivative instruments, the Company entered into a term sheet on March 19, 2009 (the "Term Sheet") that provides 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 Credit Suisse, Deutsche Bank and JP Morgan Chase as counterparties (the "Derivative Counterparties"). On March 23, 2009, Gruma and the Derivative Counterparties agreed to terminate all of these derivative instruments and fixed the total amount of obligations payable by Gruma to the Derivative Counterparties at U.S. $668.3 million (the "Termination Amounts"). In connection with the Term Sheet, Gruma and the Derivative Counterparties have agreed

to negotiate in good faith to convert the Termination Amounts into a secured term loan within 120 days following March 23, 2009 (the "Financing"). Pursuant to the Term Sheet, we are required to pay interest on the Termination Amount at the rate of 1 month LIBOR + 1% for the first six weeks following March 23, 2009, and LIBOR + 2.875% thereafter. Following the expiration of the 120-day period contemplated by the Term Sheet, we will be required to pay default interest on the Termination Amount at the rate of 2% + LIBOR + 2.875%. As a condition of the Financing, the Company intends to terminate its other outstanding foreign exchange derivative instruments (the "Remaining Derivatives") and also intends to enter into agreements to amend and restate its existing debt obligations under its 5-year revolving credit facility (the "2005 Facility") and its 2008 Peso Facility (together, the "Credit Agreement Amendments"). See "Item 3. Key Information—Risk Factors—Risks Related to our Company, Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Indebtedness, and Item 11. Quantitative and Qualitative Disclosures About Market Risk."

On June 18, 2009, Gruma and BNP Paribas ("BNP") entered into a Term Sheet (the "BNP Term Sheet") that provides for the financing of the obligations that would result from scheduled settlement of the foreign exchange derivative instruments entered into with BNP. Pursuant to the BNP Term Sheet, Gruma and BNP agreed to negotiate in good faith to convert the amount of such obligations payable by Gruma under such derivative instruments into an unsecured loan on or before September 8, 2009, the date on which such derivative instruments expire. If Gruma and BNP fail to reach an agreement to convert the obligations payable by Gruma under such derivative instruments into a loan, such obligations will become due and payable immediately following September 8, 2009. On June 26, 2009, Gruma and Barclays Bank PLC ("Barclays") entered into a Term Sheet (the "Barclays Term Sheet") that provides 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 Barclays. Pursuant to the Barclays Term Sheet, Gruma and Barclays agreed to terminate all of Gruma's derivative instruments owing to Barclays and fixed the total amount of obligations payable by Gruma to Barclays at $21.5 million (the "Barclays Termination Amount"). In connection with the Barclays Term Sheet, Gruma and Barclays have agreed to negotiate in good faith to convert the Barclays Termination Amount into an unsecured loan by July 21, 2009. Pursuant to the Barclays Term Sheet, we are required to pay interest on the Barclays Termination Amount at the rate of 1 month LIBOR + 1% for the period between June 26, 2009 and July 21, 2009. Following July 21, 2009, we will be required to pay default interest on the Termination Amount at the rate of 2% + LIBOR + 2.875%. If Gruma fails to convert the Barclays Termination Amount into a loan by July 21, 2009, the aggregate amount of U.S.$21.5 million together with interest will become due and payable immediately. Gruma is in the process of reaching an agreement to unwind its Remaining Derivatives with its other counterparties.

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.

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: the success of the negotiations with the Derivative Counterparties and other creditors and Gruma's ability of continuing as a going concern, 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, 2007 and 2008 and for the years ended December 31, 2006, 2007 and 2008 are derived from and should be read together with our financial statements included herein and "Item 5. Operating and Financial Review and Prospects."

Our consolidated financial statements are prepared in accordance with Mexican 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, 2007, 2006 and 2005 did not exceed 26%, the consolidated financial statements and the selected consolidated financial data as of December 31, 2008 set forth below have been prepared based on the modified historical cost model, as described in Note 2-E to our financial statements. The consolidated financial statements and the selected consolidated financial data as of December 31, 2007, 2006, 2005 and 2004 set forth below are expressed in constant Mexican pesos 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 consolidated financial statements. Accordingly, the financial statements and information as of December 31, 2008 have been prepared based on the modified historical cost model and may not be directly comparable to the information presented for prior periods.

	2004	2005	2006	2007	2008
	(thousands of Mexican pesos, except per share amounts)				
Income Statement Data:					
***Mexican FRS*:**					
Net sales	Ps. 27,366,769	Ps. 29,346,074	Ps. 32,189,955	Ps. 35,816,046	Ps. 44,792,572
Cost of sales	(17,558,113)	(19,166,333)	(20,975,201)	(24,192,290)	(30,236,597)
Gross profit	9,808,656	10,179,741	11,214,754	11,623,756	14,555,975
Selling, general and administrative expenses	(7,684,441)	(8,459,679)	(9,342,921)	(9,749,888)	(11,288,995)
Operating income	2,124,215	1,720,062	1,871,833	1,873,868	3,266,980
Other (expenses) income, net	(324,188)	(176,755)	(49,112)	555,743	(181,368)
Comprehensive financing result:					
Interest expense	(532,951)	(628,345)	(602,315)	(683,578)	(823,702)
(Loss) gain in derivative financial instruments	—	—	(146,693)	155,456	(15,056,799)
Interest income	250,094	58,706	82,012	64,357	90,399
Monetary position gain, net	265,891	331,120	336,552	558,509	446,720
Foreign exchange gain (loss), net	(56,223)	(56,323)	(19,363)	72,129	255,530
Total comprehensive financing result	(73,189)	(294,842)	(349,807)	166,873	**(15,087,852)**
Equity in earnings of associated companies	309,005	684,844	643,318	707,835	618,476
Income (loss) before income tax, cumulative effect of change in accounting principle and minority interest	2,035,843	1,933,309	2,116,232	3,304,319	(11,383,764)
Income tax (current and deferred)	(835,901)	(406,995)	(432,170)	(925,710)	(434,695)
Cumulative effect of change in accounting principle	—	(59,545)	—	—	—
Minority interest	(189,059)	(162,076)	(82,937)	(145,288)	(521,299)
Majority net income (loss)	1,010,883	1,304,693	1,601,125	2,233,321	**(12,339,758)**
Per share data(1):					
Income (loss) before cumulative effect of change in accounting principle	2.24	3.02	3.34	4.63	(21.85)
Cumulative effect of change in accounting principle	—	(0.13)	—	—	—
Majority net income (loss) per share	2.24	2.89	3.34	4.63	(21.85)
U.S. GAAP:					
Net sales	27,652,314	28,578,636	31,530,165	35,427,207	44,381,012
Operating income	2,112,069	1,548,550	1,753,111	1,824,882	3,222,739
Net income (loss)	867,110	1,285,503	1,502,867	2,107,762	(11,778,940)
Per share data(1):					
Net income (loss) per share	1.93	2.85	3.13	4.37	(20.85)

	2004	2005	2006	2007	2008
	(thousands of Mexican pesos, except per share amounts and operating data)				
Balance Sheet Data (at period end):					
Mexican FRS:					
Property, plant and equipment, net	14,466,732	15,119,019	15,563,733	16,274,447	20,653,274
Total assets	27,603,669	29,455,279	31,752,401	33,910,702	44,434,677
Short-term debt(2)	570,917	565,685	926,920	941,073	2,418,560
Long-term debt(2)	6,587,385	7,035,856	5,886,297	6,913,173	11,728,068
Derivative financial instruments	—	—	—	25,557	11,472,292
Total liabilities	12,535,457	13,946,499	13,850,150	15,333,503	35,153,127
Capital stock	16,937,177	16,965,083	18,158,922	18,120,976	9,116,663
Total stockholders' equity(3)	15,068,209	15,508,778	17,902,251	18,577,199	9,281,550
U.S. GAAP:					
Total assets	27,179,476	28,373,924	31,038,108	33,880,390	44,324,382
Long-term debt	6,888,792	7,043,108	5,924,119	6,913,173	11,728,068
Capital stock	16,836,936	16,864,840	18,058,698	18,020,752	9,016,439
Total stockholders' equity	10,900,539	11,302,627	13,929,767	15,116,749	5,916,800
Other Financial Information:					
Mexican FRS:					
Capital expenditures	1,401,042	2,259,276	2,144,056	2,222,903	2,696,744
Depreciation and amortization	1,155,703	1,221,689	1,262,299	1,178,797	1,410,420
Resources provided by (used in) (4):					
Operating activities	2,149,488	1,988,563	1,973,611	267,347	2,212,996
Financing activities	(435,244)	232,304	(168,189)	208,003	1,410,811
Investing activities	(1,588,853)	(2,389,109)	(1,564,747)	(593,808)	(2,958,202)
U.S. GAAP:					
Depreciation and amortization	1,168,943	1,174,020	1,241,875	1,158,976	1,405,704
Net cash provided by (used in):					
Operating activities	1,670,982	1,519,036	1,661,269	(177,314)	1,655,480
Investing activities	(1,333,834)	(1,875,175)	(1,465,231)	(514,608)	(3,002,030)
Financing activities	(166,637)	217,354	82,273	627,108	2,143,425
Operating Data:					
Sales volume (thousands of tons):					
Gruma Corporation (corn flour, tortillas and other)(4)	1,088	1,275	1,327	1,329	1,337
GIMSA (corn flour, tortillas and other)(5)	1,448	1,582	1,734	1,753	1,818
Gruma Venezuela (corn flour, wheat flour and other)	504	480	486	480	465
Molinera de México (wheat flour)	460	474	477	488	494
Gruma Centroamérica (corn flour and other)(6)	154	178	212	220	213
Production capacity (thousands of tons):					
Gruma Corporation (corn flour and tortillas)	1,548	1,661	2,021	2,063	2,093
GIMSA (corn flour, tortillas and other)(6)	2,408	2,801	2,797	2,954	2,954
Gruma Venezuela (corn flour, wheat flour and other)(7)	786	764	764	808	823
Molinera de México (wheat flour)	717	801	801	894	894
Gruma Centroamérica (corn flour and other)	220	264	266	319	307
Number of employees	15,727	16,582	18,124	18,767	19,060

(1) Based upon weighted average of outstanding shares of our common stock (in thousands), as follows: 450,306 shares for the year ended December 31, 2004; 451,446 shares for the year ended December 31, 2005; 480,007 shares for the year ended December 31, 2006; and 482,506 shares for the year ended December 31, 2007; and 564,853 for the year ended December 31, 2008.
(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 minority interests as follows: Ps.3,194 million at December 31, 2004; Ps.3,148 million at December 31, 2005; Ps.3,069 million at December 31, 2006; and Ps.2,882 million at December 31, 2007; and Ps.3,642 million at December 31, 2008.
(4) 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 year ending December 31, 2008 and for the years ended December 31, 2004, 2005, 2006 and 2007, the Company has included the statement of changes in financial position. As a result, the Cash Flow figures for 2008 may not be directly comparable to those presented for the previous four years, which are derived from the statement of changes in financial position.
(5) Net of intercompany transactions.
(6) Includes 194 thousand tons of temporarily idled production capacity at December 31, 2008.
(7) Includes 94 thousand tons of temporarily idled production capacity at December 31, 2008.

Dividends

Our ability to pay dividends is limited by Mexican law, our *estatutos sociales,* or bylaws, and by financial covenants contained in some of our credit agreements. As a result of the Financing and the Credit Agreement Amendments, we may be subject to further restrictions on our ability to pay dividends. 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 is subject to financial

covenants contained in some of its debt agreements, including covenants which limit the amount of dividend payments. Upon the occurrence of any default or event of default under these credit agreements, Gruma Corporation generally is prohibited from making any dividend or other payments. See "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Indebtedness."

During 2008 we did not pay any dividends to shareholders. During 2007, 2006 and 2005, we paid dividends to shareholders, in nominal terms, Ps.410 million, Ps.410 million, and Ps.359 million, respectively. In pesos of constant purchasing power as of December 31, 2007, the dividends paid or payable to shareholders in 2007, 2006 and 2005 amounted to Ps.424 million, Ps.440 million and Ps.396 million, respectively.

Exchange Rate Information

Mexico has had a free market for foreign exchange since 1991. Prior to December 1994, the *Banco de México,* or Mexican Central Bank, kept the peso-U.S. dollar exchange rate within a range prescribed by the government through intervention in the foreign exchange market. In December 1994, the government suspended intervention by the 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, more strongly, against other foreign currencies. From the second quarter of 2002 and until the end of 2003, the Mexican peso depreciated in value. From the beginning of 2004 to August 2008, the Mexican peso was relatively stable, ranging from 9.92 to 11.63. Commencing on October 1, 2008 to June 12, 2009, the Mexican peso depreciated in value from 10.97 to 13.40. 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 Relating to Mexico—Devaluations of the Mexican Peso 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.

	Noon Buying Rate (Ps. Per U.S.$)			
Year	**High (1)**	**Low (1)**	**Average (2)**	**Period End**
2004	11.6350	10.8050	11.2900	11.1540
2005	11.4110	10.4135	10.8940	10.6275
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
December 2008	13.8320	13.0910	13.4171	13.8320
January 2009	14.3330	13.3300	13.8893	14.3330
February 2009	15.0880	14.1340	14.6066	15.0880
March 2009	15.4060	14.0240	14.6466	14.2100
April 2009	13.8882	13.0470	13.3944	13.8010
May 2009	13.8230	12.8845	13.1895	13.1820
June 2009(3)	13.6360	13.0350	13.3459	13.4010

(1) Rates shown are the actual low and high, on a day-by-day basis for each period.
(2) Average of month-end rates.
(3) Through June 12, 2009.

On June 12, 2009, the noon buying rate for pesos was Ps. 13.4010 to U.S.$1.00.

RISK FACTORS

Risks Relating to Our Company

If We Are Unable to Successfully Consummate the Financing and the Credit Agreement Amendments, We Will Not Have Sufficient Liquidity to Repay Our Existing Obligations

We are currently in the process of obtaining financing in order to convert the Termination Amounts owing to Credit Suisse, Deutsche Bank and JP Morgan Chase under the foreign exchange derivative instruments into a secured term loan. Pursuant to a Term Sheet we entered into on March 19, 2009, Gruma and the aforementioned Derivative Counterparties have agreed to negotiate in good faith to convert U.S. $668.3 million owing to the Derivative Counterparties into a secured term loan within 120 days following March 23, 2009. As a condition of the Financing, the Company intends to terminate its Remaining Derivatives and also intends to enter into the Credit Agreement Amendments. Pursuant to the Term Sheet, we are required to pay interest on the Termination Amount at the rate of 1 month LIBOR + 1% for the first six weeks following March 23, 2009, and LIBOR + 2.875% thereafter. Following the expiration of the 120-day period contemplated by the Term Sheet, we will be required to pay default interest on the Termination Amount at the rate of 2% + LIBOR + 2.875%. If Gruma, the Derivative Counterparties, the Remaining Derivative Counterparties, and its creditors under the 2005 Facility and the 2008 Peso Facility fail to enter into an agreement within the aforementioned 120-day period, the Termination Amount of U.S. $668.3 million together with interest accrued will become immediately due and payable. See "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources" and "Item 11. Quantitative and Qualitative Disclosures About Market Risk."

We do not currently have sufficient liquidity to repay the U.S. $668.3 million obligation owing to the Derivative Counterparties. Due to our lack of liquidity, our ability to repay or service our existing financial obligations could depend upon our ability to enter into an agreement with the aforementioned creditors and counterparties within the 120-day period. If we are unable to enter into the Financing and the Credit Agreement Amendments within the designated period, we could attempt to restructure or refinance our existing financial obligations, seek additional equity capital or sell assets. We cannot assure you that we will be able to accomplish those actions on satisfactory terms, if at all.

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. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk—Foreign Exchange Rate Risk."

We are exposed to potential changes in the value of our derivative instruments primarily caused by fluctuations in currency exchange rates. These fluctuations 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. We account for these derivative transactions using the mark-to-market accounting method. The mark-to-market value of these derivatives instruments may increase or decrease prior to the settlement date of the instruments. We may incur unrealized losses as a result of the factors described above. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk, and Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources."

If We Are Unable to Successfully Consummate the Financing and the Credit Agreement Amendments, We Face a Risk of Reorganization-Related Proceedings

If we are unable to enter into the Financing and the Credit Agreement Amendments within the 120-day period following March 23, 2009, we may be unable to meet our payment obligations owing to the Derivative Counterparties and our payment obligations owing to some or all of our existing creditors as these become due. A default under any of our existing debt obligations for borrowed money could result in acceleration of the amounts owing thereunder and in a cross-default under the indenture governing our perpetual bonds. As a result of such acceleration or cross-default, one or more of our creditors could take legal action against us, including filing an

involuntary *concurso mercantil* proceeding in Mexico, and an involuntary proceeding against us in the United States under the U.S. Bankruptcy Code. Further, we may choose to institute a voluntary reorganization proceeding. For additional information concerning our liquidity position, see "—If We Are Able to Successfully Consummate the Financing and the Credit Agreement Amendments, our Substantial Indebtedness could Adversely Affect our Business and, Consequently, our Ability to Pay Interest and Repay our Indebtedness."

If any reorganization proceedings were to be instituted in Mexico and the United States, we could not predict the duration thereof or the ability of holders of existing notes to influence the outcome of such proceedings. A reorganization proceeding is likely to result in significant changes to our existing obligations, including the Perpetual Bond, which could include the cancellation or rescheduling of all or part of those obligations. During the pendency of any such proceeding, our ability to operate or manage our business, to retain employees, to maintain existing or create new client relationships, to continue to collect payments for our services or to obtain any type of funding or financing would likely be materially adversely affected.

Uncertainties Relating to the Successful Consummation of the Financing and the Credit Agreement Amendments Raise Substantial Doubt About our Ability to Continue as a Going Concern

Our consolidated financial statements have been prepared assuming that we will continue as a going concern. However, our independent auditors have stated in their most recent report that substantial doubt exists about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustments that might result from the outcome of that uncertainty. Our ability to continue as a going concern will be dependent upon the successful negotiation of the Financing and the Credit Agreement Amendments, our ability to extend or refinance our existing financial obligations, and/or our ability to sell additional assets or obtain additional financing to meet our financial obligations, if necessary. There can be no assurance that the Financing and the Credit Agreement Amendments will be successfully consummated. These conditions raise substantial doubt about our ability to continue as a going concern.

If We Are Able to Successfully Consummate the Financing and the Credit Agreement Amendments, our Substantial Indebtedness could Adversely Affect our Business and, Consequently, our Ability to Pay Interest and Repay our Indebtedness

If we are able to successfully enter into the Financing and the Credit Agreement Amendments within the 120-day period following March 23, 2009, we anticipate having a significant amount of indebtedness, which will require significant debt service. We do not anticipate that the aggregate amount of our interest expense and other costs associated with our debt may exceed our operating income in 2009. Our significant debt service requirements may adversely affect our ability to finance future operations, make acquisitions and capital expenditures, compete effectively against better-capitalized competitors and withstand downturns in our business. 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 operating improvements.

The expected significant increase in our level of debt could adversely affect our business in a number of ways, including but not limited to, the following:

- because we would have to dedicate a substantial portion of our cash flow from operations to the payment of interest and principal on our debt, we would have less cash available for other purposes including the payment of dividends;

- our ability to obtain additional debt financing could be limited and the terms on which such financing is obtained could be negatively affected; and

- we could be placed at a competitive disadvantage by our limited flexibility to react to changes in the industry and economic conditions since our financial resources would be dedicated to paying interest and principal on our debt instead of expanding or improving our business. As a result, we could lose market share and experience lower sales, which could have a material adverse effect on our financial condition, results of operations and liquidity.

We anticipate that, pursuant to the documentation regarding the Financing and the Credit Agreement Amendments, we may not be able to borrow additional indebtedness unless, at the time of incurrence, we satisfy certain financial covenants or other conditions. As of June 12, 2009, based upon our financial condition, we anticipate that the Financing and the Credit Agreement Amendments would prohibit us from incurring any additional debt, other than to refinance any existing indebtedness, and certain other limited permitted debt exceptions. See also "—If we Are Able to Successfully Consummate the Financing and the Credit Agreement Amendments, We May Not Be Able to Comply with Covenants in the Debt Instruments Governing a Substantial Portion of our Indebtedness", "—If We Are Able to Successfully Consummate the Financing and the Credit Agreement Amendments, We Expect to Pay Interest and Principal on our Dollar-Denominated Debt with Revenues Generated in Pesos or other Currencies, as We Will Not Generate Sufficient Revenue in Dollars from our Operations" and "If We Are Able to Successfully Amend the Terms of our Indebtedness, We May Be Adversely Affected by Increases in Interest Rates."

If We Are Able to Successfully Consummate the Financing and the Credit Agreement Amendments, We May Not Be Able to Comply with Covenants in the Debt Instruments Governing a Substantial Portion of our Indebtedness

We anticipate that, pursuant to the documentation regarding the Financing and the Credit Agreement Amendments, we would be required to comply with certain financial covenants and other covenants including limitations on our ability to pay dividends, make certain investments, merge or consolidate with other companies, sell or pledge assets and incur additional indebtedness. The restrictions on our debt instruments could:

- limit our flexibility to adjust to changes in our business and the industries in which we operate;
- limit our ability to access cash from our subsidiaries and, thus, repay our debt or satisfy other holding company obligations; and
- limit our ability to fund future operations, acquisitions or meet extraordinary capital needs.

If We Are Able to Successfully Consummate the Financing and the Credit Agreement Amendments, we Expect to Pay Interest and Principal on our Dollar-Denominated Debt with Revenues Generated in Pesos or other Currencies, as We Will Not Generate Sufficient Revenue in Dollars from our Operations

If we are able to successfully enter into the Financing and the Credit Agreement Amendments within the 120-day period following March 23, 2009, we anticipate having approximately 81% of our outstanding debt denominated in dollars as of such date. This debt will have to be serviced by funds generated from sales by our subsidiaries. We do not generate sufficient revenues in dollars from our operations to service the entire amount of our expected dollar denominated debt. Consequently, we anticipate having to use revenues generated in pesos or other currencies to service our dollar denominated debt. A devaluation of the peso 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. 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 value of Gruma's foreign currency derivative instruments.

If We Are Able to Successfully Amend the Terms of our Indebtedness, 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, if we are able to successfully enter into the Financing and the Credit Agreement Amendments, we anticipate having additional interest rate risk with respect to floating-rate dollar-denominated debt, which would generally bear interest based on the London interbank offered rate, which we refer to as "LIBOR." If we are able to successfully enter into the Financing and the Credit Agreement Amendments, we anticipate having 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 "B+" with negative implication 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 "B+" by Fitch Ratings ("Fitch"). Our U.S.$300 million perpetual bond is rated "BB-" by Fitch Ratings. These ratings reflect the leveraging impact 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 implication. On March 12, 2008, Standard & Poor's removed the Credit Watch with negative implication based on the company's intention to use part of the proceeds of the proposed May 2008 rights offering to repay debt, which improved our debt ratios. On October 13, 2008, Standard and Poor's reduced the credit rating from "BBB-" to "BB", and placed them 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. We continue to have a B+ rating with negative implications. See "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Indebtedness."

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 and removed all ratings from Rating Watch Negative to Stable. 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.

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 raw material represented 29%, 18% and 8%, respectively, of our cost of sales in 2008. 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. However, during 2008 prices of corn and wheat declined significantly from their peak in 2007. We believe that the demand for corn will increase over the long term in connection with the manufacture of corn-based ethanol. Also, there have been dramatic 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.

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, 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.

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 major 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, 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 and subject us to lawsuits which may have a negative impact on our results of operations.

In the past, various claims have been alleged, mostly in the United States and the European Union, that genetically modified foods are unsafe for human consumption, pose risks of damage to the environment and create legal, social and ethical dilemmas. Some countries, particularly in the European Union, 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 of our assets, including cash;
- 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 recently expanded our operations to China, Malaysia, Australia and England. 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.

We Face Risks Related to Health Epidemics and Other Outbreaks

Our business could be adversely affected by the effects of avian flu, severe acute respiratory syndrome (SARS), Influenza A(H1N1) or another pandemic or outbreak. In April 2009, an outbreak of Influenza A(H1N1) occurred in Mexico, United States and Canada spreading to over 74 countries worldwide, including the countries where we operate our business. Any prolonged occurrence or recurrence of avian flu, SARS, Influenza A(H1N1) or other adverse public health developments in the countries where we operate may have an adverse effect on our business operations. Our operations may be impacted by a number of health-related factors, including, among other things, quarantines or closures of our facilities, which could disrupt our operations, and a general economic slowdown. Any of the foregoing events or other unforeseen consequences of public health problems could adversely affect our business and results of operations.

Risks Relating to Mexico

Our Business and Operations May Be Adversely Affected by the Current Global Economic Crisis

The recent global economic crisis is adversely affecting the economy in the United States and many other parts of the world, including Mexico. The Mexican economy has recently experienced a slowing of its growth rate, and the slow-down has been exacerbated by the recent global crisis in the financial services and credit markets, which has resulted in significant volatility and dislocation in the global capital markets. It is uncertain how long the global economic crisis will continue and how much of an impact it will have on the global economy in general, or the Mexican economy in particular, and whether slowing economic growth in Mexico 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. If economic conditions do not improve, our business, results of operations and financial condition could be materially adversely affected. The adverse impact of this downturn on some of our customers may lead to a further decline in demand for our products. If this were to occur, it could harm our business, results of operations and financial condition and lead to a drop in the trading price of our shares.

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

We are a Mexican company with 38% of our consolidated assets located in Mexico and 29% of our consolidated net sales derived from our Mexican operations as of December 31, 2008. 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 in Venezuela or elsewhere 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 4.4% in 2004, by 3.0% in 2005, by 4.8% in 2006 and by 3.3% in 2007. For 2008, the Mexican economy grew by 1.3%. In the first quarter of 2009, the Mexican economy contracted 8.2% .

Developments and trends in the world economy affecting Mexico may have a material adverse effect on our financial condition and results of operations. In recent months there has been a downturn in economic conditions worldwide, including Mexico. The Mexican economy is tightly connected to the U.S. economy through international trade (approximately 85 percent of Mexican exports go 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 50 percent 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.

Mexican congressional elections are scheduled for July 5, 2009. No political party in Mexico has a majority in the Congress or Senate. The lack of a majority party in the legislature, the potential lack of alignment between the legislature and the President and any changes that result from the congressional elections could result in instability or deadlock, and prevent the timely implementation of political and economic reforms, which in turn could have a material adverse effect on Mexican economic policy 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 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."

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 aims 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. To the extent that this or other similar programs are cancelled by the Mexican government, we may be 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 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."

The level of environmental regulations and enforcement in Mexico has increased in recent years. In the past, the *Comisión Nacional del Agua,* or National Water Commission or CNA, has brought enforcement proceedings against us for fees arising from alleged water discharges from five of our facilities in Mexico. As of December 31, 2008, all of the proceedings brought against us by the CNA have been resolved in our favor. We cannot assure you that further actions of this type will not be brought against us. We expect the trend toward greater environmental regulation and enforcement to continue and to be accelerated 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

If we do not generate sufficient revenue in dollars from our operations, we may have to pay interest and principal on our dollar-denominated debt with revenues generated in pesos or other currencies, as we do not generate sufficient revenue in dollars from our operations. However, 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 net foreign exchange losses of Ps.19 million in 2006, gain of Ps.72 million in 2007, and gain of Ps.256 million in 2008. 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 National Consumer Price Index, was 4.05% for 2006, 3.76% for 2007 and 6.53% for 2008. From January through May 2009, the inflation rate was 1.09%. On June 9, 2009, the 28-day CETES rate was 5.10%. While the substantial part of our debt is dollar-denominated at this time, high interest rates in Mexico may adversely affect the business climate in Mexico generally and our financing costs in the future and thus our financial condition and results of operations.

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

The Mexican economy may be, to varying degrees, affected by economic and market conditions in other countries. Although economic conditions in other countries may differ significantly from economic conditions in Mexico, investors' reactions to adverse developments in other countries may have an adverse effect on the market value of securities of Mexican issuers. In recent years, economic conditions in Mexico have become increasingly correlated to economic conditions in the United States. Accordingly, the slowing 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 Relating 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 Relating 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." 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 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 in original actions in Mexican courts of liabilities predicated solely on the U.S. federal securities laws.

Risks Relating to Venezuela

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

Our operations in Venezuela accounted for approximately 19% of our net sales in 2008. In recent years, political and social instability has prevailed in Venezuela. This unrest presents a risk to our business which cannot be controlled or accurately measured or estimated. For instance, as a result of the nation-wide general strike that took place from early December 2002 to February 2003, and in an effort to shore up the economy and control inflation, Venezuelan authorities imposed foreign exchange and price controls in early 2003.

These price controls apply to products such as corn flour and wheat flour, which limit our ability to increase our prices in order to compensate for higher costs in raw materials. However, in February 2008, the Venezuelan government liberalized price controls on retail wheat flour. We cannot predict whether the Venezuelan government will reinstate price controls on wheat flour in the future. Additionally, the foreign exchange controls imposed by the Venezuelan government limit our ability to convert bolívares (the Venezuelan currency) into other currencies and transfer funds out of Venezuela. In February 2003, the Venezuelan government established a single fixed exchange rate for the bolívar of 1,600.00 bolívares per U.S.$1.00, which has been increased on several occasions to the current fixed exchange rate of 2,150.00 bolívares per U.S.$1.00 in effect since March 2005. Pursuant to a March 2007 decree, commencing on January 1, 2008 the bolívar was renamed "bolívar fuerte" and revalued at a ratio of 1,000 bolívares to 1 bolívar fuerte and 2.15 bolívares fuertes per U.S$1.00.

Hugo Chávez, the current president of Venezuela was reelected to a second term in December 2006. On February 2009, a constitutional referendum was held in Venezuela to decide on the possibility for the President, State Governors, Mayors, and National Assembly Congressmen to be reelected for indefinite terms. Such proposal was approved by the majority of Venezuela's voters. The permanent reelection of key government officials could result in social or economic instability, which in turn could have a material adverse effect on Venezuela and our business.

The Government of Venezuela has undertaken to nationalize foreign-owned companies in key industries such as steel, telecommunications and cement. We cannot assure you that the government of Venezuela will not continue to nationalize other foreign-owned companies, including our operations. The Venezuelan government's continued nationalization of foreign owned companies could adversely affect our financial condition and results of operation.

Additionally, our financial condition and results of operations could be adversely affected since, among other reasons: (i) a portion of our sales are denominated in bolívares; (ii) Gruma Venezuela produces products that are subject to price controls; (iii) part of our 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) we may face increasing costs in some of our raw materials due to the implementation of import tariffs.

Risks Relating 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 approximately 41% of our total sales in 2008. 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 Relating 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

As of December 31, 2008, we held approximately 8.8% of the capital stock of Grupo Financiero Banorte, S.A.B. de C.V. or GFNorte, a Mexican financial institution. In the normal course of business, we may obtain financing from GFNorte's subsidiaries at market rates and terms. For the past six and a half years, the highest

outstanding loan amount was Ps.162 million (in nominal terms) with an interest rate of 8.9% in December 2003. As of December 31, 2008 there were no outstanding loan amounts with GFNorte's subsidiaries.

We purchase some of our inventory ingredients from our shareholder and associate Archer-Daniels-Midland Company, or Archer-Daniels-Midland, at market rates and terms. During 2006, 2007 and 2008, we purchased U.S.$115 million, U.S.$133 million and U.S.$183 million of inventory ingredients, respectively, from Archer-Daniels-Midland. Transactions with affiliates may create the potential for conflicts of interest. See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions."

Exchange Rate Fluctuations May Affect the Value of Our Shares

Fluctuations in the exchange rate between the Peso and the U.S. Dollar will affect the U.S. Dollar value of an investment in our shares and of dividend and other distribution payments on those shares. See "Item 3. Key Information—Exchange Rate Information" 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 30, 2009, Roberto González Barrera and his family controlled approximately 51.68% of our outstanding shares. See "Item 10. Additional Information—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 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. In addition, this 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 39% 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—Antitakeover Protections."

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

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

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

In addition, Gruma Corporation is subject to covenants in some of its debt 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—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), 60% of Molinera de México, S.A. de C.V. and, as of December 31, 2008, 8.8% of GFNorte. 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 in producing tortillas. Prior to our founding, all corn tortillas were made using a rudimentary process. We believe that the preparation of tortillas using the corn flour method presents 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**, we 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, Nicaragua and Ecuador.
- **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.

- **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 April of 2007, we entered into a contract to sell a 40% stake in MONACA to our partners in DEMASECA. In conjunction with this transaction, we also agreed to purchase an additional 10% ownership interest in DEMASECA from our partners. 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 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 made major investments in capacity expansions and upgrades in Gruma Corporation, started the construction of a tortilla plant 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 Australia.

- **In 2009,** major capital expenditures have been applied to the construction of tortilla plants in California and Australia, a wheat flour mill in Venezuela, and general manufacturing upgrades especially in Gruma Corporation.

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, 2008.

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, Europe	Nevada	100%	Packaged tortillas, Other tortilla related products, Corn flour, Other
Azteca Milling(4)	United States	Texas	80%	Corn flour
Central American Operations				
Gruma Centroamérica, LLC(5)	Costa Rica, Honduras, Guatemala, El Salvador, Nicaragua, Ecuador	Nevada	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., a corporation organized under the laws of the Kingdom of Spain.
(6) Together these subsidiaries are referred to as "Gruma Venezuela."
(7) Archer-Daniels-Midland holds a 3% indirect interest in both companies and Mr. Ricardo Fernández, our Venezuelan partner, holds a 24.14% indirect interest in MONACA and 40% in DEMASECA through RFB Holdings de Mexico, S.A. de C.V.

Our subsidiaries accounted for the following percentages and amount of our net sales in millions of pesos for the years ended December 31, 2006, 2007 and 2008.

	Year ended December 31,					
	2006		2007		2008	
	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. 16,170	50%	Ps. 17,406	49%	Ps. 19,356	43%
GIMSA	7,666	24	9,012	25	9,142	20
Gruma Venezuela	3,874	12	3,862	11	8,727	19
Molinera de México	2,212	7	2,694	8	3,598	8
Gruma Centroamérica	1,863	6	2,076	6	2,949	7
Others and eliminations	405	1	766	1	1,021	3

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 Relating to Our Controlling Shareholders and Capital Structure—Archer-Daniels-Midland, Our Strategic Partner, Has Influence Over Some Corporate Decisions" and "Item 10. Additional Information—Material Contracts—Archer-Daniels-Midland."

Capital Expenditures

Our capital expenditure program continues to be primarily focused on our core businesses and markets. Capital expenditures for 2006, 2007 and 2008 were U.S.$189 million, U.S.$204 million and U.S.$235 million, respectively. Our capital expenditures include investments in property, plant and equipment, acquisitions of new plants and brands and capital investments. Capital expenditures in 2006 were mainly applied to: (i) the expansion of tortilla capacity and upgrades in existing and new plants within Gruma Corporation; (ii) the acquisition of Pride Valley Foods, a company based in Newcastle, England, that manufactures tortillas, pita bread, chapatti, and naan, for an acquisition cost of approximately U.S.$33 million; (iii) the construction of a tortilla plant in Shanghai, China, for a total investment of approximately U.S.$7 million; (iv) the acquisition of Rositas Investments, a tortilla company based in Australia, for approximately U.S.$13 million; (v) the acquisition of Oz-Mex Foods, a tortilla company based in Australia, for approximately U.S.$4 million; and (vi) the purchase of the remaining 49% ownership interest in Nuova De Francesch & Figli, a corn flour company based in Italy, in which we previously held a 51% ownership interest, for approximately U.S.$8.2 million. To a lesser extent, investments were also made to expand capacity in GIMSA and Gruma Centroamérica. Major capital expenditures in 2007 were focused on

expanding and upgrading capacity at Gruma Corporation, capacity expansions at GIMSA and Gruma Centroamérica, and the construction of a tortilla plant in Australia. During 2008 GRUMA's capital expenditures totaled U.S.$235 million, most of which was applied to the construction of tortilla plants in California and Australia, capacity expansions and upgrades in Gruma Corporation. In light of the increase in our debt resulting from losses on derivative instruments, our capital expenditures will be oriented exclusively to the most material projects and therefore will be lower than what we have invested in recent years. We have budgeted approximately U.S.$80.0 million for capital expenditures in 2009, which we intend to use mainly for additional capacity at existing plants in Gruma Corporation, to finalize the construction of a tortilla plant in California and a tortilla plant in Australia. We anticipate financing these expenditures throughout the year through our own cash flows. This capital expenditures budget does not include any potential acquisitions. During the first quarter of 2009, we spent approximately U.S.$14 million on capital expenditures which were applied to the construction of tortilla plants in California and Australia and a wheat flour mill in Venezuela.

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

	Year ended December 31,		
	2006(1)	2007(1)	2008(2)
	(in millions of U.S. dollars		
Gruma Corporation	$ 121.3	$ 96.1	120.7
GIMSA	31.3	23.6	12.2
Gruma Venezuela	7.6	6.7	22.0
Molinera de México	5.1	3.6	3.4
Gruma Centroamérica	11.8	13.1	23.6
Others and eliminations	11.8	60.5	53.4
Total consolidated	$ 188.9	$ 203.6	235.3

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

(2) 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.

In light of the increase in our debt resulting from losses on derivative instruments, we anticipate that our capital expenditures during 2009 will be oriented exclusively to the most material projects and therefore will be less than what we have invested in recent years.

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

BUSINESS OVERVIEW

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

Our focus has been and continues to be the efficient and profitable expansion of our core business—corn flour, tortilla, and wheat flour production. We pioneered the dry corn flour method of tortilla production, which offers several advantages over the centuries-old traditional wet corn dough method. These advantages include higher production yields, reduced production costs, more uniform quality and longer shelf life. The corn flour method of production offers significant opportunities for growth. Using our technology and know-how, we expect

to encourage tortilla and tortilla chip producers in the United States, Mexico, Central America, and elsewhere to convert to the corn flour method of tortilla and tortilla chip production. Additionally, we expect to increase the presence of our other core businesses, including packaged tortillas in the United States, Mexico, Central America, Europe, 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, 2006, 2007 and 2008.

	Year ended December 31,					
	2006		2007		2008	
			(in millions of pesos)			
United States and Europe	Ps.	16,168	Ps.	17,403	Ps.	19,332
Mexico		9,977		11,652		12,784
Venezuela		3,874		3,862		8,727
Central America		1,862		2,076		2,949
Asia and Oceania		309		823		1,001
Total	Ps.	32,190	Ps.	35,816	Ps.	44,793

Strategy

Our strategy for growth is to focus on our core business—the manufacturing of tortillas, corn flour and wheat flour—and to capitalize upon our leading positions in the corn flour and tortilla industries. We have taken advantage of the increasing popularity of Mexican food and, more importantly, tortillas in the U.S., 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 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 in New Regions in the United States: We believe that the size and growth of the U.S. retail and food service tortilla markets offer significant opportunities for expansion.

Enter and Expand in the Tortilla 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 China 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.

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

Encourage Transition in All Our Markets from Traditional Cooked-Corn Method to 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 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.

During 2000, Gruma Corporation opened its first European tortilla plant in England, initiating our entry into the European market. During 2004 Gruma Corporation concluded two small acquisitions in Europe, a tortilla plant in Holland and a 51% ownership of a corn flour plant in Italy in an effort to strengthen our presence in that region. During 2006, Gruma Corporation acquired a company in England, which we believe will allow us to expand our product portfolio with new types of flat breads. In addition, Gruma Corporation 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.

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 35% 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 Mexican food, for example, the use of tortillas for wraps, which will continue to increase demand for tortillas. Growth in recent years in the corn flour market is attributable to this increase of corn tortilla and tortilla chip consumption in the U.S. market as well as the conversion of tortilla and tortilla chip producers from the wet corn dough process to our dry corn flour method, the increase of Hispanic population, 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 believe there is a significant growth potential for tortillas in Europe, both in the retail and food service segments. Approximately two-thirds of our production is allocated to food service providers and food processors, while the remaining one-third is for retail sales. We believe we are one of the largest tortilla producers in Europe, and our main competitors in Europe are General Mills and Santa Maria. Two or three new smaller players have entered tortilla production in Europe, operating in Germany, Benelux and the United Kingdom.

Operation and Capital Expenditures. Annual total production capacity for Gruma Corporation is estimated at 2.1 million metric tons as of December 31, 2008, with an average utilization of 76% in 2008. The average size of our plants measured in square meters is approximately 9,500 (about 103,000 square feet) as of December 31, 2008. Capital expenditures for the past three years were U.S.$338 million, mostly for expansion and upgrades of existing

facilities and the construction of a new tortilla plant in southern California. Gruma Corporation 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. Gruma Corporation's capital expenditures projected for 2009 will be approximately U.S.$28 million for maintenance of existing facilities and the completion of a tortilla plant in southern California 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 21 manufacturing facilities worldwide. Nineteen of these facilities are located in large population centers throughout the United States. During the first quarter of 2009, Mission Foods temporarily closed three manufacturing facilities located in Las Vegas, Ft. Worth and El Paso. Mission Foods has temporarily shifted production to other plants to achieve savings in overhead costs. Mission Foods will consider reopening these plants should market demands require additional capacity. Outside the United States, Mission Foods has one plant 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. Many of Mission Foods' U.S. plants have earned the AIB's highest award, the combined AIB-HAACP certification, with the exception of the recently acquired plants in Arizona, Minnesota and 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 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 a plant in Ceggia, Italy. The majority of our plants are located within important corn growing areas. Due to Azteca Milling's manufacturing practices and processes, we are the only corn milling company to achieve ISO 9002 certification as well as certification by the American Institute of Baking. All six facilities located in the U.S. have achieved ISO 9002 certification. The 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 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 6 months in advance. The Texas Panhandle currently is the single largest source of food-grade corn. Azteca Milling is also involved in short-term contracts for corn procurement with many corn suppliers. Where suppliers fail to deliver, Azteca Milling can easily access the spot markets. Azteca Milling does not anticipate any difficulties in securing adequate corn supplies in the future.

Corn flour for Mission Foods' products is supplied by Azteca Milling and, to a much lesser extent, 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. Since the acquisition of Agroinsa in 2005, GIMSA also produces wheat flour and other related products.

In 2008, GIMSA had net sales of Ps.9,142 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® flour is a ready-mixed corn flour that becomes a dough when water is added. This corn dough can then be pressed to an appropriate thickness, cut to shape and cooked to produce tortillas and similar food products.

GIMSA produces over 40 varieties of corn flour for the manufacture of different food products 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®, a standard fine-textured, white corn flour used to manufacture tortillas.

In 2007, GIMSA decided to divest its small tortilla shops and sold this business to third parties. GIMSA's tortilla sales in 2007 represented less than 1% of its total sales volume and less than 2% of its net sales for the year.

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 volumes of corn flour, tortilla sales volume and other products for the periods indicated.

	Year Ended December 31,					
	2006		2007		2008	
	Tons	%	Tons	%	Tons	%
Corn Flour						
Bulk	1,330,123	77	1,352,109	77	1,417,550	78
Retail	262,551	15	265,825	15	268,091	15
Tortillas	15,069	1	3,710	—	—	—
Other	126,398	7	131,716	8	131,930	7
Total	1,734,141	100	1,753,360	100	1,817,571	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® flour or through wholesalers who sell the product to smaller grocery stores throughout Mexico. Sales to rural consumers are made principally through the Mexican government's social and distribution program *Distribuidora Conasupo, S.A.,* or DICONSA, which consists of a network of small government-owned stores and which supplies rural areas with basic food products.

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

This traditional method is a rudimentary practice requiring more energy, time and labor because it involves cooking the corn in water and with lime, milling the cooked corn, creating and shaping the dough, and then making tortillas from that dough. We pioneered the dry corn flour method in which we mill the raw corn in our facilities into corn flour. Tortilla producers and consumers, once they acquire the corn flour, may then simply add water to transform the flour into wet dough to produce tortillas. We believe the preparation of tortillas using the dry corn flour method possesses several advantages over the traditional method. Our internal studies show that the dry corn flour method consumes less water, electricity, fuel and labor. We estimate that one kilogram of corn processed through the corn flour method yields more tortillas on average than a similar amount of corn processed using the traditional method. Corn flour is also transported more easily and under 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, thus also, believe that we have substantial opportunities for growth by encouraging a transition to our method. Corn flour is primarily used to produce corn tortillas, a principal staple of the Mexican diet. The tortilla industry is one of the largest industries in Mexico as tortillas constitute the single largest component of Mexico's food industry. However, there is still reluctance to abandon traditional practice, particularly in central and southern Mexico, because corn dough producers and/or tortilla producers using the traditional method incur lower expenses by working in an informal economy. Additionally, such producers are generally not required to comply with environmental regulations, which also represent savings for them. To the extent regulations in Mexico are enforced and we and our competitors are on the same footing, we expect to benefit from these developments.

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

- 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.

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

Competition and Market 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 19 corn flour mills, all of which are located throughout Mexico, typically within corn growing regions and those of large tortilla consumption. Two of these plants resulted from GIMSA's acquisition of 100% of the capital stock of Agroinsa, a company based in Monterrey,

Mexico, in August 2005. Even though the two plants operated during 2005, GIMSA decided to relocate their production to other GIMSA plants to increase production efficiency. The Celaya plant permanently ceased operations on December 1, 2005 and the Monterrey plant permanently ceased corn flour operations on April 1, 2006, but still produces wheat flour and other products. In 2007, GIMSA decided to divest its small tortilla operations and sold it to third parties. One of GIMSA's plants (Chalco) is temporarily closed. The Chalco plant has been inactive since October 1999. GIMSA has temporarily shifted production to other plants to achieve savings in overhead costs. These idled assets are not being depreciated since the carrying value is expected to be recovered and the remaining useful life is maintained. GIMSA will consider reopening this plant should market demands require additional capacity.

In recent years, GIMSA's capital expenditures were primarily used to update technology and corn flour production process and to a lesser extent for acquisitions. In 2006, GIMSA began capacity expansions at its Mérida and Mexicali plants. GIMSA spent U.S.$67 million, for these purposes from 2006 to 2008. GIMSA currently projects total capital expenditures during 2009 of approximately U.S.$21 million, which will be used primarily for upgrading production equipment and acquiring transportation equipment. As of December 31, 2008, on average, the size of our plants measured in square meters was approximately 20,315 (approximately 218,700 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 corn flour method of production.

Raw Materials. Corn is the principal raw material required for the production of corn flour, and constituted approximately 56% of GIMSA's cost of sales for 2008. We purchase corn primarily from Mexican growers and grain elevators, and from world markets at international prices under import permits granted by the Mexican government. All of our domestic corn purchases are made on a spot basis pursuant to short-term contractual arrangements, some of which are in the form of oral agreements entered into at the beginning of the harvest. Compañía Nacional Almacenadora, S.A. de C.V., a subsidiary of GIMSA, contracts for and purchases the corn, and also monitors, selects, handles and ships the corn.

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

Traditionally, domestic corn prices in Mexico tend to be higher than those abroad, and typically follow trends in the international market only when corn prices are increasing. During most periods, the price at which GIMSA purchases corn depends on the international corn market. As a result, corn prices are sometimes unstable and volatile. For more information regarding the government's effect on corn prices, see "Item 4. Information on the Company—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 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 abovementioned 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). This program aims 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. The total amount of subsidized funds allotted to the Company by the Mexican government under this program in 2008 totaled Ps.1,271 million. To the extent that this or other similar programs are cancelled by the Mexican government, we may be 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 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. 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 2008, approximately 89% of Molinera's wheat flour production was sold in bulk and 11% 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 9 wheat flour plants, including one of which we hold only a 40% ownership interest. The facilities' average extent of utilization is estimated at 77% for 2008. On average, the size of our plants measured in square meters is approximately 11,300 (approximately 121,200 square feet) as of December 31, 2008.

Capital expenditures from 2006 through 2008 amounted to U.S.$12 million. Molinera de México's capital expenditures in 2009 are projected to be U.S.$4 million, which will be used primarily for general upgrades.

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

Raw Materials. Wheat is the principal raw material required for the production of wheat flour. Molinera de México purchases approximately 45% of its wheat from Mexican growers, and 55% from world markets. Molinera de México purchases from local farmers, farmers associations and trading companies. In the case of domestic wheat, purchases are made pursuant to short-term oral arrangements, the terms of which are negotiated at the time of execution. These arrangements are usually made approximately two months in advance of the beginning of the harvest. In the case of imported wheat, which we import from the United States and Canada through several trading companies, purchases are made based on short-term requirements, with the aim of maintaining low levels of inventories.

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

Central American Operations

Overview

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

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® and RUMBA® brand. Hearts of palm are exported to numerous European countries as well as the United States, Canada, Chile and México.

Sales and Marketing. The largest portion, 174,155 tons or 82%, of Gruma Centroamérica's sales volume in 2008 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 68% and retail sales represented approximately 32% of Gruma Centroamérica's corn flour sales volume during 2008.

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 16% 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, our main competitors are Del Comal, Gumersal, Bachazo 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 307,000 tons for corn flour and other products as of December 31, 2008, with an average utilization of approximately 57% during 2008. We operate one corn flour plant in Costa Rica, Honduras, El Salvador, and two plants in Guatemala for a total of five plants throughout the region. In Costa Rica, we also have one plant producing tortillas, one plant producing snacks, one plant processing hearts of palm and one plant processing rice. In Nicaragua we have one small tortilla plant and in Ecuador we lease a facility which processes hearts of palm. On average, the size of our plants measured in square meters is approximately 73,900 (approximately 243,000 square feet) as of December 31, 2008.

During 2006, 2007 and 2008 most of our capital expenditures were oriented to technology upgrades, the expansion of a corn flour plant in Honduras, the acquisition of a corn flour plant in Guatemala and administrative offices in Costa Rica. Total capital expenditures for the past three years was approximately U.S.$49 million. Capital expenditures for 2009 are projected to be U.S.$5 million, which will be used primarily for the conclusion of the expansion of the corn flour plant in Honduras, the construction of silos in Guatemala and Costa Rica.

Seasonality. Typically, corn flour sales volume is lower during the second quarter of the year due to higher availability and lower prices of corn. Most of our products sales increase during the fourth quarter as demand is higher during the holidays.

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 2006, we entered into a contract to sell a 40% stake in MONACA to our current partner in DEMASECA at a price of U.S.$65.6 million. As of June 12, 2009, we had received U.S.$39.6 million dollars of this amount, delivering an indirect interest of 24.14% of MONACA. The total payment of the sale price and the respective delivery of our interests in MONACA is expected to be completed in December 2009. Notwithstanding the foregoing, the purchaser will not have voting or other corporate rights with respect to any unpaid interests until the corresponding purchase price is paid. In addition to such transaction, we agreed to: (i) purchase an additional 10% ownership interest in DEMASECA at a price of U.S.$2.6 million; (ii) purchase from Archer-Daniels-Midland a 2% stake in MONACA at a price of U.S.$3.28 million, and; (iii) sell to Archer-Daniels-Midland a 3% interest in DEMASECA at a price of U.S.$0.78 million. Upon completion of these transactions, we will indirectly own a 57% interest, our partner will own a 40% interest and Archer-Daniels-Midland will own a 3% interest in each of DEMASECA and MONACA. DEMASECA and MONACA are collectively referred to as "Gruma Venezuela."

DEMASECA and MONACA

Principal Products. Gruma Venezuela produces and distributes corn flour as well as wheat flour, rice, oats and other products. We sell corn flour under the brand names JUANA®, TIA BERTA®, DECASA®, LIGERINA® 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. In 2008, we sold corn flour only 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 76.6% of our total wheat flour sales volume in 2008. The remaining 23.4% of sales in 2008 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 six corn flour plants, five wheat flour plants, three rice plants, one pasta plant, and two plants that produce oats and spices in Venezuela with a total annual production capacity of 823,485 tons as of December 31, 2008 and an average utilization of approximately 62% during 2008. The corn flour plant, which was considered as temporarily idle as of Decembre 31, 2007, was used for the construction of a wheat flour mill. However, two rice plants, representing 93,620 tons, are temporarily idle. On average, the size of our plants measured in square meters is approximately 9,300 (approximately 100,500 square feet) as of December 31, 2008.

Capital expenditures for the past three years were U.S.$36 million. Capital expenditures for 2009 are expected to be U.S.$14 million and are expected to be focused on the construction of a wheat flour mill and upgrades for manufacturing and information technologies.

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. Approximately 93.4% of our wheat is purchased from the U.S. and Canada, 5.2% from Argentina, and the remaining 1.4% from Germany, 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 had 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 50 to 300 corn tortillas per minute to dough mixers. The equipment is sold under the TORTEC® and BATITEC® trademarks in Mexico. Tecnomaíz also manufactures high volume energy efficient corn and wheat tortilla systems that can produce up to 1,200 corn tortillas and 600 wheat tortillas per minute.

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

GFNorte Investment

As of December 31, 2008, 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 approximately 7.4% or Ps.3,299 million of our total assets. In accordance with Mexican FRS, GFNorte's results of operations are accounted for in our consolidated results of operations using the equity method of accounting.

REGULATION

Mexican Regulation

Corn Commercialization Program

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), has implemented a program designed to promote corn sales in certain regions of Mexico. The program includes the following objectives:

- Support corn growers by setting target prices and paying the difference versus market price.
- Support corn growers by providing economic support to reduce the cost of raw materials required for corn crops.
- Support a portion of the freight expenses related to the distribution of corn surpluses to regions away from the corn growing area in seasons when there is a surplus. This support for freight expenses applies to any corn buyer that can prove that the purchased corn will be consumed in regions where there is no corn available and that are distant from the regions where corn is grown.

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.

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 abovementioned 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). This program aims 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. Flour manufacturers are entitled to receive a subsidy conditioned on selling the corn flour below a maximum price set by the Mexican government. To the extent that this or other similar programs are cancelled by the Mexican government, we may be required to increase the prices of our products to reflect such additional costs.

Since June 2008 the maximum price established to receive the price aid was Ps.5.45 per kilogram of corn flour. The total amount of subsidized funds allotted to the Company by the Mexican government under this program in 2008 totaled Ps.1,271 million. For 2009, the maximum price for corn flour under PROHARINA has been set at Ps.5.875 per kilogram.

There can be no assurance that there will be another extension of the aforementioned agreements, that we will continue selling our corn flour in Mexico below Ps.5.875 per kilogram, maintaining our eligibility for 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.

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 SEMARNAT upon initiating operations, and then annually submit a certificate of operation to maintain the operating license. Furthermore, the Mexican Federal Law of Governmental Fees requires that Mexican manufacturing plants pay a fee for the discharge of residual waste water to drainage. Rules have been 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 qualified as such by Presidential decree, and established the *Comisión Federal de Competencia*, or Federal Competition Commission, to enforce the law. Mergers and acquisitions and other transactions that may restrain trade or that may result in monopolistic or anti-competitive practices or combinations must be approved by the Federal Competition Commission. The Mexican Competition Law may potentially limit our business combinations, mergers and acquisitions and may subject us to greater scrutiny in the future in light of our market presence, although it has had little effect on our operations, and we do not believe that this legislation will have a material adverse effect on our existing or developing business operations.

U.S. Federal and State Regulations

Gruma Corporation is subject to regulation by various federal and state agencies, including the Food and Drug Administration, the Occupational Safety and Health Administration, the Federal Trade Commission, the Environmental Protection Agency and the Texas Department of Agriculture. We believe that we are in compliance in all material respects with all environmental and other legal requirements. Our food manufacturing and

distribution facilities are subject to periodic inspection by various public health agencies, and the equipment utilized in these facilities must generally be governmentally approved prior to operation.

European Regulation

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

Central 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.

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 financial statements and the notes thereto contained elsewhere herein, which have been prepared assuming that we will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, our significant liabilities arising from derivative financial instruments raise substantial doubt about our ability to continue as a going concern. Management's plans concerning these matters are also discussed in Notes 2 and 20 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our 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 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 requires that financial statements recognize the effects of inflation based on the economic environment of the country in accordance with MFRS B-10 and B-15 issued by CINIF. Unless otherwise stated herein, the financial statements and other financial data in this Annual Report as of December 31, 2008 have been prepared based on the modified historical cost model, as described in Note 2-E to our 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 BulletinB-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 2008 has been qualified as non-inflationary due to a cumulative inflation in the preceding three fiscal years of 11.56%. In addition, MFRS B-10 eliminates the replacement cost and specific indexation methods for inventories and fixed assets, respectively, and requires that the cumulative gain or loss from holding non-monetary assets be reclassified to retained earnings, if such gain or loss is realized; the gain or loss that is not realized will be maintained in stockholders' equity and charged to current earnings of the period in which the originating item is realized. Accordingly, the financial statements as of December 31, 2008 have been presented based on nominal Mexican pesos while prior periods are expressed in constant Mexican pesos, as of December 31, 2007 (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).

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, 2008, assets and liabilities are translated to Mexican pesos using the year-end exchange rate of Ps.13.83 to the U.S. dollar.
- 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 was Ps.11.21.
- Revenues, costs and expenses for the year 2008 are translated to Mexican pesos using the historical exchange rate. The average exchange rate was Ps.11.21.
- 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 December 31, 2008, assets, liabilities and stockholders' equity are translated to Mexican pesos using the year-end exchange rate of Ps.13.83.
- Revenues, costs and expenses for the year 2008 are translated to Mexican pesos using the year-end exchange rate of Ps.13.83.
- 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/U.S. dollar exchange rate see "Item 3. Key Information—Exchange Rate Information."

In addition to the above, our net income may be affected by changes in our foreign exchange gain or loss, which may be impacted by significant variations in the peso/dollar exchange rate. In 2006, we recorded a net foreign exchange loss of Ps.19 million. During 2007, we recorded a net foreign exchange gain of Ps.72 million. During 2008, we recorded a net foreign exchange gain of Ps.256 million.

Critical Accounting Policies

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

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

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

Property, Plant and Equipment

We depreciate our property, plant and equipment over their respective estimated useful lives. Useful lives are based on management's estimates of the period that the assets will 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:

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

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

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

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

Goodwill and Other Intangible Assets

Intangible assets with definite lives are amortized on a straight-line basis over estimated useful lives. Goodwill and indefinite-lived intangible assets are no longer 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 reporting units and the allocation of goodwill to such reporting unit. A reporting unit is constituted by a group of one or more cash generating units. Estimates of fair value are primarily determined using discounted cash flows. Cash flows are discounted at present value and an impairment loss is recognized if such discounted cash flows are lower than the net book value of the reporting unit.

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

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

Deferred Income 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 long-term debt; and (iii) exchange rate contracts (mainly Mexican peso — U.S. dollar and in other currencies).

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

We measure the fair value of the derivative financial instruments based on market prices, when available. When market prices are not available, we estimate the fair value of derivative financial instruments using the income approach. The income approach uses discounted cash flow projections. We use observable or market-corroborated inputs such as exchange rates, volatility and interest rate yield curves. 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 designated 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 polices 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, 2006, 2007 and 2008, expressed as a percentage of net sales. All financial information has been prepared under the MFRS B-15 methodology. For a description of the method, see “Presentation of Financial Information” and “—Overview of Accounting Presentation.”

