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, 2007

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	**United Mexican States**
(Translation of Registrant's name into English)	(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:

481,503,052 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** ☒

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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** ☒

* 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, 2006 and 2007 and for the years ended December 31, 2005, 2006 and 2007. 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 "FRS"), which are accounting principles generally accepted in Mexico 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 are required under Mexican FRS to recognize the effects of inflation in our financial statements. Under FRS B-10, issued by the *Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera, A.C.* (Mexican Financial Reporting Standards Board or "CINIF"), we are required to present our financial information in inflation-adjusted monetary units to allow for more accurate comparisons of financial line items over time and to mitigate the distortive effects of inflation on our financial statements. Unless otherwise indicated, all financial information in this Annual Report has been restated in pesos of constant purchasing power as of December 31, 2007.

We are required to determine our monetary position gain/loss to reflect the effect of inflation on our monetary assets and liabilities. We determine our net monetary position by subtracting our monetary liabilities from our monetary assets and then the resulting net monetary position is multiplied by the appropriate inflation rate for the period with the resulting monetary gain or loss reflected in earnings. In so doing, we can reflect the effect inflation is having on our monetary items.

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

For the purposes of the quantitative reconciliation to U.S. GAAP, we have restated the data as of December 31, 2006 and for years ended December 31, 2005 and 2006 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 FRS 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."

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: 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, 2006 and 2007 and for the years ended December 31, 2005, 2006 and 2007 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 differs 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, the consolidated financial statements and the selected consolidated financial data set forth below restate the components of stockholders' equity using the NCPI factors and record gains and losses in purchasing power from holding monetary assets or liabilities. Under Mexican FRS, non-monetary assets, with the exception of inventories and fixed assets of non-Mexican origin, are restated using the NCPI and General Consumer Price Index, or GCPI, factors for foreign subsidiaries. Inventories are restated at current replacement costs while fixed assets of foreign origin are restated by the inflation rate of the country of origin prior to translation to pesos at the period-end exchange rate. Mexican FRS also requires restatement of all financial statements to pesos of constant purchasing power as of the date of the most recent balance sheet presented, and accordingly all data in the consolidated financial statements and in the selected consolidated financial data set forth below have been restated in pesos of constant purchasing power as of December 31, 2007. The effects of inflation accounting under Mexican FRS, other than for the use of a specific index for the restatement of fixed assets of foreign origin, have not been reversed in the reconciliation to U.S. GAAP. See Note 21 to our consolidated financial statements.

	2003	2004	2005	2006	2007
	(thousands of Mexican pesos of constant purchasing power as of December 31, 2007, except per share amounts)				
Income Statement Data:					
Mexican FRS:					
Net sales	Ps. 25,693,603	Ps. 27,366,769	Ps. 29,346,074	Ps. 32,189,955	Ps. 35,816,046
Cost of sales	(16,360,269)	(17,558,113)	(19,166,333)	(20,975,201)	(24,192,290)
Gross profit	9,333,334	9,808,656	10,179,741	11,214,754	11,623,756
Selling, general and administrative expenses	(7,383,774)	(7,684,441)	(8,459,679)	(9,342,921)	(9,749,888)
Operating income	1,949,560	2,124,215	1,720,062	1,871,833	1,873,868
Other (expenses) income, net	(189,922)	(324,188)	(176,755)	(49,112)	555,743
Comprehensive financing result:					
Interest expense	(593,077)	(532,951)	(628,345)	(602,315)	(683,578)
(Loss) gain in derivative financial instruments	—	—	—	(146,693)	155,456
Interest income	72,124	250,094	58,706	82,012	64,357
Monetary position gain, net	209,722	265,891	331,120	336,552	558,509
Foreign exchange gain (loss), net	(202,576)	(56,223)	(56,323)	(19,363)	72,129
Total comprehensive financing result	(513,807)	(73,189)	(294,842)	(349,807)	166,873
Equity in earnings of associated companies	262,215	309,005	684,844	643,318	707,835
Income before income tax, cumulative effect of change in accounting principle and minority interest	1,508,046	2,035,843	1,933,309	2,116,232	3,304,319
Income tax (current and deferred)	(753,778)	(835,901)	(406,995)	(432,170)	(925,710)
Cumulative effect of change in accounting principle	—	—	(59,545)	—	—
Minority interest	(204,549)	(189,059)	(162,076)	(82,937)	(145,288)
Majority net income	549,719	1,010,883	1,304,693	1,601,125	2,233,321
Per share data(1):					
Income before cumulative effect of change in accounting principle	1.24	2.24	3.02	3.34	4.63
Cumulative effect of change in accounting principle	—	—	(0.13)	—	—
Majority net income per share	1.24	2.24	2.89	3.34	4.63
U.S. GAAP:					
Net sales	26,804,559	27,652,314	28,578,636	31,530,165	35,427,207
Operating income	2,086,568	2,112,069	1,548,550	1,753,111	1,824,882
Net income	691,249	867,110	1,285,503	1,502,867	2,107,762
Per share data(1):					
Net income per share	1.55	1.93	2.85	3.13	4.37

	2003	2004	2005	2006	2007
	(thousands of Mexican pesos of constant purchasing power as of December 31, 2007, except capital stock and operating data)				
Balance Sheet Data (at period end):					
Mexican FRS:					
Property, plant and equipment, net	14,529,336	14,466,732	15,119,019	15,563,733	16,247,447
Total assets	26,072,912	27,603,669	29,455,279	31,752,401	33,910,702
Short-term debt(2)	556,802	570,917	565,685	926,920	941,073
Long-term debt(2)	6,668,598	6,587,385	7,035,856	5,886,297	6,913,173
Total liabilities	11,660,454	12,535,457	13,946,499	13,850,150	15,333,503
Capital stock	16,573,870	16,937,177	16,965,083	18,158,922	18,120,976
Total stockholders' equity(3)	14,412,458	15,068,209	15,508,778	17,902,251	18,577,199
U.S. GAAP:					
Total assets	26,838,077	27,179,476	28,373,924	31,038,108	33,880,390
Long-term debt	7,233,205	6,888,792	7,043,108	5,924,119	6,913,173
Capital stock	16,573,854	16,836,936	16,864,840	18,058,698	18,020,752
Total stockholders' equity	10,847,233	10,900,539	11,302,627	13,929,767	15,116,749
Other Financial Information:					
Mexican FRS:					
Capital expenditures	720,850	1,401,042	2,259,276	2,144,056	2,222,903
Depreciation and amortization	1,255,440	1,155,703	1,221,689	1,262,299	1,178,797
Resources provided by (used in):					
Operating activities	1,487,881	2,149,488	1,988,563	1,973,611	267,347
Financing activities	(1,176,133)	(435,244)	232,304	(168,189)	208,003
Investing activities	(442,286)	(1,588,853)	(2,389,109)	(1,564,747)	(593,808)
U.S. GAAP:					
Depreciation and amortization	1,192,880	1,168,943	1,174,020	1,241,875	1,158,976
Net cash provided by (used in):					
Operating activities	1,390,398	1,670,982	1,519,036	1,661,269	(177,314)
Investing activities	(295,485)	(1,333,834)	(1,875,175)	(1,465,231)	(514,608)
Financing activities	(985,424)	(166,637)	217,354	82,273	627,108
Operating Data:					
Sales volume (thousands of tons):					
Gruma Corporation (corn flour, tortillas and other)(4)	979	1,088	1,275	1,327	1,329
GIMSA (corn flour, tortillas and other)(4)	1,406	1,448	1,582	1,734	1,753
Gruma Venezuela (corn flour, wheat flour and other)	518	504	480	486	480
Molinera de México (wheat flour)	575	460	474	477	488
Gruma Centroamérica (corn flour and other)(5)	144	154	178	212	220
Production capacity (thousands of tons):					
Gruma Corporation (corn flour and tortillas)	1,394	1,548	1,661	2,021	2,063
GIMSA (corn flour, tortillas and other)(5)	2,345	2,408	2,801	2,797	2,954
Gruma Venezuela (corn flour, wheat flour and other)(6)	792	786	764	764	808
Molinera de México (wheat flour)	717	717	801	801	894
Gruma Centroamérica (corn flour and other)	217	220	264	266	319
Number of employees	15,104	15,727	16,582	18,124	18,767

(1) Based upon weighted average of outstanding shares of our common stock (in thousands), as follows: 445,098 shares for the year ended December 31, 2003; 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 for the year ended December 31, 2007.

(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.3,192 million at December 31, 2003; 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.
(4) Net of intercompany transactions.
(5) Includes 194 thousand tons of temporarily idled production capacity at December 31, 2007.
(6) Includes 118 thousand tons of temporarily idled production capacity at December 31, 2007.

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. Because we are a holding company with no significant operations of our own, we have distributable profits to pay dividends to the extent that we receive dividends from our subsidiaries. Accordingly, there can be no assurance that we will pay dividends or of the amount of any such dividends.

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

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

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

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

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

During 2007, 2006, 2005 and 2004, we paid dividends to shareholders, in nominal terms, of Ps. 410 million, Ps.410 million, Ps.359 million, and Ps.315 million, respectively. In pesos of constant purchasing power as of December 31, 2007, the dividends paid or payable to shareholders in 2007, 2006, 2005 and 2004 amounted to Ps.424 million, Ps.440 million, Ps.396 million and Ps.364 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 June 2008, the Mexican peso has been relatively stable, ranging from 10.32 to 11.60. There can be no assurance that the government will maintain its current policies with regard to the peso or that the peso will not depreciate or appreciate in the future.

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

	Noon Buying Rate (Ps. Per U.S.$)			
Year	**High (1)**	**Low (1)**	**Average (2)**	**Period End**
2003	11.4063	10.1130	10.8460	11.2420
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 (through June 13)				
December 2007	10.9169	10.8001	10.8463	10.9169
January 2008	10.9730	10.8190	10.9057	10.8190
February 2008	10.8236	10.6730	10.7656	10.7263
March 2008	10.8490	10.6700	10.7379	10.6925
April 2008	10.6005	10.4415	10.5146	10.5101
May 2008	10.5701	10.3055	10.4381	10.3290
June 2008(3)	10.4365	10.2900	10.3573	10.3665

(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 13, 2008.

On June 13, 2008, the noon buying rate for pesos was Ps.10.3665 to U.S.$1.00.

RISK FACTORS

Risks Relating to Mexico

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

We are a Mexican company with 44% of our consolidated assets located in Mexico and 33% of our consolidated net sales derived from our Mexican operations as of December 31, 2007. As a result, Mexican economic conditions could impact our results of operations.

In the past, Mexico has experienced exchange rate instability and devaluation of the peso 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 produce similar results. See "—Developments in Other Countries Could Adversely Affect the

Mexican Economy, the Market Value of our Securities and Our Results of Operations." The Mexican economy grew by 1.3% in 2003, by 4.4% in 2004, by 3.0% in 2005, by 4.8% in 2006, by 3.3% in 2007 and by an annualized rate of 2.6% in the first quarter of 2008. However, if the Mexican economy falls into recession, or if inflation and interest rates increase, consumer purchasing power may decrease and, as a result, demand for our product 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.

Mexican presidential and congressional elections took place on July 2, 2006. Felipe Calderón Hinojosa was elected president for the 2006-2012 term. He is the second presidential candidate to be elected from the *Partido Acción Nacional*, which won for the first time in 2000. No political party in Mexico succeeded in securing 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 presidential and 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.

Governmental policies have negatively affected our sales of corn flour in the past and may continue to do so in the future. 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."

Since the end of 2006 and continuing through 2007 and 2008, 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. As a result, our corn flour prices did not reflect the increase in the cost of corn, which resulted in a significant deterioration in the financial performance of GIMSA, our subsidiary engaged in corn-flour production in Mexico, during the first quarter of 2007. The term of the second agreement was extended subsequently through December 31, 2007. Although the second agreement expired at the end of 2007, as of June 13, 2008, the parties to that agreement have voluntarily continued to operate under its terms.

In addition, the Mexican government has recently announced a new policy aimed at aiding the domestic economy in facing the worldwide increase in food prices. Under this new policy, the Mexican government will (i) facilitate the supply in Mexico of, and access of Mexican consumers to, food at the best prices in the international market, (ii) promote the production of food products and increase the productivity of Mexican farms, and (iii) protect the income and strengthen the financial condition of poor families in Mexico. While the Mexican government has not directly fixed or capped corn flour or

tortilla prices, it has strongly encouraged Mexican producers and retailers to voluntarily do so. There can be no assurance that there will not be another extension of the aforementioned agreements, that we will not continue to further comply with their terms after expiration, that any of the parties to these agreements will continue to sell corn flour or tortillas at the prices provided in these agreements, that the Mexican government will not reestablish taxes on the import of corn and wheat, 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—Business Overview—Mexican Operations—GIMSA—Corn Flour Operation."

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 5, 2007, 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 Affect our Financial Performance

As of December 31, 2007, 93% of our debt obligations were denominated in U.S. dollars. We generate approximately 49% of our revenues in U.S. dollars, which in 2007 represented 222% of our then outstanding debt obligations. While the dollar revenues we earn may act as a natural hedge for part of our dollar-denominated debt obligations, we have not entered into derivative contracts to hedge our foreign currency risk with respect to the outstanding principal amount of these obligations. 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.56 million in 2005, Ps.19 million in 2006, and gain of Ps.72 million in 2007. Any significant decrease in the value of the peso relative to the U.S. dollar may have an adverse effect on our liquidity and on our ability to meet our dollar-denominated debt obligations.

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

Mexico has experienced high levels of inflation in the past. The annual rate of inflation, as measured by changes in the National Consumer Price Index, was 3.33% for 2005, 4.05% for 2006 and 3.76 for 2007. From January through May 2008, the inflation rate was 1.61%. On June 13, 2008, the 28-day CETES rate was 7.43%. 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—"Risks Relating to the United States—Unfavorable General Economic Conditions in the United States Could Negatively Impact Our Financial Performance" In addition, in the past, economic crises in Asia, Russia, Brazil, Argentina and other emerging market countries adversely affected the Mexican economy.

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

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

We are a Mexican 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.

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

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

Risks Relating to Our Company

Fluctuations in the Cost and Availability of Corn, 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 33%, 12% and 7%, respectively, of our cost of sales in 2007. 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. Recently, 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 has increased our cost of corn and negatively affected our financial condition and results of operation. 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, as described above, 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 be perceived to be a seller of genetically modified corn not approved for human consumption, this may have a significant negative impact on our financial condition and results of operation.

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

Our long-term senior unsecured perpetual bond is rated “BBB-” by Standard & Poor’s Ratings Services (“Standard & Poor’s”), and “BBB-” by Fitch Ratings. On April 12, 2007, Standard & Poor’s revised its outlook on us from neutral to negative. On February 1, 2008, Standard & Poor’s placed our senior notes on Credit Watch with negative implication. On March 12, 2008, Standard & Poor’s removed our senior notes from Credit Watch with negative implication after our May 2008 rights offering improved our debt ratios. We continue to have a BBB- rating with negative outlook.

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 would 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.

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.

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 that cover varying periods of time and have varying pricing provisions.

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.”

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 11% of our net sales in 2007. 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.

Hugo Chávez, the current president of Venezuela was reelected to a second term in December 2006 and it is expected that political and social instability will continue to prevail during his six year term. Recently, the Government of

Venezuela announced the nationalization of 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. The Venezuelan government's continued nationalization of foreign owned companies could adversely affect our financial condition and results of operation.

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 45% of our total sales in 2007. Unfavorable general economic conditions, such as a possible recession or 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, also may be disproportionately affected by the performance of the United States economy.

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, with 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, 2007, we held approximately 8.62 % 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 five 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.

We purchase some of our inventory ingredients from our shareholder and associate Archer-Daniels-Midland Company, or Archer-Daniels-Midland. During 2005, 2006 and 2007, we purchased U.S.$105 million, U.S.$115 million and U.S.$133 million of inventory ingredients, respectively, from Archer-Daniels-Midland. Transactions with affiliates may create the potential for conflicts of interest. See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions."

Exchange Rate Fluctuations May Affect the Value of Our Shares

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

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

As required by Mexican law, our bylaws provide that non-Mexican shareholders shall be considered as Mexican in respect to their ownership interests in us, and shall be deemed to have agreed not to invoke the protection of their governments in any circumstances, 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, 2008, Roberto González Barrera and his family controlled approximately 50.9% of our outstanding shares. Following our equity rights offering in Mexico, which we completed on May 20 2008, Mr. González Barrera and his family increased their ownership in our company. As of June 13, 2008, Roberto González Barrera and his family controlled approximately 55.9% of our outstanding shares, see "Item 10. Change 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 one of our credit agreements and have a material adverse effect upon our business, financial condition, results of operations and prospects. For more information about this pledge, see "Item 7. Major Shareholders and Related Party Transactions."

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

Archer-Daniels-Midland owns, directly or indirectly, approximately 23.2% 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 18.9% of our outstanding shares. In addition, Archer-Daniels-Midland has the right to nominate two of the 15 members of our board of directors and their corresponding alternates. 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 11% of our revenue. Although we own a majority ownership interest in these subsidiaries, in each of Azteca Milling and Molinera de México we are required to obtain the consent and cooperation of Archer-Daniels-Midland with respect to certain matters in order to increase our capital expenditures and to implement and expand upon our business strategies.

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

Our Antitakeover Protections May Deter Potential Acquirors

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

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

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

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

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

We own approximately 83% 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, 2007, 8.62% of GFNorte. Upon completion of a series of transactions which commenced in April 2006 and are expected to be completed by December 2008, we will own a 57% interest in MONACA. For more information regarding these transactions, please see "Item 4. Information on the Company—Business Overview—Gruma Venezuela." Accordingly, we are entitled to receive only our *pro rata* share of any of these subsidiaries' dividends.

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

ITEM 4. Information on the Company.

HISTORY AND DEVELOPMENT

Gruma, S.A.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 some 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 1996**, we strengthened our position in the U.S. corn flour market through an association with Archer-Daniels-Midland, which currently owns approximately 23.2% of our shares. Through this association we combined our existing U.S. corn flour operations and strengthened our position in the U.S. corn flour market. This association also allowed us to enter the Mexican wheat flour market by acquiring a 60% ownership interest in Archer-Daniels-Midland's Mexican wheat flour operations.

- **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 will strengthen our presence in the Asian and Oceania markets. In April, 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 will allow 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 California and capacity expansions at existing facilities, to Gruma Asia and Oceania for the construction of a tortilla plant in Australia, and to Gruma Venezuela for the construction of a wheat flour mill in Venezuela.

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

ORGANIZATIONAL STRUCTURE

We are a holding company and conduct our operations through subsidiaries. The table below sets forth our principal subsidiaries as of December 31, 2007.

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")	Mexico	Mexico	60%	Wheat flour, Other
U.S. and Europe Operations(2)				
Gruma Corporation	United States, Europe	Nevada	100%	Packaged tortillas, Other tortilla related products, Corn flour, Other
Azteca Milling(3)	United States	Texas	80%	Corn flour
Central American Operations				
Gruma Centroamérica, LLC	Costa Rica, Honduras, Guatemala, El Salvador, Nicaragua, Ecuador	Nevada	100%	Corn flour, Packaged tortillas, Snacks, Hearts of palm, Rice
Venezuelan Operations(4)				
Molinos Nacionales, C.A. ("MONACA")(5)	Venezuela	Venezuela	73%	Corn flour, Wheat flour, Other products
Derivados de Maíz Seleccionado, C.A. ("DEMASECA")(5)	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) As of 2007, the Asia and Oceania operations are presented as a separate business unit from Gruma Corporation.
(3) A limited partnership between Gruma Corporation (80%) and Archer-Daniels-Midland (20%).
(4) Together these subsidiaries are referred to as "Gruma Venezuela."
(5) Upon completion of a series of transactions with our Venezuelan partners in MONACA and DEMASECA, GRUMA will hold a 57% indirect interest, Archer-Daniels-Midland will hold a 3% indirect interest and our partner will hold a 40% indirect interest in both MONACA and DEMASECA. Such transactions are expected to be completed by December 2008. For more information regarding these transactions, please see "– Business Overview– Gruma Venezuela."

Our subsidiaries accounted for the following percentages and amount of our net sales in millions of pesos of constant purchasing power as of December 31, 2007 for the years ended December 31, 2005, 2006 and 2007.