	Year Ended December 31,		
	2006	2007	2008
Income Statement Data			
Net sales	100%	100%	100%
Cost of sales	65.2	67.5	67.5
Gross profit	34.8	32.5	32.5
Selling, general and administrative expenses	29.0	27.2	25.2
Operating income	5.8	5.2	7.3
Net comprehensive financing cost	(1.1)	0.5	(33.7)
Other income (expenses), net	(0.2)	1.6	(0.4)
Income taxes (current and deferred)	1.3	2.6	1.0
Other items	2.0	2.0	1.4
Minority interest	0.3	0.4	1.2
Majority net (loss) income	5.0	6.2	(27.5)

The following table sets forth our net sales and operating income as represented by our principal subsidiaries for 2006, 2007 and 2008. 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.287 million, Ps.404 million and Ps.433 million in 2006, 2007 and 2008, respectively, in corn flour to Gruma Corporation, Gruma Centroamérica, Molinera de México and PRODISA. Financial information with respect to Molinera de México includes sales of Ps.47 million, Ps.55 million and Ps.72 million in 2006, 2007 and 2008, respectively, to GIMSA, Gruma Corporation and PRODISA; financial information with respect to PRODISA includes sales of Ps.66 million, Ps.65 million and Ps.77 in 2006, 2007 and 2008, respectively, in tortilla related products to Gruma Corporation.

Financial information with respect to INTASA includes sales of Ps.945 million, Ps.794 million and Ps.869 million in 2006, 2007 and 2008, 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,					
	2006		2007		2008	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
	(in millions of pesos)					
Gruma Corporation	Ps. 16,170	Ps. 942	Ps. 17,406	Ps. 919	Ps. 19,356	Ps. 984
GIMSA	7,666	854	9,012	786	9,142	1,318
Gruma Venezuela	3,874	119	3,862	58	8,727	830
Molinera de México	2,212	(87)	2,694	84	3,598	296
Gruma Centroamérica	1,863	65	2,076	91	2,949	59
Asia and Oceanía	308	6	823	(33)	1,001	(152)
Others and eliminations	97	(27)	(57)	(31)	20	(67)
Total	Ps. 32,190	Ps. 1,872	Ps. 35,816	Ps. 1,874	Ps. 44,793	Ps. 3,267

Year Ended December 31, 2008 Compared with Year Ended December 31, 2007

(2007 figures are presented in pesos of constant purchasing power as of December 31, 2007 and 2008 figures are based on modified historical cost model)

Consolidated Results

GRUMA's sales volume increased by 1% to 4,287 thousand metric tons in 2008 compared with 4,243 thousand metric tons in 2007. This increase was driven mainly by GIMSA and, to a lesser extent, Molinera de México. Net sales increased by 25% to Ps.44,793 million in 2008 compared with Ps.35,816 million in 2007. The increase was due primarily to Gruma Venezuela, Gruma Corporation, and, to a lesser extent, Molinera de México and Gruma Centroamérica. Sales from non-Mexican operations constituted 71% of consolidated net sales in 2008 compared to 67 % in 2007.

Net Sales by Subsidiary: By major subsidiary, the percentages of consolidated net sales in 2008 and 2007 were as follows:

Subsidiary	Percentage of Consolidated Net Sales 2008	2007
Gruma Corporation	43%	49%
GIMSA	20	25
Gruma Venezuela	19	11
Molinera de México	8	7
Gruma Centroamérica	7	6
Asia and Oceanía	3	2

Cost of sales increased by 25% to Ps.30,237 million in 2008 compared with Ps.24,192 million in 2007, due primarily to Gruma Venezuela, Gruma Corporation, and, to a lesser extent, Molinera de México and Gruma Centroamérica. Cost of sales as a percentage of net sales remained flat at 67.5%.

Selling, general, and administrative expenses (SG&A) increased by 16% to Ps.11,289 million in 2008 compared with Ps.9,750 million in 2007, due primarily to Gruma Venezuela, Gruma Corporation, and, to a lesser extent, Gruma Centroamérica. SG&A as a percentage of net sales improved to 25.2% in 2008 from 27.2% in 2007, driven mainly by Gruma Venezuela, Gruma Corporation, and Molinera de México.

GRUMA's operating income increased by 74% to Ps.3,267 million in 2008 compared with Ps.1,874 in 2007. Operating margin improved to 7.3% in 2008 from 5.2% in 2007, due primarily to Gruma Venezuela, GIMSA, and, to a lesser extent, Molinera de México and Gruma Corporation.

Other expense, net, was Ps.181 million in 2008 compared with income of Ps.556 million in 2007, which resulted primarily from a gain on the sale of Banorte shares during 2007.

Net comprehensive financing cost was Ps.15,088 million in 2008 compared with income of Ps.167 million in 2007. The increase resulted mainly from losses on currency derivative instruments of Ps.14,710 million. Out of this amount, Ps.3,480 million was paid during 2008, and Ps.11,230 million is the non-cash loss that relates to the mark-to-market valuation of positions that were still open as of December 31, 2008. Please also 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.618 million in 2008 compared with income of Ps.708 million in 2007.

Taxes decreased 53% to Ps.435 million in 2008 compared with Ps.926 million in 2007. This decrease was due primarily to the aforementioned non-cash losses on currency derivative instruments.

GRUMA's net loss was Ps.11,818 million in 2008 compared with income of Ps.2,379 million in 2007. Majority net loss was Ps.12,340 million in 2008 compared with income of Ps.2,233 million in 2007. These results were attributable to the aforementioned losses on currency derivative instruments.

Subsidiary Results

Gruma Corporation

Sales volume decreased 1% to 1,321 thousand metric tons in 2008 compared with 1,329 thousand metric tons in 2007. This reduction was due to (i) lower corn flour sales volume in the United States resulting from price increases implemented during the year, and (ii) lower tortilla sales volume in Europe, mainly within the food service segment, as a result of the economic downturn.

Net sales increased by 11% to Ps.19,356 million in 2008 compared with Ps.17,406 million in 2007. The rise was due to price increases implemented during the later part of 2007 in the U.S. corn flour and tortilla businesses and price increases implemented during all of 2008 in the U.S corn flour business.

Cost of sales increased by 14% to Ps.11,875 million in 2008 compared with Ps.10,461 million in 2007. As a percentage of net sales, cost of sales increased to 61.4% from 60.1%. These increases were due to the higher cost of raw materials, in particular wheat flour, corn, oil, and shortening and to a lesser extent, higher utility and maintenance costs.

SG&A increased by 8% to Ps.6,497 million compared with Ps.6,026 million in 2007. The increase was due to higher commissions paid to distributors in connection with higher prices, increased promotion and advertising expenses, additional distribution routes, and higher fuel prices. SG&A as a percentage of net sales improved to 33.6% in 2008 from 34.6% in 2007 due to better expense absorption as a result of higher prices.

Operating income increased by 7% to Ps.984 million in 2008, and operating margin decreased to 5.1% from 5.3% in 2007 as a result of the foregoing factors.

GIMSA

Sales volume increased by 4% to 1,818 thousand metric tons in 2008 compared with 1,753 thousand metric tons in 2007. The increase in sales volume was a result of the conversion by our clients from the traditional method to the corn flour method using our products, aided, in part, by several commercial initiatives, and increased bulk sales to supermarkets with in-store tortillerías.

Net sales increased by 1% to Ps.9,142 million in 2008 compared with Ps.9,012 million in 2007. The increase was due to the aforementioned sales volume growth.

Cost of sales decreased by 7% to Ps.6,354 million in 2008 compared with Ps.6,839 million in 2007. As a percentage of net sales, cost of sales improved to 69.5% from 75.9% due mainly to lower corn costs.

SG&A increased by 6% to Ps.1,470 million in 2008 compared with Ps.1,386 million in 2007. The increase was due mainly to higher commissions from higher sales volume, higher advertising expenses, and higher wages. SG&A as a percentage of net sales increased to 16.1% from 15.4% in 2007 due to the aforementioned expense increases and lower average prices.

Operating income increased by 68% to Ps.1,318 million in 2008, and operating margin improved to 14.4% from 8.7% as a result of the foregoing factors.

Gruma Venezuela

Sales volume decreased 3% to 464 thousand metric tons compared with 480 thousand metric tons in 2007 due mainly to lower sales volume in rice, in connection with a shortage of input materials, and oil, due to a temporary shutdown of the business.

Net sales increased by 126% to Ps.8,727 million compared with Ps.3,862 million in 2007. The increase was due mainly to higher prices implemented to compensate for higher raw-material costs and the effects of inflation resulting from comparing constant currencies as of December 2008 versus constant currencies as of December 2007 as well as the devaluation of the Mexican peso during 2008. Approximately 36% of the increase in net sales was attributable to the increase in prices and the remaining 90% of the increase in net sales was attributable to the effects of inflation in Venezuela and the devaluation of the Mexican peso relative to the US dollar.

Cost of sales increased by 114% to Ps.6,424 million in 2008 from Ps.3,007 million in 2007. This increase was due to the aforementioned higher raw-material costs, higher packaging costs, general salary increases, and the effect of inflation resulting from the comparison of constant currencies as of December 2008 versus constant currencies as of December 2007, together with the devaluation of the Mexican peso. As a percentage of net sales, cost of sales improved to 73.6% from 77.9% due to higher prices, which helped to offset higher raw-material costs and improve cost absorption.

SG&A increased by 85% to Ps.1,474 million in 2008 compared with Ps.797 million in 2007. The increase was due primarily to general salary increases, higher freight tariffs, higher advertising expenses, and the devaluation of the Mexican peso and the effect of inflation resulting from comparing constant currencies as of December 2008 versus constant currencies as of December 2007. SG&A as a percentage of net sales improved to 16.9% from 20.6% in 2007 due to better absorption.

Operating income increased by 1,329% to Ps.830 million, and operating margin improved to 9.5% from 1.5%.

Molinera de México

Sales volume increased by 1% to 494 thousand metric tons in 2008 compared with 488 thousand metric tons in 2007. This increase was driven by more competitive pricing and higher penetration in supermarket chains.

Net sales increased by 34% to Ps.3,598 million in 2008 compared with Ps.2,694 million in 2007. The increase was due mainly to price increases implemented to offset higher wheat costs.

Cost of sales increased by 30% to Ps.2,840 million in 2008 compared with Ps.2,180 million in 2007 in connection with higher wheat costs. As a percentage of net sales, cost of sales improved to 78.9% from 80.9% due mainly to higher prices, which more than offset the increase in wheat costs.

SG&A increased by 7% to Ps.462 million in 2008 compared with Ps.430 million in 2007. The increase was due to higher freight expenses, increased expenses related to the strengthening of our sales force, and higher advertising expenses. SG&A as a percentage of net sales improved to 12.8% in 2008 from 16.0% in 2007 due to better expense absorption as a result of higher prices.

Operating income increased by 254% to Ps.296 million, and operating margin improved to 8.2% from 3.1% in 2007.

Gruma Centroamérica

Sales volume decreased by 3% to 213 thousand metric tons in 2008 compared with 220 thousand metric tons in 2007. The decrease was mainly due to lower corn flour sales volume in connection with intensified price aggressiveness from competitors, and changes in the distribution system towards company-owned routes, which should result in future benefits.

Net sales increased by 42% to Ps.2,949 million in 2008 from Ps.2,076 million in 2007. The increase was due to higher prices of corn flour, snacks, rice, and tortillas, which were implemented to compensate partially for higher raw-material costs especially, corn, rice and hearts of palm. In addition, the effects of inflation resulting from comparing constant currencies as of December 2008 versus constant currencies as of December 2007, together with the devaluation of the Mexican peso, contributed to the increase.

Cost of sales as a percentage of net sales increased to 72.4% in 2008 from 71.5%, due to higher raw-material costs, which were not fully absorbed through prices. Cost of sales increased by 44% to Ps.2,134 million compared with Ps.1,484 million in 2007, due to the aforementioned cost increases.

SG&A increased by 51% to Ps.756 million in 2008 compared with Ps.501 million in 2007. As a percentage of net sales, SG&A rose to 25.6% from 24.1.% in 2007. The increase was due to extraordinary administrative expenses, higher commissions in connection with higher prices, the effect of inflation resulting from comparing constant currencies as of December 2008 versus constant currencies as of December 2007, and the devaluation of the Mexican peso.

Operating income was Ps.59 million compared with Ps.91 million in 2007, and operating margin decreased to 2.0% from 4.4%.

Year Ended December 31, 2007 Compared with Year Ended December 31, 2006

Consolidated Results

GRUMA's sales volume increased by 1% to 4,243 thousand metric tons in 2007 compared with 4,200 thousand metric tons in 2006. This increase was driven mainly by GIMSA and, to a lesser extent, by Molinera de México, Gruma Centroamérica, and Gruma Corporation. Net sales increased by 11% to Ps.35,816 million in 2007 compared with Ps.32,190 million in 2006. The increase was due primarily to price increases and, to a lesser extent, the aforementioned sales volume growth. The main subsidiaries that drove the increase in net sales were GIMSA, Gruma Corporation, and, to a lesser extent, Molinera de México and Gruma Centroamérica. Sales from non-Mexican operations constituted 67% of consolidated net sales in 2007 compared with 69% in 2006.

Net Sales by Subsidiary: By major subsidiary, the percentages of consolidated net sales in 2007 and 2006 were as follows:

Subsidiary	Percentage of Consolidated Net Sales	
	2007	2006
Gruma Corporation	49%	50%
GIMSA	25	24
Gruma Venezuela	11	12
Molinera de México	7	7
Gruma Centroamérica	6	6
Asia and Oceanía	2	1
Others and eliminations	—	—

Cost of sales increased by 15% to Ps.24,192 million in 2007 compared with Ps.20,975 million in 2006, due primarily to GIMSA, Gruma Corporation, and, to a lesser extent, Molinera de México and Gruma Centroamérica. Cost of sales as a percentage of net sales increased to 67.5% in 2007 from 65.2% in 2006, an increase driven mainly by GIMSA and, to a lesser extent, Gruma Corporation and Gruma Centroamérica.

Selling, general, and administrative expenses (SG&A) increased by 4% to Ps.9,750 million in 2007 compared with Ps.9,343 million in 2006, due primarily to Gruma Corporation and, to a lesser extent, Gruma Venezuela. SG&A as a percentage of net sales improved, to 27.2% in 2007 from 29.0% in 2006, driven mainly by GIMSA and, to a lesser extent, Molinera de México, Gruma Centroamérica, and Gruma Corporation.

GRUMA's operating income remained flat at Ps.1,874 million in 2007 compared with Ps.1,872 in 2006. Operating margin decreased to 5.2% in 2007 from 5.8% in 2006, due primarily to GIMSA and, to a lesser extent, Gruma Corporation and Gruma Venezuela.

Other income, net, was Ps.556 million in 2007 compared with an expense of Ps.49 million in 2006. The improvement was due primarily to a gain on the sale of Banorte shares and, to lesser extent, a write-down of assets of Ps.489 million during 2006.

Net comprehensive financing income was Ps.167 million in 2007 compared with a loss of Ps.350 million in 2006. This improvement resulted from extraordinary gains in connection with foreign exchange derivatives, higher monetary gains in Gruma Corporation and Gruma Venezuela, and lower monetary losses in GIMSA.

GRUMA's equity in earnings of associated companies, net, including primarily GFNorte, represented income of Ps.708 million in 2007 compared with income of Ps.643 million in 2006. Our ownership of GFNorte decreased from 10.0% at the end of 2006 to 8.6% by the end of 2007.

Income taxes increased 114% to Ps.926 million in 2007 compared with Ps.432 million in 2006. This increase was due primarily to higher pretax income.

GRUMA's net income increased 41% to Ps.2,379 million in 2007 compared with Ps.1,684 million in 2006. Majority net income was Ps.2,233 million compared with Ps.1,601 million in 2006. The increase in total net income and the 39% increase in majority net income were due mainly to the aforementioned gain on the sale of Banorte shares and the aforementioned comprehensive financing income.

Subsidiary Results

Gruma Corporation

Sales volume remained relatively flat at 1,329 thousand metric tons in 2007 compared with 1,327 thousand metric tons in 2006. Higher sales volume in the tortilla business was offset by the elimination of the Asia and Oceania operations, which are now reported under the other and eliminations line, and, to a lesser extent, by lower sales volume in the corn flour business.

Net sales increased 8% to Ps.17,406 million in 2007 compared with Ps.16,170 million in 2006. The increase was due mainly to the implementation of price increases in the U.S. corn flour and tortilla businesses during January, October, and November of 2007.

Cost of sales increased 9% to Ps.10,461 million in 2007 compared with Ps.9,581 million in 2006. As a percentage of net sales, cost of sales increased to 60.1% in 2007 from 59.3% in 2006. These increases were due to higher costs for raw materials, in particular wheat flour, corn, and shortening, which were not fully offset through price increases. To a lesser extent, the following also contributed to the increase: (1) higher depreciation from increased fixed manufacturing costs related mainly to production capacity upgrades and the replacement of equipment at several tortilla plants, (2) higher warehousing capacity, and (3) higher insurance costs and wages.

SG&A increased 7% to Ps.6,026 million in 2007 compared with Ps.5,646 million in 2006, due to higher commissions to distributors in connection with higher prices, additional distribution routes, conversion from company-owned routes to independent distributors, and conversion from warehouse distribution to direct-store delivery. SG&A as a percentage of net sales improved slightly, to 34.6% in 2007 from 34.9% in 2006, due to better expense absorption in connection with higher prices.

Operating income decreased by 2% to Ps.919 million in 2007 compared with Ps.942 million in 2006, and operating margin decreased to 5.3% in 2007 from 5.8% in 2006.

GIMSA

Sales volume increased 1% to 1,753 thousand metric tons in 2007 compared with 1,734 thousand metric tons in 2006. The increase in sales volume was a result of higher sales to supermarkets due to increased in-store tortillería sales, the result of supermarkets' ability to attract consumers by promoting tortillas at prices lower than tortillería prices. In addition, higher sales to DICONSA, the Mexican government's rural welfare program, which promoted the sale of corn flour at low prices, contributed to the increase in sales volume.

Net sales increased 18% to Ps.9,012 million in 2007 compared with Ps.7,666 million in 2006, due mainly to price increases implemented toward the end of 2006 to partially offset higher corn costs. To a lesser extent, the increase was due to the aforementioned higher sales volume.

Cost of sales increased 27% to Ps.6,839 million compared with Ps.5,385 million in 2006. As a percentage of net sales, cost of sales increased to 75.9% in 2007 from 70.2% in 2006 due mainly to higher corn costs.

SG&A decreased 3% to Ps.1,386 million in 2007 compared with Ps.1,427 million in 2006 due to the discontinuation of the tortilla business and lower advertising expenses. SG&A as a percentage of net sales improved to 15.4% in 2007 from 18.6% in 2006 due to better absorption resulting from higher corn flour prices and the aforementioned reductions.

Operating income decreased 8% to Ps.786 million in 2007 compared with Ps.854 million in 2006, and operating margin decreased to 8.7% from 11.1%.

Gruma Venezuela

Sales volume decreased 1% to 480 thousand tons in 2007 compared with 486 thousand tons in 2006 due mainly to lower wheat flour sales volume in connection with production capacity constraints.

Net sales remained flat at Ps.3,862 million in 2007 compared with Ps.3,874 million in 2006 due to slight price increases.

Cost of sales decreased 1% to Ps.3,007 million in 2007 from Ps.3,038 million in 2006 due to lower sales volume. As a percentage of net sales, cost of sales improved to 77.9% in 2007 from 78.4% in 2006 in connection with increased prices, in particular prices of wheat products.

SG&A increased 11% to Ps.797 million in 2007 compared with Ps.718 million in 2006 due primarily to higher freight tariffs, general salary increases, and higher promotion and advertising expenses. SG&A as a percentage of net sales increased to 20.6% in 2007 from 18.5% in 2006 due to the aforementioned expense increases.

Operating income decreased by 51% to Ps.58 million compared with Ps.119 million in 2006, and operating margin decreased to 1.5% from 3.1%.

Molinera de México

Sales volume increased 2% to 488 thousand metric tons in 2007 compared with 477 thousand metric tons in 2006. This increase was driven by higher sales to supermarkets due to their increased coverage, and by sales to new customers.

Net sales increased 22% to Ps.2,694 million in 2007 compared with Ps.2,212 million in 2006. The increase was due to price increases implemented to offset higher wheat costs and, to a lesser extent, to higher sales volume.

Cost of sales increased 16% to Ps.2,180 million in 2007 compared with Ps.1,877 million in 2006 in connection with higher wheat costs and higher sales volume. As a percentage of net sales, cost of sales in 2007 improved to 80.9% in 2007 from 84.9% in 2006 due mainly to higher prices, which more than offset the increase in wheat costs, and, to a lesser extent, to lower depreciation resulting from a write-down of assets during the third quarter of 2006 that generated a new book value basis.

SG&A increased 2% to Ps.430 million in 2007 compared with Ps.422 million in 2006 due mostly to higher freight expenses in connection with higher sales volume. SG&A as a percentage of net sales improved to 16.0% from 19.1% in 2006 due to better expense absorption.

Operating income increased 196% to Ps.84 million in 2007 compared with an operating loss of Ps.87 million in 2006, and operating margin improved to 3.1% from negative 3.9% in 2006.

Gruma Centroamérica

Sales volume increased 4% to 220 thousand tons in 2007 compared with 212 thousand tons in 2006. The increase was due primarily to higher corn flour sales volume in connection with the conversion of tortillerías to the corn-flour method, combined with market share gains through flanker brands.

Net sales increased 11% to Ps.2,076 million in 2007 from Ps.1,863 million in 2006 due to higher corn flour and tortilla prices implemented to offset higher raw-material costs. The increase was also attributable to the increase in corn flour sales volume.

Cost of sales increased 14% to Ps.1,484 million in 2007 compared with Ps.1,298 million in 2006, due to the aforementioned cost increases and higher sales volume. Cost of sales as a percentage of net sales increased to 71.5% in 2007 from 69.7% in 2006, due mainly to higher corn costs and, to a lesser extent, higher rice, hearts-of-palm, and tortilla costs, which were not fully absorbed through prices.

SG&A remained flat at Ps.501 million in 2007 and, as a percentage of net sales, improved to 24.1% in 2007 from 26.8% in 2006 due to better expense absorption.

Operating income increased 40% to Ps.91 million in 2007 compared with Ps.65 million in 2006, and operating margin improved to 4.4% from 3.5%.

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.

If we are able to successfully consummate the Financing and the Credit Agreement Amendments, our significant debt service requirements may adversely affect our ability to finance future operations, make acquisitions and capital expenditures, compete effectively against better-capitalized competitors and withstand downturns in our business. However, if we are unable to successfully consummate the Financing and the Credit Agreement Amendments, we do not currently have sufficient liquidity to repay the U.S.$668.3 million obligation owing to the Derivative Counterparties and other obligations that may come due. See "Item 3. Key Information—Risk Factors."

During 2008, our exposure under our foreign exchange derivative instruments caused Fitch Ratings and Standard & Poor's to lower our credit rating. Our long-term corporate credit rating and our senior unsecured

perpetual bond are rated “B+” with negative implication by Standard & Poor’s Ratings Services. Our Foreign Currency Long-Term Issuer Default Rating and our Local Currency Long-Term Issuer Default Rating are rated “B+” by Fitch Ratings. Additionally, our U.S.$300 million perpetual bond is rated “BB-” by Fitch Ratings. These ratings reflect the leveraging impact 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 implication. On March 12, 2008, Standard & Poor’s removed the Credit Watch with negative implication based on the company’s intention to use part of the proceeds of the proposed May 2008 rights offering to repay debt, which improved our debt ratios. On October 13, 2008, Standard and Poor’s reduced the credit rating from “BBB-” to “BB”, and placed them 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. We continue to have a B+ rating with negative implications. 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 “BB-” and removed all ratings from Rating Watch Negative to Stable. 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.

The reduction in the credit rating of our U.S.$300 million perpetual bond and the liquidity scarcity experienced in the global financial markets have resulted in the lack of availability of all of our uncommitted short-term lines of credit and a reduction in our ability to issue new debt. Additionally, it is becoming increasingly difficult for us to renew our short-term loans. As a result, the Company must pay these obligations with cash generated from operations. We believe this situation will continue and that our ability to obtain new financing will be limited until we finance our counterparty obligations and thereafter reduce our indebtedness.

The following is a summary of the principal sources and uses of cash for the three years ended December 31, 2008.

	2006	2007	2008
	(thousands of Mexican pesos)		
Resources provided by (used in) (1):			
Operating activities	1,973,611	267,347	2,212,996
Financing activities	(168,189)	208,003	1,410,811
Investing activities	(1,564,747)	(593,808)	(2,958,202)

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(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 year ending December 31, 2008 and for the years ended December 31, 2004, 2005, 2006 and 2007, the Company has included the statement of changes in financial position. As a result, the Cash Flow figures for 2008 may not be directly comparable to those presented for the previous four years.

During 2008, net cash generated from operations was Ps.2,213 million after changes in working capital of Ps.3,288 million of which Ps.1,695 million was due to an increase in accounts receivable, Ps.921 million reflected an increase in inventory and Ps. 55 million reflected a decrease in accounts payable. Net cash generated from financing activities during 2008 was Ps.1,411 million of which Ps. 3,706 million reflected proceeds from borrowings and Ps.2,111 million from capital contributions offset by Ps.781 million in cash interest payments, Ps.63 million in dividend payments and Ps.3,539 million in cash payment in respect of derivative instruments. Cash used by investment activities during 2008 reflected cash expenditures for new plants and capacity expansion as well as improvements of existing plants.

As of October 28, 2008, Gruma’s foreign exchange derivative instruments represented an aggregate negative mark-to-market non-cash unrealized loss of approximately 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 and until December 31st, 2008. In connection with most of its obligations under its foreign exchange derivative instruments, the Company entered into a Term Sheet that provides 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 Derivative Counterparties. On March 23, 2009, Gruma and the Derivative Counterparties agreed to terminate all of these derivative instruments and fixed the total amount of obligations payable by Gruma to the Derivative Counterparties at U.S.$668.3 million. In connection with the Term Sheet, Gruma and the Derivative Counterparties have agreed to negotiate in good faith to convert the Termination Amounts into a secured term loan within 120 days following March 23, 2009. Pursuant to the Term Sheet, we are required to pay interest on the Termination Amount at the rate of 1 month LIBOR + 1% for the first six weeks following March 23, 2009, and LIBOR + 2.875% thereafter. Following the expiration of the 120-day period contemplated by the Term Sheet, we will be required to pay default interest on the Termination Amount at the rate of 2% + LIBOR + 2.875%. As a result of the additional indebtedness expected to be incurred in connection with the aforementioned agreement, we have been required to restructure some of our existing debt obligations. See "—Indebtedness." If we successfully consummate the Financing and the Credit Agreement Amendments, we believe that our overall sources of liquidity will continue to be sufficient to satisfy our foreseeable financial obligations and operational requirements during the next 12 months. If, however, we are unable to successfully consummate the Financing and the Credit Agreement Amendments, we will not have sufficient liquidity to meet our financial obligations.

The principal factor affecting our sources of liquidity is our ability to successfully consummate the Financing and the Credit Agreement Amendments. Additional 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 downgrade, which could increase our costs with respect to new debt and cause our stock price to suffer. Our liquidity is also affected by factors such as the depreciation or appreciation of the peso and changes in interest rates. See "—Indebtedness."

On June 18, 2009, Gruma and BNP Paribas ("BNP") entered into a Term Sheet (the "BNP Term Sheet") that provides for the financing of the obligations that would result from scheduled settlement of the foreign exchange derivative instruments entered into with BNP. Pursuant to the BNP Term Sheet, Gruma and BNP agreed to negotiate in good faith to convert the amount of such obligations payable by Gruma under such derivative instruments into an unsecured loan on or before September 8, 2009, the date on which such derivative instruments expire. If Gruma and BNP fail to reach an agreement to convert the obligations payable by Gruma under such derivative instruments into a loan, such obligations will become due and payable immediately following September 8, 2009. On June 26, 2009, Gruma and Barclays Bank PLC ("Barclays") entered into a Term Sheet (the "Barclays Term Sheet") that provides 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 Barclays. Pursuant to the Barclays Term Sheet, Gruma and Barclays agreed to terminate all of Gruma's derivative instruments owing to Barclays and fixed the total amount of obligations payable by Gruma to Barclays at $21.5 million (the "Barclays Termination Amount"). In connection with the Barclays Term Sheet, Gruma and Barclays have agreed to negotiate in good faith to convert the Barclays Termination Amount into an unsecured loan by July 21, 2009. Pursuant to the Barclays Term Sheet, we are required to pay interest on the Barclays Termination Amount at the rate of 1 month LIBOR + 1% for the period between June 26, 2009 and July 21, 2009. Following July 21, 2009, we will be required to pay default interest on the Termination Amount at the rate of 2% + LIBOR + 2.875%. If Gruma fails to convert the Barclays Termination Amount into a loan by July 21, 2009, the aggregate amount of U.S.$21.5 million together with interest will become due and payable immediately. Gruma is in the process of reaching an agreement to unwind its Remaining Derivatives with its other counterparties.

As further described below, Gruma, S.A.B. de C.V. is subject to financial covenants contained in some of its debt agreements which require it to maintain certain financial ratios and balances on a consolidated basis and Gruma Corporation is subject to financial covenants contained in some of its debt 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 a cross-default under the indenture governing our perpetual bonds. The amount of interest that Gruma, S.A.B. de C.V. and Gruma Corporation pay on 25% and 84%, respectively, of their debt may increase if their overall leverage ratio increases above 2.5 x in both facilities. See "—Indebtedness." As of March 31, 2009, Gruma, S.A.B. de C.V.'s leverage ratio reached 2.8 x, which represents the highest interest rate range under the U.S.$250 million facility at LIBOR + 45 bp. An increase in the amount of interest that Gruma, S.A.B. de C.V. and Gruma Corporation pay on their debt could limit these companies' ability to help support our liquidity and capital resource requirements and have a material adverse effect upon our business, financial condition, results of operations and prospects.

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 one of our credit agreements which have an aggregate principal amount outstanding as of December 31, 2008 of US$197 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. Our adjusted working capital as of the dates indicated was as follows:

December 31, 2007......	Ps. 6,732 million
December 31, 2008......	Ps. 4,125 million

Indebtedness

Our indebtedness bears interest at fixed and floating rates. As of March 31, 2009, approximately 31% of our outstanding indebtedness bore interest at fixed rates and approximately 69% bore interest at floating rates, with almost all US 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."

On October 4, 2004, we obtained a U.S.$250 million, five year syndicated senior credit facility, which we refer to as the 2004 Facility, from a syndicate of banks, which consists of a U.S.$150 million senior term loan facility and a U.S.$100 million senior revolving credit facility, both with a five-year tenor. However, on July 28, 2005, we refinanced this 2004 Facility through a syndicate of five banks which we refer to as 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. As of March 31, 2009, there was U.S.$150 million outstanding under the 2005 Facility with U.S.$47 million of revolving credit available.

The interest rate for the 2005 Facility is LIBOR plus 40 basis points during the first year. Thereafter the spread could fluctuate in relation to our leverage and could fluctuate between 37.5 and 45 basis points. However, on November 2, 2004, we entered into an interest rate swap transaction with five banks with an aggregate notional amount of U.S.$150 million maturing on April 5, 2008, whereby we fixed the 6-month LIBOR rate associated with the term portion of the 2004 Facility at an average rate of 3.2725%. This interest rate swap was modified with respect to its calculation dates to match the 2005 Facility resulting in an average fixed rate of 3.2775% and a maturity on March 30, 2008. The swap transaction provides that the counterparty is required to pay us unless 6-month LIBOR reaches 6%, in which case the parties have no obligation to pay any amount for the applicable period. The 2005 Facility contains covenants that require us to maintain: (1) a ratio of consolidated total funded debt to EBITDA of not more than 3.5:1; and (2) a ratio of consolidated EBITDA to consolidated interest charges of not less than 2.5:1. The 2005 Facility also limits our, and any of our Material Subsidiaries' ability, among other things, to: (1) create liens; (2) merge or consolidate with other companies or sell substantially all of our assets; (3) make certain investments or other restricted payments; (4) engage in transactions with affiliates; and (5) guarantee additional indebtedness. In connection with consummation of the Financing and the Credit Agreement Amendments, as further described below, we expect to enter into an amended facility amending the terms of this 2005 Facility to, among other things, extend its term and provide our creditors with a security interest in shares of certain subsidiaries of the Company pursuant to the Financing and the Credit Agreement Amendments, as further described below.

However, on March 8, 2006, we increased the 6-month LIBOR rate threshold under the interest rate swap for the 2005 Facility from 6% to 6.5% and 6.75% for the interest payment dates due in 2007, obtaining a fixed average rate of 3.6175% for 2007. In addition, on December 12, 2005, we entered into a new interest rate swap for the 2005 Facility with a single bank, starting on March 30, 2008 and maturing 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 provides that the counterparty pay us unless 6-month LIBOR reaches 7%, in which case the parties have no obligation to pay any amount for the applicable period. This transaction ended on March 30, 2009 leaving the 2005 Facility with the floating rate.

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 graded BBB- by Standard & Poor's Ratings and by Fitch Ratings. The bonds which have no fixed final maturity date, have a call option exercisable by GRUMA at any time beginning five years after the issue date. As of May 15, 2009 we have not hedged any interest payments on our U.S.$300 million 7.75% senior unsecured perpetual bonds. In connection with our obligations under the Financing and the Credit Agreement Amendments, as further described below, we anticipate entering into a supplemental indenture that provides the holders of the perpetual bonds with a lien on certain of Gruma's assets.

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. The terms of the new facility provide that Gruma Corporation may request that the commitments available under the facility be increased by up to an additional U.S.$50 million, subject to the banks' approval. 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; (5) incur additional debt; and (6) engage in transactions with affiliates.

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. This facility has an interest rate based on the TIIE rate plus a spread of 2.0%. 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*). The 2008 Peso Facility limits our ability, among other things, to transfer or encumber our assets. In connection with consummation of the Financing and the Credit Agreement Amendments, as described below, we anticipate extending the term of the 2008 Peso Facility.

Both Gruma, S.A.B. de C.V. and Gruma Corporation are also subject to covenants which limit the amounts that may be advanced to, loaned to, or invested in, us under certain circumstances. Upon the occurrence of any default or event of default under its credit agreements, Gruma Corporation generally is prohibited from making any 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.

We believe that as of December 31, 2008 we were in compliance with all of the covenants and obligations under our existing debt agreements. If we are able to successfully consummate the Financing and the Credit Agreement Amendments, we expect that our interest coverage ratio will decrease and our debt ratio will increase as a result of converting our obligations under our foreign exchange derivative instruments into long-term debt. Accordingly, prior to consummating the Financing and the Credit Agreement Amendments, we expect to amend the required interest coverage and debt ratios under the 2005 Facility. We will also be subject to additional covenants and restrictions as further discussed 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 (the "Term Sheet") that provides 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 Credit Suisse, Deutsche Bank and JP Morgan Chase as counterparties (the "Derivative Counterparties"). On March 23, 2009, Gruma and the Derivative Counterparties agreed to terminate all of these derivative instruments and fixed the total amount of obligations payable by Gruma to the Derivative Counterparties at U.S.$668.3 million (the "Termination Amounts"). In connection with the Term Sheet, Gruma and the Derivative Counterparties have agreed to negotiate in good faith to convert the Termination Amounts into a secured term loan within 120 days following March 23, 2009 (the "Financing"). As a condition of the Financing, the Company intends to terminate its other outstanding foreign exchange derivative instruments (the "Remaining Derivatives") and also intends to enter into agreements to amend and restate its existing debt obligations under its 5-year revolving credit facility (the "2005 Facility") and its 2008 Peso Facility (together, the "Credit Agreement Amendments"). Pursuant to the Term Sheet, we are required to pay interest on the Termination Amount at the rate of 1 month LIBOR + 1% for the first six weeks following March 23, 2009, and LIBOR + 2.875% thereafter. Following the expiration of the 120-day period contemplated by the Term Sheet, we will be required to pay default interest on the Termination Amount at the rate of 2% + LIBOR + 2.875%. See "Item 3. Key Information—Risk Factors—Risks Related to our Company, —Liquidity and Capital Resources—Indebtedness, and Item 11. Quantitative and Qualitative Disclosures About Market Risk."

Pursuant to the Term Sheet, we are negotiating the final terms of a Senior Secured Loan Agreement (the "Term Loan") with the Derivative Counterparties in order to document the Financing. The Term Loan is expected

to contain financial covenants. The Term Loan is also expected to limit Gruma's ability to pay dividends or make other distributions and make certain investments or other restricted payments. In addition, the Term Loan is expected to limit Gruma's, and any of its Material Subsidiaries' ability, among other things, to: (1) create liens; (2) merge or consolidate with other companies or sell substantially all of our assets; (3) engage in transactions with affiliates; (4) guarantee additional indebtedness; (5) make certain changes to corporate documents; (6) dispose of the collateral; (7) make capital expenditures; and (8) incur additional debt.

If we consummate the Financing, we will have a significant amount of indebtedness, which will require significant debt service. Our level of debt could adversely affect our business in a number of ways. See "Item 3. Risk Factors—Risks Relating to the Company— If We Are Unable to Successfully Consummate the Financing and the Credit Agreement Amendments, We Face a Risk of Reorganization-Related Proceedings."

However, if Gruma fails to consummate the Financing within the 120-day period following March 23, 2009, the aggregate amount of U.S.$668.3 million together with interest will become due and payable immediately. We do not currently have sufficient liquidity to repay the U.S.$668.3 million obligation owing to the Derivative Counterparties. As a result, we could attempt to restructure or refinance our existing financial obligations, seek additional equity capital or sell assets. Additionally, we may be unable to meet our payment obligations owing to some or all of our existing creditors for borrowed money. For additional information concerning our liquidity position, see "Item 3. Key Information—Risk Factors—Risks Relating to the Company—If We Are Unable to Successfully Consummate the Financing and the Credit Agreement Amendments, We Face a Risk of Reorganization-Related Proceedings."

On June 18, 2009, Gruma and BNP Paribas ("BNP") entered into a Term Sheet (the "BNP Term Sheet") that provides for the financing of the obligations that would result from scheduled settlement of the foreign exchange derivative instruments entered into with BNP. Pursuant to the BNP Term Sheet, Gruma and BNP agreed to negotiate in good faith to convert the amount of such obligations payable by Gruma under such derivative instruments into an unsecured loan on or before September 8, 2009, the date on which such derivative instruments expire. If Gruma and BNP fail to reach an agreement to convert the obligations payable by Gruma under such derivative instruments into a loan, such obligations will become due and payable immediately following September 8, 2009. On June 26, 2009, Gruma and Barclays Bank PLC ("Barclays") entered into a Term Sheet (the "Barclays Term Sheet") that provides 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 Barclays. Pursuant to the Barclays Term Sheet, Gruma and Barclays agreed to terminate all of Gruma's derivative instruments owing to Barclays and fixed the total amount of obligations payable by Gruma to Barclays at $21.5 million (the "Barclays Termination Amount"). In connection with the Barclays Term Sheet, Gruma and Barclays have agreed to negotiate in good faith to convert the Barclays Termination Amount into an unsecured loan by July 21, 2009. Pursuant to the Barclays Term Sheet, we are required to pay interest on the Barclays Termination Amount at the rate of 1 month LIBOR + 1% for the period between June 26, 2009 and July 21, 2009. Following July 21, 2009, we will be required to pay default interest on the Termination Amount at the rate of 2% + LIBOR + 2.875%. If Gruma fails to convert the Barclays Termination Amount into a loan by July 21, 2009, the aggregate amount of U.S.$21.5 million together with interest will become due and payable immediately. Gruma is in the process of reaching an agreement to unwind its Remaining Derivatives with its other counterparties.

As of June 12, 2009, the Company has no committed lines of credit available from banks in Mexico.

At December 31, 2008, we had total outstanding long-term debt aggregating approximately Ps.11,728 million (approximately U.S.$848 million). Approximately 71% of our long-term debt at such date was dollar-denominated and the remaining 29% in Mexican Pesos. Our long-term debt includes U.S.$197 million or Ps.2,725 million of principal amount of the 2005 Facility which we issued in July 2005, Ps. 3,367 million or U.S.$244 million of principal amount of the 2008 Peso Facility which we obtained in November 2008 and U.S.$300 million, or Ps.4,149 million, of principal amount of the 7.75% senior unsecured perpetual bonds, which we issued in December 2004.

As of December 31, 2008, we had total cash and cash equivalents of Ps.1,426 million.

The following table presents our amortization requirements with respect to our total indebtedness as of December 31, 2009.

Year	In Millions of U.S. Dollars
2009	174.9
2010	452.1
2011	95.3
2012	0.5
2013 and thereafter	300.1
Total	1,022.9

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, 2007	0.30	0.83
December 31, 2008	0.60	3.77

Capital Expenditures

In 2006, we invested approximately U.S.$189 million, which were mainly applied to Gruma Corporation and GIMSA. Gruma Corporation invested in: (i) the expansion of tortilla capacity and upgrades in existing and new plants within Gruma Corporation; (ii) the acquisition of Pride Valley Foods, a company based in Newcastle, England, that manufactures tortillas, pita bread, chapatti, and naan, for an acquisition cost of approximately U.S.$33 million; (iii) the construction of a tortilla plant in Shanghai, China, for a total investment of approximately U.S.$7 million; (iv) the acquisition of Rositas Investments Pty Ltd, a tortilla company based in Australia, for approximately U.S.$13 million; (v) the acquisition of Oz-Mex Foods Pty Ltd, a tortilla company based in Australia, for approximately U.S.$4 million; and (vi) the purchase of 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, for approximately U.S.$8.2 million. To a lesser extent, investments were also applied to capacity expansions in GIMSA and Gruma Centroamérica. In 2007, we invested U.S.$204 million, which were mainly applied to Gruma Corporation. Major capital expenditures were oriented to capacity expansions and upgrades in Gruma Corporation, capacity expansions in GIMSA and Gruma Centroamérica, and the construction of a tortilla plant in Australia. During 2008 GRUMA's investments totaled U.S.$235 million, most of which was 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. We have budgeted approximately U.S.$80.0 million for capital expenditures in 2009. This includes approximately U.S.$14 million spent during the first quarter of 2009, when major capital expenditures were oriented to the construction of tortilla plants in California and Australia and a wheat flour mill in Venezuela. The investments were made to accommodate the continuing growth of business.

In light of the increase in our debt resulting from losses on derivative instruments, we anticipate that our capital expenditures will be oriented exclusively to the most material projects and therefore will be less than what we have invested in recent years.

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, United States, Central America, Venezuela and Europe. However, we still maintain reserves for potential credit losses. Our operations in Venezuela represented approximately 19% of our sales in 2008. The severe political and economic situation in Venezuela presents a risk to our business that we cannot control and that cannot be accurately measured or estimated. Our financial condition and results of operations could be adversely affected due to the fact that (i) 100% of our sales are denominated in bolívares, (ii) Gruma Venezuela produces products that are subject to price controls and (iii) we may have difficulties repatriating dividends from Gruma Venezuela and importing some of our raw material requirements because of the foreign exchange controls. 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, Which May in the Future Have an Adverse Impact on Our Operations and Financial Performance."

From time to time, we enter into currency derivative transactions that cover varying periods of time and have varying pricing provisions. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk—Foreign Exchange Rate Risk."

Our credit exposure on derivatives and foreign exchange contracts is primarily to professional counterparties in the financial sector, arising from transactions with banks, investment banks and other financial institutions.

Market Risk

Market risk is the risk of loss generated by fluctuations in market prices such as interest rates and foreign exchange rates. The principal market risk to which we are exposed is foreign exchange risk. This risk stems from activities relating to our world-wide operations as well as to our currency derivative transactions. We account for these currency derivative instruments using the mark-to-market accounting method.

In the first quarter of 2008, we entered into foreign exchange derivative transactions involving several currencies. We account for these currency derivative instruments using the mark-to-market accounting method. As of March 31, 2008, these instruments represented a negative mark-to-market value of approximately U.S.$69 million. The mark-to-market loss represented a non-cash loss that was reflected in our financial results for the first quarter of 2008. As of May 31, 2008, these instruments represented a negative mark-to-market value of approximately U.S.$71 million.

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, these instruments represented an aggregate negative mark-to-market non-cash unrealized loss of approximately 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 and until December 31st, 2008. For additional information concerning the 2008 Peso Facility, the Financing and the Credit Agreement Amendments, see "—Indebtedness."

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, 3 of which were obtained during the last three years. 21 of these patents are in force and effect in the United States as of the date hereof and the remaining 36 have expired. We currently have 6 new patents in process, 4 in the United Sates and 2 in other countries. Additionally, 9 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.58 million, Ps.74 million and Ps.86 million on research and development in 2006, 2007 and 2008, 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 2009 to be influenced by:

- our ability to consummate the Financing and the Credit Agreement Amendments and effectively manage our liquidity requirements in connection with our increased leverage;

- volatility in corn and wheat prices;
- increased competition from tortilla manufacturers, especially in the U.S.;
- increases 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 bolívar and U.S. dollar;
- civil and political unrest in Venezuela which may negatively affect the profitability of Gruma Venezuela; and
- unfavorable general economic conditions in the United States, such as therecession or economic slowdown, which could negatively affect the affordability of and consumer demand for some of our products.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2008 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, 2008 and the timing and effect that such obligations are expected to have on our liquidity and cash flow in the future periods. In addition, the table reflects the timing of principal and interest payments on outstanding debt, which is discussed in "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Indebtedness." We expect to fund the firm commitments with operating cash flow generated in the normal course of business.

Contractual Obligations and Commercial Commitments	Total	Less than 1 Year	From 1 to 3 Years	From 3 to 5 Years	Over 5 Years
			(in millions of U.S. dollars)		
Long-term debt obligations	848.0	—	547.5	0.5	300.0
Derivative financial instruments	829.5	456.7	372.8	—	—
Operating lease obligations(1)	135.4	43.9	56.0	24.8	10.7
Purchase obligations(2)	158.3	158.3	—	—	—
Interest payments on our indebtedness (3)	213.3	68.6	74.9	46.5	23.3
Other liabilities(4)	182.9	182.9	—	—	—
Total	2,367.4	910.4	1,051.2	71.8	334.0
Total in millions of peso equivalent amounts	Ps. 32,741.1	Ps. 12,590.8	Ps. 14,538.1	Ps. 993.0	Ps. 4,619.2

(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, 2008.
(4) Other relate to liabilities for uncertain tax positions, 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 income (loss) under U.S. GAAP amounted to Ps.1,502.9 million in 2006. Ps.2,107.7 million in 2007 and Ps.(11,778.9) million in 2008, compared with majority net income under Mexican FRS of 1,601.1 million in 2006, Ps.2,233.3 million in 2007 and loss of Ps.12,339.8 million in 2008.

Stockholders' equity under U.S. GAAP amounted to Ps.13,929.7 million in 2006, Ps.15,116.7 million in 2007 and Ps.5,916.8 million in 2008, compared with stockholders' equity under Mexican FRS of Ps.17,902.3 million in 2006, Ps.18,577.2 million in 2007 and Ps.9,269.4 million in 2008. See Note 21 to our audited consolidated financial statements for a further discussion of the adjustments under U.S. GAAP.

New Accounting Standards

New Accounting Pronouncements under Mexican FRS

The CINIF issued a series of Financial Reporting Standards (MFRS) and their interpretations (INIF) during the last months of the year 2008. These standards will become effective starting January 1, 2009, and for INIF 14, January 1, 2010. These MFRS and their interpretations will not have a significant effect in the financial information of the Company, as explained bellow:

MFRS B-7 "Business acquisitions" — Establishes the general standards for valuation and disclosure of the initial recognition of the net assets at acquisition date, as well as the ownership of minority stockholders and other items that may arise, such as goodwill and purchase gain. This standard supersedes Bulletin B-7 "Business acquisitions", which was effective until December 31, 2008.

MFRS B-8 "Consolidated and combined financial statements" — Establishes the general standards for the preparation and presentation of consolidated and combined financial statements as well as the disclosures required for such financial statements. This FRS supersedes Statement B-8 "Consolidated and combined financial statements and valuation of investments in common stock", which was effective until December 31, 2008.

MFRS C-7 "Investment in associates and other permanent investments" — Establishes the standards for the accounting recognition of the investments in associated companies, as well as other permanent investments where no control, joint control or significant influence is present.

MFRS C-8 "Intangible Assets" — Establishes the valuation, presentation and disclosure rules for both the initial and subsequent recognition of intangible assets acquired individually or through a business acquisition, or internally generated during the normal course of the entity's operations. This MFRS supersedes Bulletin C-8 "Intangible Assets", which was effective until December 31, 2008.

MFRS D-8 "Share-based payments" — Establishes the standards for the recognition of share-based payments in the financial information. This MFRS supersedes the supplemental application in Mexico of the IFRS-2

Shared-based payments issued by the International Accounting Standards Board.

Also, the CINIF has issued the following interpretation to the Financial Reporting Standards (INIF):

INIF 14 “Contracts on construction, sale and rendering of services related to real estate”, complements the standards contained in Statement D-7 “Contracts on construction and manufacturing of some capital assets”. This interpretation will become effective starting January 1, 2010 for all the entities celebrating contracts on construction, sale and rendering of services related to real estate. Early adoption is allowed.

Recently Issued U.S. Accounting Standards

Business combinations (FASB Statement No. 141(R)):

In December 2007, the FASB issued Statement of Financial Accounting Standards (“FAS”) No. 141 (revised 2007), “Business Combinations” (“FAS 141(R)”) which replaces FAS No.141, “Business Combination”. FAS 141(R) retains the underlying concepts of FAS 141 in that all business combinations are still required to be accounted for at fair value under the acquisition method of accounting but FAS 141(R) changed the method of applying the acquisition method in a number of significant aspects. FAS 141(R) is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. FAS 141(R) amends FAS 109 such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of FAS 141(R) would also apply the provisions of FAS 141(R). Early adoption is not allowed. The Company does not expect the adoption of this statement to have a material impact on its financial position or results of operations.

Non-controlling Interests in Consolidated Financial Statements (FASB Statement No. 160):

In December 2007, the FASB issued Statement of Financial Accounting Standards (“FAS”) No. 160, “Non-controlling Interests in Consolidated Financial Statements, an Amendment of ARB 51” (“FAS 160”). FAS 160 amends ARB 51 to establish new standards that will govern the accounting for and reporting of (1) non-controlling interest in partially-owned consolidated subsidiaries and (2) the loss of control of subsidiaries. FAS 160 is effective on a prospective basis for all fiscal years, and interim periods within those fiscal years beginning on or after December 15, 2008, except for the presentation and disclosure requirements, which will be applied retrospectively. Early adoption is not allowed. The Company does not expect the adoption of this statement to have a material impact on its financial statements. The most significant effect of SFAS No. 160, at adoption, will be to reclassify retrospectively our minority interest to a separate component of stockholders’ deficit, and to reclassify retrospectively income attributable to minority interest from an adjustment before net income to an allocation after net income to the non-controlling interest.

Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 (FASB Statement No. 161):

On March 19, 2008, the FASB issued Statement No. 161, “Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133” (“FAS 161”). This new standard requires enhanced disclosures for derivative instruments, including those used in hedging activities. FAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. It is effective for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. This standard only requires enhanced disclosures and will not have any impact on the financial condition and results of operations of the Company.

Determination of the useful life of intangible assets (FSP FAS 142-3):

In April 2008, the FASB issued FASB Staff Position FSP FAS 142-3, “Determination of the useful life of intangible assets”, which amends FASB Statement No. 142, “Goodwill and Other Intangible Assets”, to provide guidance on the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, “Goodwill and Other Intangible Assets”. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under Statement No. 142 and the period of expected cash flows used to measure the fair value of the asset under

FASB Statement No. 141 (revised 2007), “Business Combinations”, and other U.S. generally accepted accounting principles (GAAP).

This FSP shall be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The guidance for determining the useful life of a recognized intangible asset of this FSP shall be applied prospectively to intangible assets acquired after the effective date. The disclosure requirements shall be applied prospectively to all intangible assets recognized as of, and subsequent to, the effective date. The Company does not expect the adoption of this statement to have a material impact on its financial position or results of operations.

Employer’s Disclosures about Postretirement Benefit Plan Assets (FSP FAS 132 R-1):

In December 2008, the FASB issued FSP FAS 132(R)-1.”Employer’s Disclosures about Postretirement Benefit Plan Assets” (“FSP FAS 132(R)-1”). The FSP requires enhanced disclosures about plan assets currently required by FAS No. 132 (revised 2003), “Employer’s Disclosures about Pensions and Other Postretirement Benefits”. FSP FAS 132(R)-1 requires more detailed disclosures about employers’ plan assets, including employers’ investment strategies, major categories of plan assets, concentrations of risk within plan assets, and valuation techniques used to measure the fair value of plan assets. FSP FAS 132(R)-1 is effective for fiscal years ending after December 15, 2009, and early adoption is permitted. The Company does not expect the adoption of this statement to have a material impact on its financial statements disclosures.

Effective Date of FASB Statement No. 157 (FSP FAS 157-2):

In February 2008, the FASB issued Staff Position (FSP) FAS 157-2, “Effective Date of FASB Statement No. 157,” which delays by one year the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except for those that are recognized or disclosed at fair value in the financial statements at least annually. Assets and liabilities subject to this deferral include goodwill, intangible assets, long-lived assets measured at fair value for impairment assessments, and nonfinancial assets and liabilities initially measured at fair value in a business combination. For the Company, FSP FAS 157-2 will be effective at the beginning of its 2009 fiscal year. The Company does not expect the adoption of the remaining provisions to have a material impact on the measurement of the Company’s non-financial assets and liabilities.

Determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying transactions that are not orderly (FSP FAS 157-4):

In April 2009, the FASB issued FSP FAS 157-4, “Determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying transactions that are not orderly”, with an effective date for periods ending after June 15, 2009. FSP FAS 157-4 provides additional guidance in determining when observable transaction prices or quoted prices in markets that have become less active require significant adjustment to estimate fair value. FSP FAS 157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly. The Company does not expect the adoption of this statement to have a material impact on its financial position or results of operation.

Subsequent events (FAS Statement No. 165):

In May 2009, the FASB issued Statement of Financial Accounting Standards No. 165, “Subsequent Events” (SFAS No.165). SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, SFAS No. 165 provides (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS No. 165 is effective for interim or annual financial periods ending after June 15, 2009 and shall be applied prospectively. The Company is currently analyzing the effect that SFAS No.165 will have on its U.S.GAAP disclosures and financial information.

Accounting for transfers of financial assets, an amendment of FASB Statement 140 (FAS Statement No. 166):

In June 2009 the FASB issued FASB No. 166 "Accounting for transfers of financial assets, an amendment of FASB Statement 140" (SFAS No. 166). SFAS No. 166 improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. The Board undertook this project to address (1) practices that have developed since the issuance of FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, that are not consistent with the original intent and key requirements of that Statement and (2) concerns of financial statement users that many of the financial assets (and related obligations) that have been derecognized should continue to be reported in the financial statements of transferors. This Statement must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. This Statement must be applied to transfers occurring on or after the effective date.

Additionally, on and after the effective date, the concept of a qualifying special purpose entity is no longer relevant for accounting purposes. Therefore, formerly qualifying special-purpose entities (as defined under previous accounting standards) should be evaluated for consolidation by reporting entities on and after the effective date in accordance with the applicable consolidation guidance. If the evaluation on the effective date results in consolidation, the reporting entity should apply the transition guidance provided in the pronouncement that requires consolidation. Additionally, the disclosure provisions of this Statement should be applied to transfers that occurred both before and after the effective date of this Statement. The Company is currently analyzing the effect that SFAS No.166 will have on its U.S.GAAP disclosures and financial information.

Amendments to FASB interpretation No. 46(R) (FAS Statement No. 167):

In June 2009, the FASB issued FAS No. 167 "Amendments to FASB interpretation No. 46(R)" (SFAS No. 167). This Standard improves financial reporting by enterprises involved with variable interest entities. The FASB undertook this project to address (1) the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, as a result of the elimination of the qualifying special-purpose entity concept in FASB Statement No. 166, Accounting for Transfers of Financial Assets, and (2) constituent concerns about the application of certain key provisions of Interpretation 46(R), including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. This Statement shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company does not expect the adoption of this statement to have a material impact on its financial position or results of operation.

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 Ismael Roig, Vice President of Planning and Business Development, 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.