	Year ended December 31,					
	2005		2006		2007	
	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. 14,473	49%	Ps. 16,170	50%	Ps. 17,406	49%
GIMSA	7,046	24	7,666	24	9,012	25
Gruma Venezuela	3,984	14	3,874	12	3,862	11
Molinera de México	2,029	7	2,212	7	2,694	8
Gruma Centroamérica	1,662	5	1,863	6	2,076	6
Others and eliminations	152	1	405	1	766	1

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 23.2% 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 2005, 2006 and 2007 were U.S.$193 million, U.S.$189 million and U.S.$204 million, respectively. Our capital expenditures include investments in property, plant and equipment, acquisitions of new plants and brands and investments in common stock. Investments in 2005 were mainly applied to the construction of a new plant, expansions and upgrades of existing plants and several acquisitions, including the CHS (tortilla assets) and Agroinsa acquisitions. Investments 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 applied to capacity

expansions 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. We have budgeted approximately U.S.$200 million for capital expenditures in 2008, which we intend to use for additional capacity in Gruma Corporation, the construction of a tortilla plant in California and to finalize the construction of a tortilla plant in Australia. GRUMA will also invest a smaller amount in Gruma Venezuela, GIMSA and Gruma Centroamérica during 2008. 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 2008, we spent approximately U.S.$46 million on capital expenditures, most of which was applied to Gruma Corporation for the construction of a tortilla plant in California and capacity expansions at existing facilities, to Gruma Asia and Oceania for the construction of a tortilla plant in Australia, and to Gruma Venezuela for the construction of 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,		
	2005	2006	2007
	(in millions of U.S. dollars(1))		
Gruma Corporation	$ 88.0	$ 121.3	$ 96.1
GIMSA	69.6	31.3	23.6
Gruma Venezuela	17.2	7.6	6.7
Molinera de México	1.8	5.1	3.6
Gruma Centroamérica	3.9	11.8	13.1
Others and eliminations	12.7	11.8	60.5
Total consolidated	$ 193.2	$ 188.9	$ 203.6

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

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

BUSINESS OVERVIEW

We believe we are one of the largest corn flour and tortilla producers and distributors in the world based upon revenue and sales volume. We also believe we are one of the leading producers and distributors of corn flour and tortillas in the United States, one of the leading producers of corn flour and wheat flour in Mexico, and one of the leading producers of corn flour and wheat flour in Venezuela based upon revenue and sales volumes. We believe that we are also one of the largest producers of corn flour and tortillas in Central America, and one of the largest tortilla producers in Europe, 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, 2005, 2006 and 2007.

	Year ended December 31,		
	2005	2006	2007
	(in millions of Pesos of constant purchasing power as of December 31, 2007)		
United States and Europe	Ps. 14,473	Ps. 16,168	Ps. 17,403
Mexico	9,226	9,977	11,652
Venezuela	3,984	3,874	3,862
Central America	1,663	1,862	2,076
Asia and Oceania	—	309	823
Total	Ps. 29,346	Ps. 32,190	Ps. 35,816

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. We may consider potential acquisitions which could improve our market share, profitability and fit into our overall strategy. Our strategy includes the following key elements:

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

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.

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 39% 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, Flowers 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 corn flour milling divisions of large companies, such as 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. Approximately two-thirds of our production is allocated to foodservice, while the remaining one-third is for retail. We believe we are one of the largest tortilla producers in Europe, and our main competitors in Europe are General Mills and Santa Maria.

Operation and Capital Expenditures. Annual total production capacity for Gruma Corporation is estimated at 2.1 million metric tons as of December 31, 2007, with an average utilization of 79% in 2007. The average size of our plants measured in square meters is approximately 9,200 (about 99,000 square feet) as of December 31, 2007. Capital expenditures for the past three years were U.S.$305 million, mostly for expansion and upgrades of existing facilities, the construction of new tortilla plants in Pennsylvania, as well as several acquisitions: one in Europe, one in Las Vegas, Nevada, one in San Francisco, California, and the tortilla assets of CHS which consisted of three plants (Forth Worth, Texas, Phoenix, Arizona and New Brighton, Minnesota). 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 2008 will be approximately U.S.$102 million and include the construction of a tortilla plant in southern California, capacity expansions at existing facilities and manufacturing and technology upgrades. These budgeted capital expenditures do not include any potential acquisitions. Mission Foods produces its packaged tortillas and other related products at 21 manufacturing facilities worldwide. Nineteen of these facilities are located in large population centers throughout the United States. 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 Nevada, Texas, 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 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 2007, GIMSA had net sales of Ps.9,012 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. To a lesser extent, GIMSA also produces and sells tortillas to the end consumer.

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

	Year Ended December 31,					
	2005		2006		2007	
	Tons	%	Tons	%	Tons	%
Corn Flour						
Bulk	1,252,794	79	1,330,123	77	1,352,109	77
Retail	225,485	14	262,551	15	265,825	15
Tortillas	14,852	1	15,069	1	3,710	—
Other	88,614	6	126,398	7	131,716	8
Total	1,581,745	100	1,734,141	100	1,753,360	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, generally such producers are not required to comply with environmental regulations, which also represent savings for them. To the extent regulations in Mexico are enforced and we and our competitors are on the same footing, we expect to benefit from these developments.

GIMSA has embarked on several programs to promote corn flour sales to tortilla producers and consumers. GIMSA offers incentives to potential customers, such as small independent *tortillerías*, to convert to the corn flour method from the traditional wet corn dough method. The incentives GIMSA offers include new, easy to use equipment designed specifically for small-volume users, financing, and individualized training. For example, in order to assist traditional tortilla producers in making the transition to corn flour, GIMSA also sells specially designed mixers made by Tecnomaíz, S.A. de C.V., or

Tecnomaíz, one of our research and development subsidiaries. For more information about our research and development department, see "—Miscellaneous—INTASA—Technology and Equipment Operations." GIMSA also helps its *tortillería* customers to improve sales by directing consumer promotions to heighten the desirability of their products and increase consumption, which, in turn, should increase corn flour sales 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. In 2006, GIMSA's specialized sales teams continued their efforts to provide better and more individualized service to different types of customers. During 2008, we will focus on the development of new sales programs to strengthen our commercial relationships with our current customers and the expansion of our coverage to areas with low consumption of corn flour to attract new customers with programs designed specifically for these markets.

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

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

GIMSA has continued working with its customers to reinforce these initiatives and intends to continue focusing on supplying the corn flour required by our customers according to their needs and assist them with the training and technical support that will help them create a more profitable operation.

GIMSA has implemented a 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. During 2007 GIMSA's national marketing campaign used popular actors, singers and other artists as spokespersons for MASECA, which we believe allowed us to penetrate a wide variety population sectors with the perception of a modern and fresh brand.

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.$125 million, for these purposes from 2005 to 2007. Although no assurances can be given as to future levels of capital expenditures, GIMSA had Ps. 10.2 million, less than U.S.$1 million of capital expenditures in the first quarter of 2008 and currently projects total investments in fixed assets during 2008 of approximately U.S.$14 million, which will be used primarily for upgrading production equipment, acquisition of transportation equipment and information technology upgrades. As of December 31, 2007, 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 63% of GIMSA's cost of sales for 2007. 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 and continuing through 2007 and 2008, 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. As a result, our corn flour prices did not reflect the increase in the cost of corn, which resulted in a significant deterioration in the financial performance of GIMSA, our subsidiary engaged in corn-flour production in Mexico, during the first quarter of 2007. The term of the second agreement was extended subsequently through December 31, 2007. Although the second agreement expired at the end of 2007, as of June 13, 2008, the parties to that agreement have voluntarily continued to operate under its terms.

In addition, the Mexican government has recently announced a new policy aimed at aiding the domestic economy in facing the worldwide increase in food prices. Under this new policy, the Mexican government will (i) facilitate the supply in Mexico of, and access of Mexican consumers to, food at the best prices in the international market, (ii) promote the production of food products and increase the productivity of Mexican farms, and (iii) protect the income and strengthen the financial condition of poor families in Mexico. While the Mexican government has not directly fixed or capped corn flour or tortilla prices, it has strongly encouraged Mexican producers and retailers to voluntarily do so. There can be no assurance that there will not be another extension of the aforementioned agreements, that we will not continue to further comply with their terms after expiration, that any of the parties to these agreements will continue to sell corn flour or tortillas at the prices provided in these agreements, that the Mexican government will not reestablish taxes on the import of corn and wheat, 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.

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 2007, 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 Bimbo, Munsa, Trimex, Tablex, La Espiga and Elizondo.

Operations and Capital Expenditures. We own and operate nine wheat flour plants, in one of which we hold only a 40% ownership interest. The facilities' average extent of utilization is estimated at 78% for 2007. On average, the size of our plants measured in square meters is approximately 11,300 (approximately 121,200 square feet) as of December 31, 2007.

Capital expenditures from 2005 through 2007 amounted to U.S.$11 million. Molinera de México's capital expenditures in 2008 are projected to be U.S.$7 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 33% of its wheat from Mexican growers, and 67% 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, 186,099 tons or 85%, of Gruma Centroamérica's sales volume in 2007 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 72% and retail sales represented approximately 28% of Gruma Centroamérica's corn flour sales volume during 2007.

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 14% 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 318,996 tons for corn flour and other products as of December 31, 2007, with an average utilization of approximately 89% during 2007. 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 6,000 (approximately 64,500 square feet) as of December 31, 2007.

During 2005, 2006 and 2007 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.$29 million. Capital expenditures for 2008 are projected to be U.S.$15 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 15, 2007, we had received U.S.$39.6 million of this amount. The total payment of the sale price and the respective delivery of our interests in MONACA will be completed in a series of installments that will end in December 2008. Notwithstanding the foregoing, the purchaser will not have voting or other corporate rights with respect to such interests until the full 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 2007, 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 79% of our total wheat flour sales volume in 2007. The remaining 21% of sales in 2007 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 808,226 tons as of December 31, 2007 and an average utilization of approximately 64% during 2007. However, one corn flour plant, representing 47,143 tons, two rice plants, representing 70,890 tons, are temporarily idle. On average, the size of our plants measured in square meters is approximately 9,000 (approximately 97,500 square feet) as of December 31, 2007.

Capital expenditures for the past three years were U.S.$32 million. Capital expenditures for 2008 are expected to be U.S.$20 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 99.4% of our wheat is purchased from the U.S. and Canada, and more recently, the remaining 0.6%, also from Argentina, 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, 2007, we held approximately 8.62% 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 8% or Ps.2,714 million of our total assets and 32% of our majority net income for the year. 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.

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. 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."

Overview of Accounting Presentation

Effects of Inflation

Mexican FRS requires that financial statements recognize the effects of inflation in accordance with FRS B-10 and B-15 issued by CINIF. The purpose of this methodology is to present all information in comparable monetary units and thereby mitigate the distortive effect of inflation in the financial statements. Unless otherwise stated herein, the financial statements and other financial data in this Annual Report have been restated in pesos of constant purchasing power as of December 31, 2007.

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

Starting January 1, 2008, Mexican FRS will require companies to record for the effects of inflation only for hyperinflationary economies (when inflation is up to or above 26% in a cumulative three-year period). See Note 20 to our consolidated financial statements.

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

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

For comparison purposes, the following table sets forth, for each of the three years ended December 31, 2005, 2006 and 2007:

- the international restatement factor used to restate the financial statements data for each of these periods to pesos of constant purchasing power as of December 31, 2007;
- the cumulative Mexican National Consumer Price Index for each period which, in the absence of FRS B-15, would have been used to restate the financial statements to pesos of constant purchasing power as of December 31, 2007; and
- the comparison factor for each period which represents the index that must be applied to the financial statements for each period (which have been restated using the international restatement factor) in order to restate the financial statements and financial data in December 31, 2007 pesos of constant purchasing power using the cumulative Mexican National Consumer Price Index.

Financial data in Mexican pesos as of December 31,	Cumulative International Restatement Factor	Cumulative Mexican National Consumer Price Index	Comparison Factor
2005	10.01	7.96	0.9814
2006	5.01	3.76	0.9884
2007	—	—	1.0000

Starting January 1, 2008, new FRS B-15 "Translation of Foreign Currencies" will be effective. See Note 20 to our consolidated financial statements.

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 2005, we recorded a net foreign exchange loss of Ps.56 million. During 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.

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 subsequently restated using NCPI factors and 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) forward contracts and exchange rate option contracts (mainly Mexican peso – U.S. dollar, and in some cases other currencies), in order to hedge the financial risks due to exchange rate fluctuations over part of the quarterly interest payments related to our debt and other obligations denominated in U.S. dollars.

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.

The determination of the fair values of derivative financial instruments requires considerable judgment in interpreting and developing estimates. We base our estimates on available market information and valuation methodologies that we consider appropriate. The use of different market assumptions and/or estimation methodologies could have a material adverse impact on the estimated fair value amounts.

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, 2005, 2006 and 2007, expressed as a percentage of net sales. All financial information has been prepared under the FRS B-15 methodology. For a description of the method, see "Presentation of Financial Information" and "—Overview of Accounting Presentation."

	Year Ended December 31,		
	2005	2006	2007
Income Statement Data			
Net sales	100%	100%	100%
Cost of sales	65.3	65.2	67.5
Gross profit	34.7	34.8	32.5
Selling, general and administrative expenses	28.8	29.0	27.2
Operating income	5.9	5.8	5.2
Net comprehensive financing cost	(1.0)	(1.1)	0.5
Other income (expenses), net	(0.6)	(0.2)	1.6
Income taxes (current and deferred)	1.4	1.3	2.6
Other items	2.1	2.0	2.0
Minority interest	0.6	0.3	0.4
Majority net (loss) income	4.4	5.0	6.2

The following table sets forth our net sales and operating income as represented by our principal subsidiaries for 2005, 2006 and 2007. 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.229 million, Ps.287 million and Ps.404 million in 2005, 2006 and 2007, 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.32 million, Ps.47 million and Ps.55 million in 2005, 2006 and 2007, respectively, to GIMSA, Gruma Corporation and PRODISA; financial information with respect to PRODISA includes sales of Ps.59 million, Ps.66 million and Ps.65 in 2005, 2006 and 2007, respectively, in tortilla related products to Gruma Corporation; and financial information with respect to INTASA includes sales of Ps.452 million, Ps.945 million and Ps.794 million in 2005, 2006 and 2007, 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,					
	2005		2006		2007	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
	(in millions of pesos of constant purchasing power as of December 31, 2007)					
Gruma Corporation	Ps. 14,473	Ps. 1,196	Ps. 16,170	Ps. 942	Ps. 17,406	Ps. 919
GIMSA	7,046	749	7,666	854	9,012	786
Gruma Venezuela	3,984	(112)	3,874	119	3,862	58
Molinera de México	2,029	(136)	2,212	(87)	2,694	84
Gruma Centroamérica	1,662	(2)	1,863	65	2,076	91
Asia and Oceanía	—	—	308	6	823	(33)
Others and eliminations	152	25	97	(27)	(57)	(31)
Total	Ps. 29,346	Ps. 1,720	Ps. 32,190	Ps. 1,872	Ps. 35,816	Ps. 1,874

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:

	Percentage of Consolidated Net Sales	
Subsidiary	**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-rate 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%.

Year Ended December 31, 2006 Compared with Year Ended December 31, 2005

Consolidated Results

GRUMA's sales volume increased 6% to 4,197 thousand metric tons in 2006 compared with 3,957 thousand metric tons in 2005. This increase was driven mainly by sales at GIMSA and Gruma Corporation. Net sales increased by 10% to Ps.32,190 million in 2006 compared with Ps.29,346 million in 2005 due primarily to sales increases at Gruma Corporation and GIMSA. Sales from non-Mexican operations constituted 69% of consolidated net sales in 2006 as well as in 2005.

Net Sales by Subsidiary: By major subsidiary, the percentages of consolidated net sales in 2006 and 2005 were as follows:

Subsidiary	Percentage of Consolidated Net Sales	
	2006	2005
Gruma Corporation	50%	49%
GIMSA	24	24
Gruma Venezuela	12	14
Molinera de México	7	7
Gruma Centroamérica	6	6
Asia and Oceanía	1	—
Others and eliminations	—	—

Cost of sales increased 9% to Ps.20,975 million in 2006 compared with Ps.19,166 million in 2005, due primarily to Gruma Corporation and GIMSA. Cost of sales as a percentage of net sales improved slightly to 65.2% from 65.3%. The improvement was driven mainly by the elimination of tariffs on imported wheat and logistical efficiencies in the handling of raw materials in Gruma Venezuela and, to a lesser extent, lower costs of corn in GIMSA and higher wheat flour prices in Molinera de México.

Selling, general, and administrative expenses (SG&A) increased 10% to Ps.9,343 million in 2006 compared with Ps.8,460 million in 2005, due primarily to Gruma Corporation and GIMSA. SG&A as a percentage of net sales increased slightly to 29.0% in 2006 from 28.8% in 2005, driven mainly by increases in sales volume, fuel prices, intercompany shipments, promotion and advertising expenses and administrative expenses in Gruma Corporation and, to a lesser extent, due to the cancellation of provisions for administrative expenses during 2005, general salary increases and higher maintenance expenses in Gruma Venezuela.

GRUMA's operating income increased 9% to Ps.1,872 million in 2006 compared with Ps.1,720 million in 2005. This increase was due primarily to higher operating income from Gruma Venezuela and GIMSA and, to a lesser extent, Gruma Centroamérica and Molinera de México. As a percentage of net sales, operating income decreased slightly to 5.8% in 2006 from 5.9% in 2005, due primarily to lower operating margins from Gruma Corporation.

Net comprehensive financing cost increased 19% to Ps.350 million in 2006 compared with Ps.295 million in 2005. This rise was due to losses in connection with financial instruments related to corn hedges implemented by Gruma Corporation.

Other expenses, net, decreased 72% to Ps.49 million in 2006 compared with Ps.177 million in 2005. The reduction was due primarily to the gain on the sale of GFNorte's shares and MONACA's shares, partially offset by impairment losses related principally to Molinera de México.

Provisions for income taxes and employees' profit sharing increased 6% to Ps.432 million in 2006 compared with Ps.407 million in 2005. This increase was due primarily to higher pre-tax income.

GRUMA's equity in earnings of associated companies, net, including GFNorte, represented income of Ps.643 million in 2006 compared with income of Ps.685 million in 2005.

GRUMA's net income increased 15% to Ps.1,684 million in 2006 compared with Ps.1,467 million in 2005. Majority net income was Ps.1,601 million in 2006 compared with Ps.1,305 million in 2005. The 15% increase in total net income and the 23% increase in majority net income were due mainly to higher operating profits and a reduction in other expenses, net.

Subsidiary Results

Gruma Corporation

Sales volume increased 5% to 1,335 thousand metric tons in 2006 compared with 1,275 thousand metric tons in 2005. The increase in sales volume was driven largely by the continued strong demand in the U.S. tortilla and corn flour businesses and, to a lesser extent, the effect of additional sales from recently acquired companies, including those in Australia and England.

Net sales increased 12% to Ps.16,170 million in 2006 compared with Ps.14,473 million in 2005, due to price increases implemented during the first and third quarters of 2006 and higher sales volume.

Cost of sales increased 15% to Ps.9,581 million in 2006 compared with Ps.8,329 million in 2005. As a percentage of net sales, cost of sales increased to 59.3% in 2006 from 57.5% in 2005 due to: (i) higher costs for raw materials (primarily wheat flour), energy, and packaging; (ii) higher costs due to new plants and capacity expansions at existing plants that had not been fully absorbed. In absolute terms, cost of sales also increased due to the aforementioned sales volume growth.

SG&A increased 14% to Ps.5,646 million in 2006 compared with Ps.4,948 million in 2005 due to higher sales volume, fuel prices, intercompany shipments to new and acquired plants, promotion and advertising expenses, administrative expenses related to management information systems, as well as the new administrative infrastructure built for our Asia and Oceania operations. SG&A as a percentage of net sales increased to 34.9% in 2006 from 34.2% in 2005, and operating income as a percentage of net sales declined to 5.8% from 8.3%.

Operating income decreased 21% to Ps.942 million in 2006 compared with Ps. 1,196 million in 2005.

GIMSA

Sales volume increased 9% to 1,734 thousand metric tons in 2006 compared with 1,585 thousand metric tons in 2005 mainly as a result of the acquisition of Agroinsa. Corn flour sales volume increased 4% to 1,595 thousand metric tons, and the sales volume of other products increased 136% to 141 thousand metric tons. Approximately 74% of GIMSA's sales volume growth derived from the relocation of production from Agroinsa, whose operations were reflected in GIMSA's financial results beginning in August 2005. Net sales increased by 9% to Ps.7,666 million in 2006 compared with Ps.7,046 million in 2005, reflecting higher sales volume.

Cost of sales increased 8% to Ps.5,385 million in 2006 from Ps.4,982 million in 2005 due to higher sales volume. Cost of sales as a percentage of net sales decreased to 70.2% in 2006 from 70.7% in 2005 due primarily to lower corn costs.

SG&A rose 8% to Ps.1,427 million in 2006 compared with Ps.1,315 million in 2005 due to the acquisition of Agroinsa, the strengthening of the sales and distribution departments and higher marketing and advertising expenses. SG&A as a percentage of net sales improved slightly to 18.6% compared with 18.7% in 2005 due to better expense absorption.