Roig, 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 30, 2009, 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:	78
	Years as Director:	27
	Principal Occupation:	Chairman of the Board of GRUMA and GIMSA and Chief Executive Officer of GRUMA
	Outside Directorships:	Chairman of the boards of Grupo Financiero Banorte, Banco Mercantil del Norte, Fundación GRUMA, Fundación Banorte and Patronato de Cerralvo, Director of Patronato del Hospital Infantil de México and Fondo Chiapas.
	Directorship Type:	Shareholder, related
	Alternate:	Roberto González Moreno
Juan Diez-Canedo Ruiz	Age:	58
	Years as Director:	4
	Principal Occupation:	Chief Executive Officer of Fomento y Desarrollo Comercial
	Outside Directorships:	Director of GIMSA, member of the audit and corporate governance committees of GRUMA and GIMSA.
	Business Experience:	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:	Independent
	Alternate:	Felipe Diez-Canedo Ruiz
José de la Peña y Angelini	Age:	60
	Years as Director:	Since April 2009
	Principal Occupation:	Chief Executive Officer of OBAMA Corporation
	Outside Directorships:	None
	Business Experience:	President of the Mexico office of FCB Worldwide, senior positions at 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 Antonio González Moreno	Age:	51
	Years as Director:	15
	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:	Senior Vice President of Special Projects of Gruma Corporation, President of Corn Flour operations of Gruma Corporation, Vice President of Central and Eastern Regions of Mission Foods, President and Vice President of Sales of Azteca Milling, Chief Operating Officer of GIMSA.
	Directorship Type:	Shareholder, related
	Alternate:	Roberto González Valdés

Bertha Alicia González Moreno	Age:	55
	Years as Director:	1
	Principal Occupation:	Honorary Life President of Patronato para el Fomento Educativo y Asistencial de Cerralvo
	Other Directorships:	Director of Grupo Financiero Banorte, Centro Educativo Universitario Panamericano, Adanec, Grafo Industrial, and IGNIX.
	Business Experience:	Owner and Chief Executive Officer of Uniformes Profesionales de Monterrey and Comercializadora B.A.G.M.
	Directorship Type:	Shareholder, related
	Alternate:	Ricardo González Valdés
Federico Gorbea Quintero	Age:	46
	Years as Director:	2
	Principal Occupation:	President and Chief Operating Officer of Archer Daniels Midland México
	Other 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:	Shareholder, independent
	Alternate:	Steve Mills
Carlos Hank Rhon	Age:	61
	Years as Director:	15
	Principal Occupation:	Chairman of the Board of Grupo Financiero Interacciones
	Outside Directorships:	Chairman of the Board of Grupo Hermes and Grupo Coin/La Nacional
	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
Mario Laborín Gómez	Age:	57
	Years as Director:	Since April 2009
	Principal Occupation:	N/A
	Outside Directorships:	Director of CYDSA, XIGNUX, and Megacable.
	Business Experience:	Chief Executive Officer of Bancomext (Exim-bank), Nacional Financiera, Bancomer and Grupo Vector.
	Directorship Type:	Independent
	Alternate:	Alan Castellanos Carmona
Juan Manuel Ley López	Age:	76
	Years as Director:	15
	Principal Occupation:	Chairman of the Board of Casa Ley and Chief Executive Officer of Grupo Ley
	Outside Directorships:	Director of Grupo Financiero Banamex-Accival and Telmex.
	Business Experience:	Chief Executive Officer of Casa Ley, Chairman of the Board of the Latin American Association of Supermarkets, Sinaloa-Baja California Consultant Council of Grupo Financiero Banamex-Accival and National Association of Supermarket and Retail Stores.
	Directorship Type:	Independent
	Alternate:	Fernando Aguilar Rosas
Bernardo Quintana Isaac	Age:	67
	Years as Director:	14
	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 A. Quiroga García	Age:	59
	Years as Director:	3
	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:	Raúl A. Peláez Cano
Ismael Roig..	Age:	41
	Years as Director:	2
	Principal Occupation:	Vice President Strategic Planning and Business Development of Archer Daniels Midland Company
	Outside Directorships:	None
	Business Experience:	Treasurer and Controller of GM do Brasil, Regional Treasury Director, GM European Regional Treasury Center, manager, GM Asia Pacific Regional Treasury Center and GM New York Treasurer's Office.
	Directorship Type:	Shareholder, independent
	Alternate:	David J. Smith
Alfonso Romo Garza	Age:	58
	Years as Director:	15
	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, agro-biotechnology, agriculture and real estate industries
	Directorship Type:	Independent
	Alternate:	Adrián Rodríguez Macedo
Adrián Sada González	Age:	64
	Years as Director:	15
	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:	Shareholder, independent
	Alternate:	Manuel Güemes de la Vega
Javier Vélez Bautista	Age:	52
	Years as Director:	7
	Principal Occupation:	Chief Executive Officer of ValueLink and Chiapas Organic Holdings
	Outside Directorships:	Director of GIMSA, Chiapas Organic Holdings and Financiamiento Progresemos, member of the audit and corporate governance committees of GRUMA and GIMSA.
	Business Experience:	Chief Executive Officer of Nacional Monte de Piedad, Executive Vice President and Chief Financial Officer of GRUMA, project director at Booz Allen Hamilton.
	Directorship Type:	Independent
	Alternate:	Jorge Vélez Bautista

Mr. Roberto 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, the Chairman of our board of directors and our Chief Executive Officer. 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 Carlos Hank Rhon and the grandson of Mr. Roberto González Barrera. Furthermore, Mr. Roberto González Valdez, an alternate member of our board of directors, is the son of Mr. Roberto González Moreno and the grandson of Mr. Roberto González Barrera.

Secretary

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

Senior Management

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

Roberto González Barrera...........	Age:	78
	Years as Executive Officer:	60
	Years at GRUMA:	60
	Current Position:	Chief Executive Officer
	Business Experience:	Founder and Chairman of the Board of GRUMA and Chairman of the board of Grupo Financiero Banorte.
Nicolás Constantino Coppola	Age:	61
	Years as Executive Officer:	3
	Years at GRUMA:	9
	Current Position:	Managing Director, 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:	59
	Years as Executive Officer:	10
	Years at GRUMA:	23
	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 González Alcalá	Age:	45
	Years as Executive Officer:	7
	Years at GRUMA:	14
	Current Position:	President, Gruma México 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:	51
	Years as Executive Officer:	5
	Years at GRUMA:	29
	Current Position:	Chief Executive Officer, Gruma Asia and Oceania
	Business Experience:	Senior Vice President of Special Projects of Gruma Corporation, President of Corn Flour Operations of Gruma Corporation, 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:	33
	Years as Executive Officer:	2
	Years at GRUMA:	4
	Current Position:	Managing Director, 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 Hernández Benítez..................	Age:	44
	Years as Executive Officer:	6
	Years at GRUMA:	6
	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:	46
	Years as Executive Officer:	7
	Years at GRUMA:	24
	Current Position:	Chief Administrative Officer
	Business Experience:	Various positions within GRUMA including Finance and Administrative Vice President of Gruma Venezuela.
Heinz Kollmann.................................	Age:	39
	Years as Executive Officer:	3
	Years at GRUMA:	3
	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.
Raúl Alonso Peláez Cano	Age:	48
	Years as Executive Officer:	4
	Years at GRUMA:	4
	Current Position:	Chief Financial Officer
	Business Experience:	Several executive positions at different companies including Industrias Resistol, General Electric de México, and Banco Nacional de México.
Juan Antonio Quiroga García	Age:	59
	Years as Executive Officer:	11
	Years at GRUMA:	36
	Current Position:	Chief Corporate Officer
	Other Positions:	Senior Corporate Controller of GIMSA
	Business Experience:	Vice President of Administration of Gruma Corporation, Chief Administrative and Internal Auditing Officer of GRUMA, Vice President of Operations Control of Gruma Corporation.

Juan Fernando Roche..................	Age:	54
	Years as Executive Officer:	3
	Years at GRUMA:	3
	Current Position:	President of Mission Foods
	Business Experience:	Founding Partner, CEOBOARD LLP, Florida; President Northern Latin America and President Europe, Middle East & Africa, Nabisco; Chief Executive Officer of MAVESA in Venezuela. Other positions in MAVESA: Chief Financial Officer, Supply Chain Management, Group Product Manager.
Felipe Rubio Lamas....................	Age:	51
	Years as Executive Officer:	7
	Years at GRUMA:	26
	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:	50
	Years as Executive Officer:	Since September 2008
	Years at GRUMA:	Since September 2008
	Current Position:	Director of Corporate Communication and Image
	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:	56
	Years as Executive Officer:	12
	Years at GRUMA:	12
	Current Position:	General Counsel
	Other Positions:	General Counsel of GIMSA
	Business Experience:	Positions at Grupo Alfa, Protexa and Proeza, senior partner of two law firms, including Rojas-González-Vargas-De la Garza y Asociados.

Mr. Roberto González Alcalá, President of Gruma México and Latin America, and Mr. Juan Antonio González Moreno, Chief Executive Officer of Gruma Asia and Oceania, are sons of Mr. Roberto González Barrera, the Chairman of our board of directors and our Chief Executive Officer. Mr. Roberto González Valdés, Managing Director of Gruma Centroamérica, is the son of Mr. Roberto González Moreno, alternate 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 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 28, 2009. 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 30, 2009, 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:

Javier Vélez Bautista...............	Position:	Chairman of the audit and corporate governance committees.
	Directorship Type:	Independent
Juan Diez-Canedo Ruiz...........	Position:	Financial Expert of the audit and corporate governance committees.
	Directorship Type:	Independent
José de la Peña y Angelini	Position:	Member of the audit and corporate governance committees.
	Directorship Type:	Independent

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Members of the board of directors are paid a fee of Ps.30,000 for each board meeting they attend. Additionally, members of the audit and corporate governance committees are paid a fee of Ps.33,000 for each committee meeting they attend.

For 2008, the aggregate amount of compensation paid to all directors, alternate directors, executive officers and audit and corporate governance committees members was approximately Ps.122.2 million (in nominal terms). The contingent or deferred compensation reserved as of December 31, 2008 was Ps.33.4 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, 2008, we had a total of 19,060 employees, including 5,220 unionized and 13,840 non-unionized full- and part-time employees. Of this total, we employed 7,268 persons in Mexico, 6,610 in the United States, 1,987 in Central America, 1,901 in Venezuela, 716 in China and Australia, and 578 in Europe. Total employees for 2006 and 2007 were 18,124, and 18,767, respectively. Of our total employees as of December 31, 2008, approximately 35% were white-collar and 65% were blue collar.

In Mexico, workers at each of our plants are covered by a separate contract, under which salary revisions take place once each year, 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 2008.

In the United States, Gruma Corporation has four collective bargaining agreements that represent a total of 414 workers at four separate facilities (Pueblo, Tempe, Madera, Henderson). We renewed one agreement in January 2008. A new collective bargaining agreement was ratified in November 2008 following the October 2006 NLRB (National Labor Relations Board) certification of the right to bargain for a location that had been involved in a challenge to the initial election in 2001. Additionally, the number of our U.S. employees covered under our collective bargaining agreements was reduced effective February 2007, following a disclaimer of interest by one collective bargaining unit. The employees covered by this bargaining unit have been paid severance pay and have separated from the company.

In England, we have one collective bargaining agreement covering 25 employees at a facility, which will expire during 2009.

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: Mr. Roberto González Moreno, Ms. Bertha Alicia González Moreno, Mr. Ricardo González Valdez, Mr. Adrián Sada González, Mr. Juan Antonio Quiroga García, Mr. Leonel Garza Ramírez, and Mr. Juan Fernando Roche. In addition, Mr. Roberto González Barrera owns directly and indirectly 279,301,152 shares representing approximately 49.6% of our outstanding shares and Mr. Juan Antonio González Moreno owns 6,748,294 shares representing approximately 1.2% of our outstanding shares.

CORPORATE GOVERNANCE PRACTICES

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 30, 2009 (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 30, 2009, our Series B shares were held by 562 record holders in Mexico.

Name	Number of Series B Shares	Percentage of Outstanding Shares
Roberto González Barrera and family (1)	291,271,230	51.68%
Archer-Daniels-Midland (2)	130,901,630	23.22%
Directors and Officers as a Group (3)	102,795	00.02%
Other shareholders	141,375,054	25.08%
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 by him through a Mexican corporation jointly owned with Archer-Daniels-Midland and controlled by him; 3,683,084 shares held by Ms. Graciela González Moreno; 1,282,900 shares held by Ms. Bertha Alicia González Moreno; 150,000 shares held by Mr. Roberto González Moreno; 105,800 shares held by Mr. Ricardo González Valdes and 6,748,294 shares held by Mr. Juan Antonio González Moreno.

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

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

(4) As of April 30, 2009, our capital stock was represented by 565,174,609 issued Series “B”, class I, no par value 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 56.03% 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 common stock, class I, no par value 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 30, 2009, 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 our company as collateral for loans made to him. In the event of a default, should the lenders enforce their rights with respect to these shares, Mr. 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

Transactions with Subsidiaries

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

At their peak on May 17, 2005, the outstanding balance of loans from GIMSA to GRUMA were Ps.1,530.8 million in nominal terms. As of June 12, 2009, we owed GIMSA Ps.1,085.3 million in nominal terms. The average interest rate for this year up to June 12, 2009 has been 9% for loans in pesos.

In September 2001, Gruma Corporation started to make loans to us which, at their peak on June 24, 2004, reached the amount of U.S.$64.0 million. We have borrowed money from Gruma Corporation at an average rate of 1% during 2009, having an outstanding amount of U.S.$55 million as of June 12, 2009.

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 Ismael Roig, Vice President of Planning and Business Development, 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. Roig, respectively. As of April 30, 2009, 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 2006, 2007 and 2008, we purchased U.S.$115 million, U.S.$133 million and U.S.$183 million, respectively, of inventory from Archer-Daniels-Midland Corporation, a shareholder, at market rates and terms. Additionally, in 2006, we purchased a 2% stake in MONACA from Archer-Daniels-Midland and sold a 3% stake in DEMASECA to Archer-Daniels-Midland. For more information regarding these transactions, please see "Item 4. Information on the Company—Business Overview—Gruma Venezuela."

Other Transactions

As of December 31, 2008 we hold approximately 8.8% of the capital stock of GFNorte, a Mexican financial institution. In the normal course of business, we may obtain financing from GFNorte's subsidiaries at market rates and terms. For the past six 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.

ITEM 8. Financial Information.

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

LEGAL PROCEEDINGS

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

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 have appealed the confirmation to the Court of Appeals for the Ninth Circuit. The appeal is currently pending.

On July 28, 2006, another of GRUMA's distributors sought to join the Los Angeles arbitration but was referred to arbitration in the State of Washington (Misty Brunner and Kyle Ruby et al v. Gruma Corporation). An additional distributor subsequently sought arbitration in the State of Washington and the two proceedings have been consolidated before an arbitrator in Seattle. The two distributors on behalf of alleged classes of current and former distributors assert 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 and Washington labor statues, among others; and (v) Gruma Corporation has failed to pay federal excise payments on sales made by the distributors. Following the arbitration award in the Johnson case in Gruma Corporation's favor, plaintiffs dropped their case.

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. The parties are scheduled for mediation on the remaining claims on March 18, 2009. We intend to vigorously defend against this action.

Drivers' Class Action

In October 2005, our company was named as a defendant in a class action suit, Ramon Moreno et al. v. Guerrero Mexico Food Products, Inc. and Gruma Corporation, filed in the United States District Court for the Central District of California, Los Angeles County. This suit was a punitive class action alleging a misclassification of sales drivers who deliver some of our products to retail stores under the Guerrero brand, as exempt from certain overtime wage and other mandatory work hour requirements under the California Labor Code. The plaintiffs are members of the International Brotherhood of Teamsters. In March 2008, our company reached a definitive settlement agreement with the plaintiffs for an amount of U.S.$2.9 million. The Court agreed to the terms of the settlement on April 21, 2008. The settlement amount, as well as a portion of the costs we incurred in defending the case are being paid out of proceeds we received under an existing labor liability insurance policy.

Product Class Action

In December 2008, Gruma Corporation was named as a defendant in a class action suit, Catherine M. Herzog et al. v. Gruma Corporation dba Mission Foods, filed in the United States District Court for the Southern District of California. This suit was a class action alleging violations of sections of the California Bus. & Prof. Code, intentional misrepresentation, breach of implied warranty, and violations of California's Consumer Legal Remedies Act in connection with the company's guacamole dip product. The company put the vendor of the product on notice of Gruma's claim for indemnity under the vendor's supply contract. A tentative settlement has been reached pending court approval.

Water Discharge Assessments

Certain subsidiaries of GIMSA were notified by the National Water Commission of fee assessments due from various prior years. These assessments mainly arose from the National Water Commission's determination that sewage water had been discharged on public property that was being used for receiver facilities. Nevertheless, the subsidiaries used the water derived from the production process, previously treated, to irrigate certain of our company's property through a sprinkler system. The affected subsidiaries subsequently challenged these assessments and as of December 5, 2007, all of the assessments the National Water Commission brought against GIMSA's subsidiaries were definitively resolved in favor of our company.

Mexican 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.340.7 million in connection with our asset tax returns for the years 1994, 1996, 1997, 1999 and 2000. The Company has filed several appeals to obtain an annulment of these assessments. The 1999 claim was recently definitively resolved by the Mexican Supreme Court against our Company. The 1999 claim represents a debt owed by the Company for asset taxes (*Impuesto al Activo*) of approximately Ps.47.5 million. We expect a similar result regarding the 2000 claim against the Company. The 2000 claim represents an alleged debt of about Ps.21.6 million. Additionally, the Ministry of Finance and Public Credit has lodged various tax assessments against our Company for an amount of Ps.93.5 million regarding withholdings of interest payments to our foreign creditors for years 2000, 2001 and 2002. The Company has set aside Ps.67 million to resolve these proceedings, which is reflected in accrued liabilities and other accounts payable.

We intend to vigorously defend against these actions. We believe the resolution of these proceedings, if determined adversely against the Company, will not have a material effect on our financial position and results of operations.

Furthermore, the Ministry of Finance and Public Credit has made tax assessments against Molinera de México for an amount of Ps.101.8 million for wheat imports made during the year 2003, which according to the Mexican tax authorities were incorrectly classified under the harmonized system. Our Company has filed a total of 14 appeals to obtain an annulment of all of these assessments, all of which have been definitely and satisfactorily resolved in our favor.

Venezuelan Tax Claim

The Venezuelan tax authorities have lodged certain assessments against Molinos Nacionales, C.A. (MONACA) one of our Venezuelan subsidiaries, related to income tax returns for the years 1998 and 1999, which amounted to U.S.$1.4 million plus tax debts presumably omitted in the amount of U.S.$66,344. 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 it was acquired by our subsidiary in Venezuela, MONACA.

Venezuelan Labor Lawsuits

Currently, our subsidiary Molinos Nacionales, C.A. (MONACA) is named in one labor lawsuit and two extrajudicial claims alleging damages in the amount of U.S.$631,200.69. 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 workers who help freighters unload goods. Our subsidiary MONACA has been negotiating the payment of the above-mentioned labor lawsuit and the extrajudicial claims, trying to reach agreements for the lawsuit and claims in an amount of U.S.$324,617.91.

ITEM 9. The Offer And Listing.

TRADING HISTORY

Our Series B Shares have been traded on the *Bolsa Mexicana de Valores, S.A. de C.V.*, or Mexican Stock Exchange, since 1994. The ADSs, each representing four Series B Shares, commenced trading on the New York Stock Exchange in November 1998. As of April 30, 2009, our capital stock was represented by 565,174,609 issued Series "B", class I, no par value 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, 2008, 104,800,672 Series B shares of our common stock were represented by 26,200,168 ADSs held by 13 record holders in the United States.

In May 2008, we issued 82,624,657 of our series B common stock, class I, no par value 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, 2009. 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		NYSE	
	Common Stock		ADS(2)	
	High	Low	High	Low
	(Ps. per share(1))		(U.S.$ per ADS)	
Annual Price History				
2004	26.48	15.70	9.50	5.40
2005	36.00	20.64	13.35	7.63
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
Quarterly Price History				
2007				
1st Quarter	39.12	32.73	13.75	11.94
2nd Quarter	39.02	34.61	14.60	12.66
3rd Quarter	41.96	35.49	15.71	13.11
4th Quarter	40.00	32.96	14.53	12.17
2008				
1st Quarter	35.46	25.10	13.03	9.35
2nd Quarter	31.02	25.24	11.99	9.64
3rd Quarter	31.00	22.10	12.19	8.00
4th Quarter	22.13	5.85	8.14	1.76

	Mexican Stock Exchange Common Stock		NYSE ADS(2)	
	High	Low	High	Low
	(Ps. per share(1))		(U.S.$ per ADS)	
2009				
1st Quarter	7.32	3.67	2.14	0.92
2nd Quarter(3)	14.75	5.55	4.44	1.54
Monthly Price History				
December 2008	7.34	6.30	2.25	1.84
January 2009	7.32	6.20	2.14	1.71
February 2009	6.95	4.88	1.80	1.27
March 2009	6.73	3.67	1.88	0.92
April 2009	8.87	5.55	2.63	1.54
May 2009	14.46	11.07	4.41	2.25
June 2009(3)	14.75	13.60	4.44	4.04

(1) Pesos per share reflect nominal price at trade date.
(2) Price per ADS in U.S.$; one ADS represents four Series B Shares.
(3) Through June 12, 2009.

On June 12, 2009, the last reported sale price of the B Shares on the Mexican Stock Exchange was Ps.14.55 per B Share. On June 12, 2009, the last reported sale price of the ADSs on the New York Stock Exchange was U.S.$4.30 per ADS.

MEXICAN STOCK EXCHANGE

The Mexican Stock Exchange, the *Bolsa Mexicana de Valores, S.A. de C. V.*, located in Mexico City, is the only stock exchange in Mexico. Founded in 1907, it is organized as a corporation whose shares are held by brokerage firms, which are exclusively authorized to trade on the exchange. As of June 13, 2008 the *Bolsa Mexicana de Valores* 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 1, 2001, the Mexican Securities Law requires issuers to increase the protections offered to minority shareholders and to impose corporate governance controls on Mexican listed companies in line with international standards. The Mexican Securities Law expressly permits Mexican listed companies, with prior authorization from the CNBV, to include in their bylaws antitakeover defenses such as shareholder rights plans, or poison pills. Our bylaws include certain of these protections. See “Additional Information—Bylaws—Antitakeover Protections.”

ITEM 10. Additional Information.

BYLAWS

Set forth below is a brief summary of certain significant provisions of 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, destitution of the Chief Executive Officer and his integral compensation, 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 of any 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 infringing 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 domiciles 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. Cash dividends on the shares held through Indeval will be distributed by us through Indeval. Cash dividends on the shares evidenced by physical certificates will be paid when the relevant dividend coupon registered in the name of its holder is delivered to us. No dividends may be paid, however, unless losses for prior fiscal years have been paid up or absorbed. See "Item 3. Key Information—Dividends."

Liquidation

Upon our dissolution, one or more liquidators must be appointed by an extraordinary shareholders' general meeting to wind up its affairs. If the extraordinary general shareholders' meeting does not make said appointment, a Civil or District Judge 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 and capital 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 30, 2009, our capital stock was represented by 565,174,609 issued Series "B", class I, no par value 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 Relating to Our Controlling Shareholders and Capital Structure—Holders of ADSs May Not Be Able to Participate in Any Future Preemptive Rights Offering and as a Result May Be Subject to a Dilution of Equity Interest."

Restrictions Affecting Non-Mexican Shareholders

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

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

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

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 Relating to Our Controlling Shareholders and Capital Structure—Our Bylaws Restrict the Ability of Non-Mexican Shareholders to Invoke the Protection of Their Governments with Respect to Their Rights as Shareholders."

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 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 outstanding 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, our controlling shareholders will be obligated to make a tender offer to purchase all of our shares prior to the cancellation. Such tender offer shall be made at least at the greater price of the following: (i) the closing sale price 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 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.

The shareholders required to make the tender offer referred to above may request the approval from the CNBV to use different criteria to determine the price of the shares. The CNBV shall take into account our financial situation in considering whether to grant such approval. In requesting such approval, the following must be submitted to the CNBV: (i) 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 Relating 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, or in the case of a purchaser which is a corporation, trust or legal entity, its shareholders, partners or beneficiaries as well as the identity and nationality of each person effectively controlling such corporation, trust or legal entity, (vii) the reasons and purpose behind such acquisition, (viii) if such person is, directly or indirectly, a competitor of the company or any of its subsidiaries or affiliates, and if such person has the authority to legally acquire the shares pursuant to our bylaws and Mexican law, (ix) its source of financing the intended acquisition, (x) if the Person is part of an economic group, formed by one or more of its related parties, which intends to acquire shares of our common stock or rights to such shares, (xi) if the person has obtained any financing from one of its related parties for the payment of the shares, (xii) the identity and nationality of the financial institution, if any, that will act as the underwriter or broker in connection with any tender offer, and (xiii) the person's address for receiving notices.

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

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

MATERIAL CONTRACTS

Archer-Daniels-Midland

We entered into an association with Archer-Daniels-Midland in September 1996. We believe that this association 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 30, 2009, 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."

BBVA Bancomer

On July 28, 2005**,** we obtained a U.S.$250 million, five-year syndicated senior credit facility, which we refer to as the 2005 Facility, from a group of five banks, led by BBVA Bancomer, which consists of a U.S.$150 million senior term loan facility and a U.S.$100 million revolving credit facility, both with a five-year tenor and bullet payment. Funds from the 2005 Facility were used to repay in full the outstanding balance of U.S.$244 million under our now-terminated 2004 Facility. As of March 31, 2009, there was U.S.$150 million outstanding under the term facility with U.S.$53 million of revolving credit available. The interest rate for the facility is LIBOR plus 40 basis points for the first year. Thereafter, the spread could fluctuate in relation to our leverage and could be between 37.5 and 45 basis points. This Loan Agreement was executed on July 22, 2005 among us, the Lenders party thereto, BBVA Securities Inc. as Bookrunner and Documentation Agent, and BBVA Bancomer, S.A. as Administrative Agent. See "Item 19. Exhibits." As a condition of entering into the Financing and the Credit Agreement Amendments, we anticipate amending and extending the term of the 2005 Facility.

Perpetual Bonds

We issued U.S.$300 million 7.75% senior unsecured perpetual bonds under an indenture dated as of December 3, 2004, among Gruma, S.A.B. de C.V., and JP Morgan Chase Bank, N.A. as trustee. Pursuant to the indenture, the bonds have no stated maturity, have a call option exercisable by GRUMA at any time beginning five years after the issue date and will bear interest at a fixed rate of 7.75% per annum from the date of issuance. Interest on the bonds will be paid quarterly in arrears on March 3, June 3, September 3 and December 3 of each year, commencing on March 3, 2005, to the person in whose name such bond (or any predecessor bond) is registered at the close of business on the preceding February 15, May 15, August 15 or November 15, as the case may be. Interest on the bonds will be computed on the basis of a 360-day year of twelve 30-day months. The Bonds will constitute direct senior unsecured obligations of Gruma S.A.B. de C.V. and will rank at least *pari passu* in priority of payment with all other present and future unsecured and unsubordinated indebtedness of Gruma S.A.B. de C.V. See "Item 19. Exhibits."

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

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

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

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

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

In connection with consummation of the Financing and the Credit Agreement Amendments, Gruma expects to pledge certain collateral to secure the borrowings. As a result, the Company intends to enter into a supplemental indenture amending the indenture governing the bonds to provide holders of our perpetual bonds with equal and ratable security interests in the collateral expected to be pledged.

Revolving Credit Facility

In October 2006, Gruma Corporation entered into a U.S.$100 million 5-year revolving credit facility with a syndicate of financial institutions. The credit facility replaced the U.S.$70 million revolving credit facility which was scheduled to mature in June 2007. The new facility has an interest rate based on LIBOR rate plus a spread of 0.35% to 0.45% that fluctuates in relation to Gruma Corporation's leverage and contains less restrictive provisions than those in the facility replaced. The terms of the new facility provide that Gruma Corporation may request that the commitments available under the facility be increased by up to an additional U.S.$50 million, subject to the banks' approval.

Bancomext

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. This facility has an interest rate based on the TIIE rate plus a spread of 2.0%. 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*). The 2008 Peso Facility limits our ability, among other things, to transfer or encumber our assets. As a condition of entering into the Financing and the Credit Agreement Amendments, we anticipate extending and amending the term of the 2008 Peso Facility.

EXCHANGE CONTROLS

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

Our ability to repatriate dividends from Gruma Venezuela may be adversely affected by exchange controls and other recent events. See "Item 3. 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 B Shares or B Share ADSs (which are evidenced by ADRs), but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase or hold B Shares or ADSs, such as the tax treatment of holders that are dealers or

that own (actually or constructively under rules prescribed in the Internal Revenue Code of 1986, as amended, or the Code), 10% or more of the voting shares of GRUMA.

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

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

Mexican Tax Considerations

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

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

Tax Treaties

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

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

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

Payment of Dividends

Under the Mexican Income Tax Law, dividends, either in cash or in kind, paid with respect to shares represented by ADSs are not subject to Mexican withholding tax. A Mexican corporation will not be subject to any tax if the amount of 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 28% income tax on an amount equal to the product of the portion of the grossed-up amount which exceeds such balance multiplied by 1.3889.

Taxation of Dispositions

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

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

Under the Mexican Income Tax Law, gains realized by a nonresident holder of shares on the sale or disposition of shares not conducted through a recognized stock exchange generally are subject to a Mexican tax at a rate of 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 a 28% rate on the gain on such disposition of shares.

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

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

Other Mexican Taxes

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

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

U.S. Federal Income Tax Considerations

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

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

ADSs on a mark-to-market basis, and persons holding their B Shares or ADSs in a hedging transaction or as part of a straddle or conversion transaction.

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

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

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

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

Treatment of ADSs

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

Taxation of Distributions

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

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

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

Qualified Dividend Income

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

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

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

Taxation of Dispositions

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

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

Tax Return Disclosure Regulations

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

Information Reporting and Backup Withholding

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

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

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

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

Distributions:

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

Dispositions:

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

- such gain is effectively connected with the conduct by the holder of a U.S. trade or business, or
- in the case of gain realized by an individual holder, the holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

Information Reporting and Backup Withholding:

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

DOCUMENTS ON DISPLAY

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

ITEM 11. Quantitative And Qualitative Disclosures About Market Risk

We are exposed to market risks arising from changes in interest rates, foreign exchange rates, equity prices and commodity prices. We use derivative instruments, on a selective basis, to manage these risks. In addition, we have also historically used certain derivative instruments for trading purposes. However, as discussed in "Item 15. Controls and Procedures", we are in the process of implementing a new 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

As discussed in "Item 15. Controls and Procedures", during 2008 we implemented specific improvements to our internal controls concerning the use of derivative financial instruments. In addition, we are in the process of consolidating such improvements as well as implementing a new risk management policy that besides consolidating such improvements, will prohibit 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 will be 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 used 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 approximately U.S.$313 million (Ps.4,329 million) of fixed rate debt and approximately U.S.$710 million (Ps.9,818 million) in floating rate debt at December 31, 2008. 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, 2008, principal cash flows and the related weighted average interest rates by expected maturity dates for our debt obligations.

	Maturity Dates						
	2009	2010	2011	2012	Thereafter	Total	Fair Value
	(in millions of pesos, except percentages)						
Liabilities							
Debt...................................							
Fixed Rate (Ps.).............	71.5	82.4	18.5	6.6	4,150	4,329	2,576
Average Rate..................	7.0%	5.1%	7.8%	7.8%	7.8%		
Floating Rate (Ps.)	2,347	6,171	1,300			9,818	9,818
Average Rate..................	8.7%	4.1%	1.6%				

From time to time, we use derivative financial instruments such as interest rate swaps for purposes of hedging a portion of our long-term debt, in order to reduce our exposure to increases in interest rates. Several of these contracts, however, do not qualify for treatment as hedging transactions, as described in Note 17 to our 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 provides that the counterparty pay us unless 6-month LIBOR reaches 6%, in which case the parties have no obligation to pay any amount for the applicable period. 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 provides that the counterparty pay us unless 6-month LIBOR reaches 6%, in which case the parties have no obligation to pay any amount for the applicable period. However, in 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, starting on March 30, 2008 and maturing 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 provides that the counterparty pay us unless 6-month LIBOR reaches 7%, in which case the parties have no obligation to pay any amount for the applicable period. For a description of our debt, see Note 9 to our financial statements. After the March 30, 2009 maturity we did not enter into any additional swap transactions. As of May 31, 2009, we no longer have any further swap contracts. For a description of our debt, see Note 9 to our financial statements.

Additionally, some of the exchange rate forward and option contracts we entered into to financially hedge part of the interest payments due in 2006, 2007, 2008 and first two coupon dates of 2009 corresponding to our U.S.$300 million 7.75% senior unsecured perpetual bonds. As of May 31, 2009, these forward contracts to hedge all the interest payments on our U.S.$300 million 7.75% senior unsecured perpetual bonds had either expired or had been closed out 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 2008, approximately 41% of our revenues were generated in U.S. dollars, and approximately 29% in pesos. In addition, as of December 31, 2008, approximately 62% 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 financial statements.

An important part of our foreign exchange rate risk relates to our substantial U.S. dollar-denominated debt for our non-U.S. subsidiaries. As of December 31, 2008, approximately 68% 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, 2008. The table does not reflect our U.S. dollar sales or our U.S. dollar-denominated assets.

U.S. dollar-denominated debt	Expected Maturity or Transaction Date						
	2009	2010	2011	2012	Thereafter	Total	Fair Value
	(in millions of pesos)						
7.75% Perpetual bond					4,149	4,149	2,396
Syndicated loan..................		2,724				2,724	2,724
Revolving credit facility			1,300			1,300	1,300
Other*	2,419	3,528	19	7		5,973	5,973
	2,419	6,252	1,319	7	4,149	14,146	12,393

* Includes debt in Euros, Mexican Pesos and Bolívares

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 is 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. As of May 31, 2009, those financial instruments had 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. The table below summarized the foreign exchange derivative instruments in effect as of December 31, 2008:

Derivative	Purpose	Purchase/ Sale	Currency	Notional Amount* (thousands of USD)		Installments							
						Fair Value		2009		2010		2011	
Forwards............	Trading	Sale	USD — MXN	U.S.$	712,900	Ps.	(3,125,165)	Ps.	(437,670)	Ps.	(618,396)	Ps.	(2,069,099)
Structures...........	Trading	Sale	USD — MXN		110,500		(7,708,933)		(5,275,600)		(2,335,266)		(98,067)
Structures...........	Trading	Purchase	EUR — USD		16,636		(396,072)		(361,329)		(34,743)		—
			Total	U.S.$	840,036	Ps.	(11,230,170)	Ps.	(6,074,599)	Ps.	(2,988,405)	Ps.	(2,167,166)

(*) The reported notional value of US$840,036 thousand dollars is the nominal value used to calculate the payment of the weekly, monthly or quarterly fixings of the maturities of the different structures in the future years. Certain of these instruments have leverage features requiring payouts by the company based on increased notional amounts.

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 approximately U.S.$291.4 million. As of October 8, 2008, these instruments represented a mark-to-market unrealized loss of approximately U.S.$684 million. As of October 28, 2008, these instruments represented an aggregate mark-to-market non-cash charge of approximately 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 and until December 31st, 2008. As of December 31, 2008, GRUMA had a Ps.11,230 million non-cash loss that related to the mark-to-market valuation of positions that were still open; of which Ps.6,075 million, Ps.2,988 million and Ps.2,167 million matured in 2009, 2010, and 2011, respectively.

In connection with our efforts to terminate our obligations under most of our remaining currency derivative instruments, on March 23, 2009 we terminated all of our derivative instruments entered into with the three Derivative Counterparties pursuant to a Term Sheet we entered into on March 19, 2009 that provides for financing of the obligations that would result from the termination of all of our foreign exchange derivative instruments with such Derivative Counterparties (which totaled U.S.$668.3 million). The change in the mark-to-market value of these derivative instruments between January 1 and March 23, 2009 represented an unfavorable effect of U.S.$37.6 million. Gruma and the Derivative Counterparties have agreed to negotiate in good faith to convert the U.S.$668.3 million owing to the Derivative Counterparties, under the derivative instruments, into the Term Loan within 120 days of March 23, 2009. Pursuant to the Term Sheet, we are required to pay interest on the Termination Amount at the rate of 1 month LIBOR + 1% for the first six weeks following March 23, 2009, and LIBOR + 2.875% thereafter. Following the expiration of the 120-day period contemplated by the Term Sheet, we will be required to pay default interest on the Termination Amount at the rate of 2% + LIBOR + 2.875%. For additional information concerning the 2008 Peso Facility and the Term Loan, see "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Indebtedness."

On June 18, 2009, Gruma and BNP Paribas ("BNP") entered into a Term Sheet (the "BNP Term Sheet") that provides for the financing of the obligations that would result from scheduled settlement of the foreign exchange derivative instruments entered into with BNP. Pursuant to the BNP Term Sheet, Gruma and BNP agreed to negotiate in good faith to convert the amount of such obligations payable by Gruma under such derivative instruments into an unsecured loan on or before September 8, 2009, the date on which such derivative instruments expire. If Gruma and BNP fail to reach an agreement to convert the obligations payable by Gruma under such derivative instruments into a loan, such obligations will become due and payable immediately following September 8, 2009. On June 26, 2009, Gruma and Barclays Bank PLC ("Barclays") entered into a Term Sheet (the "Barclays Term Sheet") that provides 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 Barclays. Pursuant to the Barclays Term Sheet, Gruma and Barclays agreed to terminate all of Gruma's derivative instruments owing to Barclays and fixed the total amount of obligations payable by Gruma to Barclays at $21.5 million (the "Barclays Termination Amount"). In connection with the Barclays Term Sheet, Gruma and Barclays have agreed to negotiate in good faith to convert the Barclays Termination Amount into an unsecured loan by July 21, 2009. Pursuant to the Barclays Term Sheet, we are required to pay interest on the Barclays Termination Amount at the rate of 1 month LIBOR + 1% for the period between June 26, 2009 and July 21, 2009. Following July 21, 2009, we will be required to pay default interest on the Termination Amount at the rate of 2% + LIBOR + 2.875%. If Gruma fails to convert the Barclays Termination Amount into a loan by July 21, 2009, the aggregate amount of U.S.$21.5 million together with interest will become due and payable immediately. Gruma is in the process of reaching an agreement to unwind its Remaining Derivatives with its other counterparties.

Certain foreign exchange derivative transactions are still in effect as of June 12, 2009. The mark-to-market value of these derivative instruments as of March 31, 2009 represented a negative mark-to-market value of approximately U.S.$96.1 million. This value can increase or decrease in the future before the settlement date of the instruments. Changes in the currency exchange rates can be the result of, among other things, changes in economic conditions, tax and foreign exchange and currency policies, volatility, liquidity in the global markets, local and international political events. Based on our position as of March 31, 2009, a hypothetical change consisting in a 10% depreciation of the peso against the dollar would result in an additional unfavorable effect of $504 million pesos in the income statement of the company. As a condition of the Financing and the Credit Agreement Amendments, we are in the process of reaching an agreement to unwind our Remaining Derivatives.

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 2008, we entered into short-term hedge transactions through commodity futures and options for a portion of our requirements. For cash-flow hedge transactions, changes in the fair value of the derivative financial instrument are included as other comprehensive income in stockholders' equity, based on the evaluation of the hedge effectiveness, and are reclassified to income in the periods when the hedged commitment or projected transaction is realized. Hedge contracts other than cash flow are recognized at fair value and their valuation gain or loss is recognized in income. As of December 31, 2008, we had an unfavorable effect due to changes in the fair value of cash flow hedges amounting to Ps.104 million net of taxes, which was recognized as comprehensive income within stockholders' equity. We expect to reclassify the effects initially registered as stockholders' equity to income within the following 12 months. As of December 31, 2008, we did not have outstanding fair value hedge 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, 2008, we had an unfavorable effect of approximately Ps.54.1 million from these contracts. Additionally, as of December 31, 2008, we recognized an unfavorable effect of approximately Ps.295 million for the valuation of these contracts that did not qualify for hedge accounting, which were marked to market and recognized in current period earnings.

Based on our overall commodity exposure at March 31, 2009, a hypothetical 10 percent decline in market prices applied to the fair value of the instruments would result in a charge to other comprehensive loss of approximately Ps.46 million (for contracts that qualify for hedge accounting), and a charge to income of Ps.32 million (for non-qualifying contracts).

EQUITY PRICE RISK

We classify our equity investments, consisting primarily of shares of GFNorte, a Mexican financial services holding company, as long-term assets. Since these investments are accounted for using the equity method, we do not believe our exposure to a hypothetical 10% decrease in the value of these equity investments would have a material effect on our results. For additional information concerning our investment in GFNorte, see "Item 4. Information on the Company—Description of Business—Miscellaneous—Banorte Investment." We did not enter into any equity swap agreements in 2008.

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 and investment 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 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.

Not applicable.

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, 2008. 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, 2008.

PricewaterhouseCoopers, an independent registered public accounting firm, our independent auditor, issued an attestation report on our internal control over financial reporting on June 29, 2009.

(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 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting, except as follows:

During 2008, we have made specific improvements in our internal controls concerning the approval process for financial derivative transactions, including but not limited to, the following:

1. formation of a Derivative Committee, including an external financial specialist, for the purpose of reviewing derivative transactions, negotiating with our derivative counterparties and reporting to the Audit Committee and the Board of Directors;
2. implementation of more stringent policies and procedures to limit our exposure to derivative instruments;
3. performing ongoing reviews of the mark-to-market exposure and the risk exposure of our derivative instruments; and
4. implementation of a process to monitor risk exposure by developing valuation models and simulations, as well as consulting a third-party expert.

All of these improvements were implemented during 2008.

In addition to consolidating the improvements mentioned above, we are in the process of issuing a new Risk Management Policy that besides consolidating the above improvements, will prohibit the Company from entering into financial derivative 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 will be allowed if used with the objective of mitigating financial risks and associated with a hedged item that is relevant to business activities.

ITEM 16A. Audit Committee Financial Expert.

Our Board of Directors has determined that Juan Diez-Canedo Ruiz qualifies as an "audit committee financial expert", and Mr. Diez-Canedo Ruiz is 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, 2007 and 2008:

	Year ended December 31,	
	2007	2008
	(thousands of Mexican pesos)	
Audit fees	Ps. 30,636	Ps. 32,396
Audit-related fees	—	—
Tax fees	9,522	6,686
Other fees	1,561	635
Total fees	Ps. 41,719	Ps. 39,717

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.

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

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 advice on immigration and maintenance of the Company's electronic systems.

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.

The following table sets out certain information concerning purchases of our shares by us in 2008:

Issuer Purchases of Equity Securities
(for the fiscal year ended December 31, 2008)

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased Under the Plans or Programs
January	771,500	27.25		
February	—	—		
March	—	—		
April	—	—		
May	—	—		
June	—	—		
July	40,000	25.84		
August	10,100	29.10		
September	104,600	23.94		
October	2,000	18.75		
November	—	—		
December	—	—		
Total	928,200	Ps. 26.82		

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

Not Applicable.

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."

PART III

ITEM 17. Financial Statements.

Not Applicable.

ITEM 18. Financial Statements.

See pages F-1 through F-185, 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 October 9, 1997, between us and The Chase Manhattan Bank, as Indenture Trustee representing up to U.S.$250,000,000 of our 7.625% Notes due 2007.***
2(b)(2)	Supplemental Indenture, dated as of November 30, 2004, between us and JPMorgan Chase Bank, N.A., a national banking association (as successor to JPMorgan Chase Bank), as Indenture Trustee under the Indenture referred to above.*****
2(b)(3)	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)(4)	U.S.$250 million Loan Agreement among us, the Lenders party thereto, BBVA Securities Inc. as Bookrunner and Documentation Agent, and BBVA Bancomer, S.A. as Administrative Agent dated July, 22, 2005.******

Exhibit No.

2(b)(5)	U.S.$100 million five year revolving credit facility among us, 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)(6)	Ps 3,367 million two year term loan between us and Bancomext with a variable interest rate of TIIE + 2%, dated November 12, 2008.
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 30, 2009.
12(a)(2)	CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 30, 2009.
13	Officer Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated June 30, 2009.

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* 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 30, 2006. 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

Name: Juan Antonio Quiroga García
Title: Chief Corporate Officer

Dated: June 30, 2009

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, 2008, 2007 and 2006.

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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 of cash flows in 2008 and of changes in financial position in 2007 and 2006, present fairly, in all material respects, the financial position of Gruma, S. A. B. de C. V. and its subsidiaries (the Company) at December 31, 2008 and 2007, and the results of their operations for each of the three years in the period ended December 31, 2008, the changes in their financial position for the years ended December 31, 2007 and 2006 and their cash flows for the year ended December 31, 2008, 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, 2008, 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 (which were integrated audits in 2008 and 2007). 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, 2008 and 2007 represents 7% and 8%, respectively, of the consolidated total assets, and whose equity in income represented (5%), 32% and 40% of consolidated net (loss) income, for each of the three years in the period ended December 31, 2008, 2007 and 2006, respectively. The financial statements of Grupo Financiero Banorte, S. A. B. de C. V. 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 that investment, 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 the other auditors provide a reasonable basis for our opinions.

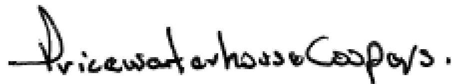
As explained in Note 2, as of January 1, 2008 five new MFRS, whose characteristics and effects of adoption are described in that Note, became effective. These are: (a) B-10 “Effects of inflation”, (b) B-2 “Cash flow statements”, (c) B-15 “Foreign currency translation”, (d) D-3 “Employee benefits” and (e) D-4 “Taxes on profits”.

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.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company had a net loss of Ps.12,339,758 in fiscal year ended December 31, 2008 and had obligations to its derivative counterparties as of December 31, 2008 in the amount of Ps.11,230,170. In addition, the Company had long-term debt in the amount of Ps.11,728,068 as of December 31, 2008, some of which it will be required to renegotiate in order to be able to finance its obligations to its derivative counterparties on a long-term basis. As discussed in Note 2, these facts raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.



Monterrey, Mexico
June 29, 2009

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

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2007 AND 2008
(Expressed in thousands of Mexican pesos)
(Notes 1 and 2)

	2007	2008
ASSETS		
Current:		
Cash	Ps. 383,469	Ps. 865,861
Cash equivalents (Note 2-G)	97,459	560,392
Accounts receivable, net (Note 3)	4,776,378	6,232,601
Refundable taxes (Note 3)	764,514	1,038,703
Inventories (Note 4)	5,549,290	7,628,517
Prepaid expenses	294,810	372,975
Total current assets	11,865,920	16,699,049
Investment in common stock of associated companies (Note 5)	2,849,978	3,435,648
Property, plant and equipment, net (Note 6)	16,274,447	20,653,274
Intangible assets, net (Note 7)	844,489	827,286
Goodwill (Note 2-K)	1,908,798	2,204,087
Other assets (Note 8)	167,070	615,333
Total assets	Ps. 33,910,702	Ps. 44,434,677
LIABILITIES		
Current:		
Bank loans (Note 9)	Ps. 666,232	Ps. 1,910,929
Current portion of long-term debt (Note 9)	274,841	507,631
Trade accounts payable	2,670,731	3,171,907
Accrued liabilities and other accounts payable	2,415,650	2,932,260
Income taxes payable	—	124,991
Employees’ statutory profit sharing payable	21,964	28,123
Derivative financial instruments (Note 17)	25,557	6,316,721
Total current liabilities	6,074,975	14,992,562
Long-term debt (Note 9)	6,913,173	11,728,068
Derivative financial instruments (Note 17)	—	5,155,571
Deferred taxes (Note 14-B)	2,005,814	2,556,308
Deferred employees’ statutory profit sharing	—	298,501
Other liabilities	339,541	422,117
Total long-term liabilities	9,258,528	20,160,565
Total liabilities	15,333,503	35,153,127
Contingencies and commitments (Note 11)		
STOCKHOLDERS’ EQUITY		
Majority interest (Note 12):		
Common stock	4,852,296	6,972,425
Restatement of common stock	8,437,310	—
	13,289,606	6,972,425
Additional paid-in capital	4,831,370	2,144,238
Contributed capital	18,120,976	9,116,663
Lost capital	(2,425,766)	(3,477,366)
Total majority interest	15,695,210	5,639,297
Minority interest	2,881,989	3,642,253
Total stockholders’ equity	18,577,199	9,281,550
	Ps. 33,910,702	Ps. 44,434,677

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, 2006, 2007 AND 2008
(Expressed in thousands of Mexican pesos, except share and per share amounts)
(Notes 1 and 2)

	2006	2007	2008
Net sales	Ps. 32,189,955	Ps. 35,816,046	Ps. 44,792,572
Cost of sales	(20,975,201)	(24,192,290)	(30,236,597)
Gross profit	11,214,754	11,623,756	14,555,975
Selling and administrative expenses	(9,342,921)	(9,749,888)	(11,288,995)
Operating income	1,871,833	1,873,868	3,266,980
Other (expense) income, net (Notes 2-A and 13)	(49,112)	555,743	(181,368)
Comprehensive financing (expense) income:			
Interest expense	(602,315)	(683,578)	(823,702)
Interest income	82,012	64,357	90,399
(Loss) gain from derivative financial instruments (Note 17 and 20)	(146,693)	155,456	(15,056,799)
Monetary position gain, net	336,552	558,509	446,720
(Loss) gain from foreign exchange differences, net (Note 15-A)	(19,363)	72,129	255,530
	(349,807)	166,873	(15,087,852)
Equity in earnings of associated companies	643,318	707,835	618,476
Income (loss) before income taxes	2,116,232	3,304,319	(11,383,764)
Income taxes (Note 14):			
Current	(355,849)	(627,675)	(304,753)
Deferred	(76,321)	(298,035)	(129,942)
	(432,170)	(925,710)	(434,695)
Consolidated income (loss)	1,684,062	2,378,609	(11,818,459)
Minority interest	(82,937)	(145,288)	(521,299)
Majority net income (loss)	Ps. 1,601,125	Ps. 2,233,321	Ps. (12,339,758)
Earnings (loss) per share (in pesos)	Ps. 3.34	Ps. 4.63	Ps. (21.84)
Weighted average shares outstanding (thousands)	480,007	482,506	564,853

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, 2006, 2007 AND 2008 (Expressed in thousands of Mexican pesos, except share and per share amounts) (Notes 1 and 2)

	Common stock (Note 12-A)					Cumulative effect of deferred income taxes	Retained earnings (Note 12-B)		Foreign currency			
	Number of shares (thousands)	Amount	Additional paid-in capital	Deficit from restatement	Derivative financial instruments	and employees' statutory profit sharing	Prior years	Net income (loss) for the year	translation adjustments (Note 12-D)	Total majority interest	Minority interest	Total stockholders' equity
Balances at December 31, 2005	452,550	Ps. 12,991,207	Ps. 3,973,857	Ps. (14,885,764)	Ps. 95	Ps. (226,316)	Ps. 10,430,300	Ps. 1,304,693	Ps. (1,227,526)	Ps. 12,360,546	Ps. 3,148,232	Ps. 15,508,778
Appropriation of prior year net income							1,304,693	(1,304,693)		—		—
Stock issuance	30,000	326,067	865,228							1,191,295		1,191,295
Contributions by minority interest										—	98,735	98,735
Dividends paid (Ps.0.91 per share)							(440,347)			(440,347)	(246,852)	(687,199)
Net purchases and sales of Company's common stock		161	2,402				149			2,712		2,712
	30,000	326,228	867,630				864,495	(1,304,693)		753,660	(148,117)	605,543
Comprehensive income (loss):												
Recognition of inflation effects for the year				(205,526)			(102,440)			(307,966)	55,170	(252,796)
Foreign currency translation adjustments									419,500	419,500	(80,008)	339,492
Derivative financial instruments, net of taxes					6,630					6,630	10,542	17,172
Net income for the year								1,601,125		1,601,125	82,937	1,684,062
Comprehensive income for the year				(205,526)	6,630		(102,440)	1,601,125	419,500	1,719,289	68,641	1,787,930
Balances at December 31, 2006	482,550	13,317,435	4,841,487	(15,091,290)	6,725	(226,316)	11,192,355	1,601,125	(808,026)	14,833,495	3,068,756	17,902,251
Appropriation of prior year net income							1,601,125	(1,601,125)		—		—
Decrease of minority interest										—	(21,191)	(21,191)
Dividends paid (Ps.0.88 per share)							(423,625)			(423,625)	(203,639)	(627,264)
Net purchases and sales of Company's common stock	(1,047)	(27,829)	(10,117)				2,516			(35,430)		(35,430)
	(1,047)	(27,829)	(10,117)				1,180,016	(1,601,125)		(459,055)	(224,830)	(683,885)
Comprehensive income (loss):												
Recognition of inflation effects for the year				(1,104,888)			(197,668)			(1,302,556)	(61,073)	(1,363,629)
Foreign currency translation adjustments									354,940	354,940	(46,152)	308,788
Derivative financial instruments, net of taxes					35,065					35,065		35,065
Net income for the year								2,233,321		2,233,321	145,288	2,378,609
Comprehensive income for the year				(1,104,888)	35,065		(197,668)	2,233,321	354,940	1,320,770	38,063	1,358,833
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

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2006, 2007 AND 2008

(Expressed in thousands of Mexican pesos, except share and per 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	Minority interest	Total stockholders' equity
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 income (loss):												
Reclassification of deficit from restatement (Note 12)		(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	Ps. 6,972,425	Ps. 2,144,238	Ps. —	Ps. (103,896)	Ps. —	Ps. 8,443,233	Ps. (12,339,758)	Ps. 523,055	Ps. 5,639,297	Ps. 3,642,253	Ps. 9,281,550

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Expressed in thousands of Mexican pesos)
(Notes 1 and 2)

		2008
Loss before income taxes	Ps.	(11,383,764)
Restatement effects from companies in an inflationary environment		(173,504)
Items related with investing activities:		
Depreciation and amortization		1,410,420
Impairment of long-lived assets		46,851
Interest income		(56,030)
Foreign exchange gain from cash		(104,979)
Equity in earnings of associated companies		(618,476)
Loss from sale of fixed assets		11,315
Items related with financing activities:		
Derivative financial instruments		15,056,799
Foreign exchange loss from bank loans		577,627
Interest expense		734,266
		5,500,525
Accounts receivable, net		(1,674,995)
Inventories		(921,227)
Prepaid expenses		3,935
Trade accounts payable		(245,707)
Accrued liabilities and other accounts payable		191,118
Income taxes paid		(660,589)
Employees' retirement benefits and others, net		19,936
		(3,287,529)
Net cash flows from operating activities		2,212,996
Investing activities:		
Acquisition of property, plant and equipment		(2,696,744)
Sales of property, plant and equipment		27,880
Intangible assets		(60,198)
Acquisition of shares of associated companies		(154,568)
Interests received		43,828
Dividends received from associated companies		83,446
Other		(201,846)
Net cash flows from investing activities		(2,958,202)
Cash to be obtained from financing activities		(745,206)
Financing activities:		
Proceeds from bank loans and long-term debt		6,912,197
Repayment of bank loans and long-term debt		(3,206,050)
Interests paid		(781,525)
Derivative financial instruments paid		(3,538,840)
Proceeds from stock issuance		2,111,060
Net purchases and sales of Company's common stock		(11,561)
Dividends paid		(62,953)
Other		(11,517)
Net cash flows from financing activities		1,410,811
Net increase in cash and cash equivalents		665,605
Exchange differences on cash and cash equivalents		279,720
Cash and cash equivalents at beginning of year		480,928
Cash and cash equivalents at end of year	Ps.	1,426,253

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

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

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007
(Expressed in thousands of constant Mexican pesos as of December 31, 2007)
(Notes 1 and 2)

	2006	2007
Operating activities:		
Majority net income for the year	Ps. 1,601,125	Ps. 2,233,321
Minority interest	82,937	145,288
Consolidated net income	1,684,062	2,378,609
Adjustments to reconcile consolidated net income to net resources provided by operating activities:		
Depreciation and amortization	1,262,299	1,178,797
Impairment of long-lived assets	488,935	140,049
Equity in earnings of associated companies, net of dividends received	(561,467)	(628,635)
Deferred income taxes and employees' statutory profit sharing	59,498	280,776
Net gain from sale of subsidiaries' shares	(144,883)	(75,718)
Net gain from sale of associated company's shares	(399,639)	(847,175)
Loss from sale of fixed assets	6,007	49,847
Labor obligations and other long-term accrued liabilities	9,467	21,263
	2,404,279	2,497,813
Changes in working capital:		
Accounts receivable, net	(1,148,184)	(294,768)
Inventories	139,532	(2,166,018)
Prepaid expenses	(57,811)	45,984
Trade accounts payable	205,271	193,450
Accrued liabilities and other accounts payable	441,170	17,653
Income taxes and employees' statutory profit sharing payable	(10,646)	(26,767)
	(430,668)	(2,230,466)
Net resources provided by operating activities	1,973,611	267,347
Financing activities:		
Proceeds from bank loans and long-term debt	2,452,888	4,133,286
Repayment of bank loans and long-term debt	(3,214,893)	(3,151,536)
Long-term notes payable for new acquisitions	(50,628)	(50,666)
Proceeds from stock issuance	1,191,295	—
Contributions (decrease) by minority interest	98,735	(21,191)
Net purchases and sales of Company's common stock and derivative financial instruments	19,884	(365)
Dividends paid	(687,199)	(627,264)
Other	21,729	(74,261)
Net resources (used in) provided by financing activities	(168,189)	208,003
Investing activities:		
Acquisition of property, plant and equipment	(1,921,881)	(2,222,903)
Acquisition of subsidiaries, net of cash acquired	(599,173)	—
Sale of property, plant and equipment	369,293	194,549
Intangible assets	(16,480)	(16,487)
Resources received from sale of subsidiaries' shares	144,883	167,420
Resources received from sale of associated company's shares	618,356	1,267,353
Other	(159,745)	16,260
Net resources used in investing activities	(1,564,747)	(593,808)
Net increase (decrease) in cash and cash equivalents	240,675	(118,458)
Cash and cash equivalents at beginning of year	358,711	599,386
Cash and cash equivalents at end of year	Ps. 599,386	Ps. 480,928

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

1. ENTITY AND NATURE OF BUSINESS

Gruma, S.A.B. de C.V. is a Mexican corporation 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 25, 2009 by Juan Quiroga García, Chief Corporate Officer and Homero Huerta Moreno, Chief Administrative Officer.

2. SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION AND LIQUIDITY

The accompanying consolidated financial statements have been prepared in accordance with Mexican Financial Reporting Standards (MFRS or Mexican FRS), assuming that the Company will continue as a going concern. This basis of accounting contemplates the recovery of its assets and the satisfaction of its liabilities in the normal course of business. The Company had a net loss of Ps.12,339,758 in fiscal year ended December 31, 2008 and had obligations to its derivative counterparties as of December 31, 2008 in the amount of Ps.11,230,170. In addition, the Company had long-term debt in the amount of Ps.11,728,068 as of December 31, 2008, some of which it will be required to renegotiate in order to be able to finance its obligations to derivative counterparties on a long-term basis as further discussed below.

In October 2008, the Company began negotiating with certain of its derivative counterparties and during November 2008 partially settled its open positions on certain of these instruments in the amount of Ps.2,501,960 using a loan obtained from a financial institution for an amount of Ps.3,367,000. During the remainder of 2008 and until the date of signing the preliminary agreements described in the following paragraph, the Company has continued negotiating the settlement of its derivative positions on certain of these instruments.

On March 19, 2009 the Company entered into a term sheet (the "Term Sheet") that provides for the financing of the obligations that would result from the termination of all of its foreign exchange derivative instruments that it had entered with Credit Suisse, Deutsche Bank and JP Morgan Chase as counterparties (the "Derivative Counterparties"). On March 23, 2009, the Company and the Derivative Counterparties agreed to terminate certain additional derivative instruments and fixed the total amount of obligations payable by the Company to the Derivative Counterparties at U.S.$668.3 million (the "Termination Amounts"). In connection with the Term Sheet, the Company and the Derivative Counterparties have agreed to negotiate in good faith to convert the Termination Amounts into a secured term loan (the "Financing") within 120 days of March 23, 2009. As a condition of the Financing, the Term Sheet establishes a term of 120 days for performing the following: (a) the Company and its counterparties should formalize this preliminary agreement, (b) the Company should enter into agreements to amend and restate its existing major credit facilities (the "Credit Agreement Amendments"), and (c) the Company should settle the remaining derivative open positions. If the Company, the Derivative Counterparties and its creditors fail to enter into an agreement within the 120-day period contemplated by the Term Sheet, the Termination Amount of U.S.$668.3 million together with interest accrued will become immediately due and payable. In addition, if the Company fails to enter into the agreement contemplated by the Term Sheet, certain other indebtedness of the Company could become due and payable in the event of the exercise by the creditors of their right to accelerate repayment of these obligations under specified events of default.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Management of the Company believes it will sign the final agreement and will successfully renegotiate the bank loans subject to this agreement. If the Company is unable to successfully consummate the Financing and the Credit Agreement Amendments, it will attempt to restructure or refinance its existing financial obligations, seek additional equity capital or sell assets since it does not have sufficient liquidity to repay the U.S.$668.3 million obligation owing to the Derivative Counterparties, and other indebtedness that may become due at that time. Although the Company expects the successful consummation of the Financing and the Credit Agreement Amendments, there can be no assurance that this will be consummated. These facts raise substantial doubt about the Company's ability to continue as a going concern

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.

Derived from the application of MFRS B-2 "Statement of Cash Flows", effective starting January 1, 2008, the Company presents, as a basic financial statement, the statement of cash flows for the year ending December 31, 2008. This financial statement presents cash inflows and outflows that show how cash is provided or used during the year, classified as operating, investing and financing activities. For this purpose, the Company used the indirect method, 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. For the years ended December 31, 2006 and 2007, the statement of changes in financial position was presented separately as a basic financial statement which classifies changes in financial position for operating, financing, and investing activities. These financial statements are expressed in Mexican pesos of constant purchasing power as of December 31, 2007.

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 in which the majority of the common shares are owned directly or indirectly by the Company or it otherwise has control. All significant intercompany balances and transactions have been eliminated from the consolidated financial statements.

As of December 31, 2007 and 2008 the main subsidiaries included in the consolidation are the following:

	% of ownership	
	2007	**2008**
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 Centroamérica, L.L.C. 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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

C) USE OF ESTIMATES

The preparation of the 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 reporting years. Actual results could differ from those estimates.

D) FOREIGN CURRENCY TRANSLATION

Starting January 1, 2008, the Company adopted the provisions established in the new MFRS B-15 “Foreign Currency Translation”, under which the Mexican peso is defined as the Company’s functional currency as well as its reporting currency. 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:

a. As of December 31, 2008, assets and liabilities are translated to Mexican pesos using the year-end exchange rate of Ps.13.83.
b. 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 was Ps.11.21.
c. Revenues, costs and expenses for the year 2008 are translated to Mexican pesos using the historical exchange rate. The average exchange rate was Ps.11.21.
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, 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, 2008, assets, liabilities and stockholders’ equity are translated to Mexican pesos using the year-end exchange rate of Ps.13.83.
b. Revenues, costs and expenses for the year 2008 are translated to Mexican pesos using the year-end exchange rate of Ps.13.83.
c. The changes were recognized by the Company as a component of stockholders’ equity entitled “Foreign currency translation adjustments”.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

E) RECOGNITION OF THE EFFECTS OF INFLATION

Starting January 1, 2008, the provisions of MFRS B-10 “Effects of inflation” became effective. 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, as long as the accumulated inflation rate does not exceed 26% in the last three years, the effects of inflation in the financial information will not be applied (except in foreign subsidiaries where accumulated inflation exceeds 26%). Since the accumulated inflation for the years ended December 31, 2005, 2006 and 2007 did not exceed 26%, the financial statements as of December 31, 2008 have been prepared based on the modified historical cost model (that is, the 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). Financial statements for the years ended December 31, 2006 and 2007, which are presented for comparative purposes, are expressed in constant Mexican pesos of December 31, 2007, based on the factors derived from the National Consumer Price Index (“NCPI”), published by the Mexican Central Bank (Banco de México) for domestic companies, and by the General Consumer Price Index (“GCPI”) of the countries in which the foreign subsidiaries operate.

The accumulated inflation of the last three years in countries where the Company and its subsidiaries operate did not exceed 26% mentioned in the previous paragraph, with the exception of Venezuela, and some other countries that are not significant for these financial statements.

F) FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded 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 from the valuation and settlement 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”.

G) CASH EQUIVALENTS

Cash equivalents are highly liquid investments with maturities of less than a year from the date of the balance sheet and are stated at cost, which approximates market value.

H) INVENTORIES AND COST OF SALES

Starting January 1, 2008, inventories are expressed at their historical cost determined by the average cost method. Additionally, cost of sales is recognized at the historical cost of purchases and production of inventories sold during 2008 plus restated values (replacement cost) of the final inventories of 2007 sold during the year. The values so determined do not exceed their market value.

As of December 31, 2007, inventories were stated at the lower of estimated replacement cost or market. Estimated replacement cost was mainly determined by the last purchase price or the last production cost for the year. Cost of sales was determined using estimated replacement costs for the month in which inventories were sold.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

In January 2007, the Mexican government and several participants in the corn, corn flour and tortilla supply chain signed an agreement which establishes rights and obligations to fix prices of corn and related products, in order to prevent significant increases of the tortilla price. As a result, the Company, through its subsidiary Grupo Industrial Maseca, S.A.B. de C.V. (GIMSA), agreed a price of Ps.5 per ton of corn flour in all Mexico until the end of April of that year. On April 25, 2007, the Mexican government announced a second agreement that extended the term until August 15, 2007. GIMSA kept its corn flour at this price until the end of May 2008.

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 has 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 the Company belongs. These benefits are granted subject to the kilogram of corn flour being sold at a maximum price of Ps.5.45 per kilogram starting June 2008. These benefits are recognized in the income statement as a reduction in the cost of sales. The benefits obtained by the Company through PROHARINA in 2008 amounted to Ps.1,270,687.

I) INVESTMENT IN COMMON STOCK

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

J) PROPERTY, PLANT AND EQUIPMENT, NET

As of December 31, 2008, property, plant and equipment, including acquisitions through capital leases, are stated as follows: i) acquisitions made starting January 1, 2008, at its historical cost, and ii) acquisitions made until December 31, 2007 are restated utilizing NCPI factors until December 31, 2007, except for plant and equipment of foreign origin, which are restated on the basis of a specific index composed of the GCPI from the foreign country and the change in value of the Mexican peso against the foreign currency at the year-end 2007. Consequently, as of December 31, 2008, property, plant and equipment are expressed at its 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

Maintenance and repairs are expensed as incurred. Costs of major replacements and improvements are capitalized. The interest expense, foreign exchange differences, monetary position gain or loss 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

K) INTANGIBLE ASSETS, NET AND GOODWILL

As of December 31, 2008, intangible assets acquired or developed are stated as follows: i) acquisitions or developments made starting January 1, 2008, at historical cost, and ii) 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, 2008, intangible assets are restated at modified historical cost.

As of December 31, 2008, 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 as preoperating expenses. The development stage concludes upon the commencement of commercial operations. Research expenses are expensed as incurred. Capitalized preoperating expenses are amortized using the straight-line method over a period no longer than 12 years.

Amortization expense of other intangible assets with finite lives is computed on the restated values using the straight-line method, over a period of 2 to 20 years. Estimated useful lives of intangible assets with finite lives are determined based on the analysis of contractual, economic, legal or regulatory factors that may limit the useful lives. 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 and restated using NCPI factors through December 31, 2007. 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-L.

L) IMPAIRMENT OF LONG-LIVED ASSETS

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

The recoverable value of assets held for use is determined using the higher of the estimated discounted net cash flows expected to be generated by the assets or the market price; when appropriate, an impairment loss is recognized to the extent that the net book value exceeds the estimated recoverable value of the assets. The net sales price is determined using market values or transactions with similar assets, less selling costs.

The value of assets to be disposed of is determined using lower of book value or net sales price; when appropriate, an impairment loss is recognized for the excess of book value over net sales price. These assets are restated using NCPI factors until December 31, 2007, and are not depreciated or amortized.

As of December 31, 2007 and 2008, impairment losses of Ps. 140,049 and Ps. 46,851, respectively, were included in income of the year as part of ordinary expenses and the assets are stated net of such losses.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

M) LABOR OBLIGATIONS

The most significant changes derived from the new provisions of MFRS D-3, applied prospectively starting January 1, 2008 are:

- The reduction in the amortization periods of items related to past services. These items are amortized in a period of five years. The effect of adoption is presented in Note 10. Until December 31, 2007, past services were amortized over to the employees' estimated remaining working life.

- The recognition of deferred employees' statutory profit sharing (ESPS) based on the comprehensive assets and liabilities method, when the payment or recovery of these benefits is likely to occur for employees' that render future services. The accumulated effect of the adoption of this method, which amounted to Ps.343,467, was recognized in retained earnings in the statement of changes in stockholders' equity. The effect of the year is presented in the statement of income within other income and expenses. See Notes 10 and 13. Until December 31, 2007, deferred ESPS was only recognized for those temporary differences between net income of the year and adjusted income for ESPS, that was reasonably presumed would generate a liability or a benefit in the future.

As a result of the above-mentioned changes, the information presented in Note 10-A covers 2008 only.

The Company does not have defined contribution benefit 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 (legal indemnities 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. For these purposes, the Company has established trust funds to meet these obligations. The employees do not contribute to these funds.

The net period cost of each benefit plan is recognized as an expense in the period when incurred, this cost includes the amortization of labor costs of past services and actuarial gains (losses) of prior years.

With respect to items pending amortization at December 31, 2007, known as transition liabilities, which include past service costs and net actuarial gains to be amortized, these items will be amortized starting January 1, 2008 over a period of five years instead of the estimated work life of employees, as was the case until 2007. This change caused an additional expense in 2008 of Ps.27,483.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

N) FINANCIAL INSTRUMENTS

Derivative financial instruments that are not designated as accounting hedges are recorded initially at cost and at each period-end at 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 hedge 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 when the hedge designation does not comply with the requirements for documentation established in Statement 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.

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 hedged commitment or projected transaction is realized. Hedge contracts other than for cash flows are valued at fair value, and their valuation gain or loss is recognized in income.

O) 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.

P) INCOME TAX

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.

Starting October 1, 2007, date when the new “Flat Tax Law” was approved in Mexico, the Company recognized the effects of this new law, which became effective on January 1, 2008. According to the interpretation published by the Mexican Financial Reporting Standards Board (CINIF) on December 21, 2007, with respect to the accounting effects of the Flat Tax and based on the financial and tax projections prepared for this purpose, it was determined that the Company and its subsidiaries in Mexico will essentially pay income tax rather than flat tax in the future; therefore, the Company did not recognize any deferred flat tax at December 31, 2007 or 2008.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Q) EARNINGS (LOSS) PER SHARE

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

R) COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) is comprised of: income (loss) of the year, translation effects of foreign entities, effect from changes in the fair value of derivative financial instruments designated as an accounting hedge and items that due to a specific accounting requirement are recognized in stockholders' equity and do not constitute increases, reductions or distributions of capital. The amounts of comprehensive income (loss) of 2008 are expressed in modified historical Mexican pesos and those for 2007 as Mexican pesos of purchasing power of December 31, 2007.

3. ACCOUNTS RECEIVABLE, NET AND REFUNDABLE TAXES

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

	2007	2008
Trade accounts receivable	Ps. 4,329,437	Ps. 4,936,849
Allowance for doubtful accounts	(233,733)	(245,941)
	4,095,704	4,690,908
Related parties	3,164	84,146
Derivative financial instruments	63,921	15,145
Employees	32,302	42,977
Other debtors	581,287	1,399,425
	Ps. 4,776,378	Ps. 6,232,601

Refundable taxes comprised the following as of December 31:

	2007	2008
Value-added tax	Ps. 295,053	Ps. 243,375
Income tax	469,461	795,328
	Ps. 764,514	Ps. 1,038,703

4. INVENTORIES

Inventories consisted of the following as of December 31:

	2007	2008
Raw materials, mainly corn and wheat	Ps. 3,914,798	Ps. 6,039,906
Finished products	596,081	716,363
Materials and spare parts	392,454	471,487
Production in process	184,222	210,541
Advances to suppliers	350,808	124,374
Inventory in transit	110,927	65,846
	Ps. 5,549,290	Ps. 7,628,517

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

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

	2007	Ownership as of December 31, 2007	2008	Ownership as of December 31, 2008
GFNorte	Ps. 2,713,592	8.6232%	Ps. 3,299,031	8.7966%
Harinera de Monterrey, S.A. de C.V.	136,386	40%	136,617	40%
	Ps. 2,849,978		Ps. 3,435,648	

During 2008, the Company purchased 3,500,000 shares of GFNorte for a total amount of Ps.154,568, generating a goodwill for Ps.91,813. These shares represented 0.1734% of the capital stock of GFNorte. Prior to the purchase of these shares, the interest of the Company in GFNorte was 8.6232%.

6. PROPERTY, PLANT AND EQUIPMENT, NET

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

	2007	2008
Land	Ps. 1,318,173	Ps. 1,565,601
Buildings	5,272,783	6,504,098
Machinery and equipment	20,182,964	24,258,404
Construction in progress	1,152,810	2,403,119
Software for internal use	832,344	1,034,415
Leasehold improvements	394,073	626,802
Other	35,138	45,840
	29,188,285	36,438,279
Accumulated depreciation and amortization	(12,913,838)	(15,785,005)
	Ps. 16,274,447	Ps. 20,653,274

6. PROPERTY, PLANT AND EQUIPMENT, NET (continued)

For the years ended December 31, 2006, 2007 and 2008, depreciation expense amounted to Ps. 1,146,393, Ps. 1,072,174 and Ps.1,312,322, respectively. For the years ended December 31, 2006, 2007 and 2008, comprehensive financing costs of Ps. 5,778, Ps. 2,894 and Ps.12,170, respectively, were capitalized to property, plant and equipment.

As of December 31, 2007 and 2008, property, plant and equipment included temporarily idled assets with a carrying value of approximately Ps. 649,015 and Ps.646,916, respectively, 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.

For the years ended December 31, 2006, 2007 and 2008, the Company recognized impairment losses of Ps. 334,725, Ps. 97,196 and Ps.46,851, respectively, in “Other income (expense), net” in accordance with the provisions of MFRS C-15, “Impairment of Long-Lived Assets and their Disposal”, as follows:

Segment		2006		2007		2008
Corn flour division (Mexico)	Ps.	14,814	Ps.	27,975	Ps.	26,051
Corn flour, wheat flour and other products (Venezuela)		94,808		35,848		—
Other		191,972		33,373		20,800
Other reconciling items		33,131		—		—
Total	Ps.	334,725	Ps.	97,196	Ps.	46,851

7. INTANGIBLE ASSETS, NET

Intangible assets, net, comprised the following:

As of December 31, 2007:

		Gross carrying amount		Accumulated amortization		Net carrying amount
Intangible assets with finite lives:						
Acquired:						
Covenants not to compete	Ps.	937,774	Ps.	(535,818)	Ps.	401,956
Debt issuance costs		556,715		(229,939)		326,776
Patents and trademarks		95,670		(43,582)		52,088
Customer lists		50,363		(20,584)		29,779
Generated:						
Pre-operating expenses		56,317		(55,871)		446
Development of new projects		32,606		(32,606)		—
Other		64,304		(52,016)		12,288
	Ps.	1,793,749	Ps.	(970,416)		823,333
Intangible assets with indefinite lives:						
Trademarks						21,156
					Ps.	844,489

7. INTANGIBLE ASSETS, NET (continued)

As of December 31, 2008:

	Remaining useful life (years)	Gross carrying amount	Accumulated amortization	Net carrying amount
Intangible assets with finite lives:				
Acquired:				
Covenants not to compete	8	Ps. 941,500	Ps. (586,686)	Ps. 354,814
Debt issuance costs	1 – 16	578,844	(246,337)	332,507
Patents and trademarks	1 – 13	121,165	(65,499)	55,666
Customer lists	1 – 13	94,950	(57,388)	37,562
Generated:				
Pre-operating expenses	1	7,854	(7,179)	675
Development of new projects	9	32,062	(32,062)	—
Other	1 – 5	71,666	(52,472)	19,194
		Ps. 1,848,041	Ps. (1,047,623)	800,418
Intangible assets with indefinite lives:				
Trademarks				26,868
				Ps. 827,286

Intangible assets recognized during 2007 amounted to Ps.16,602, mainly due to trade names in the corn flour and other products division in Central America for a total of Ps.7,029. Intangible assets recognized during 2008 amounted to Ps.60,198 due mainly to the acquisition of customer lists for an amount of Ps.31,788, in the segment of Central America, and debt issuance costs of Ps.16,835.

The Company determined based on the provisions of MFRS C-8, "Intangible Assets", that certain trademarks have indefinite lives since their future cash flow generation is expected to be indefinite.

For the years ended December 31, 2006, 2007 and 2008, amortization expense of intangible assets amounted to Ps.115,906, Ps.106,623 and Ps.98,098, respectively.

Research and development costs charged to income amounted to Ps. 61,860, Ps. 64,504 and Ps.93,638 for the years ended December 31, 2006, 2007 and 2008, respectively.

As of December 31, 2007, the Company recognized an impairment loss in certain intangible assets of Ps.42,853, in accordance with the provisions of MFRS C-15. The impairment loss was recognized in "Other income (expense), net" (Note 13) within the "Other" segment.

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

Year	Amount
2009	Ps. 100,380
2010	91,546
2011	81,978
2012	78,805
2013	76,908
Thereafter	370,801
Total	Ps. 800,418

7. INTANGIBLE ASSETS, NET (continued)

Goodwill, net, is comprised of the following:

	Corn flour and packaged tortillas (US and Europe)	Corn flour (Mexico)	Other	Other reconciling items	Total
Balance at January 1, 2007	Ps. 877,886	Ps. 205,635	Ps. 486,128	Ps. 312,254	Ps. 1,881,903
Goodwill acquired			16,762		16,762
Foreign currency translation adjustment	22,288		53,627	—	75,915
Restatement	(33,377)	(10,436)	(21,102)	(867)	(65,782)
Balance at December 31, 2007	866,797	195,199	535,415	311,387	1,908,798
Goodwill acquired			768		768
Foreign currency translation adjustment	217,046		77,475		294,521
Balance at December 31, 2008	Ps. 1,083,843	Ps. 195,199	Ps. 613,658	Ps. 311,387	Ps. 2,204,087

8. OTHER ASSETS

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

	2007	2008
Other investments and club memberships	Ps. 8,643	Ps. 215,319
Long-term recoverable asset tax	—	119,996
Guarantee deposits	32,367	144,504
Long-term notes receivable	126,060	135,514
	Ps. 167,070	Ps. 615,333

9. BANK LOANS AND LONG-TERM DEBT

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

	2007	2008
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	Ps. 3,276,000	Ps. 4,149,000
Loan in Mexican pesos, maturing in November 2010 and bearing interest at a variable annual rate of TIIE plus 2%, payable monthly	—	3,367,000
Syndicated loan in U.S. dollars, maturing in July 2010; bearing interest at an annual rate of LIBOR plus 0.375% to 0.45% payable monthly or quarterly (4.31% in 2008)	2,238,600	2,724,510
Credit line in U.S. dollars, maturing in October 2011, bearing interest at an annual rate of LIBOR plus 0.35% to 0.45% (1.6% in 2008), payable in 30, 60, 90 and 180 days	764,400	1,300,020
Loans in U.S. dollars and Euros, payable between 2009 and 2010 and bearing interest at variable annual rates from 1.2% to 7.0% in 2008, payable in different installments	348,987	213,657
Loans in Venezuelan bolivars payable in 2009 and bearing interest at variable annual rates from 9.75% to 12.33% in 2008, payable monthly	413,863	555,465
Loans in U.S. dollars and Honduran lempiras due between 2009 and 2010, bearing interest at variable annual rates from 2.28% to 17.0%, payable monthly	563,703	469,857
Loans in Mexican pesos due in 2009 and 2013, bearing interest at fixed annual rates from 10.74% to 14.70%, payable monthly	134,033	557,978
Loans in U.S. dollars due in 2009, bearing interest at a variable annual rate between 3.49% to 7.75%	114,660	809,141
	7,854,246	14,146,628
Short-term bank loans	(666,232)	(1,910,929)
Current portion of long-term debt	(274,841)	(507,631)
Long-term debt	Ps. 6,913,173	Ps. 11,728,068

As of December 31, 2008, the short-term bank loans denominated in U.S. dollars amounting to Ps.809,141 and Ps.297,419 (U.S.$59 and U.S.$21 million, respectively), bear interest at an average rate of 6.4% and 8.5%, respectively. Short-term bank loans of Ps.433,670 denominated in Mexican pesos bear interest at an average rate of 14.23% as of December 31, 2008. Short-term bank loans of Ps.359,572 denominated in Venezuelan bolivars (55,899 million of Venezuelan bolivars) bear interest at an average rate of 11.0% as of December 31, 2008. Additionally, as of December 31, 2008, the Company had short-term loans of Ps.6,763 denominated in euros (0.4 million of euros) bearing interest at an average rate of 5.3%.

The Company has credit line agreements for Ps.4,840,000 (U.S.$350 million), from which, as of December 31, 2008, Ps.816,000 (U.S.$59 million) are available. These credit line agreements require the payment of an annual commitment fee of 0.10% to 0.20% on the unused amounts.

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

Various credit agreements contain covenants, that require the Company to maintain: (1) a ratio of consolidated total funded debt to EBITDA of not more than 3.5:1; and (2) a ratio of consolidated EBITDA to consolidated interest charges of not less than 2.5:1; and also limits the Company's ability, among other things, to: (1) create liens; (2) merge or consolidate with other companies or sell substantially all of the Company's assets; (3) make certain investments or other restricted payments; (4) engage in transactions with affiliates; and (5) guarantee additional indebtedness which if not complied with, may be considered as a cause for early maturity of the debt. At December 31, 2008, the Company was in compliance with these financial ratios.

At December 31, 2008 the annual maturities of long-term debt outstanding were as follows:

Year	Amount
2010	Ps. 6,253,095
2011	1,318,501
2012	6,577
2013	895
2014 and thereafter	4,149,000
	Ps. 11,728,068

10. LABOR OBLIGATIONS

A) RETIREMENT BENEFITS AND COMPENSATION UPON TERMINATION OF EMPLOYMENT (SEVERANCE COMPENSATION)

At December 31, 2007 and 2008, the balance payable related to employee retirement benefits amounted to Ps. 153,454 and Ps.162,045, respectively, and is included in "Other liabilities".

The reconciliation between the initial and final balances of the present value of defined benefit obligations (OBD) for the year 2008 is as follows:

	Severance compensation	Retirement benefits
OBD at January 1, 2008	Ps. 41,403	Ps. 165,737
Add (deduct):		
Current service cost	3,086	10,541
Financial cost	2,901	13,472
Actuarial losses for the period	24,630	19,345
Benefits paid	(26,638)	(11,122)
Anticipated reduction in liability	—	(9,262)
OBD at December 31, 2008	Ps. 45,382	Ps. 188,711

10. LABOR OBLIGATIONS (continued)

The obligation for vested benefits as of December 31, 2007 and 2008 amounted to Ps.113,998 and Ps.169,759, respectively.

The reconciliation between the initial and final balances of the employee benefit plan assets at fair value for the year 2008 is as follows:

	Severance compensation		Retirement benefits	
Plan assets at market value at January 1, 2008	Ps.	22,569	Ps.	13,312
Add (deduct):				
Expected return		(2,597)		(1,256)
Benefits paid		(193)		(81)
Plan assets at market value at December 31, 2008	Ps.	19,779	Ps.	11,975

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, 2008:

	Severance compensation		Retirement benefits	
Employee benefit (assets) liabilities:				
OBD	Ps.	45,382	Ps.	188,711
Plan assets		(19,779)		(11,975)
Unfunded portion of the plan		25,603		176,736
Less items pending amortization:				
Transition liability		(262)		(117)
Actuarial gains		(50)		(87,433)
Projected net liability at December 31, 2008	Ps.	25,291	Ps.	89,186

The components of the net cost as of December 31, 2008 by type of plan consist of the following:

	Severance compensation		Retirement benefits	
Current service cost	Ps.	3,086	Ps.	10,541
Financial cost		2,901		13,472
Estimated return on plan assets		(1,975)		(1,165)
Actuarial gains, net		36,276		5,613
Prior service cost		67		31
Net cost for the year	Ps.	40,355	Ps.	28,492

At December 31, 2008 plan assets stated at fair value and related percentages with respect to total plan assets were analyzed as follows:

	Severance compensation			Retirement benefits		
Equity securities	Ps.	11,741	59%	Ps.	7,109	59%
Fixed rate securities		8,038	41%		4,866	41%
Plan assets at fair value	Ps.	19,779	100%	Ps.	11,975	100%

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 moment no additional contributions will be needed 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 hypotheses used were as follows:

	2008
Discount rate	9.00%
Future increase rate in compensation levels	4.50%
Estimated return rate on plan assets	9.00%

The defined benefit obligation, the plan assets at fair value, the status of the plan, as well as the actuarial gains or losses for the most recent four year are shown below:

	Historical amounts			Actuarial gains (losses)	
Year	OBD	Plan assets	Unfunded portion of the plan	OBD	Plan assets
2008	Ps. 234,093	Ps. 31,754	Ps. 202,339	Ps. (43,975)	Ps. 713
2007	162,243	34,885	127,358	(38,370)	4,434
2006	131,600	33,685	97,915	(28,046)	4,659
2005	127,894	28,974	98,920	(16,756)	5,425

In the United States of America, the Company has 401(k) plans involving voluntary employee contributions for saving and investing purposes, and contributions of the subsidiaries located in that country. For the years ended December 31, 2006, 2007 and 2008, total expenses related to this plan were Ps.33,251 (U.S.$3,045,000), Ps.37,335 (U.S.$3,419,000), and Ps.50,576 (U.S.$3,657,000), respectively.

In Venezuela, the Company recognizes a liability for seniority premiums and compensation for dismissal established by the local Labor Law, considered as a right to which employees are entitled, amounting to Ps. 26,161 and Ps.25,976 as of December 31, 2007 and 2008, respectively.

In Central America, the Labor Laws of Costa Rica, Nicaragua, El Salvador, Honduras and Guatemala establish that the accumulated payments to which workers may be entitled, based on the years of service, must be paid in the case of death, retirement or dismissal. The Company records a liability of 9% over salaries paid, which amounted to Ps. 7,300 and Ps.21,592 as of December 31, 2007 and 2008, respectively.

10. LABOR OBLIGATIONS (continued)

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 established by the Mexican Income Tax Law.

The deferred ESPS is recognized starting January 1, 2008 based on the comprehensive asset and liability method, which consists in determining the deferred tax for all temporary differences between the book and tax values of the assets and liabilities that are expected to be realized in the future.

The ESPS provisions in 2007 and 2008 are shown below:

	2007		2008	
Current ESPS	Ps.	21,964	Ps.	28,123
Deferred ESPS		(13,818)		298,501
Total	Ps.	8,146	Ps.	326,624

As of December 31, the main components of deferred ESPS were summarized as follows:

	(Assets) Liabilities			
	2007		2008	
Accrued liabilities	Ps.	(42,821)	Ps.	(58,127)
Net operating loss carryforwards		(25,176)		—
Deferred ESPS asset		(67,997)		(58,127)
Property, plant and equipment, net		19,449		350,550
Inventories		11,622		6,078
Intangible assets and other		23,108		—
Deferred ESPS liability		54,179		356,628
Net deferred ESPS (asset) liability	Ps.	(13,818)	Ps.	298,501

C) BENEFITS FOR KEY MANAGEMENT PERSONNEL

For 2008, the total amount paid to all Board members, alternate Board members, officers and members of Auditing Committee and Corporate Governance Committee was Ps.122.2 million. The deferred compensation accrued as of December 31, 2008 was Ps.33.4 million.

11. CONTINGENCIES AND COMMITMENTS

A) CONTINGENCIES

Water Discharge Assessments.- Certain subsidiaries were notified by the Comisión Nacional del Agua ("National Water Commission") of fee assessments due from various prior years. These assessments mainly arose from the National Water Commission's determination that waste water had been discharged on public property. Nevertheless, the subsidiaries used the water derived from the production process, previously treated, to irrigate certain of the Company's property through a sprinkler system. The affected subsidiaries subsequently challenged these assessments and as of December 5, 2007, all of the assessments the National Water Commission brought against GIMSA's subsidiaries were definitively resolved in favor of the Company.

11. CONTINGENCIES AND COMMITMENTS (continued)

Mexican 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.340,700 in connection with our asset tax returns for the years 1994, 1996, 1997, 1999 and 2000. The Company has filed several appeals to obtain an annulment of such assessments. Recently, the claim relevant to the previously mentioned 1999 fiscal year was definitely resolved by the Suprema Corte de Justicia de la Nación ("Mexican Supreme Court of Justice") against the Company, by resolution published on January 28, 2009. Said claim represents a debt for asset taxes for the Company of approximately Ps.47,500. This resolution has not yet been officially notified to the Company.

In the same manner, regarding the tax claim litigation for the fiscal year 2000, said matter has the same merits and foundation as the case ruled on by the Mexican Supreme Court of Justice for the fiscal year 1999 mentioned above, therefore we expect a similar result against the Company. Said claim currently represents a contingency of about Ps.21,600.

In order to deal with this situation, the Company set up a provision of Ps.67,000, which is reflected in accrued liabilities and other accounts payable.

Likewise, the Ministry of Finance and Public Credit has lodged various tax assessments against the Company for an amount of Ps.93,500 due to the alleged tax withholding at a lower rate on interest payments to foreign creditors for the years 2000, 2001 and 2002 (the Mexican authorities claim that the Company should have withheld 10% of said payments in lieu of 4.9% actually withheld by it).

The Company intends to vigorously defend against these actions. It believes the resolution of these proceedings will not have a material effect on its financial position and results of operations.

Furthermore, the Ministry of Finance and Public Credit has made tax assessments against Molinera de México for an amount of Ps.101,800 for wheat imports made during the year 2003, which according to the Mexican tax authorities were incorrectly classified under the harmonized system. The Company has filed a total of 14 appeals to obtain an annulment of all of these assessments, all of which have been definitely and satisfactorily resolved in its favor.

Distributor Arbitrations and Litigations in the United States.- 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 have appealed the confirmation to the Court of Appeals for the Ninth Circuit. The appeal is currently pending.

11. CONTINGENCIES AND COMMITMENTS (continued)

On July 28, 2006, another of GRUMA's distributors sought to join the Los Angeles arbitration but was referred to arbitration in the State of Washington (Misty Brunner and Kyle Ruby et al v. Gruma Corporation). An additional distributor subsequently sought arbitration in the State of Washington and the two proceedings have been consolidated before an arbitrator in Seattle. The two distributors on behalf of alleged classes of current and former distributors assert 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 and Washington labor statues, among others; and (v) Gruma Corporation has failed to pay federal excise payments on sales made by the distributors. Following the arbitration award in the Johnson case in Gruma Corporation's favor, plaintiffs desisted from their action.

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 Corporation 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 with prejudice the RICO claims. The parties are scheduled for mediation on the remaining claims on March 18, 2009. The Company intends to vigorously defend against this action.

Drivers' Class Action.- In October 2005, the Company was named as a defendant in a class action suit, Ramon Moreno et al. v. Guerrero Mexico Food Products, Inc. and Gruma Corporation, filed in the United States District Court for the Central District of California, Los Angeles County. This suit was a punitive class action alleging a misclassification of sales drivers who deliver some of our products to retail stores under the Guerrero brand, as exempt from certain overtime wage and other mandatory work hour requirements under the California Labor Code. The plaintiffs are members of the International Brotherhood of Teamsters. In March 2008, the Company reached a definitive settlement agreement with the plaintiffs for an amount of Ps.40,100 ($2.9 million dollars). The Court agreed to the terms of the settlement on April 21, 2008. The settlement amount, as well as a portion of the costs incurred in defending the case is being paid out of proceeds received under an existing labor liability insurance policy.

Product Class Action.- In December 2008, Gruma Corporation was named as a defendant in a class action suit, Catherine M. Herzog et al. v. Gruma Corporation dba Mission Foods, filed in the United States District Court for the Southern District of California. This suit was a purported class action alleging violations of sections of the California Bus. & Prof. Code, intentional misrepresentation, breach of implied warranty, and violations of California's Consumer Legal Remedies Act in connection with the company's Guacamole Dip product. The company put the vendor of the product on notice of Gruma's claim for indemnity under the vendor's supply contract. A tentative settlement has been reached pending court approval.

Venezuelan Tax Claim.- The Venezuelan tax authorities have lodged certain assessments against Molinos Nacionales, C.A. (MONACA) one of the Company´s Venezuelan subsidiaries, related to income tax returns for the years 1998 and 1999, which amounted to Ps.19,400 ($1.4 million dollars) plus tax debts presumably omitted in the amount of Ps.1,000 ($66,300 dollars). The case has been appealed and is pending final decision. The resolution of these claims will be assumed by the previous shareholder, International Multifoods Corporation, in accordance with the agreement for the purchase of the Venezuelan subsidiary.

11. CONTINGENCIES AND COMMITMENTS (continued)

Venezuelan Labor Lawsuits.- Currently, our subsidiary Molinos Nacionales, C.A. (MONACA) was named in one labor lawsuits and two extrajudicial claims, claiming damages in the amount of Ps.8,700 ($631,200 dollars). The lawsuit and claims relate to issues and rights such as profit sharing, social security, vacations, overtime hours, seniority and indemnity payments. The “caleteros” who brought the claims are workers who help freighters unload goods.

Currently MONACA has been negotiating the payment of the above-mentioned labor lawsuit and the extrajudicial claims, trying to reach agreements for the lawsuit and claims in an amount of Ps.4,500 ($324,600 dollars). Likewise, MONACA has recorded a provision of Ps.9,400 ($676,400 dollars) for potential damages, which is reflected in accrued liabilities and other accounts payable.

Additionally, the Company is involved in certain unresolved proceedings arisen in the ordinary course of the business. The Company does not believe that the resolution of these proceedings will have a significant adverse effect on its financial situation and operating results.

B) COMMITMENTS

As of December 31, 2008, the Company is leasing certain facilities and equipment under long-term operating lease agreements in effect through 2017, which include an option for renewal. These agreements are accounted for as operating leases. Future minimum lease payments under such leases amount to approximately Ps.1,872,524 (U.S.$135,396,000), as follows:

Year		Facilities		Equipment		Total
2009	Ps.	248,926	Ps.	357,837	Ps.	606,763
2010		197,755		269,851		467,606
2011		155,311		152,046		307,357
2012		104,887		101,429		206,316
2013		64,558		71,459		136,017
Thereafter		148,465		—		148,465
	Ps.	919,902	Ps.	952,622	Ps.	1,872,524
	U.S.$	66,515	U.S.$	68,881	U.S.$	135,396

Rental expense was approximately Ps. 531,142, Ps. 559,058 and Ps.580,793 for the years ended December 31, 2006, 2007 and 2008, respectively.

At December 31, 2008, the Company had various outstanding commitments in the United States to purchase commodities and raw materials for approximately Ps.2,069,092 (U.S.$149,609 thousand), which will be delivered during 2009.

As of December 31, 2008, the Company had outstanding commitments to purchase machinery and equipment amounting to approximately Ps.119,602 (U.S.$8,648 thousand).

As of December 31, 2008, the Company had irrevocable letters of credit of approximately Ps.204,407 (U.S.$14,780 thousand) serving as collateral for claims pursuant to the Company’s self-insured workers’ compensation program in the United States.

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). Until December 31, 2007, common stock, legal reserve, and accumulated earnings were stated at restated values determined using NCPI factors.

At the Extraordinary General Meeting held on April 11, 2008, the stockholders agreed to increase the fiexd portion of common stock by Ps.2,111,060 represented by 82,624,657 shares.

At December 31, 2008, Gruma'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 (481,503,052 subscribed and paid shares, and 1,046,900 shares held in Treasury as of December 31, 2007).

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 from retained earnings that have not been previously taxed are subject to an income tax payable by the Company equal to 38.91%. The applicable tax may be credited against income tax the Company is subject to in the year or in the following two fiscal years. Dividends paid by the Company are not subject to any withholding tax.

Until December 31, 2007, deficit from restatement consisted of the initial accumulated gain or loss on monetary position and gain or loss from holding non-monetary assets, expressed in Mexican pesos as of the end of the year. In accordance with the new MFRS B-10 "Effects of Inflation", effective as of January 1, 2008, the Company reclassified this item to the corresponding accounts of restatement from additional paid-in capital and restatement from common stock, as shown in the consolidated statement of changes in stockholders' equity.

C) PURCHASE OF COMMON STOCK

The Stockholders' Meeting approved a Ps.650,000 reserve to repurchase the Company's own shares. The total amount of repurchased shares cannot exceed 5% of total equity. The difference between the acquisition cost of the repurchased shares and their stated value, composed of common stock and additional paid-in capital, is recognized as part of the reserve to repurchase the Company's own shares, which is included within retained earnings from prior years. The gain or loss in the sale of the Company's own shares is recorded as additional paid-in capital. As of December 31, 2008, the Company carried out net purchases of 1,523,900 shares with a market value of Ps.10,667 at that date.

12. STOCKHOLDERS' EQUITY (continued)

D) FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

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

	2007	2008
Balance at beginning of year	Ps. (808,026)	Ps. (453,086)
Effect of translating net investment in foreign subsidiaries	396,049	2,264,919
Exchange differences arising from foreign currency liabilities accounted for as a hedge of the Company's net investments in foreign subsidiaries, net of taxes of Ps.15,417 in 2007	(41,109)	(1,288,778)
	Ps. (453,086)	Ps. 523,055

The investment that the Company maintains in its operations in the United States and Europe generates a natural hedge of up to U.S.$500 and U.S.$450 million as of December 31, 2007 and 2008, respectively.

As of December 31, 2007 and 2008, the accumulated effect of translating net investment in foreign subsidiaries impacted minority interest in the amounts of Ps.(123,088) and Ps.270,555, respectively.

E) TAX VALUES OF COMMON STOCK AND RETAINED EARNINGS

As of December 31, 2008, tax values of common stock and retained earnings were Ps.11,147,492 and Ps.3,260,200, respectively.

13. OTHER (EXPENSE) INCOME, NET

Other (expense) income, net comprised the following:

	Years ended December 31,		
	2006	2007	2008
Net gain from sale of GFNorte's shares (Note 5)	Ps. 399,639	Ps. 847,175	Ps. —
Net gain from sale of subsidiaries' shares	144,883	75,718	—
Asset tax from previous years	—	—	(67,000)
Impairment loss on assets (Note 2-L)	(488,935)	(140,049)	(46,851)
Economic aid to Chiapas and Tabasco for natural disasters	—	(100,000)	—
Amortization of other deferred costs	(59,152)	(48,709)	(49,748)
Net loss on sale of fixed assets	(6,007)	(49,847)	(22,869)
Current ESPS (Note 2-M and 10)	(51,160)	(21,395)	(28,368)
Deferred ESPS	16,822	17,259	28,587
Other	(5,202)	(24,409)	4,881
	Ps. (49,112)	Ps. 555,743	Ps. (181,368)

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, 2006, 2007 and 2008 by Ps. 429,359, Ps. 283,208 and Ps.332,966, 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.

B) RECONCILIATION OF FINANCIAL AND TAXABLE INCOME

For the years ended December 31, 2006, 2007 and 2008, the reconciliation between statutory income tax amounts and the effective income tax amounts is summarized as follows:

	Years ended December 31,		
	2006	2007	2008
Statutory federal income tax (29% for 2006, 28% for 2007 and 2008)	Ps. 613,707	Ps. 925,209	Ps. (3,187,405)
Equity in earnings of associated companies	(186,562)	(198,194)	(173,223)
Sale of shares of subsidiaries and associated company	38,981	49,783	—
Effect of deferred flat tax in subsidiaries	—	18,719	2,960
Valuation allowance for tax loss carryforwards	61,208	89,178	3,334,661
Losses of Mexican subsidiaries which cannot be used for income tax consolidation	10,614	17,998	—
Foreign income tax rate differences	(87,004)	66,473	287,836
Effects related to inflation	4,259	(26,629)	103,081
Other	(23,033)	(16,827)	66,785
Effective income tax (20.4% for 2006, 28% for 2007 and -3.4% for 2008)	Ps. 432,170	Ps. 925,710	Ps. 434,695

14. INCOME TAX (continued)

At December 31, 2007 and 2008 the principal components of the deferred income tax liability were as follows:

	(Assets) Liabilities	
	2007	2008
Deferred tax assets:		
Net operating loss carryforwards and other tax credits	Ps. (106,419)	Ps. (496,512)
Accrued liabilities	(205,881)	(168,121)
Recoverable asset tax	(82,174)	(17,791)
Intangible asset resulting from intercompany operation	(38,693)	(17,539)
Other	(128,593)	(229,295)
	(561,760)	(929,258)
Deferred tax liabilities:		
Property, plant and equipment, net	1,827,552	2,211,278
Inventories	164,631	154,338
Intangible assets and other	181,430	220,046
Investment in partnership and equity method investee	393,961	899,904
	2,567,574	3,485,566
Net deferred tax liability	Ps. 2,005,814	Ps. 2,556,308

At December 31, 2008, the Company did not recognize a deferred income tax asset of Ps.2,859,739 for tax loss carryforwards, since insufficient evidence was available that these tax loss carryforwards will be realizable.

C) TAX LOSS CARRYFORWARDS AND RECOVERABLE ASSET TAX

At December 31, 2008, the Company has tax loss carryforwards in Mexico corresponding to the tax consolidation, which amounted to Ps.11,246,305. 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.1,400,729 will be used. Therefore, for the determination of deferred income taxes, a valuation allowance was recognized for the difference.

As of December 31, 2008, certain foreign subsidiaries have tax loss carryforwards of approximately Ps.35,786 (1,435,445 thousand Costa Rican colons) that expire in 2009 to 2011.

Asset tax paid in years prior to 2008 is subject to refund, according to the procedure established in the tax law, to the extent that income tax exceeds asset tax in the eligible years. The Company has the right to apply for asset tax refund of Ps.334,800, as shown below:

Expiration year	Recoverable asset tax
2010	Ps. 33,974
2012	70,631
2013	89,794
2014	68,079
2015	72,322
	Ps. 334,800

14. INCOME TAX (continued)

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 its crediting will not be allowed in future years.

Based on financial and tax projections, the Company considers that this tax will not have an impact in its results of operation, since the Company will essentially pay income tax.

15. FOREIGN CURRENCY

A) EXCHANGE DIFFERENCES

For the years ended December 31, 2006, 2007 and 2008, the effects of exchange rate fluctuations on the Company's monetary assets and liabilities were recognized as follows:

	2006		2007		2008	
Exchange differences arising from foreign currency liabilities accounted for as a hedge of the Company's net investment in foreign subsidiaries recorded directly to stockholders' equity as an effect of foreign currency translation adjustments	Ps.	(79,424)	Ps.	(56,526)	Ps.	(1,288,778)
Exchange differences arising from foreign currency transactions credited (charged) to income		(19,363)		72,129		255,530
	Ps.	(98,787)	Ps.	15,603	Ps.	(1,033,248)

B) FOREIGN CURRENCY POSITION

As of December 31, 2007 and 2008, monetary assets and liabilities held or payable in U.S. dollars are summarized below:

	Thousands of U.S. dollars			
	2007		2008	
In companies located in Mexico:				
Assets:				
Current	U.S.$	1,477	U.S.$	5,866
Non-current		—		71
Liabilities:				
Current		(52,798)		(886,900)
Long-term		(505,041)		(497,038)
	U.S.$	(556,362)	U.S.$	(1,378,001)

15. FOREIGN CURRENCY (continued)

	Thousands of U.S. dollars			
	2007		2008	
In foreign companies:				
Assets:				
Current	U.S.$	289,361	U.S.$	331,399
Non-current		7,178		9,129
Liabilities:				
Current		(403,057)		(443,995)
Long-term		(258,683)		(262,933)
	U.S.$	(365,201)	U.S.$	(366,400)

Additionally, the Company and its subsidiaries had instruments to protect against exchange risks as described in Note 17.

At December 31, 2007 and 2008, the exchange rates used to translate U.S. dollar assets and liabilities were Ps.10.92 and Ps.13.83, respectively. On June 29, 2009, date of issuance of these financial statements, the exchange rate for the U.S. dollar was Ps.13.18.

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, from which Ps.1,288,788 is recognized in Foreign currency translation adjustments within stockholders' equity.

For the years ended December 31, 2006, 2007 and 2008, the Company's Mexican subsidiaries had transactions in U.S. dollars as follows:

	Thousands of U.S. dollars					
	2006		2007		2008	
Flour sales and others	U.S.$	—	U.S.$	(9,641)	U.S.$	(24,096)
Corn purchases and other inventories		144,453		184,446		225,883
Interest expense		38,222		40,028		35,740
Purchases of plant and equipment		300		1,232		1,913
Services		6,771		5,891		6,975
	U.S.$	189,746	U.S.$	221,956	U.S.$	246,415

15. FOREIGN CURRENCY (continued)

As of December 31, 2007 and 2008, the consolidated non-monetary assets of foreign origin are summarized as follows:

	2007		2008	
	Foreign currency (thousands)	Year-end exchange rate	Foreign currency (thousands)	Year-end exchange rate
U.S. dollars	925,439	10.92	972,221	13.83
Swiss francs	31,938	9.64	22,634	12.94
Euros	31,547	15.9334	29,469	19.297
Venezuelan bolivars	457,391,236	0.0051	674,328,456	0.0064
Australian Dollars	62,543	9.5910	114,816	9.5607
Yuans	207,976	1.4951	233,003	2.0246
Pounds sterling	10,167	21.7144	12,843	19.9512
Malaysian Ringgit	10,022	3.2879	8,399	3.977
Canadian dollars	443	11.06	327	11.29
Costa Rican colons	58,130,829	0.0210	76,571,625	0.0249

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 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.

- Corn flour division (Mexico) — engaged principally in the production, distribution and sale of corn flour in Mexico under the 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. The 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 tortillas 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.

16. SEGMENT INFORMATION (continued)

- 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, 2006:

Segment	Net sales to external customers	Inter-segment net sales	Operating income (loss)	Depreciation and amortization
Corn flour and packaged tortilla division (United States and Europe)	Ps. 16,167,983	Ps. 1,703	Ps. 942,332	Ps. 609,689
Corn flour division (Mexico)	7,379,404	286,670	854,034	290,697
Corn flour, wheat flour and other products (Venezuela)	3,874,434	—	119,039	126,555
Other	4,750,825	1,057,508	190,200	179,180
Other reconciling items	17,309	(1,345,881)	(233,772)	56,178
Total	Ps. 32,189,955	Ps. —	Ps. 1,871,833	Ps. 1,262,299

Segment	Total assets	Total liabilities	Expenditures for fixed assets
Corn flour and packaged tortilla division (United States and Europe)	Ps. 11,878,285	Ps. 4,882,504	Ps. 1,324,431
Corn flour division (Mexico)	9,307,310	2,138,297	350,785
Corn flour, wheat flour and other products (Venezuela)	3,202,635	1,899,731	101,512
Other	5,875,400	2,048,978	493,821
Other reconciling items	1,488,771	2,880,640	(126,493)
Total	Ps. 31,752,401	Ps. 13,850,150	Ps. 2,144,056

16. SEGMENT INFORMATION (continued)

Segment information as of and for the year ended December 31, 2007:

Segment	Net sales to external customers	Inter-segment net sales	Operating income (loss)	Depreciation and amortization
Corn flour and packaged tortilla division (United States and Europe)	Ps. 17,402,790	Ps. 3,363	Ps. 919,344	Ps. 633,884
Corn flour division (Mexico)	8,606,160	405,835	786,378	247,949
Corn flour, wheat flour and other products (Venezuela)	3,862,214	—	58,050	90,872
Other	5,971,831	915,188	209,614	196,158
Other reconciling items	(26,949)	(1,324,386)	(99,518)	9,934
Total	Ps. 35,816,046	Ps. —	Ps. 1,873,868	Ps. 1,178,797

Segment	Total assets	Total liabilities	Expenditures for fixed assets
Corn flour and packaged tortilla division (United States and Europe)	Ps. 12,675,499	Ps. 4,955,944	Ps. 1,049,192
Corn flour division (Mexico)	8,864,109	2,032,640	257,170
Corn flour, wheat flour and other products (Venezuela)	2,893,111	1,732,019	72,739
Other	7,400,327	3,772,000	924,916
Other reconciling items	2,077,656	2,840,900	(81,114)
Total	Ps. 33,910,702	Ps. 15,333,503	Ps. 2,222,903

16. SEGMENT INFORMATION (continued)

Segment information as of and for the year ended December 31, 2008:

Segment	Net sales to external customers	Inter-segment net sales	Operating income (loss)	Depreciation and amortization
Corn flour and packaged tortilla division (United States and Europe)	Ps. 19,331,804	Ps. 23,794	Ps. 983,501	Ps. 744,390
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	7,986,032	1,017,753	174,216	224,444
Other reconciling items	38,605	(1,474,633)	(37,953)	(8,276)
Total	Ps. 44,792,572	Ps. —	Ps. 3,266,980	Ps. 1,410,420

Segment	Total assets	Total liabilities	Expenditures for fixed assets
Corn flour and packaged tortilla division (United States and Europe)	Ps. 16,664,516	Ps. 6,397,744	Ps. 1,321,402
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	9,094,427	5,999,723	1,027,653
Other reconciling items	3,684,767	17,206,461	(53,200)
Total	Ps. 44,434,677	Ps. 35,153,127	Ps. 2,696,744

The following table presents the details of "Other reconciling items" for operating income:

Other reconciling items	2006	2007	2008
Corporate expenses	Ps. (125,579)	Ps. (126,757)	Ps. (99,018)
Elimination of inter-business unit transactions	(108,193)	27,239	61,065
Total	Ps. (233,772)	Ps. (99,518)	Ps. (37,953)

16. SEGMENT INFORMATION (continued)

Additionally, a summary of information by geographic segment is as follows:

		2006	%		2007	%		2008	%
NET SALES:									
United States and Europe...	Ps.	16,167,983	50	Ps.	17,402,790	48	Ps.	19,331,804	43
Mexico..............................		9,976,597	31		11,651,844	33		12,784,001	29
Venezuela		3,874,434	12		3,862,214	11		8,727,009	19
Central America.................		1,862,648	6		2,076,158	6		2,948,721	7
Asia and Oceania...............		308,293	1		823,040	2		1,001,037	2
	Ps.	32,189,955	100	Ps.	35,816,046	100	Ps.	44,792,572	100
IDENTIFIABLE ASSETS:									
United States and Europe...	Ps.	11,878,285	37	Ps.	12,675,499	37	Ps.	16,664,516	37
Mexico..............................		14,359,434	46		14,920,029	44		16,965,087	38
Venezuela		3,202,635	10		2,893,111	9		5,804,022	13
Central America.................		1,401,609	4		1,689,943	5		2,477,969	6
Asia and Oceania...............		910,438	3		1,732,120	5		2,523,083	6
	Ps.	31,752,401	100	Ps.	33,910,702	100	Ps.	44,434,677	100
CAPITAL EXPENDITURES:									
United States and Europe...	Ps.	1,324,431	62	Ps.	1,049,192	48	Ps.	1,321,402	49
Mexico..............................		300,362	14		259,430	12		205,036	8
Venezuela		101,512	5		72,739	3		261,733	10
Central America.................		149,195	7		143,070	6		304,941	11
Asia and Oceania...............		268,556	12		698,472	31		603,632	22
	Ps.	2,144,056	100	Ps.	2,222,903	100	Ps.	2,696,744	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 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.

17. FINANCIAL INSTRUMENTS (continued)

The Company has negotiable securities called interest and capital (TICC) 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.146,218. The unfavorable effect due to changes in the fair value of the outstanding contracts was Ps.17,516, which was recognized in income.

The estimated fair value of the Company's financial instruments is as follows:

At December 31, 2007:		Carrying amount		Fair value
Liabilities: Perpetual bonds in U.S. dollars bearing fixed interest at an annual rate of 7.75%	Ps.	3,276,000	Ps.	3,213,789
Non-current portion of long-term debt		3,637,173		3,637,173
Liabilities: Derivative financial instruments – exchange rate		16,825		16,825
Liabilities: Derivative financial instruments – interest rate		8,731		8,731
Asset: Derivative financial instruments – interest rate		15,022		15,022
Asset: Derivative financial instruments – commodities		4,510		4,510
Asset: Interest and capital (TICC) bonds		44,389		44,389

At December 31, 2008:		Carrying amount		Fair value
Liabilities: Perpetual bonds in U.S. dollars bearing fixed interest at an annual rate of 7.75%	Ps.	4,149,000	Ps.	2,396,048
Non-current portion of long-term debt		7,579,068		7,579,068
Liabilities: Derivative financial instruments – exchange rate		11,230,170		11,230,170
Liabilities: Derivative financial instruments – corn		279,233		279,233
Liabilities: Derivative financial instruments – other raw materials		108,685		108,685
Liabilities: Derivative financial instruments – interest rate		27,741		27,741
Asset: Derivative financial instruments – corn		13,086		13,086
Asset: Derivative financial instruments – other raw materials		2,059		2,059
Asset: Interest and capital (TICC) bonds		146,218		146,218

The fair values of debt and derivative financial instruments were determined by the Company based on available market prices and estimates using market data information and appropriate valuation methodologies for the same or similar instruments..

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 created 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, 2008, the open positions of these instruments were valued at their fair value. The derivative financial instruments that were recorded for accounting purposes as hedges resulted in a unfavorable effect of Ps.103,896 which was recognized in comprehensive income within shareholders equity. The financial instruments that did not qualify as hedges for accounting purposes resulted in an unfavorable effect of Ps.295,092, which was recognized in income. As of December 31, 2008, these instruments had not affected the Company's cash flow.

Certain foreign exchange derivative transactions were entered into for trading purposes, which as of the end of December 2008, were primarily referenced to Mexican peso/U.S. dollar and U.S. dollar/Euro exchange rates. The fair value of these derivative instruments can decrease or increase in the future before their settlement date. Changes in the currency exchange rates can be the result of, among other things, changes in economic conditions, tax and foreign exchange currency policies, volatility, liquidity in the global markets, and local and international political events.

These foreign exchange financial instruments were valued in accordance with their estimated fair value. This estimated fair value represents the amount through which a financial asset may be exchanged or a financial liability be paid, between interested and willing parties in an orderly transaction, based on the information given by the financial counterparties participating in these trades. As of December 31, 2008, the open positions of these instruments represented a net loss of approximately Ps.11,230,170. The total loss was recognized in income of the year ended December 31, 2008. At that same date, these instruments did not have an effect on cash flow for the Company. As of March 23, 2009, the majority of these positions were closed as it is described in Note 20.

As of December 31, 2008, the Company has complied with all obligations under its derivative financial instrument contracts.

17. FINANCIAL INSTRUMENTS (continued)

C) QUANTITATIVE INFORMATION

As of December 31, 2008, the foreign exchange derivative financial instruments are summarized as follows:

Derivative	Purchase / Sale	Purpose: Hedging/ Trading	Currency	Notional Amount (thousands of U.S. Dollar)*	Underlying Asset Value	Fair Value	Installments 2009	Installments 2010	Installments 2011
Forwards	Sale	Trading	USD–MXN	U.S.$ 712,900	15.0965	Ps. (3,125,165)	Ps. (437,670)	Ps. (618,396)	Ps. (2,069,099)
Structures	Sale	Trading	USD–MXN	110,500	14.1751	(7,708,933)	(5,275,600)	(2,335,266)	(98,067)
Structures	Purchase	Trading	EUR–USD	16,636	1.3444	(396,072)	(361,329)	(34,743)	—
			Total	U.S.$ 840,036		Ps. (11,230,170)	Ps. (6,074,599)	Ps. (2,988,405)	Ps. (2,167,166)

(*) The reported notional value of US$840,036 thousand dollars is the nominal value used to calculate the payment of the weekly, monthly or quarterly fixings of the maturities of the different structures in the future years. Certain of these instruments have leverage features requiring payouts by the Company based on increased notional amounts.

The operations that terminated during the year 2008 in foreign exchange derivative financial instruments resulted in a loss of Ps.3,479,549.

As of December 31, 2008, the derivative financial instruments for corn futures contracts are summarized as follows:

Derivative	Purpose Hedging/Trading	Notional Amount Bushells	Underlying Asset Value	Fair Value	Installments 2009	Collateral / Lines of Credit / Guarantees
Futures (Bushels)	Hedging	5,730,000	58.8959	Ps. 13,086	Ps. 13,086	Ps. 23,774
Futures (Bushels)	Hedging	5,705,000	58.9731	(225,282)	(225,282)	23,670
Futures (Bushels)	Hedging	3,045,000	56.2881	(26,342)	(26,342)	39,338
Futures (Bushels)	Hedging	2,950,000	57.7817	(27,608)	(27,608)	38,110
	Total	17,430,000		Ps. (266,146)	Ps. (266,146)	Ps. 124,892

The operations that terminated during 2008 with respect to corn futures contracts represented an unfavorable effect of Ps.21,762.

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 the credit risk with respect to trade receivables is limited since the Company sells its products to a large number of customers located in different parts of Mexico, the United States, Central America, Venezuela, Europe, Asia and Oceania. The Company maintains reserves for potential credit losses.

17. FINANCIAL INSTRUMENTS (continued)

Operations in Venezuela represented approximately 19% of net sales in 2008. 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. For instance, as a result of the nationwide general strike that took place from December 2002 to February 2003, the Company's operations in Venezuela temporarily ceased for approximately 14 days. In response to the general strike and in an effort to shore up the economy and control inflation, since 2003 Venezuelan authorities imposed foreign exchange and price controls on certain products. These foreign exchange controls may limit the Company's capacity to convert bolivars to other currencies and also transfer funds outside Venezuela. In February 2003, the Venezuelan government set a single fixed exchange rate for the bolivar against the U.S. dollar of 1,600 bolivars to U.S.$1.00. Later, in February 2004 the Venezuelan government set a new fixed exchange rate of 1,920 bolivars to U.S.$1.00. Additionally, in February 2003 the government of Venezuela established price controls for certain products such as corn flour and wheat flour, which could limit the Company's ability to increase prices in order to compensate for the higher costs of raw materials. In March 2005, the government established a new exchange rate of 2,150 bolivars per U.S. dollar. The financial situation and results of the Company might be negatively affected due to the fact that (i) a part of its sales is denominated in bolivars, (ii) the subsidiaries in Venezuela make products that are subject to price controls, and (iii) it might be difficult for Venezuelan subsidiaries to pay dividends, as well as to import some of their requirements of raw materials as a result of the foreign exchange control.

The current president in Venezuela was reelected for a second term in December 2006; thus, the civil and political uncertainty will continue during the next six-year term. Additionally, starting 2007 the current president was granted by the legislative power of this country with extraordinary faculties to legislate by decree for a period of 18 months in several strategic areas, which could result in certain structural changes in the economical and social policies in Venezuela, thus increasing the uncertainty in that country.

E) OTHER RELEVANT EVENTS

Starting September 2008, the exchange markets that have prevailed in Mexico and in the entire world, experienced a depreciation of the Mexican peso against the U.S. dollar. This depreciation and the leverage features included in certain of the Company's derivative financial instruments generated exchange losses with respect to the Company's net liability position in foreign currency in the amount of Ps.1,033,248 as of December 31, 2008, from which Ps.1,288,788 was recognized in Foreign currency translation adjustments within stockholders' equity.

Additionally, the depreciation of the Mexican peso with respect to U.S. dollar caused losses in the valuation of the exchange rate derivative instruments.

18. RELATED PARTY TRANSACTIONS

Starting January 1, 2007, MFRS C-13 "Related Parties" became effective. This MFRS extends the definition (scope) of related parties and increases the disclosure requirements.

As of December 31, 2007 and 2008, the Company owned 8.6232% and 8.7966% interest in GFNorte, respectively, 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 2008, the Company did not obtain financings 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. As of December 31, 2007 and 2008, the Company paid insurance premiums of approximately Ps.30,652 and Ps.49,488, respectively.