Operating income increased 14% to Ps.854 million in 2006 compared with Ps. 749 million in 2005, and operating income as a percentage of net sales increased to 11.1% from 10.6%.

Gruma Venezuela

Sales volume increased 1% to 486 thousand tons in 2006 compared with 479 thousand tons in 2005 due to higher wheat flour sales volume. Net sales decreased 3% to Ps.3,874 million in 2006 compared with Ps.3,984 million in 2005 because price increases rose at a lower rate than inflation.

Cost of sales decreased 11% to Ps.3,038 million in 2006 from Ps.3,428 million in 2005 and, as a percentage of net sales, decreased to 78.4% in 2006 from 86.0% in 2005, due primarily to the elimination of tariffs on imported wheat and logistical efficiencies in the handling of raw materials.

SG&A increased 7% to Ps.718 million in 2006 compared with Ps.668 million in 2005 due to the cancellation of approximately Ps.33 million in provisions for administrative expenses during 2005, general salary increases and higher maintenance expenses related to an expanded vehicle fleet. SG&A as a percentage of net sales increased to 18.5% in 2006 from 16.8% in 2005 due to the same reasons.

Operating income increased 206% to Ps.119 million in 2006 compared with an operating loss of Ps.112 million in 2005, and operating margin improved to positive 3.1% from negative 2.8%.

Molinera de México

Sales volume increased 1% to 477 thousand tons in 2006 compared with 474 thousand tons in 2005 due to increased sales to corporate customers. Net sales increased 9% to Ps.2,212 million from Ps.2,029 million in 2005 due to higher prices, which were implemented in order to offset higher wheat costs.

Cost of sales increased 7% to Ps.1,877 million in 2006 compared with Ps.1,752 million in 2005, primarily due to higher wheat costs. Cost of sales as a percentage of net sales decreased to 84.9% in 2006 from 86.3% in 2005 due to higher wheat flour prices, which more than offset the increase in wheat costs.

SG&A increased 2% to Ps.422 million in 2006 compared with Ps.413 million in 2005 due to higher expenses for advertising and information technology. SG&A as a percentage of net sales decreased to 19.1% in 2006 from 20.4% in 2005 due to better expense absorption in connection with increased net sales.

Operating loss decreased 36% Ps.87 million in 2006 compared with Ps.136 million in 2005, and operating margin improved to negative 3.9% from negative 6.7% .

Gruma Centroamérica

Sales volume increased 20% to 213 thousand tons in 2006 compared with 178 thousand tons in 2005. The increase was due primarily to higher corn flour sales volume in connection with the acquisition of a corn flour plant in Guatemala during December 2005 and, to a lesser extent, increased corn flour consumption due to a corn shortage in the region. Net sales increased 12% to Ps.1,863 million in 2006 from Ps.1,662 million in 2005 due to the increase in sales volume in the corn flour segment. The rate of growth in net sales lagged sales volume due mainly to the integration of the corn flour plant acquisition behind the growth in and a change in our sales mix toward corn flour in bulk presentation, which has lower prices than retail presentation.

Cost of sales increased 14% to Ps.1,298 million in 2006 compared with Ps.1,143 million in 2005, due primarily to the higher corn flour sales volume. The percentage increase in cost of sales was lower than in sales volume due to lower corn costs. Cost of sales as a percentage of net sales increased to 69.7% from 68.8%, due mainly to the integration of the corn flour plant acquisition, which reports lower gross margins than the rest of Gruma Centroamérica's corn flour operations.

SG&A decreased 4% to Ps.500 million in 2006 compared with Ps.522 million in 2005 and, as a percentage of net sales, decreased to 26.8% in 2006 from 31.4% in 2005. The improvement was due to an extraordinary expense of Ps. 55 million in 2005 related to technical services provided by GRUMA's technology division.

Operating income was Ps.65 million in 2006 compared with an operating loss of Ps.2 million in 2005, and operating margin improved to positive 3.5% from negative 0.1%.

LIQUIDITY AND CAPITAL RESOURCES

During 2005, most of our capital expenditures were applied to Gruma Corporation and GIMSA. Gruma Corporation invested in the construction of a tortilla plant in the U.S., expansion of corn flour and tortilla capacity at existing plants, several acquisitions including the tortilla assets of CHS (consisting of three plants), a tortilla company near San Francisco and general facilities upgrades. GIMSA invested in the Agroinsa acquisition and general facilities upgrades. In 2006, most of our capital expenditures were 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; (iii) the construction of a tortilla plant in Shanghai, China; (iv) the acquisition of Rositas Investments and Oz-Mex Foods Pty Ltd, two tortilla companies based in Australia, and; (v) the purchase of the remaining 49% ownership interest of Nuova De Franceschi & Figli, a corn flour company based in Italy of which we previously held a 51% ownership interest. To a lesser extent, investments were also applied to capacity expansions in GIMSA and Gruma Centroamérica. These investments were made to accommodate the continuous growth of our business. In 2007, most of our capital expenditures were mainly applied to capacity expansions and upgrades in Gruma Corporation, the construction of a tortilla plant in Australia, and capacity expansions in GIMSA and Gruma Centroamérica.

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

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

We believe that our overall sources of liquidity will continue to be sufficient during the next 12 months to satisfy our foreseeable financial obligations and operational requirements. The principal factors that could decrease our sources of liquidity are a significant decrease in the demand for, or price of, our products, each of which could limit the amount of cash generated from operations, and a lowering of our corporate credit rating or any other downgrade, which could increase our costs with respect to new debt and cause our stock price to suffer. Our liquidity is also affected by factors such as the depreciation or appreciation of the peso and changes in interest rates. As discussed below, Gruma, S.A.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 and lease agreements which require it to maintain certain financial ratios and balances on a consolidated basis. The amount of interest that Gruma, S.A.B. de C.V. and Gruma Corporation pay on 40% and 69%, respectively, of their debt may increase if their overall leverage ratio increases above 2.0x and 1.5x, respectively. 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.

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 and have a material adverse effect upon our business, financial condition, results of operations and prospects. For more information about this pledge, see "Item 7. Major Shareholders and Related Party Transactions."

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

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, 2006.............	Ps.	5,738 million
December 31, 2007.............	Ps.	6,732 million

Indebtedness

Our indebtedness bears interest at fixed and floating rates. As of May 31, 2008, approximately 53% of our outstanding indebtedness bore interest at fixed rates and approximately 47% bore interest at floating rates, with almost all floating-rate indebtedness bearing interest based on LIBOR. 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."

Our long-term senior unsecured perpetual bonds are rated "BBB-" by Standard & Poor's Ratings Services ("Standard & Poor's"), and "BBB-" by Fitch Ratings. On April 12, 2007, Standard & Poor's revised its outlook on us from neutral to negative. On February 1, 2008, Standard & Poor's placed our senior notes on Credit Watch with negative implication. On March 12, 2008, Standard & Poor's removed our senior notes from Credit Watch with negative implication after our May 2008 rights offering improved our debt ratios. We continue to have a BBB- rating with negative outlook. Any ratings downgrades or further changes in outlook with negative implications could cause our debt costs to fluctuate, which could ultimately affect our financial condition and results of operation.

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 May 31, 2008, there was U.S.$150 million outstanding under the 2005 Facility with U.S.$100 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 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 increased 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 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.

On December 3, 2004, Gruma S.A.B. de C.V. issued U.S.$300 million 7.75% senior unsecured perpetual bonds, which were graded BBB- by Standard & Poor's Ratings and by Fitch Ratings. The bonds which have no fixed final maturity date, have a call option exercisable by GRUMA at any time beginning five years after the issue date. As of May 31, 2008 we had hedged all interest payments due in 2008 on our U.S.$300 million 7.75% senior unsecured perpetual bonds.

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 rate plus a spread of 0.35% to 0.45% that fluctuates in relation to our 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 bank's approval.

As of December 31, 2007, we had committed U.S. dollar-denominated long-term lines of credit totaling Ps.2,730 million (approximately U.S.$250 million) available from banks in Mexico and the United States of which we have drawn Ps.1,365 million (approximately U.S.$125 million). As of the same date, we also had uncommitted short-term lines of credit totaling Ps.6,849 million (approximately U.S.$627 million) available from Mexican and international banks, of which we had drawn Ps.1,092 million (approximately U.S.$100 million). Should we elect to utilize the uncommitted lines of credit, we would have to negotiate the terms and conditions at the time of use.

At December 31, 2007, we had total outstanding long-term debt aggregating approximately Ps.6,913 million (approximately U.S.$633 million). Almost all of our long-term debt at such date was dollar-denominated. Our long-term debt includes U.S.$205 million or Ps.2,239 million of principal amount of the 2005 Facility which we issued in July 2005, and U.S.$300 million, or Ps.3,276 million, of principal amount of the 7.75% senior unsecured perpetual bonds, which we issued in December 2004.

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

- a ratio of consolidated total funded debt to EBITDA of not more than 3.5:1; and

- a ratio of consolidated EBITDA to consolidated interest charges of not less than 2.50:1.

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

Gruma Corporation is also subject to covenants which limit the amount of dividends that can be paid under certain circumstances. Both Gruma, S.A.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. In addition, both Gruma, S.A.B. de C.V. and Gruma Corporation are required to maintain certain financial ratios and balances. Upon the occurrence of any default or event of default under its credit and lease agreements, Gruma Corporation generally is prohibited from making any payments to us or our other subsidiaries or affiliates. The covenants described above and other covenants could limit our and Gruma Corporation's ability to help support our liquidity and capital resource requirements. Gruma, S.A.B. de C.V. and Gruma Corporation are currently in compliance with all of the covenants contained in the debt and lease agreements.

As of December 31, 2007, Gruma Corporation had two sale-leaseback agreements, entered in 1996, of a tortilla production facility and various production equipment located at one of our company's tortilla plants and at one of its corn flour facilities, both in the U.S. The agreement related to the tortilla production facility is, under Mexican FRS, accounted for as an operating lease. Under U.S. GAAP, this arrangement would have been accounted for 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 agreement provides Gruma Corporation with a purchase option to acquire the facility at fair market value at the expiration of the lease, and also an early purchase option, which permits Gruma Corporation to acquire the facility at fair market value at approximately 75% of the lease term. For an approximate purchase prices of U.S.$12.5 million and U.S.$10.6 million, respectively, Gruma Corporation terminated the agreements in April and June 2008.

As of December 31, 2007, we had total cash and cash equivalents of Ps.481 million.

The following table presents our amortization requirements with respect to our total indebtedness as of March 31, 2008.