18. RELATED PARTY TRANSACTIONS (continued)

As of December 31, 2007 and 2008, the Company had accounts payable to Archer-Daniels-Midland (ADM) included in trade accounts payable for Ps.162,851 and Ps.135,307, respectively. Additionally, during 2007 and 2008, the Company purchased inventory ingredients from ADM amounting to Ps.1,455,155 (U.S.$133 million) and Ps.2,436,716 (U.S.$183 million), respectively. ADM is a North American company associated with the Company in some of its subsidiaries.

As of December 31, 2007 and 2008, the Company had accounts receivable from different companies related to the minority stockholder of the Venezuelan subsidiaries for Ps.3,164 and Ps.84,146, respectively. Additionally, the Company had accounts payable included in trade accounts of Ps.11,006 and Ps.12,375, respectively.

19. NEW ACCOUNTING PRONOUNCEMENTS

The Mexican Financial Reporting Standards Board issued a series of Financial Reporting Standards (MFRS) and their interpretations (INIF) during the last months of the year 2008. These standards will become effective starting January 1, 2009, and for INIF 14, January 1, 2010. Management considers these MFRS and their interpretations will not have a significant effect in the financial information of the Company, as explained bellow:

MFRS B-7 “Business acquisitions” — Establishes the general standards for valuation and disclosure of the initial recognition of the net assets at acquisition date, as well as the ownership of minority stockholders and other items that may arise, such as goodwill and purchase gain. This standard supersedes Bulletin B-7 “Business acquisitions”, which was effective until December 31, 2008.

MFRS B-8 “Consolidated and combined financial statements” — Establishes the general standards for the preparation and presentation of consolidated and combined financial statements as well as the disclosures required for such financial statements. This MFRS supersedes Statement B-8 “Consolidated and combined financial statements and valuation of investments in common stock”, which was effective until December 31, 2008.

MFRS C-7 “Investment in associates and other permanent investments” — Establishes the standards for the accounting recognition of the investments in associated companies, as well as other permanent investments where no control, joint control or significant influence is present.

MFRS C-8 “Intangible Assets” — Establishes the valuation, presentation and disclosure rules for the recognition both initial and subsequent of the intangible assets acquired individually or through a business acquisition, or internally generated during the normal course of the entity’s operations. This MFRS supersedes Bulletin C-8 “Intangible Assets”, which was effective until December 31, 2008.

MFRS D-8 “Share-based payments” — Establishes the standards for the recognition of share-based payments in the financial information. This MFRS supersedes the supplemental application in Mexico of the IFRS-2 “Shared-based payments” issued by the International Accounting Standards Board.

Also, the CINIF has issued the following interpretation to the Financial Reporting Standards (INIF):

INIF 14 “Contracts on construction, sale and rendering of services related to real estate”, complements the standards contained in Statement D-7 “Contracts on construction and manufacturing of some capital assets”. This interpretation will become effective starting January 1, 2010 for all the entities celebrating contracts on construction, sale and rendering of services related to real estate. Early adoption is allowed.

20. SUBSEQUENT EVENTS

On March 23, 2009, the Company and some Derivative Counterparties agreed to terminate some derivative instruments and fixed the total amount of such obligations payable by the Company to the Derivative Counterparties at U.S.$668.3 million, which represents approximately 87% of the market value of all foreign exchange derivative obligations at that date. The Company and the Derivative Counterparties have agreed to negotiate in good faith to convert the Termination Amounts into a secured term loan within 120 days following March 23, 2009 (the "Financing"). Pursuant to the Term Sheet, the Company is required to pay interest on the Termination Amount at the rate of 1 month LIBOR + 1% for the first six weeks following March 23, 2009, and LIBOR + 2.875% thereafter. Following the expiration of the 120-day period contemplated by the Term Sheet, the Company will be required to pay default interest on the Termination Amount at the rate of 2% + LIBOR + 2.875%. As a condition of the Financing, the Company intends to terminate its other outstanding foreign exchange derivative instruments and also intends to enter into agreements to amend and restate its existing debt obligations under its 5-year revolving credit facility and its 2008 Peso Facility.

At the date of authorization of these consolidated financial statements, the fair value of the open positions (liability) for foreign exchange derivative financial instruments amounted to Ps.906,951 (U.S.$68.1 million).

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.

Starting January 1, 2008, under Mexican FRS, the Company adopted the provisions of MFRS B-10, "Effects of Inflation", which replaces the previous Bulletin B-10, "Recognition of the Effects of Inflation in Financial Information". MFRS B-10 establishes standards for recognizing the effects of inflation in an entity's financial statements as measured by changes in a general price index only, eliminating the use of any other valuation method established in the previous Bulletin B-10. MFRS B-10 also provides criteria for identifying both inflationary and non-inflationary economic environments, and provides guidelines to cease or start recognizing the effects of inflation in financial statements when the general price index applicable to a specific entity is up to or above 26%, respectively, in a cumulative three-year period. Upon adoption, MFRS B-10 includes 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 becomes effective. Since the cumulative inflation in Mexico measured by the National Consumer Price Index in the three-year period ended December 31, 2007 was below 26%, the Company ceased recognizing the effects of inflation in the financial statements of its Mexican subsidiaries beginning January 1, 2008. In addition, the Company elected to reclassify to retained earnings the initial accumulated gain or loss from holding of non monetary assets. The Company does not provide a reconciliation between reported amounts and amounts that would have been reported under U.S. GAAP in reliance on the accommodation provided by Form 20-F for this item.

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.

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

Reconciliation of net income:

	Years ended December 31,		
	2006	2007	2008
Net majority income (loss) under Mexican FRS	Ps. 1,601,125	Ps. 2,233,321	Ps. (12,339,758)
U.S. GAAP adjustments:			
Depreciation expense (see C)	(69,803)	(71,722)	(78,909)
Impairment loss in the carrying value of idle assets (see C)	14,814	20,838	18,334
Preoperating expenses and other deferred costs (see D)	(3,435)	10,461	(229)
Capitalized comprehensive financing costs (see E)	3,387	3,346	3,346
Sale-leaseback transaction (see F):			
Interest expense	(11,431)	(8,976)	(2,667)
Rental and depreciation expense, net	2,713	590	3,431
Deferred income taxes (see H)	(101,303)	(177,829)	32,843
Deferred employees' statutory profit sharing (see L)	510	(609)	2,806
Net gain from sale of associated company's shares (see N)	10,810	13,281	—
Effect of U.S. GAAP adjustments on equity method investee (see N)	(19,011)	(18,885)	(53,310)
Negative goodwill (see I):			
Depreciation expense	62,538	61,793	61,793
Goodwill and indefinite-lived intangible assets (see J)	(6,540)	—	—
Extinguishment of debt (see K)	14,371	14,205	14,251
Debt issuance costs (see K)	2,224	1,148	1,033
Labor obligations (See L)	—	—	13,051
Fair value measurements (See M)	—	—	537,749
Monetary position loss resulting from U.S. GAAP adjustments	(17)	(9)	—
Effects of restatement (see A)	(17,878)	—	—
Total U.S. GAAP adjustments	(118,051)	(152,368)	553,522
Minority interest (see B)	19,793	26,809	7,296
Net income (loss) under U.S. GAAP	Ps. 1,502,867	Ps. 2,107,762	Ps. (11,778,940)
Basic and diluted earnings (loss) per share (in pesos)	Ps. 3.13	Ps. 4.37	Ps. (20.85)
Weighted average shares outstanding (thousands)	480,007	482,506	564,853

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

Reconciliation of stockholders' equity:

	As of December 31, 2007	As of December 31, 2008
Stockholders' equity under Mexican FRS	Ps. 18,577,199	Ps. 9,281,550
U.S. GAAP adjustments:		
Property, plant and equipment (see C)	911,194	850,619
Preoperating expenses and other deferred costs (see D)	(446)	(675)
Capitalized comprehensive financing cost (see E)	(3,346)	—
Sale-leaseback transaction (see F)	(97,384)	(122,990)
Goodwill (see G)	(172,951)	(172,951)
Deferred income taxes (see H)	(296,093)	92,172
Deferred employees' statutory profit sharing (see L)	—	(48,495)
Equity method investee (see N)	2,802	33,801
Negative goodwill (see I)	(722,854)	(661,061)
Goodwill and indefinite-lived intangible assets (see J)	190,588	190,588
Extinguishment of debt (see K)	(242,263)	(228,013)
Debt issuance costs (see K)	(724)	309
Labor obligations (see L)	—	(87,863)
Fair value measurements (See M)	—	551,735
U.S. GAAP adjustments attributable to minority interest	(146,984)	(119,673)
Minority interest under Mexican FRS (see B)	(2,881,989)	(3,642,253)
Total U.S. GAAP adjustments	(3,460,450)	(3,364,750)
Stockholders' equity under U.S. GAAP	Ps. 15,116,749	Ps. 5,916,800

A summary of the Company's statement of changes in stockholders' equity with balances determined under U.S. GAAP is as follows:

	2007	2008
Beginning balance	Ps. 13,929,767	Ps. 15,116,749
Stock issuance	—	2,111,060
Net purchases and sales of Company's common stock	(35,430)	(11,561)
Dividends paid	(423,625)	—
Cumulative effect of change in accounting for deferred profit sharing	—	(296,027)
Derivative financial instruments	35,065	(131,699)
Recognition of inflation effects for the year	(832,483)	—
Equity ownership from associated company	—	(18,924)
Labor obligation adjustments (net of income tax)	(18,938)	(23,627)
Foreign currency translation adjustments	354,631	949,769
Net income (loss) for the year	2,107,762	(11,778,940)
Ending balance	Ps. 15,116,749	Ps. 5,916,800

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued)

A) EFFECTS OF RESTATEMENT

As disclosed in Note 2-E, until December 31, 2007, under Mexican FRS, the Company restated information from prior periods for comparison purposes to information of the most current period presented, based on a weighted average restatement factor that reflected the relative inflation and currency exchange movements of the countries in which the Company operates. This restatement did not meet the Regulation S-X requirement that the financial statements be stated in the same currency for all periods, because changes in foreign currency exchange rates are included in the restatement factor. Starting January 1, 2008, under Mexican FRS and in accordance with INIF 9 "Presentation of Financial Statements from Earlier Periods due to the Adoption of MFRS B-10", the Company has included the financial statements for earlier periods expressed in thousands of Mexican pesos of purchasing power as of December 31, 2007. The U.S. GAAP adjustments to net income for the year 2006 reflect the difference between restating this prior period, including the U.S. GAAP adjustments, to December 31, 2007 pesos utilizing the Mexican NCPI and the weighted average restatement factor. See Note 21-S for summarized financial information prepared on a U.S. GAAP basis.

B) MINORITY INTEREST

Under Mexican FRS, the minority interest in consolidated subsidiaries is presented as a separate component within stockholders' equity in the consolidated balance sheet. For U.S. GAAP purposes, the minority interest is not included in stockholders' equity.

C) PROPERTY, PLANT AND EQUIPMENT

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, 2007 and 2008 increases stockholders' equity by Ps.1,001,647 and Ps.937,987, respectively.

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, 2007 and 2008 by Ps.220,764 and Ps.236,013, 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, 2007 and 2008 by Ps.130,311 and Ps.148,645, respectively.

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued

D) PREOPERATING EXPENSES AND OTHER DEFERRED COSTS

As of December 31, 2002, under Mexican FRS, preoperating expenses incurred were permitted to be capitalized and amortized by the Company over the period of time estimated to generate the income necessary to recover such expenses. The Company defined this period as 12 years based on prior experience. Starting January 1, 2003, under Mexican FRS, only preoperating expenses incurred during the development stage are capitalized, whereas preoperating expenses identified as research are expensed as incurred. Additionally, the preoperating expenses capitalized until January 1, 2003 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 U.S. GAAP equity adjustments of Ps.446 and Ps.675 decrease intangible assets presented in the balance sheets as of December 31, 2007 and 2008, respectively.

E) 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.

F) 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, Statement of Financial Accounting Standards ("SFAS") No. 98, 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, as of December 31, 2007 the U.S. GAAP adjustment reflected increases in fixed assets, net, of Ps.7,688 (net of accumulated depreciation of Ps.97,384), and debt increases of Ps.105,072. As of December 31, 2008 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, 2008 by Ps.122,990, as a result of a higher accumulated depreciation for U.S. GAAP purposes.

G) AMORTIZATION OF GOODWILL

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, 2007 and 2008. There is no net income reconciliation adjustment in 2006, 2007 and 2008, since the Company ceased amortizing goodwill under Mexican FRS with the adoption of MFRS B-7.

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued

H) 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 SFAS No. 109, "Accounting for 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. Additionally, during 2007, the Company recognized under U.S. GAAP a deferred tax liability of Ps.122,031, derived from the excess of the amount for financial reporting over the tax basis of the investment in GFNorte. Starting January 1, 2008, with the adoption of new MFRS D-4, the Company recognized this deferred tax liability under Mexican FRS.

Under the comprehensive asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed.

For both Mexican and U.S. GAAP purposes, the financial statement carrying amounts utilized in the determination of the deferred tax assets and liabilities included the inflation adjustments until December 31, 2007 as described in Note 3-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,					
	2006		2007		2008	
Domestic	Ps.	1,046,635	Ps.	2,151,090	Ps.	(12,919,047)
Foreign		1,069,597		1,153,229		1,535,283
	Ps.	2,116,232	Ps.	3,304,319	Ps.	(11,383,764)

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,					
	2006		2007		2008	
Current:	Ps.	165,344	Ps.	390,074	Ps.	97,307
Domestic federal		160,025		205,682		164,006
Foreign federal		30,480		31,919		43,440
Foreign state	Ps.	355,849	Ps.	627,675	Ps.	304,753
Deferred:	Ps.	121,915	Ps.	265,820	Ps.	(310,079)
Domestic federal		(51,802)		30,358		453,713
Foreign federal		6,208		1,857		(13,692)
Foreign state	Ps.	76,321	Ps.	298,035	Ps.	129,942
Total income taxes	Ps.	432,170	Ps.	925,710	Ps.	434,695

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and liabilities at December 31, 2007 and 2008, were as follows:

		2007		2008
Deferred tax assets:				
Net operating loss carryforwards and other tax credits (a)	Ps.	188,593	Ps.	514,303
Accrued liabilities		205,881		192,723
Intangible assets (b)		38,693		17,539
Other		128,593		229,295
Total gross deferred tax assets		561,760		953,860
Deferred tax liabilities:				
Property, plant and equipment, net (c)		1,855,951		2,197,436
Inventories		164,631		154,338
Investment in partnership and equity method investee		729,064		909,369
Other assets		114,021		156,853
Total gross deferred tax liabilities		2,863,667		3,417,996
Net deferred tax liability under U.S. GAAP		2,301,907		2,464,136
Net deferred tax liability under Mexican FRS		2,005,814		2,556,308
Adjustment for U.S. GAAP	Ps.	296,093	Ps.	(92,172)

(a) SFAS No. 109 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. During 2008 a significant increase in net operating loss carryforwards existed, arising from loss of derivative financial instruments (See Note 14-B). As of December 31, 2007 and 2008, this item includes a valuation allowance of Ps.103,829 and Ps.2,859,739 since no sufficient evidence is available that these tax loss carryforwards will be realized.

(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:

		2007		2008
Current:				
Deferred tax asset	Ps.	(334,474)	Ps.	(397,416)
Deferred tax liability		164,631		154,338
		(169,843)		(243,078)
Non-current:				
Deferred tax asset		(227,286)		(556,444)
Deferred tax liability		2,699,036		3,263,658
		2,471,750		2,707,214
Total	Ps.	2,301,907	Ps.	2,464,136

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued

The provision for income tax on a U.S. GAAP basis was as follows:

	2006		2007		2008	
Current	Ps.	(351,607)	Ps.	(627,675)	Ps.	(304,753)
Deferred		(175,508)		(475,864)		(97,099)
	Ps	(527,115)	Ps.	(1,103,539)	Ps.	(401,852)

Financial Accounting Standards Board (FASB) Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), was issued in July 2006 and interprets FASB Statement of Financial Accounting Standards (SFAS) No. 109. FIN 48 became effective for the Company on January 1, 2007 and 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. FIN 48 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.

The adoption of this pronouncement had no significant effect on the Company's overall financial position or results of operations.

As of December 31, 2007 and 2008, the Company presented a liability for unrecognized tax benefits of Ps.89,304 and Ps.121,801, 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):

	2007		2008	
Unrecognized tax benefits at beginning of year	Ps.	58,608	Ps.	83,101
Translation adjustment of the initial balance		—		22,145
Increase as result of tax position taken in the year		26,306		5,325
Increase (decrease) as a result of tax positions taken in prior periods		(1,813)		18,767
Settlements		—		(5,947)
Reductions due to a lapse of the statue of limitations		—		(12,115)
Unrecognized tax benefits at end of year	Ps.	83,101	Ps.	111,276

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.5,558, Ps.6,203 and Ps.10,525 related to unrecognized tax benefits for fiscal 2006, 2007 and 2008, respectively.

The following years remain open to examination and adjustment by the Company's major tax jurisdictions: United States — 2004 and all following years; Mexico — 2002 and all following years; and Venezuela — 2003 and all following years.

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued

I) 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, the excess of fair value of acquired net assets over cost is allocated to the book value of the non-monetary assets acquired. Once the book value has been reduced to zero, any unallocated amounts are recorded in earnings.

As of December 31, 2007 and 2008, the U.S. GAAP equity adjustments of Ps.722,854 and Ps.661,061 respectively, decreased the net fixed assets in the same amounts.

J) GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS

Under U.S. GAAP, effective January 1, 2002, the Company adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). Under SFAS No. 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed for impairment on an annual basis at the reporting unit level.

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. As mentioned in Note 2-K, starting January 1, 2004, under Mexican FRS goodwill should no longer be amortized, but subject to annual impairment tests. Accordingly, goodwill amortization ceased in 2002 for U.S. GAAP and in 2004 for Mexican FRS.

During 2006 the Company recognized in income an impairment loss for certain intangible assets. Under U.S. GAAP, the carrying value of these assets was higher by Ps.6,540.

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, 2007 and 2008, as a result of the above items.

K) EXTINGUISHMENT OF DEBT

In December 2004, the Company issued perpetual notes for a total of Ps.4,149,000 (U.S. $300,000 thousand) 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.

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued

In July 2005 the Company obtained a U.S.$250,000 thousand, five-year credit facility, at LIBOR plus 40 basis points for the first year and LIBOR plus 37.5 and 45 basis points for the following years depending on the Company's leverage. The Company incurred debt issuance costs of Ps.7,849 related to the new debt. The proceeds were used to repay U.S.$250 million debt which would mature between 2008 and 2009. At the redemption date, the Company had Ps.10,102 of unamortized debt issuance costs related to this debt. Under Mexican FRS, the unamortized debt issuance 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 new debt have been expensed.

Under U.S. GAAP, the unamortized debt issuance costs related to the old debt that was redeemed have been written off and the debt issuance costs incurred with the issuance of the new debt have been capitalized as they relate to a new debt instrument with a different creditor.

L) LABOR OBLIGATIONS

Retirement benefits and compensation upon termination of employment (Severance compensation)

Under Mexican FRS, starting January 1, 2008, the Company adopted the provisions of new MFRS D-3, as mentioned in Note 2-M and 10. Under U.S. GAAP, the Company applied the guidelines in SFAS No. 87, "Employers' Accounting for Pensions" ("SFAS No. 87") and SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("SFAS No. 158"). Under SFAS No. 158, 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, 2008, the U.S. GAAP equity adjustment of Ps.87,863 increased Other liabilities for the same amount.

The disclosures according to SFAS No. 87, 132 and 158 are included below:

The components of the net seniority premium, pension plan and indemnities for dismissal cost for the years ended December 31, were:

	2006		2007		2008	
Service cost	Ps.	12,454	Ps.	11,291	Ps.	13,627
Interest cost		4,263		13,189		16,373
Return on plan assets		(6,086)		(2,807)		(3,140)
Curtailment loss		1,328		—		—
Settlement loss		14,378		—		—
Net amortization		7,257		2,168		5,718
Net cost for the year	Ps.	33,594	Ps.	23,841	Ps.	32,578

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued

As of December 31, 2007 and 2008, the status of the plan was as follows:

		2007		2008
Actuarial present value of accumulated benefit obligations:				
Vested benefit obligation	Ps.	(113,324)	Ps.	(144,155)
Non-vested benefit obligation		(43,385)		(47,951)
		(156,709)		(192,106)
Excess of projected benefit obligation over accumulated benefit obligation		(5,534)		(41,987)
Projected benefit obligation		(162,243)		(234,093)
Plan assets at fair value (trust funds)		34,886		31,753
Labor obligations liability as of year-end	Ps.	(127,357)	Ps.	(202,340)

For the years ended December 31, 2007 and 2008, the changes in projected benefit obligation and plan assets (trust funds) are summarized as follows:

		2007		2008
Projected benefit obligation at beginning of year	Ps.	131,600	Ps.	162,243
Effect of inflation on beginning balance		(6,278)		—
Service cost		11,291		13,627
Interest cost		13,189		16,373
Benefit payments		(25,929)		(37,760)
Actuarial loss		38,370		79,610
Projected benefit obligation at end of year	Ps.	162,243	Ps.	234,093

		2007		2008
Fair value of plan assets at beginning of year	Ps.	33,685	Ps.	34,886
Effect of inflation on beginning balance		(1,607)		—
Return on plan assets		2,808		(2,858)
Benefit payments		—		(275)
Fair value of plan assets at end of year	Ps.	34,886	Ps.	31,753

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:

	2007	2008
Discount rate	8.75%	9.00%
Future increase rate in compensation levels	4.50%	4.50%
Estimated return rate on plan assets	8.75%	9.00%

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

	2007	2008
Equity securities	60%	59%
Fixed rate securities	40%	41%
Total	100%	100%

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
2009	Ps. 47,383
2010	25,265
2011	26,775
2012	23,624
2013	20,478
Thereafter	90,568

Included in accumulated other comprehensive income at December 31, 2007 and 2008 are the following amounts that have not yet been recognized in net periodic pension cost:

	2007	2008
Unamortized items (*)	Ps. 33,172 (net of income tax of Ps.12,900)	Ps. 62,567 (net of income tax of Ps.38,347)

(*) Comprised of cumulative actuarial losses, net transition liability and prior service cost.

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.5,717.

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, 2006	Ps. (19,769)	Ps. (5,535)	Ps. (14,234)
Reclassification adjustment for items included in 2007 net income:			
Net cumulative losses	2,087	584	1,503
Net transition liability	1	—	1
Prior service cost	79	22	57
Items arising during 2007:			
Net cumulative gain (losses)	(28,366)	(7,942)	(20,424)
Net transition liability	(10)	(3)	(7)
Prior service cost	(94)	(26)	(68)
Accumulated other comprehensive income at December 31, 2007	(46,072)	(12,900)	(33,172)
Reclassification adjustment for items included in 2008 net income:			
Actuarial (gains) losses	5,645	2,145	3,500
Transition (asset) liability	71	27	44
Enhancement to the plan	1	—	1
Items arising during 2008:			
Actuarial (gains) losses	(60,661)	(27,658)	(33,003)
Transition (asset) liability	102	39	63
Accumulated other comprehensive income at December 31, 2008	Ps. (100,914)	Ps. (38,347)	Ps. (62,567)

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 SFAS No. 109. 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.

M) FAIR VALUE MEASUREMENTS

During 2008, under U.S. GAAP, the Company adopted SFAS No. 157 "Fair Value Measurements". SFAS No. 157 defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements about fair-value measurements. SFAS No. 157, among other things, requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

SFAS No. 157 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. SFAS No. 157 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, SFAS No. 157 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

SFAS No. 157 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.

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, 2008			
	Quoted prices in active markets for identical assets (Level 1)	**Third-party models with observable market inputs (Level 2)**	**Internal models with unobservable market inputs (Level 3)**	**Total carrying value in the consolidated balance sheet**
Assets:				
Derivative financial instruments – corn and other raw materials	Ps. 15,223	Ps. —	Ps. —	Ps. 15,223
Liabilities:				
Derivative financial instruments – exchange rate	Ps. —	Ps. —	Ps. 10,695,879	Ps. 10,695,879
Derivative financial instruments – corn	279,232			279,232
Derivative financial instruments – other raw materials			104,253	104,253
Derivative financial instruments – interest rate			15,971	15,971
	Ps. 279,232	Ps. —	Ps. 10,816,103	Ps. 11,095,335

The adoption of SFAS No. 157 did not change the Company's previous accounting for financial assets and liabilities, but had an impact of Ps.551,735 as equity adjustment when the Company's own credit risk was considered in the determination of the fair value of the derivative financial instruments.

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.

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued

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, 2008 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 is 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 process of determining credit risk spreads requires a high degree of judgment. A hundred basis points increase over the Company's own credit spreads, could result in an average increase of the credit valuation adjustment of approximately Ps.103,277, which represents approximately 30% of the credit risk included in the Company's liabilities arising from derivative instruments. These sensitivity analyses do not represent management's expectations of the changes in the Company's own credit risk, but are provided as hypothetical scenarios to assess the sensitivity of the fair value of those liabilities to changes in credit spreads.

The table below includes a roll-forward of the balance sheet amounts for the year ended December 31, 2008 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:

Beginning balance	Ps.	25,556
Realized and unrealized loss		14,275,240
Net settlements (paid) received		(3,484,693)
Ending balance as of December 31, 2008	Ps.	10,816,103

The adoption of this statement did not change the Company's previous accounting for financial assets and liabilities, but had an impact when the risk for non performance by the counterparty or credit risk was considered in the determination of the fair value of the derivative instruments.

Other Disclosures

In the Company's consolidated balance sheets, certain financial instruments are carried at amortized cost. Pursuant to SFAS No. 107, fair value disclosures are required; such fair values are in accordance with SFAS No. 157.

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued

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 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. Fair value for long term debt and perpetual bonds is based on the present value of the cash flow discounted at interest rates based in readily observable market inputs.

	Carrying amount	Estimated fair value
Perpetual bonds	Ps. 4,149,000	Ps. 2,396,048
Other long-term debt	8,086,697	7,750,144

N) 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.

During 2006 and 2007, the Company sold 17,224,100 and 27,835,900 shares from its investment in GFNorte, respectively. Under Mexican FRS, the Company recognized a net gain of Ps.399,639 and Ps.847,175 from this sale in 2006 and 2007, respectively. Considering the carrying value of the investment in GFNorte under U.S. GAAP, the net gain from this sale amounted to Ps.410,449 and Ps.860,456, respectively.

During 2007 and 2008, the Company received dividends from GFNorte amounting to Ps.79,200 and Ps.83,446, respectively.

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 SFAS No. 142, 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.

The Company's investment in GFNorte had a market value of Ps.4,417,357, based on the quoted market price at December 31, 2008.

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued

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	
	2007	2008
Cash and cash equivalents	Ps. 41,610	Ps. 54,402
Investment securities	19,462	239,969
Net loan portfolio	192,746	238,556
Property, furniture and equipment, net	8,098	8,429
Total assets	287,283	577,025
Deposits	203,307	260,769
Bank and other entity loans — current	11,927	26,048
Bank and other entity loans — non-current	10,796	10,635
Total liabilities	253,127	537,279
Majority interest	32,489	37,802
Minority interest	1,667	1,944

	Amounts in millions of Mexican pesos		
	2006	2007	2008
Interest income	Ps. 36,120	Ps. 40,585	Ps. 50,416
Interest expense	(21,256)	(22,838)	(27,789)
Income before minority interest	6,474	7,136	7,387
Net income	6,255	6,810	7,014

- 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-H.

- Other current liabilities:

Included within accrued liabilities and other payables as of December 31, 2007 are accrued compensation costs of Ps.509,352 and a short-term note payable of Ps.347,118.

- Other stockholders' equity:

Included within retained earnings as of December 31, 2007 and 2008 are undistributed earnings of GFNorte amounting to Ps.2,430,794 and Ps.2,106,698, respectively.

- Computer software:

Depreciation expense for the years ended December 31, 2006, 2007 and 2008 amounted to Ps.69,782, Ps.36,216 and Ps.27,587, respectively, on capitalized computer software cost. Unamortized software costs included as of December 31, 2007 and 2008 totaled Ps.45,665 and Ps.26,230.

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued

O) 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.911,872, Ps.872,610 and Ps.989,251 for the years ended December 31, 2006, 2007 and 2008, respectively. The Company had Ps.24,495 and Ps.25,240 of prepaid advertising costs reported as prepaid expenses as of December 31, 2007 and 2008, respectively.

- Shipping and handling costs:

  Shipping and handling costs are included in selling, general and administrative expenses and amounted to Ps.1,886,327, Ps.1,975,231 and Ps.2,699,354 for the years ended December 31, 2006, 2007 and 2008.

- 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 and amortization of other deferred costs would be included in the determination of operating income. For the years ended December 31, 2006, 2007 and 2008, these items amounted to Ps.93,491, Ps.52,845 and Ps.49,529, 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, 2006, 2007 and 2008 these items amounted to Ps.279,635, Ps.388,839 and Ps.411,857, respectively.

- Other

  During 2006, the Company recognized an impairment charge at its subsidiary Molinera de México, related to property, plant and equipment and certain intangibles totaling Ps.343,608. Molinera de México, which is included in the "Other" segment, has faced market pressures in Mexico.

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued

P) 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 a basic financial statement, the statement of cash flows for the year ending December 31, 2008. Until December 31, 2007, under Mexican FRS, the Company presented a statement of changes in financial position that identify the sources and uses of resources based on the differences between beginning and ending consolidated financial statement balances in constant pesos.

Under U.S. GAAP, the Company has applied the provisions of SFAS No. 95 “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, 2006, 2007 and 2008, after considering the impact of U.S. GAAP adjustments in conformity with the AICPA SEC Regulations Committees’ International Practice Task Force recommendation.

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued

	For the year ended December 31,		
	2006	2007	2008
Operating activities:			
Net income (loss)	Ps. 1,502,867	Ps. 2,107,762	Ps. (11,778,940)
Minority interest	62,153	118,479	514,003
Consolidated income (loss)	1,565,020	2,226,241	(11,264,937)
Adjustments to reconcile net income to resources provided by operating activities:			
Monetary position gain and restatement effects from companies in an inflationary environment	(332,530)	(558,500)	(147,213)
Depreciation and amortization	1,241,875	1,158,976	1,405,704
Impairment of long-lived assets	468,473	119,211	28,517
Allowance for doubtful accounts	79,398	42,336	79,539
Equity in earnings of associated companies	(616,872)	(688,950)	(565,166)
Seniority premium and other long-term accrued liabilities	9,354	21,263	55,796
Net gain from sale of subsidiaries' shares	(143,157)	(75,718)	—
Net gain from sale of associated company's shares	(405,559)	(860,456)	—
Loss from sale of fixed assets	5,935	49,847	11,315
Change in fair value of derivative financial instruments	294	52,442	14,519,050
Foreign exchange loss from bank loans	—	—	577,627
Deferred income taxes and employees' statutory profit sharing	158,383	459,214	65,706
	2,030,614	1,945,906	4,765,938
Changes in working capital:			
Accounts receivable, net	(1,401,667)	(654,980)	(1,766,736)
Inventories	137,865	(2,166,018)	(921,227)
Prepaid expenses	(57,120)	45,984	3,935
Trade accounts payable	257,480	498,656	(245,707)
Accrued liabilities and other payable	689,653	121,362	146,526
Income taxes and employees' statutory profit sharing	4,444	31,776	(327,249)
	(369,345)	(2,123,220)	(3,110,458)
Net cash flows from operating activities	1,661,269	(177,314)	1,655,480

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued

	For the year ended December 31,		
	2006	2007	2008
Investing activities:			
Purchases of property, plant and equipment	(2,304,890)	(2,221,326)	(2,696,744)
Purchases of new facilities, net of cash	(592,035)	—	—
Proceeds from sale of property, plant and equipment	770,794	192,972	27,880
Deferred assets	(16,284)	(16,487)	(60,198)
Acquisition of shares of associated company	—	—	(154,568)
Dividends received from associated company	80,878	79,200	83,446
Proceeds from sale of subsidiaries' shares	143,157	167,420	—
Proceeds from sale of associated company's shares	610,989	1,267,353	—
Other	(157,840)	16,260	(201,846)
Net cash flows from investing activities	(1,465,231)	(514,608)	(3,002,030)
Financing activities:			
Proceeds from bank loans and long-term debt	2,672,124	4,552,391	6,912,197
Repayment of bank loans and long-term debt	(3,176,593)	(3,151,536)	(3,206,050)
Repayment of long-term note payable	(50,025)	(50,666)	—
Proceeds from stock issuance	1,191,294	—	2,111,060
Contributions (distributions) by minority interest	97,558	(21,191)	—
Net purchases-sales of Company's common stock	2,712	(365)	(11,561)
Proceeds from (payments of) derivative financial instruments	16,966	—	(3,538,840)
Dividends paid	(684,258)	(627,264)	(62,953)
Other	12,495	(74,261)	(60,428)
Net cash flows from by financing activities	82,273	627,108	2,143,425
Effect of inflation on cash and cash equivalents	(39,162)	(46,503)	(26,291)
Net increase (decrease) in cash and cash equivalents	239,149	(111,317)	770,584
Exchange differences on cash and cash equivalents	—	—	174,741
Cash and cash equivalents at beginning of year	353,096	592,245	480,928
Cash and cash equivalents at end of year	Ps. 592,245	Ps. 480,928	Ps. 1,426,253

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,		
	2006	2007	2008
Interest paid	Ps. 701,693	Ps. 544,700	Ps. 781,225
Income and asset taxes paid	357,874	687,819	660,589

For U.S. GAAP purposes, cash equivalents represent those highly liquid instruments purchased with an original maturity of three months or less. The aforementioned differ from the Company's cash equivalents accounting policy under Mexican FRS; however, as of December 31, 2006, 2007 and 2008 the Company had no investments with original maturities over three months, therefore no reclassifications were needed.

Q) COMPREHENSIVE INCOME

Comprehensive income for the year is as follows:

	Years ended December 31,		
	2006	2007	2008
Net income (loss) under U.S. GAAP	Ps. 1,502,867	Ps. 2,107,762	Ps. (11,778,940)
Other comprehensive loss, net of taxes:			
Deficit from restatement	(27,189)	(832,483)	—
Equity ownership from associated company	—	—	(18,924)
Derivative financial instruments	6,549	35,065	(131,699)
Labor obligations adjustments, net of income tax (a)	—	(20,499)	(23,627)
Foreign currency translation adjustments	405,485	354,631	949,769
Comprehensive income (loss) under U.S. GAAP	Ps. 1,887,712	Ps. 1,644,476	Ps. (11,003,421)

(a) Excludes amortization of net cumulative losses, net transition liability and prior service cost, reported in net income.

Foreign currency translation adjustments are presented net of tax expense (benefit) of Ps.(21,568) and Ps.(15,417) for the years ended December 31, 2006 and 2007, respectively.

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued

The components of accumulated other comprehensive loss were as follows as of December 31, 2007 and 2008:

	Foreign currency translation adjustments	Derivative financial instruments	Deficit from restatement	Labor obligations adjustments, net of income tax	Accumulated other comprehensive loss
Balance at December 31, 2006	659,245	6,725	(15,495,070)	(14,234)	(14,843,334)
Current period changes	354,631	35,065	(832,483)	(18,938)	(461,725)
Balance at December 31, 2007	1,013,876	41,790	(16,327,553)	(33,172)	(15,305,059)
Current period changes	949,769	(131,699)	16,327,553	(23,627)	17,121,996
Balance at December 31, 2008	Ps. 1,963,645	Ps. (89,909)	Ps. —	Ps. (56,799)	Ps. 1,816,937

R) 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
2006	Ps. 156,324	Ps. 80,355	Ps. (21,579)	Ps. 215,100
2007	215,100	42,336	(23,703)	233,733
2008	233,733	79,539	(67,331)	245,941

S) CONDENSED FINANCIAL INFORMATION UNDER U.S. GAAP

The following table presents condensed financial information prepared on a U.S. GAAP basis. The prior year balances of 2006 are restated to pesos of December 31, 2007 using the Mexican NCPI. The difference in the factor applied to restate prior year information to December 31, 2007 constant pesos utilizing the Mexican NCPI was 0.98809 (Note 21-A). Balances of 2008 are presented based on the modified historical cost model (Note 2-E).

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued

Condensed consolidated balance sheets as of December 31 are as follows:

	2007	2008
Total current assets	Ps. 11,865,920	Ps. 16,699,126
Property, plant and equipment	16,467,129	20,719,842
Total assets	33,880,390	44,324,382
Short-term debt	1,046,145	2,418,560
Total current liabilities	6,180,047	14,780,182
Long-term debt	6,913,173	11,728,068
Total liabilities	15,734,668	34,645,656
Minority interest	3,028,973	3,761,926
Total stockholders' equity	15,116,749	5,916,800

Condensed consolidated statements of income for the years ended December 31 are as follows:

	2006	2007	2008
Net sales	Ps. 31,530,165	Ps. 35,427,207	Ps. 44,381,012
Gross profit	10,803,692	11,228,924	14,134,076
Operating income	1,753,111	1,824,882	3,222,739
Majority net income (loss)	1,502,867	2,107,762	(11,778,940)

T) RECENTLY ISSUED ACCOUNTING STANDARDS

Business combinations (FASB Statement No. 141(R)):

In December 2007, the FASB issued Statement of Financial Accounting Standards ("FAS") No. 141 (revised 2007), "Business Combinations" ("FAS 141(R)") which replaces FAS No.141, "Business Combination". FAS 141(R) retains the underlying concepts of FAS 141 in that all business combinations are still required to be accounted for at fair value under the acquisition method of accounting but FAS 141(R) changed the method of applying the acquisition method in a number of significant aspects. FAS 141(R) is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. FAS 141(R) amends FAS 109 such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of FAS 141(R) would also apply the provisions of FAS 141(R). Early adoption is not allowed. The Company does not expect the adoption of this statement to have a material impact on its financial position or results of operations.

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued

Non-controlling Interests in Consolidated Financial Statements (FASB Statement No. 160):

In December 2007, the FASB issued Statement of Financial Accounting Standards ("FAS") No. 160, "Non-controlling Interests in Consolidated Financial Statements, an Amendment of ARB 51" ("FAS 160"). FAS 160 amends ARB 51 to establish new standards that will govern the accounting for and reporting of (1) non-controlling interest in partially-owned consolidated subsidiaries and (2) the loss of control of subsidiaries. FAS 160 is effective on a prospective basis for all fiscal years, and interim periods within those fiscal years beginning on or after December 15, 2008, except for the presentation and disclosure requirements, which will be applied retrospectively. Early adoption is not allowed. The most significant effect of SFAS No. 160, at adoption, will be to reclassify retrospectively our minority interest to a separate component of stockholders' deficit, and to reclassify retrospectively income attributable to minority interest from an adjustment before net income to an allocation after net income to the non-controlling interest.

Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 (FASB Statement No. 161):

On March 19, 2008, the FASB issued Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" ("FAS 161"). This new standard requires enhanced disclosures for derivative instruments, including those used in hedging activities. FAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. It is effective for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. This standard only requires enhanced disclosures and will not have any impact on the financial condition and results of operations of the Company.

Determination of the useful life of intangible assets (FSP FAS 142-3):

In April 2008, the FASB issued FASB Staff Position FSP FAS 142-3, "Determination of the useful life of intangible assets", which amends FASB Statement No. 142, "Goodwill and Other Intangible Assets", to provide guidance on the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, "Goodwill and Other Intangible Assets". The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under Statement No. 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141 (revised 2007), "Business Combinations", and other U.S. generally accepted accounting principles (GAAP).

This FSP shall be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The guidance for determining the useful life of a recognized intangible asset of this FSP shall be applied prospectively to intangible assets acquired after the effective date. The disclosure requirements shall be applied prospectively to all intangible assets recognized as of, and subsequent to, the effective date. The Company does not expect the adoption of this statement to have a material impact on its financial position or results of operations.

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued

Employer's Disclosures about Postretirement Benefit Plan Assets (FSP FAS 132 R-1):

In December 2008, the FASB issued FSP FAS 132(R)-1."Employer's Disclosures about Postretirement Benefit Plan Assets" ("FSP FAS 132(R)-1") .The FSP requires enhanced disclosures about plan assets currently required by FAS No. 132 (revised 2003), "Employer's Disclosures about Pensions and Other Postretirement Benefits". FSP FAS 132(R)-1 requires more detailed disclosures about employers' plan assets, including employers' investment strategies, major categories of plan assets, concentrations of risk within plan assets, and valuation techniques used to measure the fair value of plan assets. FSP FAS 132(R)-1 is effective for fiscal years ending after December 15, 2009, and early adoption is permitted. The Company does not expect the adoption of this statement to have a material impact on its financial statements disclosures.

Effective Date of FASB Statement No. 157 (FSP FAS 157-2):

In February 2008, the FASB issued Staff Position (FSP) FAS 157-2, "Effective Date of FASB Statement No. 157," which delays by one year the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except for those that are recognized or disclosed at fair value in the financial statements at least annually. Assets and liabilities subject to this deferral include goodwill, intangible assets, long-lived assets measured at fair value for impairment assessments, and nonfinancial assets and liabilities initially measured at fair value in a business combination. For the Company, FSP FAS 157-2 will be effective at the beginning of its 2009 fiscal year. The Company does not expect the adoption of the remaining provisions to have a material impact on the measurement of the Company's non-financial assets and liabilities.

Determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying transactions that are not orderly (FSP FAS 157-4):

In April 2009, the FASB issued FSP FAS 157-4, "Determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying transactions that are not orderly", with an effective date for periods ending after June 15, 2009. FSP FAS 157-4 provides additional guidance in determining when observable transaction prices or quoted prices in markets that have become less active require significant adjustment to estimate fair value. FSP FAS 157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly. The Company does not expect the adoption of this statement to have a material impact on its financial position or results of operation.

Subsequent events (FAS Statement No. 165):

In May 2009, the FASB issued Statement of Financial Accounting Standards No. 165, "Subsequent Events" (SFAS No.165). SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, SFAS No. 165 provides (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS No. 165 is effective for interim or annual financial periods ending after June 15, 2009 and shall be applied prospectively. The Company is currently analyzing the effect that SFAS No.165 will have on its U.S.GAAP disclosures and financial information.

21. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP (continued

Accounting for transfers of financial assets, an amendment of FASB Statement 140 (FAS Statement No. 166):

In June 2009 the FASB issued FASB No. 166 “Accounting for transfers of financial assets, an amendment of FASB Statement 140” (SFAS No. 166). SFAS No. 166 improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor’s continuing involvement, if any, in transferred financial assets. The Board undertook this project to address (1) practices that have developed since the issuance of FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, that are not consistent with the original intent and key requirements of that Statement and (2) concerns of financial statement users that many of the financial assets (and related obligations) that have been derecognized should continue to be reported in the financial statements of transferors. This Statement must be applied as of the beginning of each reporting entity’s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. This Statement must be applied to transfers occurring on or after the effective date.

Additionally, on and after the effective date, the concept of a qualifying special purpose entity is no longer relevant for accounting purposes. Therefore, formerly qualifying special-purpose entities (as defined under previous accounting standards) should be evaluated for consolidation by reporting entities on and after the effective date in accordance with the applicable consolidation guidance. If the evaluation on the effective date results in consolidation, the reporting entity should apply the transition guidance provided in the pronouncement that requires consolidation. Additionally, the disclosure provisions of this Statement should be applied to transfers that occurred both before and after the effective date of this Statement. The Company is currently analyzing the effect that SFAS No.166 will have on its U.S.GAAP disclosures and financial information.

Amendments to FASB interpretation No. 46(R) (FAS Statement No. 167):

In June 2009, the FASB issued FAS No. 167 “Amendments to FASB interpretation No. 46(R) (SFAS No. 167). This Standard improves financial reporting by enterprises involved with variable interest entities. The FASB undertook this project to address (1) the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, as a result of the elimination of the qualifying special-purpose entity concept in FASB Statement No. 166, Accounting for Transfers of Financial Assets, and (2) constituent concerns about the application of certain key provisions of Interpretation 46(R), including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise’s involvement in a variable interest entity. This Statement shall be effective as of the beginning of each reporting entity’s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company does not expect the adoption of this statement to have a material impact on its financial position or results of operation.

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, 2008 and 2007, and the related consolidated statements of income, changes in stockholders' equity and changes in financial position for each of the three years in the period 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.

Notes 1 and 2 to the financial statements describe the Financial Group's operations and the current economic conditions brought on the by the global financial crisis affecting such operations. Notes 4 and 37 describe the accounting criteria established by the Commission through new accounting standards issued to address current economic conditions and by other applicable laws which the Financial Group adheres to for the preparation of its financial information, as well as the modifications to such accounting criteria that became effective during 2008 and others that will become effective as of January 1, 2009. Therefore, the financial statements are not comparable. Note 5 describes the main differences between the accounting practices prescribed by the Commission and Mexican Financial Reporting Standards, commonly applied in the preparation of financial statements for other types of unregulated entities in Mexico.

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, 2008 and 2007, and the results of their operations, changes in their stockholders' equity and changes in their financial position for each of the three years in the period 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, 2008 and 2007, 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, 2008 and 2007 and net income for each of the three years in the period ended December 31, 2008, 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

C.P.C. Carlos A. García Cardoso
Monterrey, N.L., México

February 26, 2009
June 19, 2009 as to Notes 38 and 39

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2008 AND 2007
(In millions of Mexican pesos)

ASSETS		2008		2007
CASH AND CASH EQUIVALENTS	**Ps.**	**54,402**	**Ps.**	**41,610**
INVESTMENTS IN SECURITIES				
Trading securities		6,630		7,754
Available for sale securities		11,722		10,948
Held to maturity securities		221,617		760
		239,969		**19,462**
DEBTOR BALANCES UNDER REPURCHASE AND RESALE AGREEMENTS		**149**		**58**
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS		**8,168**		**2,302**
CURRENT LOAN PORTFOLIO				
Commercial loans				
Business loans		126,798		98,091
Loans to financial institutions		10,860		13,158
Government loans		26,989		17,948
Consumer loans		29,369		27,225
Housing mortgage loans		46,282		37,216
TOTAL CURRENT LOAN PORTFOLIO		**240,298**		**193,638**
PAST-DUE LOAN PORTFOLIO				
Commercial loans				
Business loans		1,703		927
Consumer loans		2,499		1,109
Housing mortgage loans		746		858
TOTAL PAST-DUE LOAN PORTFOLIO		**4,948**		**2,894**
LOAN PORTFOLIO		**245,246**		**196,532**
(Minus) Allowance for loan losses		(6,690)		(3,786)
LOAN PORTFOLIO, net		**238,556**		**192,746**
ACQUIRED LOAN PORTFOLIOS		**3,049**		**3,660**
TOTAL LOAN PORTFOLIO, net		**241,605**		**196,406**
OTHER ACCOUNTS RECEIVABLE, net		**9,514**		**7,617**
MERCHANDISE INVENTORY		**165**		**7**
FORECLOSED ASSETS, net		**863**		**385**
PROPERTY, FURNITURE AND FIXTURES, net		**8,429**		**8,098**
PERMANENT STOCK INVESTMENTS		**2,559**		**2,590**
DEFERRED TAXES, net		**471**		**214**
OTHER ASSETS				
Other assets, deferred charges and intangible assets		**10,731**		**8,534**
TOTAL ASSETS	**Ps.**	**577,025**	**Ps.**	**287,283**

MEMORANDUM ACCOUNTS (Note 32)

These balance sheets, consolidated with those of the financial entities and other companies that form part of the Financial Group and are consolidated, 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. 6,986 (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.

LIABILITIES	2008	2007
DEPOSITS		
Demand deposits	Ps. 128,350	Ps. 111,080
Time deposits		
General public	118,740	79,408
Money market	13,679	12,819
	260,769	**203,307**
INTERBANK AND OTHER LOANS		
Demand loans	1,245	871
Short-term loans	24,803	11,056
Long-term loans	10,635	10,796
	36,683	**22,723**
CREDITOR BALANCES UNDER REPURCHASE AND RESALE AGREEMENTS	**192,727**	**515**
OVERNIGHT SECURITIES	**—**	**10**
COLLATERAL SOLD OR PLEDGED		
Repurchase or Resale Agreements	**2**	**—**
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	**10,746**	**2,435**
OTHER PAYABLES		
Income taxes and employee profit sharing	1,272	2,212
Sundry creditors and other payables	13,121	10,888
	14,393	**13,100**
SUBORDINATED DEBENTURES	**20,613**	**10,210**
DEFERRED CREDITS AND ADVANCED COLLECTIONS	**1,346**	**827**
TOTAL LIABILITIES	**537,279**	**253,127**
STOCKHOLDERS' EQUITY		
PAID-IN CAPITAL		
Common stock	11,941	11,965
Additional paid-in capital	1,468	1,272
	13,409	**13,237**
OTHER CAPITAL		
Capital reserves	2,720	2,452
Retained earnings from prior years	16,935	21,379
Result from valuation of available for sale securities	(550)	—
Cumulative foreign currency translation adjustment	1,095	—
Insufficiency in restated stockholders' equity	—	(6,380)
Effect of holding non-monetary assets	(2,821)	(5,009)
Net income	7,014	6,810
	24,393	**19,252**
MINORITY INTEREST IN STOCKHOLDERS' EQUITY	**1,944**	**1,667**
TOTAL STOCKHOLDERS' EQUITY	**39,746**	**34,156**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**Ps. 577,025**	**Ps. 287,283**

Dr. Alejandro Valenzuela del Río
Chief Executive Officer

Ing. Sergio García Robles Gil
Managing Director - CFO

C.P. Román Martínez Méndez
Managing Director — Audit

Lic. Jorge Eduardo Vega Camargo
Executive Director Controller

C.P.C. Nora Elia Cantú Suárez
Executive Director Accounting

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(In millions of Mexican pesos)

	2008	2007	2006
Interest income	Ps. 50,416	Ps. 40,585	Ps. 36,120
Interest expense	(27,789)	(22,838)	(21,256)
Monetary position loss, net	—	(363)	(350)
FINANCIAL MARGIN	**22,627**	**17,384**	**14,514**
Provision for loan losses	(6,896)	(2,646)	(1,530)
FINANCIAL MARGIN AFTER ALLOWANCE FOR LOAN LOSSES	**15,731**	**14,738**	**12,984**
Commission and fee income	8,535	7,693	6,324
Commission and fee expense	(1,208)	(1,086)	(920)
Brokerage revenues	1,040	1,292	1,781
	8,367	**7,899**	**7,185**
NET OPERATING REVENUES	**24,098**	**22,637**	**20,169**
Administrative and promotional expenses	(15,807)	(14,432)	(13,157)
OPERATING INCOME	**8,291**	**8,205**	**7,012**
Other income	3,789	2,835	3,192
Other expenses	(1,569)	(968)	(905)
	2,220	**1,867**	**2,287**
INCOME BEFORE INCOME TAXES AND EMPLOYEE PROFIT SHARING	**10,511**	**10,072**	**9,299**
Current income taxes and employee profit sharing	(3,645)	(3,780)	(3,098)
Deferred income taxes and employee profit sharing	245	487	(355)
	(3,400)	**(3,293)**	**(3,453)**
INCOME BEFORE EQUITY IN EARNINGS OF UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES	**7,111**	**6,779**	**5,846**
Equity in earnings of unconsolidated subsidiaries and associated companies	276	357	628
NET EARNINGS BEFORE MINORITY INTEREST	**7,387**	**7,136**	**6,474**
Minority interest	(373)	(326)	(219)
NET INCOME	**Ps. 7,014**	**Ps. 6,810**	**Ps. 6,255**

These income statements, consolidated with those of the financial entities and other companies that form part of the Financial Group and are consolidated, were prepared according to accounting principles applicable to Financial Service Holding Companies issued by the 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

Ing. Sergio García Robles Gil
Managing Director - CFO

C.P. Román Martínez Méndez
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Executive Director Accounting

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(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	Cumulative foreign currency translation adjustment
Balances, January 1, 2006	**Ps. 12,021**	**Ps. 1,858**	**Ps. 1,807**	**Ps. 11,331**	**Ps. —**	**Ps. —**
TRANSACTIONS APPROVED BY STOCKHOLDERS						
Issuance (repurchase of shares)	(1)	4	28	—	—	—
Transfer of prior year's result	—	—	—	6,261	—	—
Creation of reserves as per General Stockholders' meeting on April 28, 2006	—	—	305	(305)	—	—
Dividend declared at the General Stockholders' meeting on October 6, 2006	—	—	—	(792)	—	—
Total transactions approved by stockholders	**(1)**	**4**	**333**	**5,164**	**—**	**—**
COMPREHENSIVE INCOME						
Net income	—	—	—	—	—	—
Effect of holding non-monetary assets	—	—	—	—	—	—
Changes in accounting principles	—	—	—	(78)	—	—
Total comprehensive income	**—**	**—**	**—**	**(78)**	**—**	**—**
Minority interest	—	—	—	—	—	—
Balances, December 31, 2006	**12,020**	**1,862**	**2,140**	**16,417**	**—**	**—**
Changes in accounting principles						
Balances, December 31, 2006 after retroactive effect of changes in accounting principles	**12,020**	**1,862**	**2,140**	**16,417**	**—**	**—**
TRANSACTIONS APPROVED BY STOCKHOLDERS						
Issuance (repurchase of shares)	(55)	(590)	6	—	—	—
Transfer of prior year's result	—	—	—	6,255	—	—
Creation of reserves as per General Stockholders' meeting on March 30, 2007	—	—	306	(306)	—	—
Dividend declared at the General Stockholders' meeting on October 3, 2007	—	—	—	(917)	—	—
Total transactions approved by stockholders	**(55)**	**(590)**	**312**	**5,032**	**—**	**—**
COMPREHENSIVE INCOME						
Net income	—	—	—	—	—	—
Effect of holding non-monetary assets	—	—	—	—	—	—
Changes in accounting principles	—	—	—	(70)	—	—
Total comprehensive income	**—**	**—**	**—**	**(70)**	**—**	**—**
Minority interest	—	—	—	—	—	—
Balances, December 31, 2007 previously reported	**11,965**	**1,272**	**2,452**	**21,379**	**—**	**—**
Change in credit card loan rating criterion	—	—	—	(100)	—	—
Balances, January 1, 2008	**11,965**	**1,272**	**2,452**	**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)	—	—
Dividends 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	—	—	—	—	—	—
Effects of subsidiaries	—	(3)	—	(30)	(550)	1,095
Unrealized gain on valuation of cash flow hedge instruments	—	—	—	—	—	—
Changes in accounting principles (NIF B-10)	—	—	—	(9,835)	—	—
Total comprehensive income	**—**	**(3)**	**—**	**(9,865)**	**(550)**	**1,095**
Minority interest	—	—	—	—	—	—
Balances, December 31, 2008	**Ps. 11,941**	**Ps. 1,468**	**Ps. 2,720**	**Ps. 16,935**	**Ps. (550)**	**Ps. 1,095**

These statements of changes in stockholders' equity, consolidated with those of the financial entities and other companies that form part of the Financial Group and are consolidated, 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 Changes in Stockholders' Equity 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 changes in stockholders' equity.

	OTHER CAPITAL					
	Insufficiency in restated stockholders' equity	**Effect of holding non-monetary assets**	**Net income**	**Total majority interest**	**Total minority interest**	**Total stockholders' equity**
Balances, January 1, 2006	**Ps. (6,380)**	**Ps. (5,060)**	**Ps. 6,261**	**Ps. 21,838**	**Ps. 1,045**	**Ps. 22,883**
TRANSACTIONS APPROVED BY STOCKHOLDERS						
Issuance (repurchase of shares)	—	—	—	31	—	31
Transfer of prior year's result	—	—	(6,261)	—	—	—
Creation of reserves as per General Stockholders' meeting on April 28, 2006	—	—	—	—	—	—
Dividend declared at the General Stockholders' meeting on October 6, 2006	—	—	—	(792)	—	(792)
Total transactions approved by stockholders	**—**	**—**	**(6,261)**	**(761)**	**—**	**(761)**
COMPREHENSIVE INCOME						
Net income	—	—	6,185	6,185	—	6,185
Effect of holding non-monetary assets	—	(496)	—	(496)	—	(496)
Changes in accounting principles	—	400	—	322	14	336
Total comprehensive income	**—**	**(96)**	**6,185**	**6,011**	**14**	**6,025**
Minority interest	—	—	—	—	402	402
Balances, December 31, 2006	**(6,380)**	**(5,156)**	**6,185**	**27,088**	**1,461**	**28,549**
Changes in accounting principles	—	(578)	70	(508)	(15)	(523)
Balances, December 31, 2006 after retroactive effect of changes in accounting principles	**(6,380)**	**(5,734)**	**6,255**	**26,580**	**1,446**	**28,026**
TRANSACTIONS APPROVED BY STOCKHOLDERS						
Issuance (repurchase of shares)	—	—	—	(639)	—	(639)
Transfer of prior year's result	—	—	(6,255)	—	—	—
Creation of reserves as per General Stockholders' meeting on March 30, 2007	—	—	—	—	—	—
Dividend declared at the General Stockholders' meeting on October 3, 2007	—	—	—	(917)	—	(917)
Total transactions approved by stockholders	**—**	**—**	**(6,255)**	**(1,556)**	**—**	**(1,556)**
COMPREHENSIVE INCOME						
Net income	—	—	6,810	6,810	—	6,810
Effect of holding non-monetary assets	—	147	—	147	—	147
Changes in accounting principles	—	578	—	508	15	523
Total comprehensive income	**—**	**725**	**6,810**	**7,465**	**15**	**7,480**
Minority interest	—	—	—	—	206	206
Balances, December 31, 2007 previously reported	**(6,380)**	**(5,009)**	**6,810**	**32,489**	**1,667**	**34,156**
Change in credit card loan rating criterion	—	—	—	(100)	—	(100)
Balances, January 1, 2008	**(6,380)**	**(5,009)**	**6,810**	**32,389**	**1,667**	**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	—	—	—	—	—	—
Dividends 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
Effects of subsidiaries	—	—	—	512	—	512
Unrealized loss on valuation of cash flow hedge instruments	—	(1,267)	—	(1,267)	—	(1,267)
Changes in accounting principles (NIF B-10)	6,380	3,455	—	—	—	—
Total comprehensive income	**6,380**	**2,188**	**7,014**	**6,259**	**—**	**6,259**
Minority interest	—	—	—	—	277	277
Balances, December 31, 2008	**Ps. —**	**Ps. (2,821)**	**Ps. 7,014**	**Ps. 37,802**	**Ps. 1,944**	**Ps. 39,746**

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Chief Executive Officer

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Executive Director Controller

C.P.C. Nora Elia Cantú Suárez
Executive Director Accounting

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(In millions of Mexican pesos)

	2008	2007	2006
OPERATING ACTIVITIES:			
Net income	**Ps. 7,014**	**Ps. 6,810**	**Ps. 6,255**
Items not requiring (generating) resources:			
Fair value adjustments of financial instruments	(268)	(192)	176
Allowance for loan losses	6,896	2,646	1,530
Depreciation and amortization	1,099	980	923
Deferred taxes	(245)	(487)	355
Provisions for other obligations	24	2,433	(107)
Minority interest	373	326	219
Equity in earnings of subsidiaries and associated companies	(276)	(357)	(628)
	14,617	**12,159**	**8,723**
Increase or decrease in operating accounts:			
Increase in deposits	57,462	27,447	27,260
Increase in loan portfolio	(52,095)	(51,124)	(24,143)
(Increase) decrease from treasury transactions (investment securities)	(220,239)	10,171	(6,444)
Decrease (increase) in transactions with securities and derivative financial instruments	194,558	(2,370)	3,380
Increase (decrease) from bank and other loans	13,960	5,233	(3,668)
(Increase) decrease of deferred taxes	(12)	(65)	419
Net resources generated by operating activities	**8,251**	**1,451**	**5,527**
FINANCING ACTIVITIES:			
Increase (decrease) in subordinated debentures	10,403	(1,551)	6,837
Issuance (repurchase) of shares	103	(639)	31
Increase (decrease) in other payables	1,269	(418)	4,443
Dividends paid	(949)	(917)	(792)
Net resources generated by (used in) financing activities	**10,826**	**(3,525)**	**10,519**
INVESTING ACTIVITIES:			
Acquisition of property, furniture and fixtures, net	(1,308)	(1,961)	(1,378)
(Increase) decrease in permanent stock investments	(644)	353	(416)
Increase in deferred charges and credits	(1,958)	(388)	(5,987)
Increase (decrease) in foreclosed assets	(478)	(6)	89
(Increase) decrease in other accounts receivable	(1,897)	632	(5,239)
Net resources used in investing activities	**(6,285)**	**(1,370)**	**(12,931)**
Net increase (decrease) in cash and equivalents	12,792	(3,444)	3,115
Cash and cash equivalents available at the beginning of the year	41,610	45,054	41,939
Cash and cash equivalents available at the end of the year	**Ps. 54,402**	**Ps. 41,610**	**Ps. 45,054**

These statements of changes in financial position, consolidated with those of the financial entities and other companies that form part of the Financial Group and are consolidated, 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 Changes in Financial Position 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 changes in financial position.

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1 – ACTIVITY AND REGULATORY ENVIRONMENT

Grupo Financiero Banorte, S.A.B. de C.V. (the "Financial Group") is authorized by the Mexican Treasury Department (SHCP) to operate as a financial group under the form and terms established by the Mexican Financial Group Law, subject to the supervision and monitoring of the Mexican National Banking and Securities Commission (the "Commission"). Its 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 and its subsidiaries include reviewing the financial information and requesting modifications to such information.

The Financial Group's consolidated financial statements have been approved by the Board of Directors at their January 29, 2009 meeting in accordance with the responsibility assigned to them.

2 – SIGNIFICANT EVENTS DURING THE YEAR

a. Economic situation

The difficult worldwide economic situation has rendered several financial sector participants bankrupt. In Mexico, several companies have reported losses derived from transactions involving derivative financial instruments, including applications to file for bankruptcy, caused by the concern in the local markets. The Financial Group has declared the risk exposure of its subsidiary, Banco Mercantil del Norte, S.A. (Banorte) with each of the affected companies, and has acknowledged such risks in the earnings as per subsections f) and g) of this Note. Even though such effects were reported, Banorte has been able to reach a record accumulated profit as of December 31, 2008, which shows it has ample liquidity, strong levels of capitalization and sufficient reserves for its past-due loans, as well as to continue to be a profitable investment for its shareholders.

b. Issue of subordinated debentures

Banorte listed three issues of subordinated debentures on the Mexican Stock Exchange for a total of Ps. 7,525. The transactions included the simultaneous placement of two issues of subordinated debentures, one in March and another in June, which due to their features, helped strengthen Banorte's capital. The first issue of non-preferred and non-convertible subordinated debentures (BANORTE 08) was for Ps. 3,000 with a 10-year term and a 28-day TIIE rate plus 60 basis points; the second issue of non-preferred non-convertible debentures (BANORTE 08U) was made in Units of Investment (UDIS) for an amount equivalent to Ps. 1,775 with a 20-year term and a fixed rate of 4.95% payable every 182 days; the third issue of non-preferred non-convertible subordinated debentures (BANORTE08-2) was for Ps. 2,750 with a 10-year term and a 28-day TIIE rate plus 77 basis points. These placements are part of a preferred and non-preferred non-convertible subordinated debenture program that is calculated as regulatory capital for a sum of up to Ps. 15,000 over a five-year period, approved at the Extraordinary General Stockholders' Meeting held on February 22, 2008.

c. Effects of the VISA Inc. reorganization

Banorte recorded 1,545,128 ordinary class C (series I) shares of Visa Inc. (VISA) that were assigned to it as a consequence of VISA's reorganization in March 2008, through which VISA indirectly acquired VISA LAC, in which Banorte has a share as a member authorized to use its trademark. The purpose of reorganizing VISA was to go public and place shares on the New York Stock Exchange. A total of 868,138 shares were sold at the time of the assignment, recording an income before taxes of Ps. 394 in "Other income". Furthermore, Banorte recorded the remaining 676,990 shares received by VISA that were not put up for trading as investments in securities under the category "Available for sale securities." During the third quarter of the year, 544,690 shares were sold, recording a gain of Ps. 312. The remaining 132,300 VISA shares in possession of Banorte are recorded at market value, with the valuation effect presented under "Valuation of available for sale securities" in stockholders' equity.

d. Effects of the Mexican Stock Exchange Reorganization

As a result of the Mexican Stock Exchange's reorganization to become a public company during the second quarter of 2008, Banorte sold the shares of S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V. (S.D. Indeval) that it had recorded under "Permanent Investments in Shares", thereby recording a Ps. 91 profit before taxes in "Other income".

Moreover, Casa de Bolsa Banorte, S.A. de C.V. (Brokerage House) generated revenues from selling the shares it had that were recorded under "Earnings from available for sale securities valuation" in the Balance Sheet for Ps. 144 and under "Other income" in the income statement for Ps. 40. The share and corporate restructuring consisted mainly of the sale or swap of shares of the Mexican Stock Exchange, Asigna, Mexder, Contraparte Central de Valores de México and S.D. Indeval, for which a specific treatment was applied in each case. In the case of S.D. Indeval, such treatment consisted of selling the total number of shares in two parts. The first was for 75% of the transaction value that corresponds to the future benefits of the share in the Brokerage House for Ps. 40 million recorded under "Other income". The remaining 25% corresponded to payment of the shares, because they cannot be realized until the Stock Market Law that restricts this operation is modified.

e. Merger of subsidiaries

At the Extraordinary Stockholders' Meetings held on October 3, 2007, the merger of "Arrendadora y Factor Banorte, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte" (previously Factor Banorte, S.A. de C.V.) with "Arrendadora Banorte, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Banorte" was authorized, whereby the former was the merged entity and the latter the merging entity that took on the merged entity's name. The merger became effective as of January 31, 2008.

At the Extraordinary Stockholders' Meetings held on June 16, 2008, the merger of Banorte, as the merging entity, with its subsidiaries Inmobiliaria Bancrecer, S.A. de C.V., Inmobiliaria Innova, S.A. de C.V., Inmobiliaria Banormex, S.A. de C.V., Inmuebles de Tijuana, S.A. de C.V., Inmobiliaria Banorte, S.A. de C.V., Constructora Primero, S.A. de C.V., Inmuebles de Occidente, S.A., Inmobiliaria Finsa, S.A. de C.V., and Inmobiliaria Bra, S.A. de C.V., as the merged entities was authorized, using the May 31, 2008 balance sheets as a basis for the merger. The merger will become effective when the approved agreements or basis for the merger are inscribed in the Public Registry of Commerce and when the Mexican Treasury Department's (SHCP) gives its authorization.

f. Lehman Brothers' securities

During September 2008, Banorte recorded under "Brokerage revenues" a loss of Ps. 295 associated with the permanent impairment and loss generated by the sale of these securities. The loss is made up of USD 24 million in senior debt notes and USD 1 million in derivative financial instruments.

g. COMERCI's credit quality impairment

As a result of the difficult economic situation and its participation in transactions involving derivative financial instruments and given the request submitted by Controladora Commercial Mexicana, S.A.B. de C.V. (COMERCI) to file for bankruptcy, Banorte acknowledged a loan loss exposure from COMERCI in the amount of Ps. 1,030 created an unsecured loan maturing in March 2009. Such exposure represents 0.18% of Banorte's total assets, 0.4% of the overall loan portfolio, and 2.8% of the stockholders' equity reported by December 31, 2008. COMERCI never revealed its derivative position that could lead it to the current situation when the loan was originated nor during the periodic revisions. Banorte is waiting for COMERCI's request to file for bankruptcy to be resolved in order to start the restructuring process and negotiate the partial or total recovery of the loan.

As of December 31, 2008, Management has created sufficient loan reserves according to the corresponding methodology.

h. Credit card payment campaign

Given the liquidity problems some customers are having in the current difficult economic situation, as reflected in the impairment of credit card loan asset quality, Banorte decided to take a series of measures to help its customers face these difficult times. During 2008, a massive campaign was launched to offer an option to customers who wanted to defer their debt repayment and improve their payment profile, under which the customer's debt was frozen for the agreed term and amortized in fixed payments. As of December 31, 2008, the total amount of the loans under this campaign was Ps. 703.

3 – BASIS OF PRESENTATION

Monetary unit of the financial statements

The financial statements and notes as of December 31, 2008 and for the year then ended include balances and transactions in Mexican pesos of a different purchasing power. The financial statements and notes as of December 31, 2007 and for the year then ended include balances and transactions in Mexican pesos of purchasing power of December 31, 2007.

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, 2008 and 2007, the Financial Group's consolidated subsidiaries and its ownership percentage are as follows:

Banco Mercantil del Norte, S.A. and subsidiaries	97.06%
Casa de Bolsa Banorte, S.A. de C.V.	99.99%
Arrendadora y Factor Banorte, S.A. de C.V.	99.99%
Almacenadora Banorte, S.A. de C.V.	99.99%
Créditos Pronegocio, S.A. de C.V.	99.99%

Consolidation 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 currency (U.S. dollar) to conform to the accounting criteria established by the Commission. The financial statements are then converted to Mexican pesos according to the following methodology:

As of 2008, 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. Up until 2007, conforming to the accounting criteria established by the Commission included recording the inflation effects of the foreign country and then converting them at the year-end exchange rate for all assets, liabilities income, costs and expenses, and the historical exchange rate was used for paid-in capital. In 2008, 2007 and 2006 the conversion effects are presented in stockholders' equity.

Comprehensive income

This is the change in stockholders' equity during the year, for concepts 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 2008, 2007 and 2006, comprehensive income includes the net income of the year, the result from valuation of available for sale securities, the unrealized gain or loss on valuation from cash flow hedge instruments, and the conversion effects of foreign operations.

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 were adequate under the current circumstances.

Pursuant to accounting Circular A-1, "Basic Scheme of the Set of Accounting Criteria Applicable to Banking Institutions", prescribed by the Commission, the institutions' accounting will adhere to the 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 the institutions perform specialized operations.

Changes in accounting principles

On September 1, 2008, the Commission issued a resolution that modifies the "General Provisions Applicable to Banking Institutions" thereby replacing accounting Circular C-1, "Recording and Cancellation of Financial Assets", and C-2, "Securitization Operations", and adding accounting Circular C-5 "Consolidation of Special Purpose Entities." These provisions will become effective as of January 1, 2009, except for C-1, which according to the following paragraph, should be applied as of October 14, 2008.

Moreover on October 13, 2008, the Commission issued another resolution that modifies the "General Provisions Applicable to Banking Institutions" thereby replacing accounting Circular B-3, "Repurchase or Resale Agreements", B-4, "Securities Loans", and C-1, "Recording and Cancellation of Financial Assets," as well as Circular D-1, "Balance Sheet", D-2, "Income Statements", and D-4, "Statement of Changes in the Financial Position." This resolution became effective as of October 14, 2008, for which Banorte certified that it had the necessary systems to implement the aforementioned accounting criteria. If it hadn't, been able to it would have had to use the criteria in effect until this Resolution became effective. As Banorte certified the above, it applied these criteria as of October 1, 2008. The application of Circular B-3 was made "prospectively" pursuant to NIF B-1, "Accounting Changes and Corrections of Errors", and therefore transactions previously recorded were not reevaluated.

Additionally, on October 16 and November 10, 2008, by means of official documents 100-035/2008 and 100-042/2008, respectively, the Commission authorized Banorte to transfer the investment in securities it held in the category of “Trading securities” to the category of “Available for sale securities” or “Securities held to maturity”, at the last book value recorded in the balance sheet at the time of the reclassification without reversing the valuation recorded in income on the transfer date. Furthermore, it enabled Banorte to transfer debt instruments from “Available for sale securities” to “Securities held to maturity” at the last book value recorded in the balance sheet at the time of the reclassification without reversing the valuation recorded in stockholders’ equity at the transfer date, which will be amortized in the year’s earnings based on the security’s remaining life. These provisions were applied equally to securities to receive in repurchase agreement operations. The Commission allowed this accounting criteria to be applied only once on the value date of October 1, 2008 and during the last quarter of 2008.

Given the above, during October 2008 Banorte reclassified from “Trading securities” to “Securities held to maturity” a total of 6,035,947,400 securities with an accounting value of Ps. 12,803 on the reclassification date. Additionally, it reclassified from “Available for sale securities” to “Securities held to maturity” a total of 560,523,193 instruments with an accounting value of USD 553 million and EUR 20 million.

The aforementioned reclassifications were driven by the value loss in trading securities when stated at fair value, caused by the volatility and uncertainty of the financial markets during the last quarter of 2008. According to the analyses made by Management as of December 31, 2008, the securities held to maturity position has not shown any indication of permanent impairment.

If the Financial Group had not made this reclassification, as of October 31, 2008 it would have recorded a loss in the year’s earnings equivalent to Ps. 20 and Ps. 710 in stockholders’ equity, for “Trading securities” and “Available for sale securities”, respectively.

The principle changes in the accounting policies that apply to the Financial Group are explained below:

- Repurchase or resale transactions pursuant to Circular B-3, “Repurchase or Resale Agreements”, are recorded according to the economic substance of the transaction, which is financing with collateral, by which the purchaser gives cash as financing in exchange for financial assets as guarantee in case of non-compliance. The financial assets pledged as collateral are still recorded in the balance sheet as it retains the risks, benefits and control over them.

  On the repurchasing agreement operation contract date, the cash income or outlay should be recorded, or a liquidating account as well as receivable or payable account at its fair value, initially at the agreed price, which represents the right or the obligation of restoring the cash to the counterparty.

- Circular C-1, “Recording and Cancellation of Financial Assets”, states that in order for an entity to cancel a financial asset, it must transfer all the contract rights to receive the cash flows from the financial asset or retain the contract rights to receive the cash flows from the financial asset and, at the same time, assume the contract obligation of paying such cash flows to a third party who meets certain requirements. Moreover, the substantial transfer of risks and benefits is considered a prerequisite for cancelling an asset as a sale. This modification impacts the accounting recording of repurchase agreements and securities loans, as well as securitization transactions as mentioned below.

- Up until 2007 securitization transactions were not reported in the balance sheet, as the transferred assets met the requirements of a sale and, consequently, the transferred asset, the liability corresponding to issues made and the effects in earnings based on this Circular were not recorded. As of October 14, 2008, securitization operations must meet the requirements established in accounting Circular C-1 to be considered as a sale. Otherwise, the assets, debt issues made on the same and the effects on earning based on this Circular should remain in the balance sheet. On the other hand, the prerequisite of “control” is established in order to consolidate the specific purpose entities (e.g. securitization trusts), regardless of the equity holding percentage. Therefore, unless it is proven that the special purpose entity is not controlled by the asset “assigning” entity, it must be consolidated.

Note 36 describes the effects that would have been recorded if the new accounting Circulars C-1, C-2 and C-5 had been applied retrospectively.

The following are some of the principal changes derived from the new NIF's and interpretations (INIF's) issued or modified by CINIF that went into effect as of January 1, 2008:

- NIF B-10, "Effects of Inflation", considers two economic environments: a) inflationary; when the cumulative inflation of the three previous annual periods is 26% or more, in which case the inflation effects must be recognized; b) non-inflationary; when in the same period cumulative inflation is less than 26%; in this case the effects of inflation may not be recorded in the financial statements. Furthermore, it eliminates the replacement cost valuation and specific indexing methods and requires that the equity monetary position and the result of holding non-monetary assets holding (RETANM) be reclassified to retained earnings, except the RETANM identified as unrealized at the date this standard becomes effective, which will be kept in stockholders' equity to be applied to the earnings of the year when such assets are realized.

  The Financial Group reclassified Ps. 6,380 to retained earnings from prior years, which corresponds to the cancellation of the initial balance of the "Insufficiency in Restated Stockholders' Equity".

  The cumulative inflation over the previous three years was 11.26%. Therefore, the Mexican economy qualifies as non-inflationary. As of January 1, 2008, the Financial Group discontinued recording the inflation effects in the financial statements. However, assets, liabilities and stockholders' equity of December 31, 2008 and 2007 include the restatement effects recorded up until December 31, 2007.

- NIF B-15, "Conversion of Foreign Currencies", eliminates the classifications of integrated foreign operation and foreign entity as it incorporates the concepts of currency of recording, functional and reporting currencies. It sets forth the procedures for converting financial information of foreign operations: i) from the recording currency to the functional currency; and ii) from the functional to the reporting currency.

- NIF D-3, "Employee Benefits", incorporates current and deferred PTU as part of its scope and establishes that deferred PTU should be determined with the same asset and liability methodology as NIF D-4, "Income Taxes." It includes the concept of career salary, and the amortization period of most of the items is reduced to the lower of the remaining labor life or five years, as follows:

  - The initial balance of the severance and retirement benefits liability transition
  - The initial balance of previous services and plan modifications.
  - The initial balance of the actuarial gains and losses of severance benefits is amortized in 2008 income statements.
  - The initial balance of the actuarial gains and losses of severance benefits is amortized in five years (net transition liability) with the option to amortize it in the 2008 income statement.

- NIF D-4, "Income Taxes", eliminates the term "permanent difference" and incorporates some definitions. It also requires that the line item called "Initial Cumulative Effect of Deferred Income Taxes" be reclassified to retained earnings, unless it is identified with any items of other comprehensive income that have not yet been applied to earnings.

- INIF 5, "Recording the Additional Compensation Agreed at the Beginning of the Derivative Financial Instrument to Adjust to its Fair Value", establishes an additional compensation agreed at the beginning of the derived financial instrument equivalent to its fair value and, therefore, should be part of the instrument's initial fair value instead of being subject to amortization as per Bulletin C-10.

- INIF 8, "Effects of the Business Flat Tax", establishes that the Business Flat Tax (IETU) should be considered as a tax on profit and provides the accounting guidelines to record it as a deferred tax when it is expected to be greater than the ISR (income tax) of the same period. To date the Financial Group has not incurred IETU.

Retrospective application of the changes in accounting criteria

As a result of the accounting changes in 2007, the 2006 financial statements reflect the effect of such changes retrospectively in order for them to be comparative with the 2008 and 2007 financial statements. The deferral of income for fees obtained was performed beginning with loans issued in 2005.

The following accounts have been adjusted retrospectively as a result of the changes noted above disclosing the previously presented balances, the adjusted balances and the variance between the two.

CONSOLIDATED BALANCE SHEETS

ASSETS	2006 As originally presented	2006 As adjusted	Variance
CASH AND CASH EQUIVALENTS	Ps. 45,054	Ps. 45,054	Ps. —
INVESTMENTS IN SECURITIES	26,646	29,441	2,795
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS:	46	2,194	2,148
LOAN PORTFOLIO	149,499	147,104	(2,395)
(Less) Allowance for loan losses	(3,667)	(3,140)	(527)
LOAN PORTFOLIO, net	145,832	143,964	(1,868)
ACQUIRED LOAN PORTFOLIOS	3,755	4,617	862
TOTAL LOAN PORTFOLIO, net	149,587	148,581	(1,006)
OTHER ACCOUNTS RECEIVABLE, net	5,853	8,249	2,396
FORECLOSED ASSETS, net	328	393	65
PROPERTY, FURNITURE AND FIXTURES, net	6,899	6,899	—
PERMANENT STOCK INVESTMENTS	3,284	2,544	(740)
DEFERRED TAXES, net	—	—	—
OTHER ASSETS	5,649	7,635	1,986
TOTAL ASSETS	Ps. 243,346	Ps. 250,990	Ps. 7,644

LIABILITIES	2006 As originally presented	2006 As adjusted	Variance
DEPOSITS	Ps. 175,980	Ps. 175,860	Ps. (120)
BANK AND OTHER LOANS	17,490	17,490	—
OVERNIGHT SECURITIES	—	1,810	1,810
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	246	3,933	3,687
OTHER PAYABLES	9,058	11,145	2,087
SUBORDINATED DEBENTURES	11,799	11,761	(38)
DEFERRED TAXES, net	149	338	189
DEFERRED CREDITS AND ADVANCED COLLECTIONS	74	627	553
TOTAL LIABILITIES	214,796	222,964	8,168
STOCKHOLDERS' EQUITY			
PAID-IN-CAPITAL	13,883	13,882	(1)
OTHER CAPITAL	13,206	12,698	(508)
NET INCOME	6,185	6,255	(70)
MINORITY INTEREST IN STOCKHOLDERS' EQUITY	1,461	1,446	(15)
TOTAL STOCKHOLDERS' EQUITY	28,550	28,026	(524)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	Ps. 243,346	Ps. 250,990	Ps. 7,644

CONSOLIDATED STATEMENTS OF INCOME	2006 As originally presented	2006 As adjusted	Variance
Interest income	Ps. 36,828	Ps. 36,120	Ps. (708)
Interest expense	(21,409)	(21,256)	153
Monetary position loss, net	(349)	(350)	(1)
FINANCIAL MARGIN	15,070	14,514	(556)
Allowance for loan losses	(1,588)	(1,530)	58
FINANCIAL MARGIN AFTER PROVISION FOR LOAN LOSSES	13,482	12,984	(498)
Commission and fee income	7,876	6,324	(1,552)
Commission and fee expense	(1,586)	(920)	666
Brokerage revenues	1,781	1,781	—
NET OPERATING REVENUE	21,553	20,169	(1,384)
Administrative and promotional expenses	(12,931)	(13,157)	(226)
OPERATING INCOME	8,622	7,012	(1,610)
Other income	1,127	3,192	2,065
Other expenses	(919)	(905)	14
INCOME TAXES AND EMPLOYEE PROFIT SHARING	8,830	9,299	469
Current income taxes and employee profit sharing	(3,034)	(3,098)	(64)
Deferred income taxes and employee profit sharing	(221)	(355)	(134)
INCOME BEFORE EQUITY IN EARNINGS OF SUBSIDIARIES AND ASSOCIATED COMPANIES	5,575	5,846	271
Equity in earnings of subsidiaries and associated companies, net	827	628	(199)
NET EARNINGS BEFORE MINORITY INTEREST	6,402	6,474	72
Minority interest	(217)	(219)	(2)
NET INCOME	Ps. 6,185	Ps. 6,255	Ps. 70

The significant accounting policies followed by the Financial Group are described below:

Recognition of the effects of inflation in financial information

As mentioned above, as of January 1, 2008, the Financial Group discontinued recording the effects of inflation. Up until December 31, 2007, such recording resulted mainly in inflationary gains or losses on non-monetary and monetary items, which are shown in the financial statements under “Insufficiency in Restated Stockholders’ Equity”, “Effect of Holding Non-Monetary Assets” and “Monetary Position Gains and Losses”.

The inflation rates for the periods ending on December 31, 2008 and 2007 were 6.39% and 3.80%, respectively.

Cash and cash equivalents

Cash and cash equivalents are stated at nominal value plus accrued yields, which are recognized in results as they accrue. Funds available in foreign currency are valued at the exchange rate published by Banco de México at the balance sheet date.

Trading securities

Trading securities represent debt instruments and equity securities owned by the Financial Group, from which it intends to obtain profits by actively trading in the market. They are stated at fair value, which is determined by the price vendor contracted by the Financial Group, in conformity with the following guidelines:

Debt securities

- Applying market values
- If the market value cannot be obtained from a reliable source or it is not representative, the market prices of similar instruments or prices calculated based on formal valuation techniques will be used.
- When the fair value of the securities cannot be determined, these will be stated at the last fair value determined or at the acquisition cost, plus accrued interest.

Equity securities

- Applying market values
- If the market value cannot be obtained from a reliable source or it is not representative, the fair value will be determined based on the equity method described in Bulletin B-8, "Consolidated and Combined Financial Statements and Permanent Stock Investments", of MFRS or, in rare cases, based on the acquisition cost restated by a factor derived for the value of the UDI.
- When the fair value of the securities cannot be determined, these will be stated at the last fair value determined or at the acquisition cost, which should be adjusted to it net trading value.

The increase or decrease in the fair value of these securities is recognized in the results of operations.

Available for sale securities

Available for sale securities are debt or equity securities that are classified neither as trading nor held to maturity. They are valued in the same way as trading securities, but with unrealized gains and losses recognized in stockholders' equity.

Held to maturity securities

Held to maturity securities consist of debt instruments whose payments can be determined and with known maturities exceeding 90 days, which are acquired with the intent to hold them to maturity. They are initially recorded at acquisition cost and are subsequently carried at amortized cost.

If sufficient evidence exists that a security represents a high credit risk and/or its estimated value decreases, the book value could be modified based on the net realizable value determined by using formal valuation techniques, with a charge to results recorded in the year of the write-down.

Transfers from this item to "Available for sale securities" can only be made providing the related instruments will not be held to maturity.

Customer repurchase agreements

This is a transaction by which the purchaser acquires ownership of credit titles for a sum of money and is obliged to transfer titles 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 otherwise agreed.

Until September 30, 2008, when the Financial Group acted as the seller, the repurchase agreement transactions were recorded net and represented the difference between the fair value of the securities given under the repurchase agreement (asset position), which represented the securities to receive in the operation pursuant to the trading securities valuation criteria, and the current value of the maturity price (liability position). When the Financial Group acts as the purchaser of securities, the net position represents the difference between the present value of the price at maturity (asset position) and the fair value of the securities received under the repurchase agreement (liability position), which are valued according to the method discussed in the preceding paragraph.

Since October 1, 2008, repurchase transactions are recorded as follows:

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 case of non-compliance.

On the repurchase agreement transaction contract date, the Financial Group acting as the seller, records the cash income or outlay, or a liquidating debtor account as well as receivable or payable account at its fair value, initially at the agreed price, which represents the obligation of restoring the cash to the purchaser. The payable account will be valued subsequently throughout the life of the repurchase agreement at its fair value by recognizing the repurchase agreement interest in the earnings of the year according to the effective interest method.

As to the collateral, the Financial Group classifies the financial asset in its balance sheet as restricted, valuing it according to the criteria mentioned above in this note through the repurchase agreement's maturity.

The Financial Group, acting as the purchaser, on the repurchase transaction contract date cash and cash equivalents are recorded or a creditor liquidating account, recording an account receivable at its fair value, initially at the agreed price, which represents the right to recover the cash that was given. The receivable account will be valued subsequently throughout the life of the repurchase agreement at its fair value by recognizing the repurchase agreement interest in the earnings of the year according to the effective interest method.

As to the collateral received, the Financial Group records it in memorandum accounts through the repurchase agreement's maturity, following the guidelines of Circular B-9, "Asset Custody and Management", issued by the Commission.

Derivative financial instruments

The Financial Group is authorized to perform two types of transactions involving derivative financial instruments:

Transactions to hedge the Financial Group's exposed position: Such transactions involve purchasing or selling derivative financial instruments to mitigate the risk resulting from a given transaction or group thereof.

Transactions entered into 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 "Securities and derivative financial instruments".

When entering into transactions involving derivative financial instruments, the Financial Group's internal policies and procedures require an assessment and risk exposure regarding the financial institution acting as the counterparty to the transaction and that it be authorized by the Banco de México to enter into this type of transaction. Before entering into these types of transactions with corporate customers, a precautionary credit line must be granted by the National Credit Committee or liquid guarantees given through a securitized collateral contract. Transactions entered into with medium and small sized companies and individuals provide for liquid guarantees established in securitized collateral contracts.

The recognition or cancellation of assets and/or liabilities derived from transactions involving derivative financial instruments occurs when these transactions are entered into to, regardless of the respective settlement or delivery date of the goods.

Forward and futures contracts

Forward and futures contracts for trading purposes establish an obligation to buy or sell 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 balance sheet 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 of receiving and/delivering the underlying, as well as the right and obligation of receiving and/or delivering the cash equivalent to the underlying, object of the contract.

For the purpose of financial statement presentation, for derivative financial instruments that incorporate both rights and obligations, such as futures and forwards, the asset and liability positions are netted individually. If the net is a debit balance, the difference is presented in the asset under "Derivative financial instruments". If it is a credit balance, it is presented in the liability of the same line item.

The balance of these transactions entered into for trading purposes represents the difference between the fair value of the contract and the established "forward" price.

Option contracts

Options are contracts that, by paying a premium, grant the right but not the obligation to buy or sell a specific number of underlying instruments at a given price within an established term.

Options are divided into: buy options (calls) and sell options (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 to which the price is linked is the reference or underlying value.

The premium is the price the holder pays the issuer for the option rights.

The holder of a call/put option has the right, but not the obligation, to purchase/sell from/to the issuer a certain number of underlying instruments 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 of the option's premium market valuation are recorded in the income statement under "Trading" thereby affecting the corresponding account's balance.

Option contracts for trading purposes are recorded in memorandum accounts at their current price, multiplied by the number of securities, and distinguishing the options that are negotiable in the stock market from those that are not in order to control risk exposure.

All valuation results recorded before the option is exercised or expires are unrealized and not susceptible to capitalization or distribution among their shareholders until they are realized in cash.

Swaps

These are two-party contracts by 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.

The Financial Group records the asset and liability portion for the rights and obligations agreed upon, valuing the future flows to receive or give at the current value according to the forecast of future applicable rates, discounting the market rate on the valuation date with curves provided by the price provider and verified by the market risk area.

The balance of these transactions entered into for trading purposes represents the difference between the fair value of the asset and liability positions. Balances are presented as assets or liabilities under the “Derivative financial instruments” heading.

Trading transactions are valued at market price, and the result of each valuation is recorded in the year’s results.

Management’s policy with regards to hedge contracts is to protect the Financial Group’s individual balances and stockholders’ equity by anticipating interest rate and exchange rate fluctuations.

For hedging derivative financial instruments, 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. The results of ineffective hedging are recorded in the year’s results.

The Financial Group documents hedging transactions from the moment the derivative instruments are designated as hedging transactions. A file is drawn up for each transaction in order to have documented proof as per Bulletin C-10 paragraph 51.

Accordingly, the Financial Group documents its hedging transactions based on the following guidelines:

- A fair value hedging transaction is recorded as follows:

    a. The gain or loss from valuing the hedging instrument at its fair value is recognized immediately in the period’s income statement; and
    b. The gain or loss from valuing the hedging instrument’s primary position attributable to the hedged risk should be restated to such position’s book value and recognized immediately in the period’s income statement.

- 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 an asset or liability account called “securities and derivative financial instruments” as a counter-account. The ineffective portion of the gain or loss on the hedging instrument is recognized in current earnings.
    b. The stockholders’ equity balance that is part of other comprehensive income associated with the primary position is restated at the lower value (absolute value) of:
        I. The accumulated gain or loss on the hedging instrument; and
        II. The accumulated change in the primary position cash flow fair value from the beginning of the hedging transaction.

Valuation methods

As the derivative products transacted are considered conventional ("Plain Vanilla"), the standard valuation models contained in the derivative transaction systems and the Financial Group's risk management are used.

All valuation methods that the Financial Group uses result in the fair value of 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.

Operating strategies

Trading

The Financial Group participates in the derivative instruments market for 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 a decision.

Hedging

The hedging strategy is determined annually and each time the market conditions so require. Hedging strategies are submitted to the Risk Policies Committee.

Hedging transactions comply with the applicable standard set forth in Circular C-10 of the CNBV. This implies, among other things, that the hedge's effectiveness is evaluated both prior to its arrangement (prospective) and thereafter (retrospective). These tests are performed on a monthly basis.

Loan portfolio

The loan portfolio represents the balance of amounts effectively granted to borrowers plus uncollected accrued interest minus prepaid interest received. 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:

- Single payment loans upon the maturity of principal and interest, 30 calendar days after maturity.

- Loans involving a single principal payment at maturity, but with periodic interest payments, total principal and interest payments 30 and 90 calendar days after maturity, 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 60 or more days have elapsed following maturity.

- Overdrawn customer checking accounts are considered as part of the past-due portfolio when such situations arise.

Interest is recognized and accrued into income as it is 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 differed credit, which will be amortized as interest income, as per the straight line method during the loan's contractual term.

Restructured past-due loans are not considered in the current 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 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.

Allowance for loan losses

Application of new portfolio classification provisions

The loan portfolio is classified according to the rules issued by the SHCP and the methodology established by the Commission. Internal methodologies may be used providing they are authorized by the Commission.

In the case of consumer and mortgage loans, the Financial Group applies the general provisions applicable to credit institutions in classifying the loan portfolio as issued by the Commission on August 22, 2005 and December 2, 2008 and the internal methodology authorized by the Commission for classifying commercial loans.

Such provisions also establish general methodologies for the classification and calculation of allowances for each type of loan, while also permitting credit institutions to classify and calculate allowances based on internal methodologies, when previously approved by the Commission.

As of June 2001, the Financial Group has the Commission's approval to apply its own methodology, called Internal Risk Classification (CIR Banorte) to commercial loans. CIR Banorte applies to commercial loans with outstanding balances equal to or greater than 4 million UDIS or its equivalent in Mexican pesos. Loan classification and reserve allowance are determined based on the rules set by the Commission. This methodology is explained later in this note.

The commercial loan portfolio classification procedure requires that credit institutions 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 month following each quarterly close, financial institutions must apply the respective classification to any loan at the close of the immediately preceding quarter, based on the outstanding balance in effect on the last day of the aforementioned months. The preventive estimates 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 earnings. Additionally, the previously written-off loan portfolio recoveries are applied against the ending balance sheet.

Through its subsidiary Banorte USA, the Financial Group acquired Inter National Bank (INB) in 2006 and continues to apply INB's loan classification methodologies by adjusting the allowance for loan losses, derived from applying such methodologies.

As of November 27, 2008, the Commission issued Document 111-2/26121/2008, which renews for a two-year period, as of December 1, 2008, the authorization for such internal loan classification methodology.

Commercial loans equal to or greater than 4 million UDIS or its equivalent in Mexican pesos are classified according to 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 capability
	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	Minimal 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 is recorded in the income statement.

For its portfolios valued using the interest method, the Financial Company evaluates 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 Company uses the cost recovery method on those collection rights in which the expected cash flow estimate is not effective. The expected cash flow estimate is considered "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.

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 their percentage of non-recoverability to calculate its allowance for doubtful accounts. The remainder of the accounts receivable balances are reserved at 90 calendar days from their 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 settled within 48 hours.

Merchandise inventory

This is comprised mainly of finished goods and prior to 2008 was restated at its replacement or market cost, whichever is lower. In 2008 finished good are stated at the lower of cost or their net realizable value. The cost of sales, recorded under "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 net realizable value or cost. Cost is determined as the forced-sales value determined by a judge upon foreclosure or, in the case of payments in kind, the price agreed between the parties involved.

If the book value of the loan exceeds that of the foreclosed property, the difference is recognized by canceling the allowance for loan losses when such assets are awarded. If the carrying value of the loan is lower than the value of the foreclosed property, the latter must be adjusted to match the loan's carrying value.

The carrying value is only modified when there is evidence that the net realizable value is lower than the recorded carrying value. Reductions in the carrying value of the loan are recorded in current earnings as they occur.

The provisions applicable to the 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 referred to by the preceding paragraph must be treated as follows:

Personal property reserves

Time elapsed as of award date or receipt as payments 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, "Investments in Securities", using annual audited financial statements and monthly financial information of the investee.

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 payments 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 awarding 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, 2008 there are no reserves in addition to those created by the percentage applied based on the accounting criteria that could indicate realization problems on 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 fixtures

Property, furniture and fixtures are recorded at acquisition cost. The balances of acquisitions made up to December 31, 2007 are 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 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. 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. 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 sheet under the "Deferred taxes, net" heading.

Intangible assets

Intangible assets are recognized in the consolidated balance sheet provided they are identifiable and generate future economic benefits that are controlled by the Financial Group. Intangible assets with definite lives are amortized systematically over the period expected to receive benefits. The value of the intangible assets with indefinite lives is subject to annual impairment tests.

Goodwill

Goodwill represents the excess of cost over the fair value of subsidiary shares, as of the date of acquisition. At least once a year is subject to impairment tests following the provisions of NIF C-15, "Impairment of long-life asset value and their disposal". No impairment was detected as of December 31, 2008.

Deposits

Liabilities derived from deposits, including promissory notes, are recorded at their procurement or placement cost plus accrued interest, determined according to the number of days elapsed at each monthly close and charged to results as incurred.

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.

<u>Defined benefit plans</u>

The Financial Group records a liability for seniority premiums and medical services after retirement and severance payments for reasons other than restructuring, which are recognized as costs over employee years of service and are calculated by independent actuaries using the projected unit credit method at nominal interest rates in 2008 and actual interest rates in 2007. Accordingly, the liability is being accrued which, at present value, will cover the obligation from benefits projected to the estimated retirement date of the Financial Group's current employees, as well as the obligation related to retired personnel.

The Financial Group applies the provision of NIF D-3 related to the recognition of the liability for severance payments at the end of the work relationship for reasons other than restructuring, which is recorded using the projected unit credit method based on calculations by independent actuaries.

<u>Defined contribution plan</u>

In January 2001 the Financial Group provided a voluntary defined contribution pension plan to participating employees who were hired before such date. This pension plan is invested in a diversified mutual fund, which is included in "Other assets".

The employees who were hired before 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 that was early extinguished 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 transactions

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 published by Banco de México in effect at the balance sheet date. 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

A transfer of financial assets in which the Financial Group surrenders control over those financial assets is accounted for as a sale, with the related effects subsequently recognized in the financial statements. If a transfer of financial assets in exchange for cash or other consideration does not meet the criteria for a sale, the Financial Group accounts for the transfer as a secured borrowing.

Securitizations

Through this type of transaction, the Financial Group seeks to sell and transfer certain financial assets to a securitization vehicle, which in turn issues securities for sale to public investors representing rights to the yields or proceeds derived from the sale of the transferred assets. The Financial Group as the transferor can receive cash, securities or derivative financial instruments as payment.

However, if the Financial Group does not transfer ownership of the financial assets, i.e., if it retains the direct risk associated with such assets, the transaction is considered to be a financing securitization, whereby the payment made to the transfer is guaranteed by assets for which the latter assumes the related risk. Accordingly, the Financial Group cannot derecognize such transferred assets from its financial statements and accounts for the transfer as a secured borrowing with pledge of collateral.

Share-based payments

Banorte grants stock options to key officers who would like to acquire shares in the Financial Group. Banorte 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.

At the subsidiary level, Banorte reports the shares held by the trusts as available for sale securities and as of December 31, 2008 reclassifies such amounts in the Financial Group's consolidation process with an effect of Ps. 63 in "Common stock" and Ps. 392 in "Additional paid in capital".

Banorte records its stock option plans according to the guidelines of IFRS 2, "Share Based Payments", which through 2008 is supplementally applied as there is no applicable standard in the Commission's accounting criteria. According to the above and given the features of Banorte's share-based payment plans, the related compensation expense is recorded at fair value as of the date the stock options are granted and adjusted during the required service period established in the stock option agreement.

The fair value of each share is estimated as of the date of grant using the Black-Scholes option pricing model. The changes in the assumptions used may result in substantial differences in the fair value estimates. However, such assumptions are restated (updated) at the close of the reporting period.

As of December 31, 2008, the market value of the shares was below the option price, and consequently no compensation expense was recorded.

5 - CASH AND CASH EQUIVALENTS

As of December 31, 2008 and 2007, this line item was composed as follows:

	2008		2007	
Cash	Ps.	8,419	Ps.	7,831
Banks		40,004		31,487
Other deposits and available funds		5,979		2,292
	Ps.	**54,402**	**Ps.**	**41,610**

On December 31, 2008, the "Other" item includes Ps. 5,738 for funds due to be received in 24 and 48 hours, and Ps. 25 in gold and silver coins. In 2007, it included Ps. 1,456 for funds to be received in 24 and 48 hours, and Ps. 28 in gold and silver coins.

The "Banks" item is represented by cash in Mexican pesos and USD converted at the exchange rate issued by Banco de México at Ps. 13.8325 and Ps. 10.9157 for 2008 and 2007, respectively, and is made up as follows:

	Mexican pesos		Denominated in US dollars		Total	
	2008	2007	2008	2007	2008	2007
Call money	Ps. 3,184	Ps. —	Ps. —	Ps. 109	Ps. 3,184	Ps. 109
Deposits with foreign credit institutions	—	—	6,866	5,309	6,866	5,309
Domestic banks	503	250	—	—	503	250
Banco de México	29,405	25,782	46	37	29,451	25,819
	Ps. 33,092	**Ps. 26,032**	**Ps. 6,912**	**Ps. 5,455**	**Ps. 40,004**	**Ps. 31,487**

As of December 31, 2008 and 2007, the Financial Group had made monetary regulation deposits of Ps. 26,394 and Ps. 25,782, respectively.

As of December 31, 2008 and 2007, the total sum of restricted cash and cash equivalents is Ps. 35,476 and Ps. 28,089, respectively. This includes monetary regulation deposits, futures placed in the domestic and foreign market, call money and contracted transactions pending liquidation in 24 and 48 hours.

6 - INVESTMENTS IN SECURITIES

a. Trading securities

As of December 31, 2008 and 2007, trading securities are as follows:

	2008				2007
	Acquisition cost	Accrued interest	Valuation increase	Book value	Book value
Commercial paper	Ps. 114	Ps. —	Ps. 9	Ps. 123	Ps. 1,254
CETES	—	—	—	—	518
Government bonds	—	—	—	—	113
Saving Protection Bonds (BPAS)	101	1	—	102	—
Bank securities	5,824	23	—	5,847	5,395
Securitization certificates	—	—	—	—	216
Shares listed in the International Quotation System (SIC)	—	—	—	—	2
Futures	4	—	—	4	4
Investment funds	—	—	—	—	11
Subordinated securities	236	—	318	554	241
	Ps. 6,279	**Ps. 24**	**Ps. 327**	**Ps. 6,630**	**Ps. 7,754**

During 2008 and 2007, the Financial Group recognized a valuation effect for the net amount of Ps. 109 and Ps. 1, respectively, in the results of operations related to its trading securities.

As of December 31, 2008, these investments mature as follows (stated at their acquisition cost):

	From 1 to 179 days	From 6 to 12 months	More than 2 years	Total at acquisition cost
Commercial paper	Ps. 98	Ps. 16	Ps. —	Ps. 114
Saving Protection Bonds (BPAS)	101	—	—	101
Bank securities	5,824	—	—	5,824
Futures	4	—	—	4
Subordinated securities	—	—	236	236
	Ps. 6,027	**Ps. 16**	**Ps. 236**	**Ps. 6,279**

b. Available for sale securities

As of December 31, 2008 and 2007, available for sale securities were as follows:

	2008				2007
	Acquisition cost	Accrued interest	Valuation increase (decrease)	Book value	Book value
US Government Bonds	Ps. 6,153	Ps. 26	Ps. 48	Ps. 6,227	Ps. 4,634
UMS	502	13	1	516	1,361
Bonds	4,086	56	(434)	3,708	285
VISA	2	—	94	96	—
MASTER CARD	—	—	21	21	—
BMV Shares	234	—	(90)	144	—
EUROBONDS	553	12	(1)	564	386
PEMEX bonds	212	2	(10)	204	3,881
Subordinated securities	21	—	221	242	330
CYDSA shares	—	—	—	—	71
	Ps. 11,763	**Ps. 109**	**Ps. (150)**	**Ps. 11,722**	**Ps. 10,948**

As of December 31, 2008, these investments mature as follows (stated at their acquisition cost):

	From 1 to 179 days	From 6 to 12 months	More than 1 year	Total at acquisition cost
US Government Bonds	Ps. 6	Ps. 39	Ps. 6,108	Ps. 6,153
UMS	—	—	502	502
Bonds	—	—	4,086	4,086
VISA	—	—	2	2
BMV Shares	—	—	234	234
EUROBONDS	—	—	553	553
PEMEX bonds	—	—	212	212
Subordinated securities	—	—	21	21
	Ps. 6	**Ps. 39**	**Ps. 11,718**	**Ps. 11,763**

c. Held to maturity securities

As of December 31, 2008 and 2007, held to maturity securities are as follows:

Medium and long-term debt instruments:

	2008			2007
	Acquisition cost	Accrued interest	Book value	Book value
Government bonds- support program for Special Federal Treasury Certificates	Ps. 684	Ps. 6	Ps. 690	Ps. 651
Fiduciary rights	—	—	—	8
CETES	3	—	3	—
Government bonds	653	2	655	—
Bonds	33,062	—	33,062	—
Saving Protection Bonds (BPAS)	124,691	177	124,868	—
UMS	2,541	68	2,609	—
UDIBONOS	3	—	3	—
Separable securitization certificates	24	9	33	—
Bank securities	31,494	63	31,557	—
US Government Bonds	13	—	13	10
PEMEX bonds	5,361	102	5,463	—
Private securitization certificates	21,722	48	21,770	—
Strip and Myra bonds	—	—	—	14
Structured notes	520	—	520	—
Other debt titles	349	—	349	—
Subordinated securities	22	—	22	77
	Ps. 221,142	**Ps. 475**	**Ps. 221,617**	**Ps. 760**

As of December 31, 2008, there is Ps 192,726 in restricted securities from the Financial Groups repurchasing operations.

As of December 31, 2008, these investments mature as follows (stated at their acquisition cost):

	From 1 to 179 days	More than 2 years	Total at acquisition cost
Government bonds- support program for Special Federal Treasury Certificates	Ps. —	Ps. 684	Ps. 684
CETES	—	3	3
Government bonds	—	653	653
Bonds	—	33,062	33,062
SAVING PROTECTION BONDS (BPAS)	124,691	—	124,691
UMS	—	2,541	2,541
UDIBONOS	—	3	3
Separable securitization certificates	—	24	24
Bank securities	31,494	—	31,494
US Government Bonds	—	13	13
PEMEX bonds	—	5,361	5,361
Private securitization certificates	—	21,722	21,722
Structured notes	—	520	520
Other debt titles	—	349	349
Subordinated securities	—	22	22
	Ps. 156,185	**Ps. 64,957**	**Ps. 221,142**

7 - TRANSACTIONS INVOLVING SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 2008 and 2007, transactions involving securities and derivative financial instruments were as follows:

a. Debtor and creditor balances derived from repurchase transactions

Acting as seller of securities

	2008				2007			
	Asset position	Liability position			Asset position	Liability position		
Instrument	**Value of securities receivable**	**Creditor repurchase agreement**	**Debit difference**	**Credit difference**	**Value of securities receivable**	**Creditor repurchase agreement**	**Debit difference**	**Credit difference**
CETES	Ps. —	Ps. 3	Ps. —	Ps. 3	Ps. 4,039	Ps. 4,039	Ps. —	Ps. —
Development Bonds	3,987	37,085	—	33,098	25,900	25,901	—	1
Bonds 182	—	5	—	5	929	929	—	—
Bonds IPAB	—	351	—	351	874	879	—	5
Quarterly IPAB bonds	7,102	106,967	1	99,866	119,370	119,739	18	387
Semiannual IPAB bonds	26,970	51,252	1	24,283	13,767	13,808	4	45
7-year bonds	—	2	—	2	1,684	1,684	—	—
10-year bonds	627	1,275	—	648	4,067	4,069	1	3
20-year bonds	—	5	—	5	8,758	8,780	1	23
UDIBONOS	—	—	—	—	102	102	—	—
10-year UDIBONDS	—	4	—	4	1,460	1,459	1	—
Government securities	**38,686**	**196,949**	**2**	**158,265**	**180,950**	**181,389**	**25**	**464**
Promissory Notes	537	537	—	—	4,001	4,001	—	—
CEDES	716	10,985	—	10,269	12,897	12,906	3	12
Bank acceptances	—	—	—	—	10	10	—	—
CEBUR Bank	—	8,892	—	8,892	2,449	2,450	—	1
Bank securities	**1,253**	**20,414**	**—**	**19,161**	**19,357**	**19,367**	**3**	**13**
Private paper	—	11,428	—	11,428	11,618	11,642	1	25
CEBUR government	—	3,602	—	3,602	4,027	4,026	4	3
Securitization certificates	—	269	—	269	281	284	—	3
Private securities	**—**	**15,299**	**—**	**15,299**	**15,926**	**15,952**	**5**	**31**
	Ps. 39,939	**Ps. 232,662**	**Ps. 2**	**Ps. 192,725**	**Ps. 216,233**	**Ps. 216,708**	**Ps. 33**	**Ps. 508**

With the Financial Group acting as the vendor, accrued premiums were charged to the results of operations up to December 31, 2008 in the amount of Ps. 18,320 (Ps. 16,468 in 2007).

During 2008 and 2007, the period of repurchase transactions entered into by the Financial Group in its capacity as vendor ranged from 1 to 177 days.

Acting as purchaser of securities

	2008				2007			
	Liability position	Asset position			Liability position	Asset position		
Instrument	**Value of securities deliverable**	**Repurchase agreement from debtors**	**Debit difference**	**Credit difference**	**Value of securities deliverable**	**Repurchase agreement from debtors**	**Debit difference**	**Credit difference**
CETES	Ps. 1,667	Ps. 1,667	Ps. —	Ps. —	Ps. 300	Ps. 300	Ps. —	Ps. —
Development Bonds	3,992	3,987	5	—	3,233	3,233	—	—
Bonds 182	—	—	—	—	928	928	—	—
Bonds IPAB	—	—	—	—	878	873	5	—
Quarterly IPAB bonds	6,014	5,992	22	—	7,558	7,543	18	3
Semiannual IPAB bonds	25,865	25,751	115	1	—	—	—	—
7-year bonds	1,248	1,248	—	—	350	350	—	—
10-year bonds	1,193	1,194	2	3	1,092	1,093	—	1
20-year bonds	4,001	4,001	—	—	1,126	1,125	2	1
UDIBONOS	—	—	—	—	102	102	—	—
10-year UDIBONDS	—	—	—	—	501	501	—	—
Government securities	**43,980**	**43,840**	**144**	**4**	**16,068**	**16,048**	**25**	**5**
Promissory Notes	—	—	—	—	3,011	3,011	—	—
CEDES	568	565	3	—	1,773	1,773	—	—
Bank securities	**568**	**565**	**3**	**—**	**4,784**	**4,784**	**—**	**—**
CEBUR government	—	—	—	—	650	652	—	2
Private securities	**—**	**—**	**—**	**—**	**650**	**652**	**—**	**2**
	Ps. 44,548	**Ps. 44,405**	**Ps. 147**	**Ps. 4**	**Ps. 21,502**	**Ps. 21,484**	**Ps. 25**	**Ps. 7**

With the Financial Group acting as the purchaser, accrued premiums were charged to the results of operations up to December 31, 2008 in the amount of Ps. 2,521 (Ps. 2,345 in 2007).

During 2008 and 2007, the period of repurchase transactions entered into by the Financial Group in its capacity as purchaser ranged from 1 to 21 days.

As of December 31, 2008, the amount of goods corresponding to the guarantees given and received in repurchase transactions that involved the transfer of property totaled Ps. 179 and Ps. 14, respectively, and as of December 31, 2007, the totals were Ps. 137 of guarantees given and Ps. 12 of guarantees received.

b. Derivative financial instruments

The transactions entered into by the Financial Group involving derivative financial instruments correspond mainly to futures, swaps and options contracts. These transactions are entered into to hedge various risks and for trading purposes.

As of December 31, 2008, the Financial Group has evaluated the effectiveness of transactions entered into involving derivative financial instruments for hedging purposes and has concluded that they are highly effective.

As of December 31, 2008 and 2007, the positions of the Financial Group's derivative financial instrument held for trading purposes are as follows:

	2008		2007	
Assets				
Derivative financial instruments	Ps.	8,168	Ps.	2,302
Liabilities				
Derivative financial instruments	Ps.	10,746	Ps.	2,435

	2008				2007			
Asset position	Nominal amount		Asset position		Nominal amount		Asset position	
Futures								
TIIE-rate futures	Ps.	1,500	Ps.	—	Ps.	980	Ps.	—
Forwards								
Foreign currency forwards		1,892		40		571		42
Options								
Rate options		9,683		76		6,929		195
Swaps								
Rate swaps		173,097		1,999		97,357		873
Exchange rate swaps		9,829		3,210		10,107		677
Total negotiation		**196,001**		**5,325**		**115,944**		**1,787**
Options								
Rate options		24,200		179		16,250		100
Swaps								
Rate swaps		19,298		10		12,391		59
Exchange rate swaps		10,474		2,654		5,847		356
Total hedge		**53,972**		**2,843**		**34,488**		**515**
Total position	**Ps.**	**249,973**	**Ps.**	**8,168**	**Ps.**	**150,432**	**Ps.**	**2,302**

Liability position	2008		2007	
	Nominal amount	Liability position	Nominal amount	Liability position
Futures				
TIIE-rate futures	Ps. 1,500	Ps. —	Ps. 980	Ps. —
Forwards				
Foreign currency forwards	129	46	571	46
Options				
Foreign currency options	67	2	16	—
Rate options	10,827	64	3,300	40
Swaps				
Rate swaps	173,114	2,024	97,359	842
Exchange rate swaps	9,774	3,133	9,794	663
Total negotiation	**195,411**	**5,269**	**112,020**	**1,591**
Swaps				
Rate swaps	19,298	663	12,391	261
Exchange rate swaps	7,479	4,814	8,160	583
Total hedge	**26,777**	**5,477**	**20,551**	**844**
Total position	**Ps. 222,188**	**Ps. 10,746**	**Ps. 132,571**	**Ps. 2,435**

The operated products and main underlying instruments are as follows:

Forwards	Options	Swaps	CCS
Fx-USD	Fx-USD	TIIE 28	TIIE 28
	TIIE 28	TIIE 91	TIIE 91
		CETES 91	Libor
		Libor	

The risk management policies and internal control procedures for managing risks inherent to derivative instrument operations are described in Note 32.

Transactions entered into for hedging purposes have maturities from 2008 to 2018 and are intended to mitigate the financial risk derived from long-term loans offered by the Financial Group at fixed 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, 2008, is USD 876,379 thousand and EUR 20,110 thousand and as of December 31, 2007 the book value is USD 413,350 thousand and EUR 21,406 thousand. Futures transactions are made through recognized markets, and as of December 31, 2008 they represent 0.60% of the nominal amount of all the derivative operation contracts; the remaining 99.32% correspond to options and swaps transactions in OTC markets.

As mentioned in Note 2 f), during the first quarter of 2008, one of our counterparts failed to comply with its obligations. Therefore, steps were taken pursuant to clause VII (bankruptcy) of the ISDA Master Agreement, and the current derivative operations with this counterparty were offset using market quotations to value them. The sum of the valuation of the derivative operations with the counterparty represents a net loss for the Financial Group in the amount mentioned in Note 2 f).

Furthermore, as a result of Lehman Brothers noncompliance, cash flow hedging was ineffective, bringing about a negative impact in the amount of USD 530 thousand.

The net amount of estimated gains or losses originated by transactions or events that are recorded in cumulative other comprehensive income as of December 31, 2008 and that are expected to be reclassified to earnings within the next 12 months totals Ps. 2.

8 - LOAN PORTFOLIO

As of December 31, 2008 and 2007, the loan portfolio by loan type is as follows:

	Current portfolio		Past-due portfolio		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Commercial loans						
Denominated in domestic currency						
Commercial	Ps. 93,123	Ps. 77,312	Ps. 1,482	Ps. 900	Ps. 94,605	Ps. 78,212
Rediscounted portfolio	6,129	6,646	—	—	6,129	6,646
Denominated in USD						
Commercial	27,041	13,975	221	27	27,262	14,002
Rediscounted portfolio	505	158	—	—	505	158
Total commercial loans	**126,798**	**98,091**	**1,703**	**927**	**128,501**	**99,018**
Loans to financial institutions	10,860	13,158	—	—	10,860	13,158
Consumer loans						
Credit card	15,067	13,881	2,140	829	17,207	14,710
Other consumer loans	14,302	13,344	359	280	14,661	13,624
Housing mortgage loans	46,282	37,216	746	858	47,028	38,074
Government loans	26,989	17,948	—	—	26,989	17,948
	113,500	**95,547**	**3,245**	**1,967**	**116,745**	**97,514**
Total loan portfolio:	**Ps. 240,298**	**Ps. 193,638**	**Ps. 4,948**	**Ps. 2,894**	**Ps. 245,246**	**Ps. 196,532**

On December 31, 2008 and 2007, revenues from previously written-off loan portfolios was Ps. 687 and Ps. 604, respectively.

The average terms of the portfolio's main balances are: commercial, 2.8 years; b) financial institutions, 3.6 years; c) mortgage, 17.4 years; and d) government, 4.7 years.

The loans granted grouped into economic sectors as of December 31, 2008 and 2007, are shown below:

	2008		2007	
	Amount	**Concentration percentage**	**Amount**	**Concentration percentage**
Private (companies and individuals)	Ps. 128,501	52.40%	Ps. 99,018	50.38%
Financial institutions	10,860	4.43%	13,158	6.70%
Credit card and consumer	31,868	12.99%	28,334	14.42%
Housing	47,028	19.18%	38,074	19.37%
Government loans	26,989	11.00%	17,948	9.13%
	Ps. 245,246	**100%**	**Ps. 196,532**	**100%**

Loan support programs

The Financial Group participates in different loan support programs established by the Federal Government and Mexican Bankers' Association, as detailed below:

a) Support Program for Housing Loan Debtors and the Agreement on Benefits for Housing Loan Debtors

b) Agreement on Agrarian and Fishery Sector Financing (FINAPE)

c) Agreement on the Financial Support and Promotion of Micro, Small and Medium Companies (FOPYME)

d) Additional Benefits Program for Housing Loan Debtors - FOVI-type Housing Loans

Furthermore, in December 1998, the Federal Government and Banking Sector published a new and definitive debtor support plan known as “Punto Final”, which, as of 1999, replaced the benefits formerly granted by Housing Loan Debtor support programs. In the case of FOPYME and FINAPE, these support plans were replaced in 1999 and 2000, respectively, and beginning in 2001 the benefits established by original support programs continued to be applied.

The “Punto Final” plan defines housing loan discounts, which are determined based on the outstanding loan balance recorded at November 30, 1998, without considering late payment charges. In the case of FOPYME and FINAPE loans, the discount is applied to payments and the discount percentage is determined based on the recorded loan balance at July 31 and June 30, 1996, respectively, regardless of whether the balance has been subsequently modified.