Year	In Millions of U.S. Dollars
2008	119.0
2009	46.8
2010	260.7
2011	75.0
2012 and thereafter	300.4
Total	U.S.$801.9

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, 2006	0.28	0.77
December 31, 2007	0.30	0.83

Capital Expenditures

In 2005, we spent approximately U.S.$193 million on capital expenditures, which we applied mainly to Gruma Corporation and GIMSA. Gruma Corporation invested in the construction of a tortilla plant in the U.S., expansion of corn flour and tortilla capacity at existing plants several acquisitions including the tortilla assets of CHS (consisting of three plants), a tortilla plant near San Francisco and general facilities upgrades. GIMSA invested in the Agroinsa acquisition and general facilities upgrades. 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. We have budgeted approximately U.S.$200 million for capital expenditures in 2008. This includes approximately U.S.$46 million spent during the first quarter of 2008, most of which was applied to Gruma Corporation for the construction of a tortilla plant in California and capacity expansions at existing facilities, to Gruma Asia and Oceania for the construction of a tortilla plant in Australia, and to Gruma Venezuela for the construction of a wheat flour mill in Venezuela. The investments were made to accommodate the continuing growth of business. This capital expenditure budget does not include any potential acquisitions.

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

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 11% of our sales in 2007. 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) 99.7% 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. 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.

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.

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. The mark-to-market value of these derivative instruments may decrease or increase in the future prior to the settlement date of the instruments.

As of May 31, 2008, these instruments represented a negative mark-to-market value of approximately U.S.$71 million. The Company continues to take steps to terminate the open positions in respect of these currency derivative instruments.

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 56 patents in the United States since 1968, two 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 35 have expired. We currently have seven new patents in process, five in the United Sates and two in other countries. Additionally, six 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.43 million, Ps.58 million and Ps.74 million on research and development in 2005, 2006 and 2007, 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 2008 to be influenced by:

- 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 a possible recession 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, 2007 we do not have any outstanding off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

On November 2, 2004, we entered into an interest rate swap transaction with five banks with an aggregate notional amount of U.S.$150 million which became effective on April 5, 2005 and matures on April 5, 2008, whereby we fixed the 6-month LIBOR rate associated with the term portion of the 2004 facility at an average rate of 3.2725%. The swap transaction provides that the counterparty pay us unless 6-month LIBOR reaches 6%, in which case the parties have no obligation to pay any amount for the applicable period. On September 30, 2005, this interest rate swap was modified resulting in an average fixed rate of 3.2775% and matures on 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, on March 8, 2006 we modified this 6% level up to 6.5% and 6.75% for the interest payment dates due in 2007 obtaining a fixed average rate of 3.6175% for this year. In addition, 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. For a description of our debt, see Note 10 to our financial statements.

Additionally, during 2005, we entered into exchange rate forward and option contracts for part of the interest payments due in 2006 and 2007 (corresponding to our U.S.$300 million 7.75% senior unsecured perpetual bonds). As of May 31, 2008, Gruma had entered into exchange rate forward contracts to hedge all the interest payments due in 2008 on our U.S.$300 million 7.75% senior unsecured perpetual bonds.

In addition to the above arrangements, we have commitments under certain firm contractual arrangements to make future payments for goods and services. These firm commitments secure the future rights to various assets to be used in the normal course of operations. For example, we are contractually committed to make certain minimum lease payments for the use of property under operating lease agreements. In accordance with Mexican FRS, the future rights and obligations pertaining to such firm commitments are not reflected as assets and liabilities on the accompanying consolidated balance sheets. As of December 31, 2007, Gruma Corporation is a party to two agreements for the sale leaseback of a tortilla production facility and various production equipment located at one of our company's tortilla plants and at one of its corn flour facilities, both in the U.S. The agreement related to the tortilla production facility is, under Mexican FRS, accounted for as an operating lease. Under U.S. GAAP, this arrangement would have been accounted 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 agreement provides Gruma Corporation with a purchase option to acquire the facility at fair market value at the expiration of the lease, and also an early purchase option, which permits Gruma Corporation to acquire the facility at fair market value at approximately 75% of the lease term. Gruma Corporation terminated these agreements for approximate purchase prices of U.S.$12.5 million and U.S.$10.6 million, respectively, in April and June 2008. The U.S. GAAP balance sheet as of December 31, 2006 and 2007 would reflect an increase in the fixed assets, net, balance of Ps.44.0 million and Ps.7.7 million, respectively (net of accumulated depreciation of Ps.92.5 million and Ps.97.4 million respectively), and an increase in the long-term debt balance of Ps.136.6 million and Ps.105.0 million, respectively.

The following table summarizes separately our material firm commitments at December 31, 2007 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	633.1	—	261.8	71.3	300.0
Operating lease obligations(1)	141.7	39.4	55.4	27.5	19.4
Purchase obligations(2)	209.2	209.2	—	—	—
Interest payments on our indebtedness (3)	203.0	44.0	74.0	62.0	23.0
Other liabilities(4)	86.2	86.2	—	—	—
Total	1,273.2	378.8	391.2	160.8	342.4
Total in millions of peso equivalent amounts	Ps. 13,903.3	Ps. 4,136.5	Ps. 4,271.9	Ps. 1,755.9	Ps. 3,739.0

(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, 2007.

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

U.S. GAAP RECONCILIATION

Our consolidated financial statements are prepared in accordance with Mexican 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. Mexican FRS financial statements recognize the effects of inflation, whereas financial statements prepared under U.S. GAAP are presented on a historical cost basis. We are not required to reverse many of the Mexican inflation accounting adjustments when reconciling Mexican FRS to U.S. GAAP, as these adjustments provide a means of measuring the effects of price-level changes in the inflationary Mexican economy. Accordingly, these inflation-adjusted figures are considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. accounting purposes.

Net income under U.S. GAAP amounted to Ps.1,286 million in 2005. Ps.1,503 million in 2006 and Ps.2,108 million in 2007, compared with majority net income under Mexican FRS of Ps.1,305 million in 2005, Ps.1,601 million in 2006 and Ps.2,233 million in 2007.

Stockholders' equity under U.S. GAAP amounted to Ps.13,930 million in 2006 and Ps.15,117 million in 2007, compared with stockholders' equity under Mexican FRS of Ps.17,902 million in 2006 and Ps.18,577 million in 2007. 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

Starting January 1, 2008 the following Financial Reporting Standards (FRS) issued by the Mexican Financial Reporting Standards Boards became effective:

FRS B-2, "Statement of Cash Flows", supersedes Bulletin B-12 "Statement for Changes in the Financial Position" and requires a statement of cash flows as part of a full set of financial statements in place of a statement of changes in financial position. This statement of cash flows classifies cash receipts and payments according to whether they stem from operating, investing, or financing activities and provides a definition of each category. Cash flows from operating activities can be reported by directly showing major classes of operating cash receipts and payments (the direct method), or by reporting the same amount of net cash flow from operating activities indirectly by adjusting net income to reconcile it to net cash flow from operating activities (the indirect method) by removing the effects of (a) all deferrals of past operating cash receipts and accruals of expected future operating cash receipts and payments and (b) all items that are included in net income that do not affect operating cash receipts and payments. FRS B-2 also requires that a statement of cash flows reports the reporting currency equivalent of foreign currency cash flows, using the current exchange rate at the time of the cash flows; the effect of exchange rate changes on cash held in foreign currencies is reported as a separate item in the reconciliation of beginning and ending balances of cash and cash equivalents. Restatement of financial statements for years provided before 2008 is not required by FRS B-2.

FRS B-10, Effects of Inflation, replaces the previous Bulletin B-10 "Recognition of the Effect of Inflation in Financial Information" and 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. FRS B-10 provides criteria for identifying both inflationary and non-inflationary 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, FRS 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. Additionally, restatement of financial statements for earlier periods presented is not

required by FRS B-10. Since the cumulative inflation in Mexico measured by the NCPI in the three-year period ended December 31, 2007 was below 26%, the Company ceased recognizing the effects of inflation in financial statements beginning January 1, 2008. In addition, the Company elected to reclassify to retained earnings the initial accumulated gain or loss from withholding of non monetary assets. The reclassification amounted to Ps.5,068.3 million.

FRS B-15, "Translation of Foreign Currencies", replaces the previous Bulletin B-15, "Foreign Currency Transactions and Translation of Financial Statements of Foreign Operations" and introduces the concepts of accounting currency, functional currency and reporting currency. FRS B-15 sets forth procedures for translating financial statements from the accounting currency of a foreign operation into the applicable functional currency, and from the functional currency of a foreign operation into the required reporting currency. FRS B-15 also permits that an entity may present its financial statements in a reporting currency other than its functional currency. Restatement of financial statements for years provided before 2008 is not required by FRS B-15. The Company does not expect that the adoption of this statement will have a material impact in its financial position or results of operation.

FRS D-3, "Benefits to Employees", replaces the previous FRS Bulletin D-3 "Labor Obligations" and provides standards for recognizing those benefits granted by an entity to its employees, including direct, termination and retirement benefits, as well as other related provisions. FRS D-3 requires shorter amortization periods for items subject to be amortized, including an option to recognize in income any actuarial gain or loss, and does not require the recognition of a transition asset or liability other than benefits granted in a plan amendment (prior service cost). FRS D-3 eliminates the recognition in certain instances of an additional liability determined on the actuarial computation of retirement benefits without consideration of salary increases; consequently, a related intangible asset and an eventual stockholders' equity adjustment derived from the recognition of this additional liability, are no longer required by this new standard. FRS D-3 also requires the recognition of any termination benefit costs directly in income as a provision, with no deferral of any unrecognized prior service cost or related actuarial gain or loss. Additionally, FRS D-3 recognizes the employees' profit sharing required to be paid under certain circumstances in Mexico as a direct benefit to employees. The Company does not expect that the adoption of this statement will have a material impact in its financial position or results of operation.

FRS D-4, "Income Taxes", replaces the previous Mexican FRS Bulletin D-4, "Accounting for income tax, asset tax and employees' profit sharing", and provides additional guidance for valuation, presentation and disclosure of both current and deferred income taxes accrued for a period. FRS D-4 eliminates from its scope the accounting for employees' profit sharing, since this line item is deemed an ordinary expense associated with benefits to employees, and therefore under the scope of FRS D-3. FRS D-4 also recognizes the Mexican asset tax paid as a tax credit to the extent of its expected recovery. In addition, FRS D-4 requires the reclassification to retained earnings of any outstanding cumulative effect of deferred income taxes recognized in stockholders' equity, in the period in which this standard becomes effective. Upon adoption of FRS D-4, on January 1, 2008 the Company recognized a deferred tax liability and a charge to retained earnings of Ps.327.2 million.

FRS Interpretation 6 "Option to choose the form of hedges". This INIF indicates that a derivative financial instrument may be considered as such as of the date of its acquisition or as of a subsequent date, only if it fulfills the new requirements established in paragraph 51a) of Statement C-10. The Company does not expect that the adoption of this interpretation will have an impact in its financial position or results of operation.

FRS Interpretation 7 "Accounting treatment of the comprehensive income or loss derived from a cash flows hedge over a projected transaction of purchasing a non financial asset". This INIF amends the following paragraphs of Statement C-10:

- Paragraph 105, to clarify that the effects of a hedge recorded in the comprehensive gain or loss derived from transactions of purchasing a non financial asset can be capitalized in the cost of the non financial asset, whose price is fixed by the hedge; and

- Paragraph 106, to indicate that in the case of all cash flows hedges, the amounts recorded in the equity as a part of the comprehensive gain or loss of the year must be reclassified to the income statement in the same period or periods in which the hedge contract is signed or the projected transaction is affected, except for the cases indicated in paragraph 105.

The Company does not expect that the adoption of this interpretation will have an impact in its financial position or results of operation.

Recently Issued U.S. Accounting Standards

Fair value measurements (FASB Statement No. 157):

In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements". SFAS No. 157 defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. The statement does not require any new fair value measures. The statement is effective for fair value measures already required or permitted by other standards for fiscal years beginning after November 15, 2007. The Company was required to adopt SFAS No. 157 beginning on January 1, 2008. SFAS No. 157 is required to be applied prospectively, except for certain financial instruments. Any transition adjustment will be recognized as an adjustment to opening retained earnings in the year of adoption. In February 2008, the FASB approved FASB Staff Position SFAS 157-2 ("FSP 157-2") that permits companies to partially defer the effective date of SFAS No. 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. FSP 157-2 did not permit companies to defer recognition and disclosure requirements for financial assets and financial liabilities or for nonfinancial assets and nonfinancial liabilities that are re-measured at least annually. The Company is currently evaluating the impact that SFAS No.157 will have on its results of operations and financial position.

The fair value option for financial assets and financial liabilities, including an amendment of FASB Statement No. 115 (FASB Statement No.159):

In February 2007 the FASB published SFAS No. 159, "The Fair Value Option for Financial Assets and Financial liabilities." This statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective is to improve financial reporting by providing entities 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. This statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. This statement does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. This statement does not establish requirements for recognizing and measuring dividend income, interest income, or interest expense. This statement does not eliminate disclosure requirements included in other accounting standards, including requirements for disclosures about fair value measurements included in SFAS No. 157, Fair Value Measurements, and SFAS No. 107, Disclosures about Fair Value of Financial Instruments. SFAS No. 159 will be effective for all fiscal years beginning after November 15, 2007. The Company does not expect the adoption of this statement to have a material impact on its financial position or results of operations.

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

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations ("SFAS 141(R)") which replaces SFAS No.141, Business Combination. SFAS 141(R) retains the underlying concepts of SFAS 141 in that all business combinations are still required to be accounted for at fair value under the acquisition method of accounting but SFAS 141(R) changed the method of applying the acquisition method in a number of significant aspects. SFAS 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. SFAS 141(R) amends SFAS 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 SFAS 141(R) would also apply the provisions of SFAS 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 SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements, an Amendment of ARB 51 ("SFAS 160)"). SFAS 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. SFAS 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 position or results of operations.

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 (SFAS 161). This new standard requires enhanced disclosures for derivative instruments, including those used in hedging activities. It is effective for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. The Company does not expect the adoption of this statement to have a material impact on its financial position or results of operation.

The Hierarchy of Generally Accepted Accounting Principles (FASB Statement No. 162):

In May 2008, the FASB issued Statement No. 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS 162), which identifies the sources of accounting principles and the framework for selecting principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States. This statement is not expecting to result in a change in current practice.

Amendment of FASB Interpretation No. 39 (FSP FIN 39-1):

In April 2007, the FASB issued FASB Staff Position ("FSP") FIN 39-1, which amends certain aspects of FASB Interpretation No. 39, Offsetting of Amounts Related to Certain Contracts - an interpretation of APB Opinion No. 10 and FASB Statement No. 105 ("FSP FIN 39-1"). FSP FIN 39-1 amends paragraph 10 of FIN 39 to permit a reporting entity to offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts, including amounts that approximate fair value, recognized for derivative instruments executed with the same counterparty under the same master netting arrangement. Derivative instruments permitted to be netted for the purposes of the FSP include those instruments that meet the definition of a derivative in FASB Statement No. 133, Accounting for Derivative Financial Instruments and Hedging Activities, including those that are not included in the scope of Statement 133 (for example, a financial guarantee, weather derivatives, etc.). The decision to apply the guidance of the FSP FIN 39-1 is an accounting policy decision and should be consistently applied.

The FSP is effective for fiscal years beginning after November 15, 2007, with early application permitted. A reporting entity should recognize the effects of applying this FSP as a change in accounting principle through retrospective application for all financial statement presented. If it is impracticable to apply the guidance in this FSP retrospectively for all financial statements presented, the reporting entity should disclose why it is impracticable and apply the guidance in this FSP retrospectively for as many consecutive prior financial statements as practicable. Upon adoption of this FSP, a reporting entity is permitted to change its accounting policy to offset or not offset fair value amounts recognized for derivative instruments under master netting arrangements. The Company does not expect the adoption of this statement to have a material impact on its financial position or results of operations.

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

In April 2008, the FASB issued FSP SFAS 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 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.

ITEM 6. Directors, Senior Management and Employees.

MANAGEMENT STRUCTURE

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

Directors

Our bylaws require that our board of directors be composed of a minimum of five and a maximum of twenty-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, 2008, 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:	77
	Years as Director:	26
	Principal Occupation:	Chairman of the Board of GRUMA and GIMSA and Chief Executive Officer of GRUMA
	Outside Directorships:	Chairman of the board of Grupo Financiero Banorte, Banco Mercantil del Norte, Fundación GRUMA and Fundación Banorte, Director of Patronato del Hospital Infantil de México.
	Directorship Type:	Shareholder, related
	Alternate:	Roberto González Moreno
Juan Diez-Canedo Ruiz	Age:	57
	Years as Director:	3
	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, director of Deportes Martí.
	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
Juan Antonio González Moreno	Age:	50
	Years as Director:	14
	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:	54
	Years as Director:	Since April 2008
	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:	Related
	Alternate:	José de la Peña y Angelini
Federico Gorbea Quintero	Age:	45
	Years as Director:	1
	Principal Occupation:	President and General Manager of ADM 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:	60
	Years as Director:	14
	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
Roberto Hernández Ramírez	Age:	66
	Years as Director:	13
	Principal Occupation:	Chairman of the Board of Banco Nacional de México and

		director of Grupo Financiero Banamex
	Outside Directorships:	Director of Citigroup and Grupo Televisa, member of the international advisory committee of the Federal Reserve Bank of New York.
	Business Experience:	Chief Executive Officer of Banco Nacional de México, Chairman of the Board and director of the Mexican Stock Exchange, Chairman of the Board of the Mexican Bankers Association and Acciones y Valores Banamex.
	Directorship Type:	Independent
	Alternate:	Esteban Malpica Fomperosa
Juan Manuel Ley López	Age:	75
	Years as Director:	14
	Principal Occupation:	Chairman of the Board and Chief Executive Officer of Grupo Ley
	Outside Directorships:	Chairman of the Board of Casa Ley and 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:	Related
	Alternate:	Fernando Aguilar Rosas
Bernardo Quintana Isaac	Age:	66
	Years as Director:	13
	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:	58
	Years as Director:	2
	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:	Related
	Alternate:	Raúl A. Peláez Cano
Héctor Rangel Domene	Age:	60
	Years as Director:	2
	Principal Occupation:	Chairman of the Board of Grupo Financiero BBVA-Bancomer.
	Outside Directorships:	Member of the audit and corporate governance committees of GRUMA and GIMSA, director of Bancomer, Seguros Bancomer, Afore Bancomer, Casa de Bolsa Bancomer, Cintra, Alestra and Universidad Iberoamericana.
	Business Experience:	Chairman of the Board of the Business Coordinating Council and The Mexican Bankers Association. Several management positions within Grupo Financiero Bancomer, advisor of Rangel Domene y Asociados, Executive Financing Coordinator of PEMEX, Corporate Officer of Banco Mexicano and Vice President of Citibank.
	Directorship Type:	Independent
	Alternate:	Juan Carlos Braniff Hierro

Ismael Roig	Age:	40
	Years as Director:	1
	Principal Occupation:	Vice President 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:	57
	Years as Director:	14
	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:	63
	Years as Director:	14
	Principal Occupation:	Chairman of the Board of Vitro
	Outside Directorships:	Director of ALFA, CYDSA, Regio Empresas, Consejo Mexicano de Hombres de Negocios, and Grupo de Industriales de Nuevo León.
	Business Experience:	Chairman of the Board of Grupo Financiero Serfin, Chief Executive Officer of Banpais.
	Directorship Type:	Independent
	Alternate:	Manuel Güemes de la Vega
Javier Vélez Bautista	Age:	51
	Years as Director:	6
	Principal Occupation:	Business consultant on strategic and financial matters, and venture capital projects promoter
	Outside Directorships:	Director of GIMSA, British American Tobacco-Mexican Operations and Financiamiento Progresemos, member of the audit and corporate governance committees of GRUMA and GIMSA, audit committee member of the British American Tobacco-Mexican Operations, executive committee member of Financiamiento Progresemos.
	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:	77
	Years as Executive Officer:	59
	Years at GRUMA:	59
	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:	60
	Years as Executive Officer:	2
	Years at GRUMA:	8
	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:	58
	Years as Executive Officer:	9
	Years at GRUMA:	22
	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:	44
	Years as Executive Officer:	6
	Years at GRUMA:	13
	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:	50
	Years as Executive Officer:	4
	Years at GRUMA:	28
	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:	32
	Years as Executive Officer:	1
	Years at GRUMA:	3
	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:	43
	Years as Executive Officer:	5
	Years at GRUMA:	5
	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:	45
	Years as Executive Officer:	6
	Years at GRUMA:	23
	Current Position:	Chief Administrative Officer
	Business Experience:	Various positions within GRUMA including Finance and Administrative Vice President of Gruma Venezuela.
Heinz Kollmann	Age:	38
	Years as Executive Officer:	2
	Years at GRUMA:	2
	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:	47
	Years as Executive Officer:	3
	Years at GRUMA:	3
	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:	58
	Years as Executive Officer:	10
	Years at GRUMA:	35
	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:	53
	Years as Executive Officer:	2
	Years at GRUMA:	2
	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:	50
	Years as Executive Officer:	6
	Years at GRUMA:	25
	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.
Salvador Vargas Guajardo	Age:	55
	Years as Executive Officer:	11
	Years at GRUMA:	11
	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 23, 2008. 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, 2008, 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
Héctor Rangel Domene	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.25,000 for each board meeting they attend. Additionally, members of the audit and corporate governance committees are paid a fee of Ps.30,000 for each committee meeting they attend.