The Support Program for Business Loan Debtors (FOPYME) concluded on October 1, 2006, as established in Commission document 112-6/524549/2006.

The Additional Benefits Program for Housing Loan Debtors – FOVI-type housing loans expired on December 31, 2007, as per Commission Circular 1461.

In the case of borrowers participating in the above restructured UDI programs, the amount of principal and accrued interest denominated in pesos is converted to the initial UDI value; interest is then set at an agreed-upon reference rate.

The trusts administering each of the aforementioned UDI programs issued long-term fiduciary securities to the Federal Government with fixed and variable interest rates depending on the characteristics of each trust (this interest rate must be less than that collected from borrowers). Similarly, the Financial Group received federal bonds known as “Special Cetes” from the Federal Government, which are tied to the Cetes interest rate.

These federal bonds will mature based on the fiduciary securities issued by the trust to the Federal Government. Loan payments received by the trust are used to pay the principal and interest of the fiduciary securities; at the same time, the Federal Government executes a transaction for the same amount to pay the principal and accrued interest on the Special Cetes.

In the event of noncompliance with the payment obligations established for the restructured loans under the UDI trusts, a portion of the fiduciary securities and Special Cetes will generate interest at a rate equivalent to the UDI value. This characteristic was included in October 2002 to reflect the fact that the UDI programs were created to support debtors in compliance with their agreements. The Financial Group continues to manage and evaluate the risk derived from any possible credit loss related to the programs. If a particular loan is fully reserved, fiduciary securities will continue to generate interest at regular rates.

Commission regulations require that the Financial Group consolidate the balances of trusts holding restructured loans in UDIS, so as to reflect the operating fund, which consists of an interest rate swap contracted with the Federal Government.

As of December 31, 2008 and 2007, the balances of the respective trust balances are made up as follows:

	2008	2007
Banks	Ps. 7	Ps. 10
Government securities	2	3
Current loan portfolio:	622	737
Past-due loan portfolio	35	314
Accrued interest on loans	2	3
Past-due accrued interest	1	12
Allowance for loan losses	(329)	(582)
Total assets	**340**	**497**
Investment in trust assets	301	460
Deferred tax liabilities	39	37
Total liabilities	**Ps. 340**	**Ps. 497**

Policies and procedures for granting loans

The granting, control and recovery of loans are 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 Management (includes corporate, commercial, business, governmental and consumer banking), primarily through the branch network
II. Operations Management
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 Commission Circular B6, "Loan Portfolio", 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 current and past-due portfolios are susceptible to be identified as a distressed portfolio. The commercial loans with D and E risk degree ratings are as follows:

	2008	2007
Distressed portfolio	Ps. 1,774	Ps. 304
Total rated portfolio	254,496	202,956
Distressed portfolio/total rated portfolio	0.70%	0.15%

The Financial Group's Treasury Department is the central unit responsible for balancing resource requirement and eliminating the interest rate risk derived from transactions entered into at fixed rates through the use of hedging and arbitrage strategies.

9 - LOANS RESTRUCTURED IN UDIS

The loans restructured in UDIS correspond to mortgage loans. The balance on December 31, 2008 and 2007, is detailed below:

	2008	2007
Current portfolio	Ps. 622	Ps. 737
Current accrued interest	2	3
Past-due portfolio	35	314
Past-due accrued interest	1	12
	Ps. 660	**Ps. 1,066**

10 - 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:

	2008				
		Required allowances for losses			
	Loan portfolio	Commercial portfolio	Consumer portfolio	Mortgage portfolio	Total
Exempt portfolio	Ps. 76	Ps. —	Ps. —	Ps. —	Ps. —
Risk A	54,333	—	61	148	209
Risk A1	109,400	494	—	—	494
Risk A2	58,784	562	—	—	562
Risk B	5,800	—	107	168	275
Risk B1	17,034	49	353	—	402
Risk B2	1,834	58	183	—	241
Risk B3	1,277	140	—	—	140
Risk C	2,109	—	938	90	1,028
Risk C1	358	74	—	—	74
Risk C2	231	95	—	—	95
Risk D	1,738	204	835	190	1,229
Risk E	1,608	1,501	101	—	1,602
Unclassified	(87)	—	—	—	—
	Ps. 254,495*	**Ps. 3,177**	**Ps. 2,578**	**Ps. 596**	**Ps. 6,351**
Recorded allowance					**6,690**
Additional allowance					**Ps. 339**

The sum of the rated loan portfolio includes Ps. 5,991 in loans granted to subsidiaries whose balance was eliminated in the consolidation process.

	2007				
		Required allowances for losses			
	Loan portfolio	Commercial portfolio	Consumer portfolio	Mortgage portfolio	Total
Exempt portfolio	Ps. 97	Ps. —	Ps. —	Ps. —	Ps. —
Risk A	58,639	—	123	119	242
Risk A1	77,767	354	—	—	354
Risk A2	51,158	485	—	—	485
Risk B	5,441	—	164	142	306
Risk B1	5,890	118	—	—	118
Risk B2	409	22	—	—	22
Risk B3	748	84	—	—	84
Risk C	857	—	283	72	355
Risk C1	146	31	—	—	31
Risk C2	101	41	—	—	41
Risk D	1,236	50	653	187	890
Risk E	556	235	90	227	552
Unclassified	(90)	—	—	—	—
	Ps. 202,955*	**Ps. 1,420**	**Ps. 1,313**	**Ps. 747**	**Ps. 3,480**
Recorded allowance					**3,786**
Additional allowance					**Ps. 306**

The sum of the rated loan portfolio includes Ps. 5,381 in loans granted to subsidiaries whose balance was eliminated in the consolidation process.

The total portfolio balance used as the basis for the classification above includes amounts related to guarantees granted and credit commitments, which are 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 UDI trusts.

As of December 31, 2008 and 2007, the estimated allowance for loan losses is determined based on portfolio balances at those dates. As of December 31, 2008 and 2007, the allowance for loan losses includes a reserve for 100% of delinquent interest owed.

On August 22, 2008, the Commission published in the Official Gazette of the Federation (DOF) a change in the reserve percentage for non-delinquent credit card loans. According to the second temporary article that provides the possibility of making the corresponding adjustments no later than October 2008, the impact of this change was gradually realized by Banorte. Therefore the reserve percentage applied to non-delinquent loans in September 2008 was 1.72%. October closed with a 2.5% percentage for non-delinquent loans. The effects of applying the above change to credit card loan loss reserves led to the creation of preventive loan loss reserves in Banorte in the amount of Ps. 341, of which Ps. 103 was recognized as restated accumulated revenue in stockholders' equity. The remaining Ps. 238 was charged to the period's results.

As of December 31, 2008 and 2007, the allowance for loan losses represents 135% and 131%, 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, 2008 and 2007.

Rollforward of allowance for loan losses

A rollforward of the allowance for loan losses is detailed below:

	2008		2007	
Balance at the beginning of the year	Ps.	3,786	Ps.	3,140
Changes in accounting policies 2007		—		527
Increase charged to results		6,835		2,571
Reserve release		(16)		(36)
Debt forgiveness and write-offs		(4,085)		(2,194)
Valuation in foreign currencies and UDIS		108		31
Rebates granted to housing debtors		(74)		(72)
Created with profit margin (UDIS Trusts)		48		27
Advantages from FOPYME and FINAPE programs		(3)		—
Other*		91		(74)
Restatement effects		—		(134)
Year-end balance	**Ps.**	**6,690**	**Ps.**	**3,786**

*In 2008, it includes Ps. 103 in credit card allowances recognized against the retained earnings in stockholders' equity.

As of December 31, 2008, the total amount of preventive loan loss reserves charged to the income statement totals Ps. 6,896 and Ps. 13 in other revenues. Such amount is made up of Ps. 6,835 credited directly to the estimate and Ps. 48 from UDIS trusts. As of December 31, 2007, the total amount of preventive loan loss reserves charged to the earnings statement totals Ps. 2,646. Such amount is made up of Ps. 2,571 credited directly to the estimate, Ps. 27 from UDIS trusts and Ps. 48 from the restatement.

11 - ACQUIRED PORTFOLIOS

As of December 31, 2008 and 2007, the acquired portfolios are as follows:

	2008		2007		Valuation Method
Bancomer III	Ps.	141	Ps.	164	Cash Basis Method
Bancomer IV		561		679	Cash Basis Method
Bital I		229		292	Cash Basis Method
Bital II		82		103	Cash Basis Method
Banamex Mortgage		330		367	Cash Basis Method
GMAC Banorte		95		144	Cash Basis Method
Serfin Commercial I		127		177	Cash Basis Method
Serfin Commercial II		94		88	Interest Method
Serfin Mortgage		197		247	Cash Basis Method
Santander		73		84	Interest Method (Commercial); Cash Basis Method (Mortgage)
Banorte Mortgage		234		264	Interest Method
Meseta		47		70	Cash Basis Method
Vipesa		6		10	Cash Basis Method
Goldman Sach's		183		226	Cash Basis Method
Confia I		93		107	Interest Method
Banorte Sólida Commercial		40		59	Cost-Recovery Method
Solida Mortgage		517		579	Interest Method
	Ps.	**3,049**	**Ps.**	**3,660**	

As of December 31, 2008, the Financial Group recognized income from credit asset portfolios of Ps. 1,156, together with the respective amortization of Ps. 546, the effects of which were recognized under the "Other income" heading in the consolidated statement of income. For the year ended December 31, 2007, the Financial Group recognized income of Ps. 1,326, together with the respective amortization of Ps. 555.

As of this year, mortgage loans that are amortized under the interest method are evaluated jointly as a sector given the feature they have in common. The loan grouping is made pursuant to the current regulations.

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 the analysis demonstrates that the expected future cash flows will decrease, it will make an estimate for non-recoverability or difficult collection against the year's outstanding balance for the amount that such expected cash flows are lower than the book value of the receivable.

Assets other than cash that the Financial Group has received as part of portfolio collection or recovery have been mainly real property.

The main feature considered for segmenting acquired portfolios has been the type of loan.

12 - OTHER ACCOUNTS RECEIVABLE, NET

As of December 31, 2008 and 2007, the other accounts receivable balance is as follows:

		2008		2007
Loans to officers and employees	Ps.	1,162	Ps.	1,122
Debtors from liquidation settlement		2,643		1,382
Real property portfolios		982		1,025
Fiduciary rights		3,083		2,486
Sundry debtors		1,382		1,494
Taxes receivable		171		20
Other		203		107
		9,626		**7,636**
Allowance for doubtful accounts		(112)		(19)
	Ps.	**9,514**	**Ps.**	**7,617**

13 - FORECLOSED ASSETS, NET

As of December 31, 2008 and 2007, the foreclosed asset balance is as follows:

		2008		2007
Personal property	Ps.	71	Ps.	68
Real property		1,100		597
Goods pledged for sale		26		44
		1,197		**709**
Allowance for losses on foreclosed assets		(334)		(324)
	Ps.	**863**	**Ps.**	**385**

14 - PROPERTY, FURNITURE AND FIXTURES, NET

As of December 31, 2008 and 2007, the property, furniture and fixtures balance is as follows:

	2008		2007	
Furniture and equipment	Ps.	4,902	Ps.	4,481
Property intended for offices		5,396		5,039
Installation costs		2,407		2,360
		12,705		**11,880**
Less – Accumulated depreciation and amortization		(4,276)		(3,782)
	Ps.	**8,429**	**Ps.**	**8,098**

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

15 - PERMANENT STOCK INVESTMENTS

Investment in unconsolidated subsidiaries and associated companies are valued according to the equity method, as detailed below:

	Share %	2008		2007	
Seguros Banorte Generali, S. A. de C. V.	51.00%	Ps.	1,086	Ps.	932
Fondo Solida Banorte Generali, S. A. de C. V., SIEFORE (one and two)	99.00%		558		669
Pensiones Banorte Generali, S. A. de C. V.	51.00%		503		572
Banorte Investment funds	Various		114		112
Controladora PROSA, S. A. de C. V.	19.73%		60		50
Bolsa Mexicana de Valores, S. A. de C. V.	Various		—		45
Servicio Pan Americano de Protección, S. A. de C. V.	8.50%		97		29
Transporte Aéreo Técnico Ejecutivo, S. A. de C. V.	45.33%		89		112
Other	Various		52		69
		Ps.	**2,559**	**Ps.**	**2,590**

16 - DEFERRED TAXES, NET

The tax reported by the Financial Group is calculated based on the current tax 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. 471 and Ps. 214 as of December 31, 2008 and 2007, as detailed below:

	2008			2007		
	Temporary differences	Deferred effect		Temporary differences	Deferred effect	
	Base	ISR	PTU	Base	ISR	PTU
Temporary Differences – Assets						
Allowance for loan losses	Ps. 196	Ps. 68	Ps. —	Ps. 174	Ps. 55	Ps. —
Tax loss carryforwards	78	22	—	5	2	—
Tax loss carryforwards of Uniteller and Banorte USA	111	38	—	37	13	—
Recoverable asset tax (IMPAC)	—	—	—	2	2	—
State tax on deferred assets	—	—	—	5	2	—
Unrealized loss in available for sale securities	—	—	—	29	10	—
Surplus preventive allowances for credit risks over the net tax limit	936	262	94	—	—	—
Excess of tax over book value of foreclosed and fixed assets	1,160	317	69	802	224	48
PTU	896	252	90	842	236	84
Other	1,308	363	121	1,809	507	169
Total assets	**Ps. 4,685**	**Ps. 1,322**	**Ps. 374**	**Ps. 3,705**	**Ps. 1,051**	**Ps. 301**
Temporary Differences - Liabilities						
Excess of book over tax value of fixed assets and expected expenses	Ps. 4	Ps. 1	Ps. —	Ps. 591	Ps. 166	Ps. 37
Unrealized capital gain from investments in SIEFORES	87	24	—	146	41	—
ISR payable on UDI trusts	139	39		131	37	—
Portfolios acquired	2,083	583	100	1,751	490	70
Reversal of sales costs	18	5	—	39	11	—
Contribution to pension fund	1,000	280	100	500	140	50
Other	302	93	—	284	96	—
Total liabilities	**Ps. 3,633**	**Ps. 1,025**	**Ps. 200**	**Ps. 3,442**	**Ps. 981**	**Ps. 157**
Net accumulated asset	**Ps. 1,052**	**Ps. 297**	**Ps. 174**	**Ps. 263**	**Ps. 70**	**Ps. 144**
Deferred taxes, net			**Ps. 471**			**Ps. 214**

As discussed in Note 27, as of January 1, 2005, Article 10 and Temporary Article 2 of the Mexican Income Tax Law were amended, whereby the income tax rate was gradually reduced from 30% in 2005 to 29% in 2006 and 28% as of 2007 and thereafter. Pursuant to the provisions of NIF D-4, “Incomes Taxes”, and INIF 8, “Effects of the Business Flat Tax”, based on financial forecasts management adjusted the balances based on the rates likely to be in effect at the time of their recovery. Additionally, it made forecasts for the IETU and compared it to ISR, and concluded that the Financial Group and its subsidiaries will continue to pay ISR. Thus no change was made to the deferred tax calculations.

Derived from consolidating Banorte USA, a net amount of Ps. 18 million was added to deferred taxes determined at a rate of 35% as per the tax law of the USA. Banorte USA's deferred tax assets and liabilities are determined using the liability method, under which the net asset or liability for deferred taxes is determined based on the tax effects of temporary differences between the book and tax base of assets and liabilities.

17 - OTHER ASSETS

As of December 31, 2008 and 2007, other assets are as follows:

		2008		2007
Plan assets held for employee pension plans	Ps.	3,482	Ps.	2,727
Other amortizable expenses		2,352		2,642
Accumulated amortization of other expenses		(480)		(969)
Goodwill		5,377		4,134
	Ps.	**10,731**	**Ps.**	**8,534**

As of December 31, 2008, goodwill was Ps. 5,377 and was comprised of the following: Ps. 32 for the purchase of Banorte Generali, S.A. de C.V., AFORE; Ps. 3,001 for the purchase of INB; Ps. 2,082 for the purchase option program for the remaining 30% of INB shares and Ps. 262 for the purchase of Uniteller. As of December 31, 2007, goodwill was Ps. 4,134 and was comprised as follows: Ps. 34 for the purchase of Banorte Generali, S.A. de C.V., AFORE; Ps. 2,368 for the purchase of INB; Ps. 1,525 for the purchase option program for the remaining 30% of INB shares and Ps. 207 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 recorded as of December 31, 2008 or 2007.

18 - 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 2008 and 2007 the Financial Group generated a liquidity requirement of USD 412,843 thousand and USD 303,221 thousand, respectively, and held investments in liquid assets of USD 661,959 thousand and USD 490,577 thousand, representing a surplus of USD 249,116 thousand and USD 187,356 thousand, respectively.

DEPOSITS

The liabilities derived from traditional deposits are as follows:

	2008	2007
Immediately due and payable deposits		
Checking accounts earning no interest:		
Cash deposits	Ps. 56,247	Ps. 45,518
Checking accounts in US dollars for individual residents of the Mexican border	573	475
Demand deposits accounts	3,433	2,865
Checking accounts earning interest:		
Other bank checking deposit	35,471	33,918
Savings accounts	234	167
Checking accounts in US dollars for individual residents of the Mexican border	2,166	1,931
Demand deposits accounts	30,212	26,197
Tax payments	—	—
IPAB checking accounts	14	9
	128,350	**111,080**
Time deposits		
General public:		
Fixed-term deposits	20,681	17,462
Over-the-counter investments	43,436	15,604
PRLV primary market for individuals	53,270	44,735
PRLV primary market for business entities	1,056	1,389
Foreign residents deposits	78	54
Provision for interest	219	164
	118,740	**79,408**
Money market:		
Fixed-term deposits	188	1,860
Over the counter promissory notes	12,323	9,881
Provision for interest	1,168	1,078
	13,679	**12,819**
	132,419	**92,227**
	Ps. 260,769	**Ps. 203,307**

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

Foreign exchange	2008				2007			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Mexican pesos and UDIS	0.90%	0.96%	1.04%	1.13%	0.88%	0.87%	0.86%	0.86%
Foreign Currency	0.38%	0.27%	0.26%	0.04%	0.97%	0.92%	0.85%	0.74%
Banorte USA								
Demand, NOW and Savings	0.43%	0.28%	0.25%	0.19%	0.43%	0.65%	0.67%	0.50%
Money Market	2.79%	1.88%	2.06%	1.66%	4.60%	4.36%	4.23%	3.64%

Time deposits

Foreign exchange	2008 1Q	2008 2Q	2008 3Q	2008 4Q	2007 1Q	2007 2Q	2007 3Q	2007 4Q
General public								
Mexican pesos and UDIS	5.34%	5.32%	5.82%	6.16%	5.32%	5.43%	5.53%	5.19%
Foreign Currency	2.35%	1.48%	1.75%	2.42%	2.88%	2.86%	3.00%	2.94%
Money market	8.05%	7.89%	8.39%	8.81%	9.66%	8.69%	7.79%	8.48%
Banorte USA	4.82%	4.53%	4.36%	4.07%	5.04%	5.11%	5.17%	5.12%

As of December 31, 2008 and 2007, the terms at which these deposits are traded are as follows:

2008	From 1 to 179 days	From 6 to 12 months	More than 1 year	Total
General public				
Fixed term deposits	Ps. 12,643	Ps. 4,400	Ps. 3,638	Ps. 20,681
Over the counter investments	43,361	75	—	43,436
PRLV primary market for individuals	52,902	330	38	53,270
PRLV primary market for business entities	1,021	26	9	1,056
Foreign residents deposits	29	28	21	78
Provision for interest	201	18	—	219
	110,157	**4,877**	**3,706**	**118,740**
Money market:				
Fixed-term deposits	—	—	188	188
Money desk promissory notes	7,972	3,000	1,351	12,323
Provision for interest	32	48	1,088	1,168
	8,004	**3,048**	**2,627**	**13,679**
	Ps. 118,161	**Ps. 7,925**	**Ps. 6,333**	**Ps. 132,419**

2007	From 1 to 179 days	From 6 to 12 months	More than 1 year	Total
General public				
Fixed term deposits	Ps. 11,746	Ps. 2,735	Ps. 2,981	Ps. 17,462
Over the counter investments	15,593	11	—	15,604
PRLV primary market for individuals	44,405	301	29	44,735
PRLV primary market for business entities	1,366	19	4	1,389
Foreign residents deposits	27	4	23	54
Provision for interest	143	21	—	164
	73,280	**3,091**	**3,037**	**79,408**
Money market:				
Fixed term deposits	—	—	1,860	1,860
Money desk promissory notes	8,652	—	1,229	9,881
Provision for interest	18	23	1,037	1,078
	8,670	**23**	**4,126**	**12,819**
	Ps. 81,950	**Ps. 3,114**	**Ps. 7,163**	**Ps. 92,227**

19 - INTERBANK AND OTHER LOANS

The loans received from other banks as of December 31, 2008 and 2007 are as follows:

	Mexican pesos		Denominated in US dollars		Total	
	2008	2007	2008	2007	2008	2007
Immediately due						
Domestic banks (Call money)	Ps. —	Ps. 871	Ps. 1,245	Ps. —	Ps. 1,245	Ps. 871
	—	**871**	**1,245**	**—**	**1,245**	**871**
Short-term						
Banco de México	11,123	3	—	—	11,123	3
Commercial banking	350	211	1,670	1,537	2,020	1,748
Development banking	4,755	3,869	2,421	1,754	7,176	5,623
Public trusts	3,602	3,447	514	76	4,116	3,523
Other agencies	—	—	121	48	121	48
Provision for interest	228	85	19	26	247	111
	20,058	**7,615**	**4,745**	**3,441**	**24,803**	**11,056**
Long-term						
Commercial banking	1,081	1,084	3,533	2,661	4,614	3,745
Development banking	1,335	1,381	7	7	1,342	1,388
Public trusts	3,664	4,747	139	81	3,803	4,828
Other agencies	—	—	876	835	876	835
	6,080	**7,212**	**4,555**	**3,584**	**10,635**	**10,796**
	Ps. 26,138	**Ps. 15,698**	**Ps. 10,545**	**Ps. 7,025**	**Ps. 36,683**	**Ps. 22,723**

These liabilities incur interest depending on the type of instrument and average balance of the loans. The average interest rates are shown below:

	2008				2007			
Foreign exchange	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Call money								
Mexican pesos and UDIS	7.44%	7.48%	7.99%	8.17%	7.02%	7.19%	7.21%	7.40%
Other bank loans								
Mexican pesos and UDIS	7.25%	7.17%	7.17%	8.41%	7.47%	7.41%	7.26%	7.94%
Foreign currency	5.33%	4.52%	4.51%	6.62%	5.90%	5.76%	5.95%	5.71%

Banorte USA liabilities accrue interest at an average rate of 1.43% and 4.55% as of December 31, 2008 and 2007, respectively. Moreover, the Arrendadora y Factor Banorte, S.A. de C.V. loans accrue an average interest rate of 9.21% and 8.91% in Mexican pesos and 4.44% and 5.58% in USD by December 31, 2008 and 2007, respectively.

20 - SUNDRY CREDITORS AND OTHER PAYABLES

As of December 31, 2008 and 2007, the sundry creditors and other payables balances are as follows:

	2008	2007
Cashier and certified checks and other negotiable instruments	Ps. 2,750	Ps. 2,302
Creditors from liquidation settlement	2,405	1,756
Provision for employee retirement obligations	2,505	2,181
Provisions for sundry obligations	4,510	3,742
Others	951	907
	Ps. 13,121	**Ps. 10,888**

21 - EMPLOYEE RETIREMENT OBLIGATIONS

The Financial Group recognizes the liabilities for pension plans and seniority premium by 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, 2008 and 2007, related to the defined benefit pension plan, seniority premiums and retiree medical coverage, determined by independent actuaries, is analyzed below:

	2008			
	Pension plan	Seniority premiums	Medical services	Total
Projected benefit obligation (PBO)	Ps. (728)	Ps. (136)	Ps. (1,318)	Ps. (2,182)
Fund market value	947	226	1,357	2,530
Funded status	**219**	**90**	**39**	**348**
Transition asset (obligation)	32	(13)	328	347
Unrecognized prior service cost	2	(3)	—	(1)
Unrecognized actuarial losses	207	2	203	412
Net projected asset	**Ps. 460**	**Ps. 76**	**Ps. 570**	**Ps. 1,106**

	2007			
	Pension plan	Seniority premiums	Medical services	Total
Projected benefit obligation (PBO)	Ps. (706)	Ps. (122)	Ps. (1,284)	Ps. (2,112)
Fund market value	740	176	1,016	1,932
Funded status	**34**	**54**	**(268)**	**(180)**
Transition asset (obligation)	76	(15)	411	472
Unrecognized prior service cost	(31)	(4)	—	(35)
Unrecognized actuarial losses	167	4	190	361
Net projected asset	**Ps. 246**	**Ps. 39**	**Ps. 333**	**Ps. 618**
Accumulated benefit obligations (ABO)	**Ps. 669**	**Ps. 105**	**Ps. —**	**Ps. 774**

The Financial Group has a net accounting provision (net prepaid asset) of Ps. 4 generated by transferring personnel from Solida Administradora de Portafolios, S.A. de C.V. (Solida) to Banorte. Moreover, as of December 31, 2008, a separate fund amounting to Ps. 2,530, (Ps. 1,932 in 2007) 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, 2008 and 2007, the net periodic pension cost is as follows:

	2008	2007
Service cost	Ps. 81	Ps. 68
Interest cost	181	100
Expected return on plan assets	(216)	(82)
Amortization of unrecognized items		
Transition obligation	87	32
Plan amendments	—	(2)
Effects of curtailment and reduction of obligations	1	—
Variation in assumptions recognized in “Other income or expenses”	4	—
Variations in assumptions recognized in 2008	14	—
Variations in assumptions	7	2
Actuarial losses	—	3
Net periodic pension cost	**Ps. 159**	**Ps. 121**

In January 2008 the Financial Group recognized an effect of the curtailment and reduction of the obligations derived from the transfer of personnel under the defined benefit plan to the defined contribution plan, originating a cost of Ps. 2.

The rates used in the calculation of the projected benefit obligation and return on plan assets as of December 31, 2008 and 2007 are shown below:

	2008 Nominal	2007 Nominal	2007 Actual
Discount rate	9.25%	8.75%	5.00%
Rate of wage increase	4.50%	4.50%	1.00%
Rate of increase in costs and expenses of other postretirement benefits	5.57%	5.57%	2.00%
Long-term inflation rate	3.50%	3.50%	—%
Expected long-term rate of return on plan assets	9.75%	9.75%	6.00%

The liability for severance indemnities due to causes other than organization restructuring, which was also determined by independent actuaries, is comprised as follows:

	2008		2007	
Defined and projected benefit obligations	Ps.	(156)	Ps.	(155)
Funded status		**(156)**		**(155)**
Transition obligation		83		105
Unrecognized actuarial gains		—		(3)
Net projected liability	**Ps.**	**(73)**	**Ps.**	**(53)**

For the years ended December 31, 2008 and 2007, the net periodic pension cost is as follows:

	2008		2007	
Service cost	Ps.	25	Ps.	24
Interest cost		11		7
Transition obligation		21		15
Variation in assumptions recognized in "Other income or expenses"		(2)		—
Variations in assumptions recognized in 2008		—		—
Net periodic pension cost	**Ps.**	**55**	**Ps.**	**46**

The balance of the employee retirement obligations presented in this note refer to the Financial Group's defined benefit pension plan for those employees who decided to 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, as of December 31, 2008 this pension plan maintains a fund equivalent to Ps. 958, which is recorded under "Other assets" and is equivalent to the recorded plan liability.

22 - SUBORDINATED DEBENTURES

	2008	2007
Preferred subordinated debentures, maturing in April 2009, denominated in US dollars, at an interest rate of 2.72%	Ps. 143	Ps. 113
Senior subordinated, nonconvertible debentures, maturing in January 2014, denominated in US dollars, at an interest rate of 5.875%, payable semiannually with a final principal payment at maturity (10-year term)	4,150	3,275
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)	5,533	4,366
Non preferred subordinated nonconvertible debentures (Q BANORTE 08 debentures), maturing in February 2018, at the 28-day TIIE rate plus 0.60%	3,000	—
Preferred subordinated nonconvertible debentures (Q BANORTE 08-2), maturing in June 2018, at the 28-day TIIE rate plus 0.77%	2,750	—
Non preferred 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)	2,766	2,183
Preferred subordinated nonconvertible debentures (Q BANORTE 08-U), maturing in February 2028, at a 4.95% annual rate	1,871	—
Subordinated debentures, maturing in June 2034, denominated in US dollars, at an interest rate of 2.75%	143	113
Accrued interest	257	160
	Ps. 20,613	**Ps. 10,210**

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. 15 and Ps. 13 in 2008 and 2007, respectively.

23 - TRANSACTIONS AND BALANCES WITH SUBSIDIARIES AND ASSOCIATED COMPANIES

The balances and transactions with subsidiaries and associated companies as of December 31, 2008, 2007 and 2006 are as follows:

	Revenues			Accounts receivable	
Institution	**2008**	**2007**	**2006**	**2008**	**2007**
Seguros Banorte Generali, S. A. de C. V.	Ps. 613	Ps. 587	Ps. 491	Ps. 19	Ps. 22
Total	**Ps. 613**	**Ps. 587**	**Ps. 491**	**Ps. 19**	**Ps. 22**

	Expenses			Accounts payable	
Institution	**2008**	**2007**	**2006**	**2008**	**2007**
Seguros Banorte Generali, S. A. de C. V.	Ps. 300	Ps. 310	Ps. 224	Ps. 24	Ps. 8
Total	**Ps. 300**	**Ps. 310**	**Ps. 224**	**Ps. 24**	**Ps. 8**

All the 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), loans granted by Banorte to any related party may not exceed 50% and 75% of the basic portion of their net capital for the years ended December 31, 2008 and 2007, respectively. For the years ended December 31, 2008 and 2007, the amount of the loans granted to related parties is Ps. 8,216 and Ps. 5,041, respectively, representing 54% and 27%, 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 own portfolio (with interest) to its subsidiary Sólida at a price of Ps. 378. Of this transaction, Ps. 1,891 related to past-due amounts and Ps. 64 to the current portfolio. The transaction was recorded based on figures as of August 2002, for which reason the final amount affecting the February 2003 balance sheet was Ps. 1,856, considering the collections made since August 2002. In conjunction with the sold loan portfolio, 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 set forth 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 2007 and 2008:

	Mexican pesos			Foreign currency			Total		
Type of portfolio	**Aug 02**	**Dec 07**	**Dec 08**	**Aug 02**	**Dec 07**	**Dec 08**	**Aug 02**	**Dec 07**	**Dec 08**
Current portfolio									
Commercial	Ps. 5	Ps. —	Ps. —	Ps. 5	Ps. —	Ps. —	Ps. 10	Ps. —	Ps. —
Housing mortgage	54	77	34	—	—	—	54	77	34
Total	**59**	**77**	**34**	**5**	**—**	**—**	**64**	**77**	**34**
Past-due portfolio									
Commercial	405	375	367	293	112	116	698	487	483
Consumer	81	73	72	—	—	—	81	73	72
Housing mortgage	1,112	458	393	—	—	—	1,112	458	393
Total	**1,598**	**906**	**832**	**293**	**112**	**116**	**1,891**	**1,018**	**948**
Total portfolio	**Ps. 1,657**	**Ps. 983**	**Ps. 866**	**Ps. 298**	**Ps. 112**	**Ps. 116**	**Ps. 1,955**	**Ps. 1,095**	**Ps. 982**
Allowance for loan losses (1)									
Commercial	326	363	355	246	112	116	572	475	471
Consumer	77	73	72	—	—	—	77	73	72
Housing mortgage	669	433	369	—	—	—	669	433	369
Total allowance for loan losses	**Ps. 1,072**	**Ps. 869**	**Ps. 796**	**Ps. 246**	**Ps. 112**	**Ps. 116**	**Ps. 1,318**	**Ps. 981**	**Ps. 912**

(1) Allowances required based on the classification methodology applied in Banorte that held 99.99% of the stockholders' equity of Sólida during 2008 and 2007.

As of December 31, 2008 and 2007, the composition of the Banorte's loan portfolio, including the loan portfolio sold to Sólida, is as follows:

Type of portfolio	Mexican pesos		Foreign currency		Total	
	Dec 08	Dec 07	Dec 08	Dec 07	Dec 08	Dec 07
Commercial loans	Ps. 129,995	Ps. 99,311	Ps. 15,377	Ps. 21,791	Ps. 145,372	Ps. 121,102
Consumer loans	29,116	27,045	—	175	29,116	27,220
Housing mortgage loans	43,784	35,602	—	1,691	43,784	37,293
Current portfolio	**202,895**	**161,958**	**15,377**	**23,657**	**218,272**	**185,615**
Commercial loans	1,738	1,060	153	204	1,891	1,264
Consumer loans	2,570	1,182	—	—	2,570	1,182
Housing mortgage loans	1,098	1,299	—	16	1,098	1,315
Past-due portfolio	**5,406**	**3,541**	**153**	**220**	**5,559**	**3,761**
Total portfolio	**208,301**	**165,499**	**15,530**	**23,877**	**223,831**	**189,376**
Allowance for loan losses	6,950	4,319	285	369	7,235	4,688
Net portfolio	**Ps. 201,351**	**Ps. 161,180**	**Ps. 15,245**	**Ps. 23,508**	**Ps. 216,596**	**Ps. 184,688**
Allowance for loan losses					**130.15%**	**124.64%**
% of past-due portfolio					**2.48%**	**1.98%**

24 - INFORMATION BY SEGMENT

To analyze the financial information of the Financial Group, the data of the most representative segments as of December 31, 2008, 2007 and 2006 is presented.

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:

	2008	2007	2006
Banking sector			
Net income	Ps. 6,543	Ps. 6,151	Ps. 5,382
Stockholders' equity:	35,526	30,440	24,690
Total portfolio	236,236	188,235	143,992
Past-due portfolio	4,836	2,743	2,037
Allowance for loan losses	(6,582)	(3,707)	(3,578)
Total net assets	562,433	274,361	189,546
Brokerage sector			
Net income	183	288	191
Stockholders' equity:	1,143	1,020	736
Portfolio balance	119,286	180,972	168,949
Total net assets	1,662	1,333	971
Savings sector			
Net income	579	736	1,067
Stockholders' equity:	4,216	3,962	3,607
Total net assets	27,789	23,701	18,193
Auxiliary credit organizations sector			
Net income	336	271	256
Stockholders' equity:	1,308	1,092	1,133
Total portfolio	13,874	12,222	7,708
Past-due portfolio	74	37	42
Allowance for loan losses	(79)	(339)	(73)
Total net assets	Ps. 14,322	Ps. 12,587	Ps. 8,547

b. The trading results for the years ended on December 31, 2008 and 2007, are as follows:

	2008	2007
Valuation results		
Trading securities	Ps. 109	Ps. 1
Securities repurchase agreement	49	82
Derivative financial instruments	(172)	234
Futures	(1)	1
Total valuation results	**(15)**	**318**
Dividends received	**1**	**—**
Purchase-sale results		
Trading securities	26	503
Available for sale securities	(178)	(36)
Derivative financial instruments	428	46
Total securities purchase sale	276	513
Spot foreign currency	712	454
Foreign currency forwards	48	—
Foreign currency futures	1	—
Foreign currency valuation	6	(15)
Minted metals purchase sales	5	1
Minted metals valuation	6	(2)
Total foreign currency purchase sale	778	438
Restatement	—	23
Total purchase-sale results	**1,054**	**974**
Total trading results	**Ps. 1,040**	**Ps. 1,292**

c. The current loan portfolio, grouped by economic sector and geographical location, is as follows

	2008				
	Geographical location				
Economic sector	North	Central	West	South	Total
Agriculture	Ps. 2,576	Ps. 1,317	Ps. 571	Ps. 737	Ps. 5,201
Mining	58	20	11	30	119
Manufacturing	8,502	5,159	1,879	874	16,414
Construction	6,819	6,215	870	971	14,875
Public utilities	48	154	2	1	205
Commerce	13,870	9,345	3,477	6,359	33,051
Transportation	1,464	6,724	126	201	8,515
Financial services	9,319	13,385	242	1,713	24,659
Communal, social services	2,904	3,728	1,651	822	9,105
Business groups	22	56	2	23	103
Public administration and services	14,668	8,382	1,626	2,413	27,089
International organization services	1	—	—	—	1
USA	—	—	—	—	15,618
Credit card	—	—	—	—	15,067
Consumer	—	—	—	—	14,053
Housing mortgage	—	—	—	—	43,750
Other	—	—	—	—	47
Arrendadora y Factor Banorte	—	—	—	—	12,194
Créditos Pronegocio	—	—	—	—	232
Current loan portfolio	**Ps. 60,251**	**Ps. 54,485**	**Ps. 10,457**	**Ps. 14,144**	**Ps. 240,298**

Economic sector	2007 Geographical location North		Central		West		South		Total	
Agriculture	Ps.	2,430	Ps.	1,260	Ps.	575	Ps.	681	Ps.	4,946
Mining		117		29		11		30		187
Manufacturing		5,822		4,506		1,660		819		12,807
Construction		4,537		3,366		459		361		8,723
Public utilities		41		4		1		1		47
Commerce		7,415		7,207		2,909		5,020		22,551
Transportation		1,164		5,085		110		205		6,564
Financial services		11,040		13,259		249		2,362		26,910
Communal, social services		2,128		3,757		1,724		621		8,230
Business groups		52		173		3		23		251
Public administration and services		7,195		4,606		1,589		4,461		17,851
International organization services		1		—		—		—		1
USA		—		—		—		—		10,776
Credit card		—		—		—		—		13,882
Consumer		—		—		—		—		13,169
Housing mortgage		—		—		—		—		35,525
Others		—		—		—		—		54
Arrendadora y Factor Banorte		—		—		—		—		10,692
Créditos Pronegocio		—		—		—		—		472
Current loan portfolio	**Ps.**	**41,942**	**Ps.**	**43,252**	**Ps.**	**9,290**	**Ps.**	**14,584**	**Ps.**	**193,638**

d. The past-due loan portfolio, grouped by economic sector and geographical location, is summarized as follows

Economic sector	2008 Geographical location North		Central		West		South		Total	
Agriculture	Ps.	30	Ps.	80	Ps.	16	Ps.	19	Ps.	145
Mining		4		2		1		6		13
Manufacturing		72		129		57		43		301
Construction		24		73		4		23		124
Commerce		214		206		95		122		637
Transportation		19		14		9		10		52
Financial services		2		11		—		3		16
Communal, social services		39		31		13		33		116
Business groups		—		1		—		—		1
USA		—		—		—		—		225
Credit card		—		—		—		—		2,140
Consumer		—		—		—		—		359
Housing mortgage		—		—		—		—		705
Other		—		—		—		—		2
Arrendadora y Factor Banorte		—		—		—		—		74
Créditos Pronegocio		—		—		—		—		38
Past-due loan portfolio	**Ps.**	**404**	**Ps.**	**547**	**Ps.**	**195**	**Ps.**	**259**	**Ps.**	**4,948**

Economic sector	2007 Geographical location North		Central		West		South		Total	
Agriculture	Ps.	19	Ps.	56	Ps.	7	Ps.	6	Ps.	88
Mining		2		1		—		2		5
Manufacturing		23		100		42		10		175
Construction		7		56		1		13		77
Commerce		87		111		59		37		294
Transportation		4		6		6		3		19
Financial services		2		2		—		1		5
Communal, social services		27		14		2		4		47
USA		—		—		—		—		83
Credit card		—		—		—		—		829
Consumer		—		—		—		—		280
Housing mortgage		—		—		—		—		841
Other		—		—		—		—		1
Arrendadora y Factor Banorte		—		—		—		—		38
Créditos Pronegocio		—		—		—		—		112
Past-due loan portfolio	**Ps.**	**171**	**Ps.**	**346**	**Ps.**	**117**	**Ps.**	**76**	**Ps.**	**2,894**

e. Deposit accounts grouped by product and geographical location are as follows:

Product	2008 Geographical location Monterrey	Mexico City	West	Northwest	Southeast	Treasury and other	Foreign	Total
Non-interest bearing checking accounts	Ps. 14,364	Ps. 18,134	Ps. 5,506	Ps. 6,334	Ps. 7,625	Ps. 72	Ps. —	Ps. 52,035
Interest-bearing checking accounts	7,550	21,108	2,546	6,157	7,554	145	—	45,060
Savings accounts	1	1	—	—	1	—	—	3
Current account in pesos and preestablished	3,392	4,275	1,328	2,236	2,247	149	—	13,627
Non-interest bearing demand deposits, USD	585	480	69	957	227	1	3,507	5,826
Interest bearing demand deposits, USD	2,390	1,634	359	2,136	242	—	4,792	11,553
Savings accounts in USD	—	—	—	—	—	—	231	231
Over the counter promissory notes	11,852	22,783	5,671	5,570	8,450	1,387	—	55,713
Time deposits, USD	2,199	3,804	1,677	1,595	931	18	10,535	20,759
Money desk customers	14,949	15,738	4,987	3,531	3,918	23	—	43,146
Financial intermediaries	—	—	—	—	—	12,802	—	12,802
FOBAPROA checking accounts bearing interest	14	—	—	—	—	—	—	14
Total deposits	**Ps. 57,296**	**Ps. 87,957**	**Ps. 22,143**	**Ps. 28,516**	**Ps. 31,195**	**Ps. 14,597**	**Ps. 19,065**	**Ps.260,769**

Product	2007 Geographical location Monterrey	Mexico City	West	Northwest	Southeast	Treasury and other	Foreign	Total
Non-interest bearing checking accounts	Ps. 11,579	Ps. 14,424	Ps. 4,359	Ps. 5,381	Ps. 5,988	Ps. 137	Ps. —	Ps. 41,868
Interest-bearing checking accounts	8,051	19,999	3,061	4,507	5,528	80	—	41,226
Savings accounts	2	1	—	—	—	—	—	3
Current account in pesos and preestablished	3,077	3,859	1,224	2,028	2,145	102	—	12,435
Non-interest bearing demand deposits, USD	442	349	73	797	262	(3)	3,106	5,026
Interest bearing demand deposits, USD	2,263	937	304	2,056	320	(1)	4,471	10,350
Savings accounts in USD							164	164
Over the counter promissory notes	10,741	18,845	4,743	4,830	6,962	1,243	—	47,364
Time deposits, USD	2,326	3,401	1,563	1,521	1,115	14	7,577	17,517
Money desk customers	5,516	5,131	1,806	1,392	1,217	—	—	15,062
Financial intermediaries	—	—	—	—	—	12,283	—	12,283
FOBAPROA checking accounts bearing interest	9	—	—	—	—	—	—	9
Total deposits	**Ps. 44,006**	**Ps. 66,946**	**Ps. 17,133**	**Ps. 22,512**	**Ps. 23,537**	**Ps. 13,855**	**Ps. 15,318**	**Ps. 203,307**

25 - TAX ENVIRONMENT

In 2008 the Financial Group is subject to ISR and IETU and in 2007 and 2006 to ISR and IMPAC.

Income tax

Income tax (ISR) is calculated considering as taxable or deductible certain inflation effects. As of 2007 the ISR rate was 28% and in 2006 it was 29%. The Financial Group obtained a tax credit in 2007 for Ps. 42, equivalent to 0.5% of the tax result as it complied with the requirements set forth the in the Federal Income Law.

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 non-deductible 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

On October 1, 2007, the Business Flat Tax Law ("LIETU") was enacted and went into effect on January 1, 2008. In addition, the Tax Benefits Decree and the Third Omnibus Tax Bill were published on November 5 and December 31, 2007, respectively and on May 27, 2008 the Omnibus Tax Bill for 2008 went into effect, clarifying or expanding the transitory application of the law regarding transactions carried out in 2007 that will have an impact in 2008. IETU applies to the sale of goods, the provision of independent services and the granting of use or enjoyment of goods, according to the terms of the LIETU, less certain authorized deductions. IETU payable is calculated by subtracting certain tax credits from the tax determined. Revenues, as well as deductions and certain tax credits, are determined based on cash flows generated beginning January 1, 2008. For the financial system, revenues subject to IETU include the financial trading margin which is composed of the net accrued interest. LIETU establishes that the IETU rate will be 16.5% in 2008, 17% in 2009, and 17.5% as of 2010. The Asset Tax Law was repealed upon enactment of LIETU; however, under certain circumstances, IMPAC paid in the ten years prior to the year in which ISR is paid, may be refunded, according to the terms of the law.

Based on financial projections, pursuant to the provisions in INIF 8, the Financial Group has determined that it will essentially pay ISR and therefore only recognizes deferred ISR.

26 - STOCKHOLDERS' EQUITY

At the Stockholders' Ordinary General Meetings held on April 29 and October 6, 2008, the following resolutions were adopted, among others:

a) To transfer the profits from 2007 equal to Ps. 6,810 to earnings from prior years and increase the legal reserve by Ps. 340.

b) Declare cash dividends for Ps. 949, equivalent to Ps. 0.47 pesos per share.

The Financial Group's common stock as of December 31, 2008, 2007 and 2006, is comprised as follows:

	Number of shares with a nominal value of Ps. 3.50		
	2008	2007	2006
	Paid-in Capital	Paid-in Capital	Paid-in Capital
"O" Series	2,013,997,548	2,002,718,738	2,018,347,548

	Historical amounts		
	2008	2007	2006
	Paid—in Capital	Paid—in Capital	Paid—in Capital
"O" Series	Ps. 6,986	Ps. 7,009	Ps. 7,064
Restatement in Mexican pesos of December 2007	4,955	4,956	4,956
	11,941	Ps. 11,965	Ps. 12,020

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.

Capitalization ratio (regarding 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 for December 31, 2008 submitted to Banco de México for review is shown below.

The capitalization ratio of Banorte as of December 31, 2008 was 14.31% of total risk (market and credit), and 21.11% 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		2008
Stockholders' equity	**Ps.**	**35,129**
Subordinated debentures and capitalization instruments		**3,691**
Deduction of investment in securitized instruments		371
Deduction of investments in shares of financial entities		7,690
Deduction of investments in shares of non-financial entities		2,074
Deduction of intangibles and expenses or deferred costs		385
Basic capital		**28,300**
Debentures and capitalization instruments		14,150
Allowance for loan losses reserves		1,169
Deduction of investment in securitized instruments		371
Complementary capital		**14,948**
Net capital	**Ps.**	**43,248**

Characteristics of the subordinated debentures:

Concept		Issuance amount	Maturity	Basic capital proportion	Complementary capital proportion
Complementary capital debentures 2004	Ps.	4,240	17/02/2014	0%	100%
Complementary capital debentures 2006	Ps.	5,606	13/10/2016	0%	100%
Basic capital debentures 2006	Ps.	2,807	13/10/2021	100%	0%
Basic capital debentures 2008	Ps.	3,012	27/02/2018	29%	71%
Complementary capital debentures 2008	Ps.	1,900	15/02/2028	0%	100%
Complementary capital debentures 2008-2	Ps.	276	15/06/2018	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.	62,670	Ps.	5,014
Transactions with debt instruments in Mexican pesos with interest and reset rates		16,092		1,287
Transactions in Mexican pesos with real interest rates or in UDIS		1,352		108
Transactions in UDIS or with yields referenced to the National Consumer Price Index (INPC)		7		1
Transaction in Mexican pesos with nominal interest rates		4,080		326
Exchange transactions		1,288		103
Transactions involving shares		83		7
Total	**Ps.**	**85,572**	**Ps.**	**6,846**

Assets subject to credit risk

Concept	Assets weighted by risk		Capital requirement	
Group III (weighted at 10%)	Ps.	58	Ps.	5
Group III (weighted at 20%)		8,066		645
Group III (weighted at 23%)		809		65
Group III (weighted at 50%)		2,235		179
Group IV (weighted at 20%)		6,735		539
Group V (weighted at 10%)		19		1
Group V (weighted at 20%)		759		61
Group V (weighted at 50%)		675		54
Group V (weighted at 150%)		2,762		221
Group VI (weighted at 50%)		6,027		482
Group VI (weighted at 75%)		5,103		408
Group VI (weighted at 100%)		52,176		4,174
Group VII (weighted at 20%)		895		72
Group VII (weighted at 50%)		47		4
Group VII (weighted at 100%)		58,386		4,671
Group VII (weighted at 115%)		7,044		563
Group VII (weighted at 150%)		648		52
Group VIII (weighted at 125%)		2,064		165
Group IX (weighted at 100%)		37,400		2,992
Subtotal		**191,908**		**15,353**
For permanent shares, furniture and real property, and advance payments and deferred charges		12,976		1,038
Total	**Ps.**	**204,884**	**Ps.**	**16,391**

Assets subject to credit risk:

Concept	Assets weighted by risk		Capital requirement	
Total	**Ps.**	**8,669**	**Ps.**	**694**

27 - FOREIGN CURRENCY POSITION

As of December 31, 2008 and 2007, the Financial Group holds certain assets and liabilities in foreign currency, mainly USD, converted to the exchange rate issued by Banco de México of Ps. 13.8325 and Ps. 10.9157 per USD 1.00, respectively, as shown below:

	Thousands of US dollars	
	2008	2007
Assets	5,179,560	4,946,554
Liabilities	4,894,904	4,563,009
Net asset position in US dollars	**284,656**	**383,545**
Net asset position in Mexican pesos	**Ps. 3,938**	**Ps. 4,187**

28 - POSITION IN UDIS

As of December 31, 2008 and 2007, the Financial Group holds certain assets and liabilities denominated in UDIS, converted to Mexican pesos based on the current equivalency of Ps. 4.184316 and Ps. 3.932983, per UDI, respectively, as shown below:

	Thousands of UDIS	
	2008	2007
Assets	152,453	171,932
Liabilities	548,366	94,163
Net (liability) asset position in UDIS	**(395,913)**	**77,769**
Net (liability) asset position in Mexican pesos	**Ps. (1,657)**	**Ps. 306**

29 - 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, 2008, 2007 and 2006 are shown below:

	2008			2007	2006
	Net Income	Weighted share average	Earnings per share	Earnings per share	Earnings per share
Net income per share	Ps. 7,014	2,016,959,232	Ps. 3.4775	Ps. 3.3744	Ps. 3.0981

30 - MANAGEMENT RISK (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 Managing Director of the Financial Group, the General Director of Comprehensive Risk Management, the General Director of Banking, Savings and Welfare, and the General Director of the Brokerage House, as well as the General 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.

31 – 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 it 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 four different departments

- Credit Risk Management
- Market Risk Management
- Operating Risk Management, and
- Risk Policy Management

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

Credit Risk is the risk that the customers will not comply with their payment obligations; therefore, adequate risk management is essential to maintain a high quality loan portfolio.

The Financial Group's management credit risk 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's banks segment 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 Classification (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 wishes to place credits.

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, 2008, the total portfolio of Banorte is Ps. 222,849 million. The expected loss represents 2.6% and the unexpected loss represents 4.4% of the total operating portfolio. The average expected loss was 2.4% for the period between October and December 2008.

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, 2008	**Ps.**	**30,538**
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	Ps.	4,542
% in relation to basic capital		15%
Money market transactions		
Number of financings		1
Amount of financings taken as a whole	Ps.	3,491
% in relation to basic capital		11%
Overnight transactions		
Number of financings		1
Amount of financings taken as a whole	Ps.	6,294
% in relation to basic capital		21%
II. Maximum amount of financing with the 3 largest debtors and common risk groups	**Ps.**	**31,710**

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 one 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 insure 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 financial instruments portfolio was Ps 2,430 for the last quarter 2008.

Millions of pesos	4Q07	1Q08	2Q08	3Q08	4Q08
VaR Banorte*	Ps. 2,168	Ps. 2,199	Ps. 2,269	Ps. 2,198	Ps. 2,430
Banorte net capital***	33,710	39,052	43,788	45,361	43,248
VaR / net capital Banorte	6.43%	5.63%	5.18%	4.85%	5.62%

* Quarterly Average
*** Sum of net capital at the close of the quarter

Also, the average of the VaR for the risk factor of the portfolio of instrument described for the Financial Group behaved as follows during the fourth quarter of 2008:

Risk factor	VaR
Domestic interest rate	Ps. 2,680
Foreign interest rate	167
Exchange rate	872
Capital	53
Foreign currency bond prices	357
Total VaR	Ps. 2,430

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.

Retrospective analysis

To validate the effectiveness of the measurements of the calculation of the daily VaR as a measurement of market risk, the retrospective analysis is updated each week. This analysis makes it possible to compare the estimated results through the VaR with the actual results generated.

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.

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), which consider among the liquid assets the cash and cash equivalents, trading securities and available for sale securities, whereas the 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 2008 is 49.2%, while the average during the quarter is 48.1%, as shown below:

	End of quarter				
	4Q07	1Q08	2Q08	3Q08	4Q08
Liquid assets	Ps. 59,540	Ps. 62,818	Ps. 66,756	Ps. 71,045	Ps. 72,557
Liquid liabilities	Ps. 116,879	Ps. 123,114	Ps. 116,697	Ps. 115,100	Ps. 147,498
Liquidity ratio	50.9%	51.0%	57.2%	61.7%	49.2%

	Average				
	4Q07	1Q08	2Q08	3Q08	4Q08
Liquid assets	Ps. 56,520	Ps. 59,777	Ps. 59,543	Ps. 61,285	Ps. 64,453
Liquid liabilities	Ps. 98,706	Ps. 108,939	Ps. 108,798	Ps. 105,771	Ps. 127,061
Liquidity ratio	57.3%	54.9%	54.7%	57.9%	48.1%

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.

Operating risk

As of January 2003, the Financial Group established a formal operating risk department denominated "Operating Risk Management Department" as part of its Risk Management Strategy.

The Financial Group defines operating 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).

Operating Risk Management's objectives are: a) to enable and support the organization to reach its institutional objectives through operating risk prevention and management; b) to insure that the existing operating risks and the required controls are duly identified, evaluated and aligned with the organization's risk strategy; and c) to insure that operating risks are duly quantified in order to assign the proper capital for operating risk.

Operating risk management's cornerstones

I. Policies, objectives and guidelines

The Financial Group has documented the operating risk policies, objectives, guidelines, methodologies and responsible areas.

The Operating Risk Department works closely with the Controllership Department to promote effective Internal Control that defines the proper procedures and controls to mitigate operating 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.

II. 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 have 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, operating risk management is now an institutional policy defined and supported by senior management.

To perform operating 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 being developed.

III. Calculating capital requirement

On November 23, 2007, the Official Gazette of the Federation published the Operating Risk Capitalization Rules that set forth a basic model, which is calculated and reported periodically to the authorities.

IV. Information and reporting

The information generated by the databases and Management's 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.

32 - MEMORANDUM ACCOUNTS

		2008		2007
Banks customers (current accounts)	Ps.	74	Ps.	11
Settlement of customer transactions		35		58
Customer valuables received in custody		118,537		180,385
Customer repurchase agreements		35,688		21,803
Customer call options transactions		274		146
Managed trusts		2,378		3,048
	Ps.	**156,986**	**Ps.**	**205,451**
Other contingent assets and liabilities	Ps.	266	Ps.	279
Credit commitments		2,793		2,365
Deposits of assets		3,006		1,541
Financial Group securities delivered into custody		886		610
Financial Group government securities held in custody		101		147
Assets in trusts or under mandate		90,469		101,632
Managed assets in custody		131,886		117,167
Investment banking transactions on account of third parties (net=		84,615		91,329
Collateral received by the institution		31,567		—
Past-due loan portfolio accrued but not charged interest		137		102
	Ps.	**345,726**	**Ps.**	**315,172**
Securities to be received in repurchase agreements	Ps.	39,939	Ps.	216,233
Less: Creditor repurchase agreement		(40,176)		(216,708)
	Ps.	**(237)**	**Ps.**	**(475)**
Repurchase agreement from debtors	Ps.	35,054	Ps.	21,502
Less: Securities to be received in repurchase agreements		(34,908)		(21,484)
	Ps.	**146**	**Ps.**	**18**

33- COMMITMENTS

As of December 31, 2008 and 2007, the Financial Group had the following contingent obligations and commitments:

- Other contingent obligations and opening of credits totaling Ps. 3,059 (Ps. 2,644 in 2007), which are recorded in memorandum accounts.

- Certain real property and operating equipment are leased. Total property lease payments for the periods ended December 31, 2008 and 2007, were Ps. 159 and Ps. 195, respectively.

34 - CONTINGENCIES

As of December 31, 2008, 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. 120 is recorded for such contentious matters.

Furthermore, contingencies may arise due to differences in taxes derived from a potential review of the tax returns filed by the Financial Group and differences in the interpretation of legal provisions between the Financial Group and the tax authorities.

35 - 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 2008 and 2007, the amount of contributions to the IPAB payable by Banorte for fees amounted to Ps. 938 and Ps. 774, respectively.

36 – NEW ACCOUNTING PRINCIPLES

The following are some of the principal changes derived from the new standards or modifications issued by the Commission and the CINIF effective as of January 1, 2009:

- Circular C-2 "Securitization Transactions" states that in securitization transactions the assignor may or may not transfer the risks and benefits on the financial assets to the assignee, and may or may not transfer control over such assets.

  It also establishes that the benefits on the assignee's remainder shall be recognized as "Benefits to receive in securitization transactions" and valuated at its fair value from the onset. Valuation adjustments are recognized in the year's results. This valuation shall be consistent with the accounting policies of the Special Purpose Entity (SPE), established as a securitizing vehicle.

If the assignor renders administration services of the transferred assets, an asset or liability for transferred asset administration should be recognized initially at its fair value, pursuant to Circular C-1 as follows:

a) An asset is recorded if the consideration exceeds the costs and expenses incurred in rendering the service, otherwise a liability is recorded.
b) Then such asset or liability will be valued at its fair value, recognized its valuation effects in the year's results.

The benefits on the securitization transactions' remnant and the transferred financial assets administration asset will be presented under "Benefits to receive in securitization transactions."

The valuation of the receivable benefits as well as of the administration asset or liability will be presented on "Other income" or "Other expenses", as applicable.

The effects of such Circular, if applied to securitizations in effect by December 31, 2008 are detailed below:

For realized securitization transactions, the financial assets were removed from the balance sheet based on the accounting criteria in effect at that date, C-1, "Transfer of Financial Assets", and C-2, "Securitizations". As the new accounting criteria that replaced the previous ones are prospectively applied, retroactive records will not be realized for transactions made before its application. Therefore, previously recognized transfers of financial assets don't have to be reevaluated.

However, according to these new accounting criteria, the securitized loans of the mortgage can state and municipal government loans that Banorte made during 2006 and 2007, respectively had not met the requirements of the new accounting criteria to be removed from the balance sheet, as in both transactions most of the inherent risks and/or benefits are substantially retained.

On December 31, 2008, the outstanding balance of the securitized loans of the mortgage and state and municipal government loans that were including in the balance sheet was Ps. 6,475. Moreover, the impact accumulated in their results that would have been recorded is (Ps. 103).

- Circular C-5, "Consolidation of Special Purpose Entities", defines the special standards relative to the consolidation of the SPE. It establishes that an entity should consolidate an SPE when the economic substance of the relationship between both entities indicates control over such SPE.

- NIF B-7, "Business Acquisitions", establishes the "purchase method" as the method for recognizing business acquisitions. It does not allow the recognition of earning in an acquisition process.

  The value of the net acquired assets should be adjusted to a value that is equal to the sum of the consideration and the value of the non-controlling share valued in proportion to this consideration.

  Goodwill should be recognized when the sum of the consideration paid in the acquisition and the non-controlling share valued at their fair value is greater than the amount of the net acquired assets valued at fair value according to this NIF.

- NIF B-8, "Consolidated and Combined Financial Statements", separates consolidation and permanent investment valuation.
  a) It requires that the noncontrolling interest be valued in the consolidated financial statements based on the fair value of the subsidiary's net assets and the goodwill determined with the purchase method at the time of the acquisition of such subsidiary.
  b) It states that at the purchase date of a subsidiary the purchase method should be applied, therefore the assets and liabilities are valued at their fair value at such date as per NIF B-7.
  c) The above causes adjustments to its book value, nevertheless it clarifies such adjustments should not be recognized in the subsidiary but instead in the controlling share as part of its permanent investment in the subsidiary.
  d) The consolidation process is defined in greater detail.

- The objective of issuing NIF C-7, "Investments in Associates and Other Permanent Investments", separating the financial statements' consolidation and permanent investments' valuation under the equity method, establishes the standards to recognize investments as associated, as well as the other permanent investments over which it has no control, joint control or significant influence.

- The new NIF C-8, "Intangible Assets", define them as non-monetary identifiable assets, without physical substance that will generate future financial benefits controlled by the entity.

- According to NIF D-8, "Share-based Payments", the entities that realize share-based payment transactions and grant share purchase options to employees, should recognize the cost or expense incurred, either in net income or as a capitalizable item, and the corresponding effect in the liability or asset. This NIF eliminates the use of the International Financial Reporting Standard 2 that has been applicable in Mexico on a supplementary basis in lieu of a Mexican standard that would cover share-based payments and share purchase options.

The Financial Group's management is studying the possible effect these standards will have on its consolidated financial position and results of operations.

37 - SUBSEQUENT EVENTS

Prepayment of subordinated debentures

Banorte exercised the prepayment option of its non-convertible subordinated debentures issued in 2004 maturing in 2014 for USD 300 million, which were listed on the Luxemburg Stock Exchange. The settlement was made on February 17, 2009. This subordinated debt was issued in February 2004 with a 10-year term and included a prepayment option as of the fifth year. The main reasons for prepaying this debentures were: i) the actual capital base is strengthened based on recent local subordinated debenture issues; ii) maintain Banorte's credibility as an international issuer in this type of market; iii) liquidate debentures whose effectiveness will gradually diminish for the purpose of being considered as regulatory capital pursuant to the Commission regulations; and iv) as part of Banorte's strategy to maintain proper regulatory capital levels.

Merger of Créditos Pronegocio, S.A. de C.V.

At the Board of Directors' Meeting held on January 29, 2009, the merger of Banorte, as the merging entity, with Créditos Pronegocio, S.A. de C.V., as the merged entity, was approved.

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:

Reconciliation of stockholders' equity:

	December 31, 2008	December 31, 2007
Stockholders' equity under Mexican Banking GAAP	Ps. 39,746	Ps. 34,156
Adjustments:		
Loan loss reserves (See B)	(97)	(192)
Loan origination fees and costs (See A)	149	176
Foreclosed assets (See C)	(45)	164
Insurance and postretirement activities (See A)	1,738	1,453
Derivatives (See A)	(75)	19
Business combinations (See D)	(2,035)	(1,478)
Purchased loan portfolio (See A)	(383)	(661)
Securitizations (See E)	(331)	(267)
Repurchase agreements (See A)	(24)	(69)
Investment valuation (See A)	(11)	21
Capitalized costs (See A)	(53)	(93)
Total adjustments	(1,167)	(927)
Tax effect on adjustments (See G)	(176)	(94)
Minority interest attributable to adjustments (See H)	(513)	(422)
Stockholders' equity under MFRS	Ps. 37,890	Ps. 32,713

Reconciliation of net income:

	Year ended December 31, 2008	Year ended December 31, 2007
Net income under Mexican Banking GAAP	Ps. 7,014	Ps. 6,810
Adjustments:		
Loan loss reserves (See B)	95	(55)
Loan origination fees and costs (See A)	4	438
Foreclosed assets (See C)	(210)	(95)
Insurance and postretirement activities (See A)	286	139
Derivatives (See A)	(93)	(31)
Purchased loan portfolio (See A)	278	343
Securitizations (See E)	(149)	45
Repurchase agreements (See A)	46	(19)
Investment valuation (See A)	(16)	149
Capitalized costs (See A)	68	125
Sale of subsidiary (See F)	—	(63)
Total adjustments	309	976
Tax effect on adjustments (See G)	(150)	(312)
Minority interest attributable to adjustments (See H)	(91)	(129)
Net income under MFRS	Ps. 7,082	Ps. 7,345

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.

C) 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) Business Combinations

Under Mexican Banking GAAP, the Financial Group recorded the put option held by the shareholders' of INB at its contractual value, which increased the amount of goodwill recorded in the purchase price allocation. Under MFRS, the put option represents a transaction between shareholders and is therefore reflected in stockholders' equity. Changes in the recorded value of the liability do not affect net income for either Mexican Banking GAAP or MFRS; as such no adjustment to net income is reflected in the reconciliation for this item.

E) 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.

F) Sale of subsidiaries

The basis of assets and liabilities under MFRS of Fianzas Banorte at the time of its sale were different from the basis of such assets and liabilities under Mexican Banking GAAP; accordingly, the disposal under MFRS resulted in a loss, whereas under Mexican Banking GAAP the Financial Group recognized a gain.

G) Income Taxes

MFRS differences as described above, to the extent taxable, are reflected in the MFRS deferred tax balances.

H) Minority Interest

The effects of the MFRS differences as described in this note reflect the amounts assigned to the minority 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"). Prior to 2008, the Mexican Banking GAAP consolidated financial statements include the effects of inflation as provided for under Bulletin B-10, "Recognition of the Effects of Inflation in Financial Information", whereas financial statements prepared under U.S. GAAP are presented on a historical cost basis. The application of Bulletin 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, in accordance with new 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 for the years ended December 31, 2007 and 2006 does not include the reversal of the adjustments required under Bulletin 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,	
	2008	2007
Stockholders' equity under Mexican Banking GAAP	Ps. 39,746	Ps. 34,156
U.S. GAAP adjustments:		
Loan loss reserves (See A)	1,366	1,141
Loan origination fees and costs (See B)	149	176
Purchased loan portfolio (See C)	(383)	(661)
Derivatives (See D)	(75)	19
Foreclosed assets (See E)	(45)	164
Insurance and postretirement activities (See F)	1,738	1,453
Business combinations (See G)	25	371
Employee retirement obligations (See H)	(848)	(898)
Capitalized costs (See I)	(53)	(93)
Securitizations (See J)	(136)	(3)
Other adjustments (See L)	86	(121)
Fair value measurements (See III C)	(137)	—
Income taxes (See M)	(1,614)	(1,645)
Total U.S. GAAP adjustments	73	(97)
Tax effect on U.S. GAAP adjustments (See M)	(491)	(463)
Minority interest under Mexican Banking GAAP (See N)	(1,945)	(1,667)
Minority interest attributable to U.S. GAAP adjustments (See N)	(539)	(428)
Stockholders' equity under U.S. GAAP	Ps. 36,844	Ps. 31,501

Reconciliation of net income:

	Years ended December 31, 2008	2007	2006
Net income under Mexican Banking GAAP	Ps. 7,014	Ps. 6,810	Ps. 6,255
U.S. GAAP adjustments:			
Loan loss reserves (See A)	225	(245)	(338)
Loan origination fees and costs (See B)	4	438	680
Purchased loan portfolio (See C)	278	343	(251)
Derivatives (See D)	(93)	(31)	(276)
Foreclosed assets (See E)	(210)	(95)	(74)
Insurance and postretirement activities (See F)	286	139	(319)
Business combinations (See G)	(318)	229	15
Employee retirement obligations (See H)	55	8	(40)
Capitalized costs (See I)	68	125	230
Securitizations (See J)	(134)	—	358
Share-based payment (See K)	—	—	(19)
Other adjustments (See L)	(814)	60	(180)
Fair value measurements (See III C)	(137)	—	—
Income taxes (See M)	11	62	(410)
Total U.S. GAAP adjustments	(779)	1,033	(624)
Tax effect on U.S. GAAP adjustments (See M)	362	(390)	(18)
Minority interest attributable to U.S. GAAP adjustments (See N)	(121)	(90)	207
Net income under U.S. GAAP	Ps. 6,476	Ps. 7,363	Ps. 5,820

A rollforward of the Financial Group's U.S. GAAP stockholders' equity balance is as follows:

	2008	2007
Balance at the beginning of the year	Ps. 31,501	Ps. 25,526
Net income under U.S. GAAP	6,476	7,363
Dividends declared	(949)	(917)
Issuance (repurchase) of shares	103	(639)
Other comprehensive (loss) income	(287)	168
Balance at the end of the year	Ps. 36,844	Ps. 31,501

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. 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).

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 Statement of Financial Accounting Standards ("SFAS") No. 5, "Accounting for Contingencies", and 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 nonhomogeneous loans, the Financial Group assesses all individual loans with an outstanding balance greater than 4 million UDI for impairment. 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.

U.S. GAAP loan loss reserves are as follows:

Loan loss reserves	2008	2007	2006
Loan loss reserves for SFAS No. 114	Ps. 523	Ps. 3	Ps. 45
Loan loss reserves for SFAS No. 5	4,728	2,569	2,124
Total loan loss reserves US GAAP	5,251	2,572	2,169
Loan loss reserves Mexican Banking GAAP prior to change in accounting principle	6,690	3,786	3,667
(Less)			
Change in accounting principle (1)	—	—	(527)
Mexican Banking GAAP loan loss reserves	6,690	3,786	3,140
Adjustment to INB reserves (2)	(73)	(73)	(112)
Adjusted loan loss reserves	6,617	3,713	3,028
Stockholders' equity adjustment after changes in accounting principles	1,366	1,141	859
Net Income adjustment after changes in accounting principles	Ps. 225	Ps. (245)	Ps. (338)

1) Retrospective application of the change in accounting principle.

2) In 2006, as a result of the Financial Group's acquisition of INB as disclosed in Note 39 G), additional reserves were recorded with an offset to goodwill in its Mexican Banking GAAP consolidated financial statements. As of December 31, 2008, 2007 and 2006 the additional reserves recorded under Mexican Banking GAAP are Ps. 73, Ps. 73 and Ps. 112, respectively.

Rollforward of loan loss reserves:

	2008	2007	2006
Beginning of the year	Ps. 2,572	Ps. 2,169	Ps. 2,119
Charge-offs net of recoveries	(4,002)	(2,341)	(1,151)
Charges	6,681	2,823	1,287
Restatement effect	—	(79)	(86)
End of the year	Ps. 5,251	Ps. 2,572	Ps. 2,169

Ratios:

Loan loss reserves for SFAS No. 114	December 31, 2008	2007	2006	Percentage 2008	2007	2006
Total reserves	Ps. 523	Ps. 3	Ps. 45			
Total balances of impaired loans	Ps. 153	Ps. 87	Ps. 210	341.83%	3.45%	21.43%
Total balances of outstanding loans	Ps. 1,256	Ps. 87	Ps. 322	41.64%	3.45%	13.98%

Loan loss reserves for SFAS No. 5	December 31, 2008	2007	2006	Percentage 2008	2007	2006
Total reserves	Ps. 4,728	Ps. 2,569	Ps. 2,124			
Total balances of impaired loans	Ps. 4,548	Ps. 2,637	Ps. 1,788	103.96%	97.42%	118.79%
Total balances of outstanding loans (1)	Ps. 243,990	Ps. 196,445	Ps. 149,179	1.94%	1.31%	1.42%

(1) The Financial Group has also recorded loan loss reserves in accordance with SFAS No. 5 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. 2,793, Ps. 2,365 and Ps. 2,368 as of December 31, 2008, 2007 and 2006, 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 and loan origination costs are expensed as incurred. Prior to 2007, loan origination fees were recognized on a cash basis. This change in accounting principle was applied retrospectively. Under U.S. GAAP, as required by SFAS No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases - an amendment of FASB Statements No. 13, 60, and 65 and a rescission of FASB Statement No. 17", 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 U.S. GAAP SOP 03-3 for its Mexican Banking GAAP financial statements and applied it prospectively to all existing portfolios held. SOP 03-3 addresses 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 SOP and began to apply its guidance 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, Accounting Practice Bulletin 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.

The Financial Group's portfolio disclosures and U.S. GAAP methodology applied are disclosed in the following table:

Portfolio	Stockholders' equity December 31, 2008	Stockholders' equity December 31, 2007	Net income Year ended December 31, 2008	Net income Year ended December 31, 2007	Net income Year ended December 31, 2006	Methodology applied under U.S. GAAP
Bancrecer I	Ps. (155)	Ps. (167)	Ps. 13	Ps. (28)	Ps. (80)	Cost-recovery method
Serfin Santander	(60)	(70)	10	21	(28)	Cost-recovery method
Meseta	(15)	(38)	23	34	51	Cost-recovery method
Bancrecer II	(2)	(1)	—	6	8	Cost-recovery method
Goldman Sachs	(186)	(227)	42	81	109	Cost-recovery method
Cremi	(49)	(63)	13	(2)	(8)	Cost-recovery method
Banorte Sólida	(151)	(198)	46	11	30	Cost-recovery method
Bancrecer III	—	(1)	—	8	12	Cost-recovery method
Banco Industrial	—	—	—	—	19	Cost-recovery method
Bancomer I	(136)	(109)	(27)	(32)	(39)	Cost-recovery method
Bancomer II	9	11	(2)	(3)	—	Interest method
Banco Unión	6	11	(5)	(3)	(58)	Interest method
Bital I	(47)	(66)	19	(8)	(130)	Interest method
Serfin	—	—	—	—	(6)	Interest method
Bancomer III	34	27	6	28	7	Interest method
Bancomer IV	175	104	71	104	91	Interest method
Bital II	14	20	(6)	20	(21)	Interest method
Banamex Hipotecario	82	62	20	62	5	Interest method
GMAC Banorte	25	18	7	18	(32)	Interest method
Serfin Comercial I	16	(11)	27	(11)	(27)	Interest method
Serfin Hipotecario	60	43	17	43	—	Interest method
Vipesa	(3)	(6)	4	(6)	—	Interest method
Confia I	—	—	—	—	(75)	Interest method
Confia II	—	—	—	—	(15)	Interest method
Confia III	—	—	—	—	(2)	Interest method
Serfin Comercial II	—	—	—	—	(62)	Interest method
	Ps. (383)	Ps. (661)	Ps. 278	Ps. 343	Ps. (251)	

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. In addition, the Financial Group applied the provisions of Bulletin C-10 as of the beginning of 2005 in accordance with instructions received from the Commission 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, the Financial Group is 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.

Under Mexican Banking GAAP, the designation of a derivative instrument as a hedge of a net position ("macro hedging") is allowed. However, macro hedging is not permitted under U.S. GAAP.

SFAS No. 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 ("OCI") 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) 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.

Prior to 2007, 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 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.

Accumulated deferred acquisition costs (DAC) as of December 31, 2008, 2007 and 2006 under U.S. GAAP are as follows:

	December 31,					
	2008		2007		2006	
Life	Ps.	20	Ps.	20	Ps.	17
P&C		255		225		222
Health		197		30		21
Afore		1,397		1,223		812
Total accumulated DAC	Ps.	1,869	Ps.	1,498	Ps.	1,072
DAC - net amount charged to net income	Ps.	371	Ps.	426	Ps.	55

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,			
	2008		2007	
Life	Ps.	93	Ps.	19
P&C		(273)		(300)
Health		(290)		(80)
LAE		(98)		(76)
Afore		(381)		(391)
Pensions		611		576
Total		(338)		(252)
Catastrophic reserve:				
P&C		185		144
		185		144
Reinsurance activities		22		63
Total reserves	Ps.	(131)	Ps.	(45)

Summary:

	December 31,			
	2008		2007	
DAC	Ps.	1,869	Ps.	1,498
Total reserves		(131)		(45)
Total adjustments	Ps.	1,738	Ps.	1,453

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, Bulletin 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, SFAS No. 141, "Business Combinations", 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 primary purpose of the acquisition was to expand the Financial Group's market share into the United States in areas with close proximity to Mexico. 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 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. The agreement grants 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 grants 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 will be 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 is recognized as a free standing financial instrument under the premises of 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.

H) Employee retirement obligations

Under Mexican Banking GAAP Bulletin 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 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 allows for the Financial Group to amortize the transition obligation related to the adoption of Bulletin D-3 over the expected service life of the employees. Beginning in 2008, an amendment to Bulletin 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 Bulletin D-3. For U.S. GAAP, such costs are accounted for in accordance with SFAS No. 87, "Employers' Accounting for Pensions", whereby the liability is measured, similar to Mexican Banking GAAP, using the projected unit credit method at net discount rates. SFAS No. 87 became effective on January 1, 1989 whereas Bulletin D-3 became effective on January 1, 1993. Therefore, a difference between Mexican 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 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 Bulletin D-3, the Financial Group accounts for such benefits in a manner similar to U.S. GAAP. SFAS No. 106 became effective on January 1, 1993 whereas Bulletin 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 SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R. 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 Bulletin C-8, "Intangible Assets", all expenses incurred in the preoperating or development stages were capitalized. Upon adoption of Bulletin 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 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 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 SOP 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

UMS Bond Securitization

During the first quarter of 2006, the Financial Group securitized UMS bonds in the amount of Ps. 5,097. The Financial Group retained approximately 99% of the Securitization Certificates issued by the trust and immediately subsequent to the securitization, sold them under repurchase agreements. The Financial Group recorded this transaction as a sale for purposes of its Mexican Banking GAAP financial statements. For US GAAP purposes, in accordance with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities a replacement of FASB Statement 125", the transfer was accounted for as a secured borrowing.

In 2006, the Financial Group's subsidiary Banorte transferred its UMS bonds from the held-to-maturity category to available-for-sale. For US GAAP purposes, such reclassification tainted Banorte's portfolio and therefore all held-to-maturity securities were reclassified to available-for-sale at fair value in accordance with the criteria established by SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities".

Bond securitization

During the third quarter of 2007, the Financial Group securitized UMS, PEMEX, CFE and BANCOMEXT bonds in the amount of Ps. 2,027. The Financial Group retained approximately 76% of the Securitization Certificates issued by the trust and immediately subsequent to the securitization, sold them under repurchase agreements. The Financial Group recorded this transaction as a sale for purposes of its Mexican Banking GAAP financial statements.

Under Mexican Banking GAAP, based on instructions from the Commission in their letter DGSIF "A"-601-II-52006 dated on February 11, 2005, the Financial Group recorded both transactions as a sale and repurchase agreement.

For U.S. GAAP purposes, the transactions did not meet the sales criteria established by SFAS No. 140 and as a result were accounted for as secured borrowings.

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 has 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 SFAS No. 140 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 SFAS No. 115. 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 has 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 SFAS No. 140 and as a result were accounted for as secured borrowings.

K) Share-based payment

Beginning in 2007, the Financial Group accounts for its share-based compensation plans according to IFRS 2, "Share-Based Payment", which is supplemental guidance to Mexican Banking GAAP given that no local standard exists that addresses this topic. As a result, the Financial Group's accounting treatment for its particular share-based payment transactions conforms to the requirements established by U.S. GAAP. As a result, beginning in 2007, the Financial Group does not have a reconciling item related to its share-based payment plans. Prior to 2007, the Financial Group accounted for these plans as prepaid expenses, based on instructions received from the Commission in its letter 601-II-9477.

Under U.S. GAAP, prior to January 1, 2006, the Financial Group applied Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees", which requires an entity to use an intrinsic value method to determine the value of equity instruments.

Under U.S. GAAP, the Financial Group adopted SFAS No. 123(R), "Share-Based Payment", effective January 1, 2006, using the modified prospective application method. The modified prospective application method applies to new awards, to any outstanding liability awards, and to awards modified, repurchased, or cancelled after January 1, 2006. For all awards granted prior to January 1, 2006, compensation cost has been recognized on the portion of awards for which service has been rendered. SFAS No. 123(R) requires all stock-based compensation awards, including stock options, to be accounted for at fair value and to be recognized as compensation expense over the requisite service period.

L) Other adjustments

These include the following:

	Stockholders' equity December 31,		Net income Year ended December 31,		
	2008	**2007**	**2008**	**2007**	**2006**
1) Non-accrual loans	Ps. 168	Ps. 26	Ps. 142	Ps. 64	Ps. 36
2) Guarantees	6	(23)	29	(7)	(4)
3) Repurchase agreements	(24)	(69)	46	(19)	(1)
4) Investment valuation	(11)	21	(1,121)	62	(234)
5) Equity method investments	(53)	(76)	90	23	2
6) Discontinued operations	—	—	—	(63)	21
	Ps. 86	Ps. (121)	Ps. (814)	Ps. 60	Ps. (180)

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 FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others - an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB interpretation No. 34", 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) Repurchase and resale agreements represent the temporary purchase or sale of certain financial instruments in exchange for a specified premium to be paid or received and with the obligation to resell or repurchase the underlying securities. Under Mexican Banking GAAP, repurchase and reverse repurchase agreements are recorded as sales and purchases of securities, respectively. A net asset or liability is recorded at the fair value of the forward commitment to repurchase or resell the securities, respectively. Under 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.

4) The investment valuation adjustment is 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 recognizes income based on the straight line method.

   As disclosed in Note 39 J), in 2006, as a result of tainting its portfolio all of Banorte's held-to-maturity securities under Mexican Banking GAAP were reclassified as available-for-sale under U.S. GAAP.

5) Under Mexican Banking GAAP, investments in associated companies in which the Financial Group has more than a 10% ownership, are 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.

6) This adjustment is the result of selling On March 31, 2007, 100% of the shares of Fianzas Banorte.

   Mexican Banking GAAP as defined by Bulletin C-15, "Impairment of Long-lived Assets and their Disposal", requires the asset group being disposed of to be presented as a discontinued operation only if its operations are individually significant to the consolidated operations. Bulletin C-15 defines the discontinuance of an operation as the process of final interruption of a significant business activity of an entity and establishes that the discontinuation of an operation implies the final interruption of a significant activity of the entity that leads to the sale, abandonment, exchange or return to stockholders of long-lived assets originally intended for use, in addition to other assets and liabilities related to the operation. Therefore, the analysis of the significance of the disposed business is performed without considering the eventual gain or loss on sale or aggregating each business being disposed with other businesses sold, and instead considers only the significance of the business activity of the relevant business being sold.

   U.S. GAAP as defined by SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", requires that an entity report as discontinued operations those components of its business that have been classified as held for sale. A component of an entity is defined as comprising operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the business. Individually insignificant disposals of a component of an entity should be aggregated for purposes of assessing materiality for all periods presented. Therefore, individually insignificant dispositions should be aggregated and reported as discontinued operations under SFAS No. 144 beginning in the period the impact of the dispositions is material to the financial statements of any period presented. This evaluation should also include the effect of the gain or loss on sale of the component.

The basis of the assets and liabilities under U.S. GAAP of Fianzas Banorte at the time of its sale was different from the basis of such assets and liabilities under Mexican Banking GAAP; accordingly, the disposal under U.S. GAAP resulted in a loss, whereas under Mexican Banking GAAP the Financial Group recognized a gain.

M) Income taxes

Under Mexican Banking GAAP as required by Bulletin D-4, “Accounting for Income Tax, Tax on Assets and Employee Statutory Profit Sharing,” 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 bases, measured using enacted rates. The effects of changes in the statutory rates are accounted for in the period that includes the enactment date. 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.

PTU is derived 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 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 that includes the enactment date. 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.

U.S. GAAP differences as described above, to the extent taxable are reflected in the U.S. GAAP deferred tax balances.

N) Minority interest

Under Mexican Banking GAAP, minority interest in consolidated subsidiaries is presented as a separate component within the stockholders’ equity section of the consolidated balance sheet. For U.S. GAAP purposes, minority interest is not included in stockholders’ equity and is presented below total liabilities and above the stockholder’ equity section of the balance sheet.

The effects of the U.S. GAAP differences as described in this note reflect the amounts assigned to the minority interests.

II Significant disclosures:

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. Prior to 2007, all subsidiaries not within the financial sector were accounted for under the equity method. 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 Financial Group is or is not within the insurance and pension sector, and therefore is required to be consolidated. Companies that may seem to fall within the insurance and pension sector based on their operations may not be consolidated due to decisions of the SHCP.

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) in 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 SFAS No. 128, "Earnings per Share", and is calculated using the weighted-average number of common shares outstanding during each period. Basic and diluted earnings per share are based upon, 2,016,959,232, 2,018,167,791 and 2,019,019,115 weighted-average shares outstanding for 2008, 2007 and 2006, 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,		
	2008	2007	2006
Basic and diluted earnings per share...	Ps. 3.2112	Ps. 3.6483	Ps. 2.8827

B) Cash flow information

Mexican Banking GAAP establishes presentation requirements related to the statement of changes in financial position. This statement 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, 2008, 2007 and 2006, includes the impact of U.S. GAAP adjustments in conformity with recommendations established by the American Institute of Certified Public Accountants, SEC Regulations Committees' International Practices Task Force.

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2008, 2007 and 2006
(In millions of Mexican pesos)

	2008	2007	2006
Cash flows from operating activities:			
Net income under U.S. GAAP	Ps. 6,476	Ps. 7,363	Ps. 5,820
Unrealized investment loss (income)	1,171	(204)	329
Allowance for loan losses	6,625	2,830	1,857
Depreciation and amortization	1,450	702	697
Deferred income taxes and employee profit sharing	(652)	(173)	775
Provision for miscellaneous obligations	8	2,369	(43)
Minority interest	753	721	484
Equity in earnings of subsidiaries and associated companies	(125)	(66)	(115)
Allowance for doubtful accounts	59	(89)	20
Periodic pension cost	199	205	350
Gain on sale of property	—	(22)	(15)
Loss on sale of foreclosed assets	273	208	96
(Gain) loss on sale of trading securities	(116)	338	776
(Gain) loss on sale of available for sale securities	(53)	(36)	52
Amortization of purchased portfolios	680	679	1,598
Loss from monetary position	—	1,298	1,129
Insurance and postretirement reserves	(286)	(139)	319
Amortization of debt issuance fees and costs	(4)	(439)	(679)
Income recognition of purchased portfolios	(278)	(343)	251
Other non-cash items	(2,014)	(334)	(28)
Changes in operating assets and liabilities:			
Trading securities	(1,455)	4,868	(13,538)
Trading derivative financial instruments	2,435	(2,463)	3,354
Decrease in settlement accounts payable	(649)	(226)	(1,082)
Decrease in settlement accounts receivable	1,262	2,263	2,935
Increase in other accounts receivable	(4,286)	(2,233)	(8,518)
Increase in other accounts payable	5,709	5,231	7,242
Increase in deferred charges	(1,560)	(2,115)	(2,500)
Increase (decrease) in deferred credits	242	(210)	164
Net cash provided by operating activities	15,864	19,983	1,730

	2008	2007	2007
Cash flows from investing activities:			
Proceeds from sale of property, furniture and equipment	123	21	31
Acquisitions of property, furniture and equipment	(1,345)	(1,843)	(907)
Cash paid for acquisition of subsidiaries	—	(200)	(2,724)
Proceeds from sale of foreclosed assets	758	369	136
Treasury transactions - held to maturity securities	(219,851)	16,087	18,528
Treasury transactions - available for sale securities	(4,430)	(3,328)	(3,097)
Issuance of loans	(48,294)	(55,758)	(19,717)
Purchased credit portfolios	(302)	169	(553)
Repurchase agreements – purchases	(90)	(15,545)	(13,298)
Net cash used in investing activities	(273,431)	(60,028)	(21,601)
Cash flows from financing activities:			
Proceeds from (repayments of) subordinated liabilities	10,343	(1,131)	6,899
Issuance (repurchase) of shares	103	(639)	31
Dividends paid	(949)	(917)	(792)
Deposits received	53,319	34,044	21,327
Repayments of bank debt and other loans	9,037	3,909	(5,108)
Repurchase agreements – sales	196,368	2,949	2,274
Debt issue costs of subordinated liabilities	—	(9)	(31)
Net cash provided by financing activities	268,221	38,206	24,600
Effects of inflation accounting and exchange rate	2,026	(1,610)	(1,723)
Net increase (decrease) in cash and cash equivalents	12,680	(3,449)	3,006
Cash and cash equivalents at the beginning of the year	41,716	45,165	42,159
Cash and cash equivalents at the end of the year	54,396	41,716	45,165
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Income taxes	4,013	2,419	2,882
Interest	44,630	33,168	26,719
Supplemental schedule of non-cash investing activities:			
Transfers from loans to foreclosed assets	542	342	108
Transfers from (to) purchased credit portfolio to (from) foreclosed assets	233	109	(124)
Transfers to (from) foreclosed assets from (to) loans and purchased credit portfolio, net	Ps. (775)	Ps. 451	Ps. (16)

Cash and cash equivalents - 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.

C) New accounting pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 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 current 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. SFAS 157 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 Staff Position ("FSP") FAS No. 157-3 ("FSP 157-3"), *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active*. FSP 157-3 is effective upon issuance. SFAS 157 has been deferred until fiscal years beginning after November 15, 2008 for nonfinancial assets and liabilities. The adoption of this new accounting principle as it relates to the Financial Group's financial assets and financial liabilities that are measured at fair value on a recurring basis had a negative impact of approximately Ps. 137 on the Financial Group's consolidated financial position and results of operations. Additionally, the Financial Group has included additional disclosures regarding the fair value hierarchy of its financial instruments for the year ended December 31, 2008. The Financial Group is in the process of determining the impact of adopting this new accounting principle on its consolidated financial position and results of operations as it relates to its nonfinancial assets and nonfinancial liabilities.

According to SFAS 157, fair value is defined as the price expected to receive when selling the asset or to pay when transferring a liability in an orderly transaction between market participants at the measurement date. 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

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, creditworthiness of the counterparty, option volatility and currency rates. In accordance with SFAS No. 157, the impact of the Financial Group's own credit spreads is also considered when measuring the fair value of liabilities, including OTC derivative 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. As a result of adopting SFAS No. 157 in 2008, the Financial Group recorded a loss in its U.S. GAAP income statement as a result of adjusting the fair value of its financial instruments.

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, 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.

INB put right

Under U.S. GAAP, the INB put right is recorded at fair value using a lattice model. The Financial Group utilizes level 2 and level 3 inputs in order to determine its fair value.

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, 2008:

	Fair value measurements as of December 31, 2008			
	Quoted prices In active markets for identical instruments (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**December 31, 2008 Fair value**
Trading securities	Ps. 6,076	Ps. —	Ps. 554	Ps. 6,630
Available for sale securities	11,480	—	242	11,722
Derivative asset position	—	8,168	—	8,168
Derivative liability position	—	(10,821)	—	(10,821)
INB put right	—	—	(937)	(937)

	Fair value measurements using significant unobservable inputs (Level 3) Securities	
Beginning balance	Ps.	(30)
Total gains or losses (realized/unrealized)		
Included in earnings (or changes in net assets)		(24)
Included in other comprehensive income		(87)
Ending balance	Ps.	(141)

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 new accounting pronouncement.

SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" was issued in February 2007. SFAS No. 159, permits expanded use of fair value accounting but does not affect existing standards that require certain assets or liabilities to be carried at fair value. The objective of SFAS No. 159 is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Under SFAS No. 159, an entity may choose, at specified election dates, to measure eligible items at fair value and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Financial Group has not elected to measure any financial assets or financial liabilities at fair value which were not previously required to be measured at fair value.

SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51" was issued in December 2007. SFAS No. 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and the deconsolidation of a subsidiary, including: (a) changes the way the consolidated balance sheet and consolidated income statement are presented; (b) establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in a change of control or deconsolidation; (c) requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated; and (d) requires expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners of a subsidiary. SFAS No. 160 must be applied prospectively but to apply the presentation and disclosure requirements must be applied retrospectively to provide comparability in the financial statements. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Early adoption is prohibited. However, the Financial Group is in the process of determining the impact of adopting the accounting provisions of this new accounting principle on its consolidated financial position, results of operations and cash flows.

SFAS No. 141(R), Business Combinations, a replacement of FASB No. 141 was issued in December 2007. SFAS No. 141(R) requires (a) an entity to recognize 100% of the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at fair value as of the acquisition date; and (b) an acquirer in preacquisition periods to expense all acquisition-related costs, among various other modifications to SFAS No. 141. SFAS No. 141(R) also amends SFAS No. 109, "Accounting for Income Taxes", to require that any reductions to an acquired entity's valuation allowances on deferred taxes and acquired tax contingencies that occur after the measurement period be recorded as a component of income tax expense. SFAS No. 141(R) must be applied prospectively to all business combinations for which the acquisition date occurs during fiscal years beginning on or after December 15, 2008, with the exception of the amendments to SFAS No. 109, which will also be applied to business combinations with acquisition dates prior to the effective date of this standard. Early adoption is prohibited. The impact of this standard is dependent upon the level of future acquisitions.

FAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133” was issued in March 2008. SFAS No. 161 requires companies to provide qualitative disclosures about the objectives and strategies for using derivatives, quantitative data about the fair value of and gains and losses on derivative contracts, and details of credit-risk-related contingent features in their hedged positions. The statement also requires companies to disclose more information about the location and amounts of derivative instruments in financial statements; how derivatives and related hedges are accounted for under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities”; and how the hedges affect the entity’s financial position, financial performance and cash flows. SFAS No. 161 is effective for periods beginning after November 15, 2008.

FSP FAS No. 142-3, “Determination of the Useful Life of Intangible Assets”, was issued in April 2008. FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, “Goodwill and Other Intangible Assets”. The objective of the FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R). FSP FAS No. 142-3 is effective for fiscal years beginning after December 15, 2008. Early application is not permitted. The Financial Group is in the process of determining the impact of adopting this new accounting principle on its consolidated financial position, results of operations and cash flows.

In January 2008, the FASB unveiled the FASB Accounting Standards Codification (the “Codification”) for a one-year verification period by constituents. While the Codification does not change U.S. GAAP, it does combine all authoritative accounting standards issued by bodies such as the FASB, AICPA, and EITF into a topically organized comprehensive online database. The Codification will (a) reduce the amount of time and effort required to solve an accounting research issue; (b) improve usability of the literature thereby mitigating the risk of noncompliance with the standard; (c) provide real-time updates as new standards are released; (d) assist the FASB with the research and convergence efforts required during the standard-setting process; and (e) become the authoritative source of literature for the completed XBRL taxonomy. The Codification does not represent authoritative guidance until after the verification period, at which time the Codification will supersede all existing accounting literature (other than guidance issued by the SEC). Such Codification will apply for calendar year companies beginning in 2009.

In January 2009, the Mexican Banking and Securities Commission published amendments to the Mexican Securities Law, making it compulsory for public entities (financial services entities such as the Financial Group are currently exempt under this requirement) to prepare and present their financial statements using International Financial Reporting Standards beginning 2012 (early adoption is permitted). The Financial Group could be required through the Gruma, S.A.B. de C.V. who holds an equity investment in its shares to prepare financial information in accordance with IFRS. Management is currently assessing the impact that this potential change would have on the Financial Group’s consolidated financial statements, and will continue to monitor the development of the potential implementation of IFRS.

* * * * *

Exhibit 2.(b)(6)

NOTATIAL TESTIMONY OF THE PUBLIC DEED CONTAINING A LOAN AGREEMENT ENTERED INTO BY AND BETWEEN “BANCO NACIONAL DE COMERCIO EXTERIOR”, SOCIEDAD NACIONAL DE CREDITO, INSTITUCION DE BANCA DE DESARROLLO AND “GRUMA”, SOCIEDAD ANONIMA BUSRATIL DE CAPITAL VARIABLE.

NUMBER........................ 89,935.

BOOK. .... 1,496.

YEAR............................. 2,008.

AMA/CHM/AMA.

BOOK ONE THOUSAND FOUR HUNDRED AND NINETY SIX. AMA/CHM/AMA

EIGHTY NINE THOUSAND NINE HUNDRED THIRTY FIVE.

MEXICO CITY, November twelve, two thousand eight.

AMANDO MASTACHI AGUARIO, notary public number one hundred twenty one for Mexico City and Notary of the Federal Real Estate Property National Wealth, hereby formalizes: **THE LOAN AGREEMENT** entered into by and between "**BANCO NACIONAL DE COMERCIO EXTERIOR**", **SOCIEDAD NACIONAL DE CRÉDITO, INSTITUCIÓN DE BANCA DE DESARROLLO**, hereinafter the "**LENDER**" represented herein by attorneys in fact Jorge Arturo Tovar Castro and Horacio Vaquera García, and "**GRUMA**", **SOCIEDAD ANÓNIMA BURSÁTIL DE CAPITAL VARIABLE**, hereinafter the "**BORROWER**" represented herein by attorney in fact Raúl Alonso Peláez Cano and Salvador Vargas Guajardo, pursuant to the following recitals and clauses:

RECITALS:

A. ABOUT THE BENEFICIARY UNDER OATH:

I. That it requested from the "LENDER" the entering into and execution of this Credit Agreement for an amount up to $3,367´000,000.00 (Three Thousand Three Hundred Sixty Seven Million Mexican Pesos, National Currency).

II. That its commercial negotiation is free from any liens.

III. That in order to request this credit it has stated that it has not committed any bribery act towards a government officer from the country where it carries out its activity and that such statement prevails in force under such terms on the date of execution hereof.

IV. That it is aware that the "LENDER" entered into and executed on November eleven, two thousand eight a guaranty agreement with the Bank of Mexico (*Banco de* México) acting as Trustee of the Federal Government for the trust named Special Fund for Technical Assistance And Guaranty for Agricultural credits (FEGA) and also states that it is aware of the terms and conditions that govern such agreement.

B. ABOUT THE "LENDER":

That it is willing to grant this line of credit requested by the "BORROWER", pursuant to the following:

CLAUSES:

AMOUNT: FIRST. The "LENDER" grants in favor of the "BORROWER", and the "BORROWER" receives from the "LENDER", a Line of Credit, hereinafter the "LOAN", for an amount up to $3,367´000,000.00 (Three Thousand Three Hundred Sixty Seven Million Mexican Pesos, National Currency), amount that does not comprise any interests, expenses and commissions whatsoever which the "BORROWER" must pay to the "LENDER".

USE: SECOND. The "BORROWER" shall invest the "LOAN" amount for its general corporate purposes (total or partial liquidation of obligations in favor of counterparties of any currency exchange derivative Financial Instruments).

TERM AND FORM OF DISPOSAL: THIRD. The "BORROWER" may dispose of the "LOAN" during a term of six months beginning on the date of execution hereof, by means of direct pay out, informing the "LENDER" prior notice of up to three days of its need to dispose, delivering for such purposes the following documentation:

a) Disposal request, specifying the delivered information and the form for delivery of resources.

b) Original copy of the document named: Signature Card, only for the first disposal.

c) Document by which FEGA authorizes the LOAN disposal at hand.

REQUISITES FOR LOAN EXERCISE. The "BORROWER" shall not exercise the "LOAN"

if the following have not happened:

I. That it has delivered all documentation for the “LOAN” disposal as requested herein by the “LENDER”.

II. That the BORROWER” has paid the corresponding commissions pursuant to the terms provided herein. The “LENDER” may restrict the disposal term and amount for the “LOAN” and/or terminate this agreement, pursuant to the terms of Article two hundred ninety four of the General Law of Negotiable Instruments and Operations, prior written notice provided by the “LENDER”.

PAYMENT TERM AND FORM: FOURTH. The “LOAN” shall be paid within a term that shall not exceed two years beginning on the date of first disposal of the LOAN.

The “BORROWER” agrees to pay the “LENDER” the amount, interest and accessory concepts for the “LOAN” in the following place and form:

The “BORROWER” shall make the payments by deposit on account number “08700006949” (zero eight seven zero zero zero zero six nine four nine) under reference number “1013021085230” (one zero one three zero two one zero eight five two three zero) that the “LENDER” has with “Banco Nacional de México”, Sociedad Anónima, Institución de Banca Múltiple on banking work days and hours without the need of prior request or charge thereof. The “LENDER” shall have the authority to designate another place for payment, prior written notice provided to the “BORROWER” with at least five days of anticipation. In the event that the date of payment is not a work day pursuant to the bank usages on the place of payment, the due date shall be the next immediate work day.

ANTICIPATED PAYMENT: The “BORROWER” may carry out anticipated payments for the “LOAN” without penalty, pursuant to the following conditions:

a) That such anticipated payments are only made on the dates set for the payment of interests for the “LOAN”.

b) That the amount of the anticipated payments made are applied to the last series due payments, for as much as possible, covering the interests first.

INTERESTS: FIFTH. The “BORROWER” agrees to pay the “LENDER” ordinary interests for the disposal referred to herein, at an applicable annual rate pursuant to the following:

T.I.I.E. FOR TWENTY EIGHT DAYS PLUS TWO POINT ZERO PERCENTILE POINTS.

For purposes of this agreement it shall be understood by T.I.I.E. the Interbank Interest Equilibrium Rate (*Tasa de Interés Interbancaria de Equilibrio*) for twenty eight days published by the Bank of Mexico on the Federal Gazette being the last known published rate on the previous work day to the date of disposal, and in the event that the revision and adjustment of the same, the last known published rate two previous work days to the date of revision and adjustment shall be applied. Such rate shall be rounded up to the ten-thousandth of the closest percentile point. For such purposes five hundred-thousandths ore more than a percentile point shall be considered closest to the ten-thousandth of the immediate upper percentile point.

The interests shall be calculated per the number of passed calendar days over a base of one year of three hundred and sixty days.

The T.I.I.E rate shall be revisable and, consequently, adjusted monthly and the interest payable monthly.

If for any circumstance the T.I.I.E. rate should disappear, the “BORROWER” agrees that the rate to replace it shall be the return rate of the Federal Treasury Certificates (*Certificados de la Tesorería Federal*) (CETES) for twenty eight days, considering the last one known prior to the beginning of the period in which the corresponding interests are accrued, multiplied times one point two plus the agreed points.

LATE PAYMENT: SIXTH. If any payment obligation hereunder is not duly paid on its due date, from such date the “BORROWER” shall pay in favor of the “LENDER” late payment

interests at a rate that results from multiplying times two the ordinary interest rate agreed under the terms of this agreement, applicable to the disposal that gave result to the referred payment obligation in respect of which the late payment were incurred. Such rate shall be revised and, consequently, adjusted with the same regular recurrence as for the ordinary rate.

COMMISSIONS: SEVENTH. The "BORROWER" shall pay the "LENDER" the following commissions:

i). Granting Commission, equal to Zero point Five percent over the total amount of the "LOAN", due only once, on the date of execution of this agreement.

ii). For the cost of the "FEGA" Guaranty Service equal to an annual three percent, pursuant to the following:

The calculation to determine the cost for the Guaranty Service shall be made by periods with a maximum duration of three hundred and sixty five calendar days. The payments for this cost shall be made at the beginning of each period. The periods shall be determined pursuant to the amortization and proceeds calendar.

For the purposes of determining a period, for the number of calendar days passed from the proceed date to the first amortization date for the credit shall be considered, the following period considers from the next proceed to the next amortization (may be the first or subsequent amortization), without any period exceeding three hundred and sixty five calendar days. When the period so calculated exceeds three hundred and sixty five calendar days, the charge shall be made with due date at the three hundred and sixty five calendar days and the subsequent periods shall begin on the next day after the amortization and until the following amortization.

The cost for the Guaranty Service shall be determined by multiplying the Unpaid Credit Balance, at the beginning of each charge period for the corresponding factor according to the exercised coverage, times the number of calendar days for the period (maximum of three hundred and sixty five calendar days), divided by three hundred and sixty days.

OBLIGATIONS OF THE BORROWER: EIGHTH. The BORROWER shall comply with the following obligations in favor of the "LENDER":

a) Deliver at most on the last day of the months February, May, August and November of each year, interim financial statements (balance sheet and balance statement *balance y estado de resultados*) attaching analytical relations of its main collective accounts, with information at the closing of the months December, March, June and September respectively. Such financial statements shall be made in compliance with the Financial Information Norms issued by the Mexican Council for the Investigation and Development Financial Information Norms and be duly signed by the Accountant as well as by the legal representative of the "BORROWER".

b) Deliver audited financial statements made during the term of the "LOAN", including the auditing statement and explanatory notes, beginning with those corresponding to the annual fiscal year in which the disposal of resources began. Such financial statements shall be delivered one hundred days after to the closing of the fiscal year, and shall be made in compliance with the Financial Information Norms issued by the Mexican Council for the Investigation and Development Financial Information Norms.

c) Authorize the "LENDER" during the term of the "LOAN" to obtain, analyze and use credit information regarding the "BORROWER" through the credit information entity as it may consider most convenient.

d) Deliver the information requested by the "LENDER" for the follow up and supervision of the "LOAN".

e) Enter into and execute, and maintain in force, two deposit agreements with the "LENDER", pursuant to the following:

i. For the amount equivalent to one percent of the credit exercised amount. ii. For the amount corresponding to two interest payments, over the "LOAN" exercised balance. This amount shall be revised monthly at the beginning of each interest payment period; in the event that there exists a variation that is superior to a ten percent of the deposited amount, the parties as it may

correspond, shall contribute or liberate the corresponding amounts within a term that shall not exceed three work days, for the purpose of maintaining the amount corresponding to two interest payments.

f) Deliver quarterly reports containing:

i). The operative and financial performance of the “BORROWER”;

ii). The progress of the negotiations of the “BORROWER” with its financial counterparties of currency exchange derivative financial instruments; and

iii). The negotiations carried out regarding its bank credits in force at the date of execution hereof.

EARLY TERMINATION: ELEVENTH. The term for payment of the “LOAN” shall be deemed early terminated, without the need of prior notice thereof to the “BORROWER”, in the event that the latter incurs in any of the following:

a) If it does not pay on due date one or more of the agreed payments, whether for principal amounts, interests or commissions.

b) If it uses the “LOAN” amount or any part thereof, for different purposes than those agreed under this agreement, without prior written authorization from the “LENDER”.

c) If it transfers or encumbers more than fifty percent of the assets of the “BORROWER”, without prior written authorization from the “LENDER”.

d) If it fails to timely pay the taxes or any other fiscal debt on its charge, including the due amounts corresponding to the Social Security Mexican Institute (*Instituto Mexicano del Seguro* Social) and to the National Fund for Workers Housing (*Fondo Nacional para la Vvivienda de los Trabajadores*), unless they are found challenged before competent tribunals.

e) If it abandons the administration of its company.

f) If at any time, for any reason, the works of the company property of the “BORROWER” are suspended, even when such suspension is due to labor strike, stoppage or lack or raw materials.

g) If it fails to comply with any other obligation agreed under this or any other agreement it may have entered into with the “LENDER”, if the execution of this agreement or the granting of the “LOAN”, causes a default to any other agreement that the “BORROWER” may have entered into with another creditor of the Financial System (*Sistema Financiero*), and if it is found in default of over eighty percent of its payment obligations with its other creditors that belong to credit institutions.

h) If the “BORROWER” or someone in its representation commits an act of bribery towards a government official of the country where it carries out its activity and for the event that it commits an act of bribery, it shall be deemed sufficient cause to deny the disposal of the “LOAN”, or cause for early termination for the event that it had disposed thereof.

i) For the simple communication that FEGA provides in writing to the “LENDER” pursuant to the provisions of the guaranty agreement referred to in recital A, fourth numeral, of this agreement. The causes of early termination established herein are independent from those derived from the applicable Law, reason for which they shall not be deemed as restrictive to those established in the applicable Law.

For the simple fact that the “LENDER” early terminates the “LOAN”, the “BORROWER” shall lose its right to obtain any financial support that the “LENDER” provides.

SUSPENSION: TWELFTH. The “LENDER” may suspend the granting of the “LOAN” for any breach of the “BORROWER” to this agreement or any other contractual breach that the following may have with the “LENDER”:

i. The shareholders of the “BORROWER”. ii. Any company in which the “BORROWER” may hold stock for thirty percent or more. iii. Any company in which the shareholders of the

“BORROWER” hold stock. For the purposes of the paragraphs above, shareholders shall mean only those that hold stock for forty nine percent or more.

PAYMENT OF EXPENSES: THIRTEENTH. The “BORROWER” shall pay all of the expenses incurred due to this agreement. For such purposes, it shall be understood that agreement expenses include any expenses derived from its execution, notarizing, recording before a public registry, as well as the expenses included in article three hundred twenty seven on the General Law of Negotiable Instruments and Operations, or of any other nature as required by law, the performance or execution of the obligations provided thereof or the real estate rights granted as guaranty thereto and the cancellation of the record before a public registry, such as: governmental fee payments, services fees, taxes or other expenses derived from the agreement. If the “BORROWER” fails to comply with the obligation contained in the preceding paragraph, it hereby authorizes the “LENDER” to pay the expenses and fees of the notary public before whom this agreement is formalized or ratified, as well as the governmental fees for recording in the corresponding public registry, if required, and it agrees to reimburse them within a term of three work days, whereby the “BORROWER” shall pay over the amount expended for the payment of such expenses, ordinary interests at a rate of an annual fifty percent. The “LENDER” shall render the “BORROWER” all proof of payment of the expenses referred to in the preceding paragraph.

ENFORCEMENT: FOURTEENTH. The “LENDER” reserves the authority to collect the payment balances in charge of the “BORROWER”, whether by an ordinary mercantile judicial process (*vía ordinaria mercantil*), an executive mercantile judicial process (*vía ejecutiva mercantil*) and/or a mortgage foreclosure (*hipotecaria*), in the understanding that the “LENDER” may designate enough assets (*señalar bienes*) for a foreclosure in disregard of the warrant provided in Article one thousand three hundred ninety five of the Commerce Code in force, taking into account also that in no event may the “BORROWER” be designated as depository of the goods, and the depository named thereto by the “LENDER” shall be able to take possession thereof without requiring any bail. The parties also expressly agree, that the exercise of any of the actions above does not imply the waiver of another and that all those that the “LENDER” may have, shall integrally subsist until the whole “LOAN” and any accessory payments are liquidated by the “BORROWER”.

APPLICABLE LAWS AND COMPETENT TRIBUNALS: FIFTEENTH. In all regarding the interpretation, performance and enforcement of this agreement, the parties agree to have the applicable laws in force for Mexico City (*México Distrito Federal*) govern this agreement, and agree to be subject to the jurisdiction of the competent tribunals of Mexico City (*México Distrito Federal*), expressly waiving the competence of its present or future domicile.

DOMICILES: SIXTEENTH. The parties hereby designate as their domiciles for the purposes of any notices and communications regarding this agreement, the following: The “LENDER”: In Periférico Sur number four thousand three hundred thirty three, colonia Jardínes de la Montaña, zip code fourteen thousand two hundred ten, Mexico City.

The “BORROWER”: In Río de la Plata Oriente Number four hundred seven, colonia Del Valle, zip code sixty six thousand two hundred twenty, San Pedro Garza García, Nuevo León. If the “BORROWER” does not provide written notice to the “LENDER” of any change of the respective domiciles, any notice or communication derived from this agreement shall be rendered at the domiciles provided in this clause.

NEW CONDITIONS OF RESOURCES SOURCES: SEVENTEENTH. Before the exercise of the “LOAN”, the terms and conditions of this agreement shall be modified by the parties if such comes from a demand of the resources source pertaining the agreement or funding. Such demand shall be deemed an objective fact that shall oblige the parties to adjust to the new terms and conditions demanded by the resources source.

TAXES: EIGHTEENTH. All payments that the “BORROWER” must make in favor of the “LENDER” shall be made without any withholding, or set off, except for those provided in the applicable laws.

AUTHORIZATION FOR THE DISCLOSURE OF INFORMATION: NINETEENTH. The “BORROWER” hereby authorizes the “LENDER” to disclose the information regarding the operation contained in this agreement as it may be required to the “LENDER” by its resources

sources for purposes of funding. The “BORROWER” agrees to, before the “LENDER” and “FEGA”, allow that the latter may carry out inspections or audits, in any of its facilities, as well as to provide “FIRA” any documentation related to the “LOAN”, which might include but not be limited to, financial and accounting statements.

I, THE NOTARY CERTIFY THAT:

I. I have fully identified myself as a notary before the parties appearing hereto, who upon my judgement have the legal capacity to enter into and execute this agreement and of whom I have confirmed their identity pursuant to the attachment enclosed to the appendix under letter **“A”**.

II. The legal representatives of “BANCO NACIONAL DE COMERCIO EXTERIOR”, SOCIEDAD NACIONAL DE CRÉDITO, INSTITUCIÓN DE BANCA DE DESARROLLO and of “GRUMA”, SOCIEDAD ANÓNIMA BURSÁTIL DE CAPITAL VARIABLE, state that the companies they represent have the legal capacity to enter into this act and prove the authority in which they appear before me and state that their authorities have not been revoked nor modified in any way, with the following documents:

a). Regarding the legal representatives of “BANCO NACIONAL DE COMERCIO EXTERIOR”, SOCIEDAD NACIONAL DE CRÉDITO, INSTITUCIÓN DE BANCA DE DESARROLLO, with:

i). As a National Credit Entity, Development Banking Institution (*Sociedad Nacional de Crédito, Institución de Banca de Desarrollo*), incorporated and existing pursuant to the Mexican applicable laws, with legal authority and own assets, governed pursuant to the terms of its Organic Law, published on the Federal Gazette on January twenty, one thousand nine hundred eighty six.

ii). Mr. Jorge Arturo Tovar Castro, accredits his legal authority with public deed number forty three thousand and eleven, dated May six, two thousand and eight, granted before Mr. Maximino García Cueto, notary public number fourteen for Mexico City.

iii). Mr. Horacio Vaquera García, accredits his legal authority with public deed number forty three thousand six hundred sixty eight, dated September nine, two thousand eight, before the same notary public as provided in the preceding paragraph.

iv) Regarding the legal representatives of “GRUMA”, SOCIEDAD ANÓNIMA BURSÁTIL DE CAPITAL VARIABLE, with: i). Public Deed number two thousand eight hundred fifty seven, dated December twenty four, one thousand nine hundred seventy one, before Mr. Alejandro Macías Barragán, notary public number eighteen for Monterrey, Nuevo León, whose first notarial testimony was recorded before the Public Registry of Property and Commerce of Monterrey, State of Nuevo León, under number one hundred eighty, folio one hundred ninety three, volume one hundred ninety seven, book three, second auxiliary, deeds of commercial companies, commerce section, on May nine, one thousand nine hundred seventy two, by means of which “GRUMA”, SOCIEDAD ANÓNIMA was incorporated, which currently exists as “GRUMA”, SOCIEDAD ANÓNIMA BURSÁTIL DE CAPITAL VARIABLE. ii). Mr. Raúl Alonso Peláez Cano and Salvador Vargas Guajardo, accredit their legal authority with public deed number five thousand five hundred sixty eight, dated April seventeen, two thousand seven, granted before Mr. Armando Hernández Berlanga, notary public number one hundred thirty two of Monterrey, Nuevo León, and with the certifications enclosed to the appendix under letters **“B”** and **“C”**.

III. The individuals appearing before me state that their general information is:

Jorge Arturo Tovar Castro, Mexican, originally from Monterrey, State of Nuevo León, where he was born on August twenty three, one thousand nine hundred fifty six, married, with domicile at Periférico Sur number four thousand three hundred thirty three, colonia Jardínes en la Montaña, zip code fourteen thousand two hundred ten, banking officer. **Horacio Vaquera García**, Mexican, originally from Monterrey, Nuevo León, where he was born on September 19, one thousand nine hundred sixty three, married, with domicile at Periférico Sur number four thousand three hundred thirty three, colonia Jardínes en la Montaña, zip code fourteen thousand two hundred ten, banking officer.

Raúl Alonso Peláez Cano, Mexican, originally from México City, where he was born on

February twenty six, one thousand nine hundred sixty one, married, with domicile at Río de la Plata Oriente number four hundred seven, colonia Del Valle, zip code sixty six thousand two hundred twenty, San Pedro Garza García, State of Nuevo León, employed. **Salvador Vargas Guajardo**, Mexican, originally from Monterrey, State of Nuevo León, where he was born on December twenty seven, one thousand nine hundred fifty two, married, with domicile at Río de la Plata Oriente number four hundred seven, colonia Del Valle, zip code sixty six thousand two hundred twenty, San Pedro Garza García, State of Nuevo León, employed. —

IV. The parties appearing before me state that the recitals provided in this instrument, were made under oath and that I informed them of the penalties corresponding to false statements.

V. I had before me the documents referred to in this instrument.

VI. "D-3". Once having read and after explaining the value, consequences and legal content of this instrument to the parties appearing before me, being aware of their right to read it personally, they have manifested their full understanding and conformity with it, executing it on November twelve, two thousand eight, moment in which I authorize it. I certify Signature by Jorge Arturo Tovar Castro, Horacio Vaquera García, Raúl Alonso Peláez Cano and Salvador Vargas Guajardo.

Amando Mastachi Aguario. Signature

The seal for authorization.

I HEREBY GRANT A **CERTIFIED COPY** IN ELEVEN PAGES.

MEXICO CITY, NOVEMBER TWELVE, TWO THOUSAND EIGHT.

I CERTIFY. chm/ JARC

Exhibit 8

List of Principal Subsidiaries
Of
Gruma, S.A.B. de C.V.

Subsidiary	Jurisdiction of Incorporation
Grupo Industrial Maseca, S.A.B. de C.V. ("GIMSA")	Mexico
Molinera de México, S.A. de C.V. ("Molinera de México")	Mexico
Productos y Distribuidora Azteca, S.A. de C.V. ("PRODISA")	Mexico
Gruma Corporation	Nevada, United States
Azteca Milling LP	Texas, United States
Gruma Centroamérica, LLC(1)	Nevada, United States
Molinos Nacionales, C.A. ("MONACA")	Venezuela
Derivados de Maíz Seleccionado, C.A. ("DEMASECA")	Venezuela
Investigación de Tecnología Avanzada, S.A. de C.V.	Mexico

(1) 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., a corporation organized under the laws of the Kingdom of Spain. Gruma Centroamérica, LLC. was dissolved on December 31, 2008.

Exhibit 12(a)(1)

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. §1350)

I, Roberto González Barrera, 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 30, 2009

/s/ Roberto González Barrera
Roberto González Barrera
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 Garcia, 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 30, 2009

/s/ Juan Antonio Quiroga Garcia
Juan Antonio Quiroga Garcia
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, 2008 (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 30, 2009

/s/ Roberto González Barrera
Name: Roberto González Barrera
Title: Chief Executive Officer

Dated: June 30, 2009

/s/ Juan Antonio Quiroga Garcia
Name: Juan Antonio Quiroga Garcia
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.