For 2007, the aggregate amount of compensation paid to all directors, alternate directors, executive officers and audit and corporate governance committees members was approximately Ps.149.4 million (in nominal terms). The contingent or deferred compensation reserved as of December 31, 2007 was Ps.42.5 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, 2007, we had a total of 18,767 employees, including unionized 5,140 and non-unionized 13,627 full- and part-time employees. Of this total, we employed 7,227 persons in Mexico, 6,720 in the United States, 1,701 in Central America, 1,850 in Venezuela, 551 in China and Australia, 432 in England, 25 in Italy, and 134 in The Netherlands. Total employees for 2005 and 2006 were 16,582 and 18,124, respectively. Of our total employees as of December 31, 2007, approximately 34% were white-collar and 66% 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 410 workers at four separate facilities (Pueblo, Tempe, Madera, Henderson). We renewed one agreement in April 2007. A new collective bargaining agreement was ratified in November 2007 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.

We also entered into a new collective bargaining agreement covering 22 employees at a facility in England that we acquired in late 2006. The new agreement was ratified in March 2007.

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. Adrián Sada González, Mr. Juan Antonio Quiroga García, Mr. Leonel Garza Ramírez, and Mr. Esteban Malpica Fomperosa. In addition, Mr. Roberto González Barrera owns directly and indirectly 279,301,152 shares representing approximately 49.6% of our capital stock and Mr. Juan Antonio González Moreno owns 6,748,294 shares representing approximately 1.2% of our capital stock.

CORPORATE GOVERNANCE PRACTICES

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

ITEM 7. Major Shareholders And Related Party Transactions.

MAJOR SHAREHOLDERS

The following table sets forth certain information regarding the beneficial ownership of our capital stock as of June 13, 2008 (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 June 13, 2008, our Series B shares were held by 336 record holders in Mexico.

Name	Number of Series B Shares	Percentage of Outstanding Shares
Roberto González Barrera and family (1)	290,201,330	51.51%
Archer-Daniels-Midland (2)	130,901,630	23.24%
Directors and Officers as a Group (3)	692,072	0.12%
Other shareholders	141,561,177	25.13%
Total	563,356,209(4)	100.00%

(1) The shares beneficially owned by Mr. González Barrera and his family include: 92,421,864 shares held directly by Mr. González Barrera; 156,853,492 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; 4,151,884 shares held by Ms. Graciela S. González Moreno; 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 and Mr. Juan Antonio González Moreno, members of our board of directors.

(4) As of June 13, 2008, our capital stock was represented by 565,174,609 issued Series "B", class I, no par value shares, of which 563,356,209 shares were outstanding, fully subscribed and paid, and 1,818,400 shares were held in our treasury.

Mr. González Barrera and his family control approximately 55.9% of our capital stock 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 June 13, 2008, Archer-Daniels-Midland, directly and indirectly, owned approximately 23.2% of our outstanding shares and controlled the right to vote approximately 18.9% 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 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 13, 2008, we owed GIMSA Ps.668.1 million and U.S.$31.8 million. The average interest rate for this year up to June 13, 2008 has been 8.31% for loan in pesos and 4.0% for the loan in dollars.

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. However, since 2004, we have lent money to Gruma Corporation at an average rate of 4.57% during 2008, having an outstanding amount of U.S.$65.0 million as of June 13, 2008.

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 June 13, 2008, Archer-Daniels-Midland owned, directly and indirectly, approximately 23.2% of our outstanding shares.

During 2005, 2006 and 2007, we purchased U.S.$105 million, U.S.$115 million and U.S.$133 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, 2007 we hold approximately 8.62% 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 five 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.

Mexican Antitrust Litigation

On August 24, 2005, GIMSA acquired a 100% interest in Agroinsa, a group of companies that produce corn flour in Celaya, Guanajuato as well as corn flour, wheat flour and other food products in Monterrey, Nuevo León. In accordance with the *Ley Federal de Competencia Económica*, or Mexican Competition Law, GRUMA, GIMSA's holding company, notified the *Comisión Federal de Competencia*, or Federal Competition Commission or CFC, of the prospective acquisition through a "notice of concentration."

On November 21, 2005, GRUMA was notified that the CFC had denied its request to approve the Agroinsa acquisition. On January 16, 2006, GRUMA filed an administrative appeal before the CFC arguing that the acquisition should be approved by the CFC under the grounds of *afirmativa ficta*, or implicit approval, in view of the fact that the CFC notified its resolution extemporaneously in accordance with Article 21 of the Mexican Competition Law.

On April 6, 2006, the CFC denied GRUMA's appeal and confirmed its decision to reject the acquisition. GRUMA subsequently requested the Thirteenth Federal Court for Administrative Matters of Mexico City to overrule the CFC's resolution. The Federal Court granted GRUMA's request on August 24, 2006 and ordered the CFC to approve the acquisition. On June 14, 2007, following a jurisdictional appeal by the CFC before the Third Federal Court of Appeals for Administrative Matters, arguing that the decision made by the Thirteenth Federal Court for Administrative Matters should be overruled, the Third Federal Court of Appeals for Administrative Matters, relying on certain legal guidelines previously issued by the Mexican Supreme Court of Justice in this case, ruled that implicit approval applied to protect GRUMA's right to acquire Agroinsa.

In compliance with the Third Administrative Court of Appeals' injunction, the CFC issued a new resolution on July 5, 2007, informing our company that the CFC had no objection to the acquisition of Agroinsa. Under Mexican law, such resolution is deemed to be an authorization by the CFC to permit the acquisition and resulting market concentration. The CFC's 2007 resolution concluded the notice of concentration process with respect to GIMSA's acquisition of Agroinsa.

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. Post trial briefs will submitted by the parties and we expect a decision by the arbitrator on liability, during the early part of July. In the event the arbitrator determines liability against the Company, the second phase of the case, to determine damages, will take place at a later date which has not been set. Either party may file, on a limited basis, an appeal to the District Court, if the decision was based on gross error of law, refusal to hear evidence, abuse of powers or was due to corruption or fraud. We intend to vigorously defend against this action.

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. The plaintiffs seek damages and equitable relief, but as of June 13, 2008 the plaintiffs have not specified the total amount of damages sought. We intend to vigorously defend against this 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 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. We received the initial complaint in April 2007 and discovery is still ongoing. 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 tentatively 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 will be paid out of proceeds we have received under an existing labor liability insurance policy.

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 to our asset tax returns for the years 1994, 1996, 1997, 1999 and 2000, as well as assessments for Ps.93.5 million for allegedly withholding taxes at a lower rate from the payment of interest to our foreign creditors for the years 2000, 2001 and 2002 (the Mexican authorities claim that our company should have withheld 10% over such payments instead of the 4.9% our company withheld). The Company has filed several appeals to obtain an annulment of such assessments. We intend to vigorously defend against these actions. We believe the resolution of these proceedings 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 but three of the appeals have been satisfactorily resolved in our favor. The three outstanding proceedings represent approximately Ps.86 million. We intend to vigorously defend against these actions. We believe the resolution of these proceedings will not have a material effect on our financial position and results of operations.

Venezuelan Tax Claim

The Venezuelan tax authorities have lodged certain assessments against Molinos Nacionales, C.A., or 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 awaiting a final decision. The resolution of these claims will be assumed by the previous shareholder, International Multifoods Corporation, in accordance with the purchase agreement of our subsidiary in Venezuela, MONACA.

Venezuelan Labor Lawsuits

In the past, our subsidiary MONACA was named in eight labor lawsuits and one extrajudicial claim, claiming damages in the amount of U.S.$2,934,031. The lawsuits 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.

As of June 13, 2008, our subsidiary MONACA had negotiated the payment of all of the above-mentioned labor lawsuits and the extrajudicial claim, reaching successful settlement agreements for each of the lawsuits and claims in an aggregate amount of U.S.$1,460,118. Currently, MONACA has performed all of its payment obligations under the settlement agreements and there are no other judicial lawsuits or extrajudicial claims pending or in process related to the foregoing.

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 December 31, 2007, our capital stock was represented by 482,549,952 issued Series "B", class I, with no par value shares, of which 481,503,052 shares were outstanding, fully subscribed and paid, and 1,046,900 shares were held in our treasury. As of December 31, 2007, 84,794,580 Series B shares of our common stock were represented by 21,198,645 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.2,111,060,000. 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. As of June 13, 2008, our capital stock was represented by 565,174,609 issued Series "B", class I, with no par value shares, of which 563,356,209 shares were outstanding, fully subscribed and paid, and 1,818,400 shares were held in our treasury.

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				
2003	15.30	9.20	5.62	3.20
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
Quarterly Price History				
2006				
1st Quarter	39.44	31.83	15.05	11.60
2nd Quarter	34.68	26.53	13.59	9.50
3rd Quarter	35.40	30.75	12.78	11.20
4th Quarter	41.16	32.52	15.26	11.94

	Mexican Stock Exchange Common Stock		NYSE ADS(2)	
	High	Low	High	Low
	(Ps. per share(1))		(U.S.$ per ADS)	
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(3)	31.02	25.24	11.99	9.64
Monthly Price History				
December 2007	36.58	32.96	13.37	12.17
January 2008	35.46	28.48	13.03	10.70
February 2008	31.33	28.73	11.63	10.66
March 2008	29.99	25.10	11.20	9.35
April 2008	29.31	25.24	11.22	9.64
May 2008	31.02	27.60	11.95	10.63
June 2008(3)	30.92	28.53	11.99	10.93

(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 13, 2008.

On June 13, 2008, the last reported sale price of the B Shares on the Mexican Stock Exchange was Ps.28.82 per B Share. On June 13, 2008, the last reported sale price of the ADSs on the New York Stock Exchange was U.S.$11.08 per ADS.

MEXICAN STOCK EXCHANGE

The Mexican Stock Exchange, the *Bolsa Mexicana de Valores, S.A. de C. V.*, located in Mexico City, is the only stock exchange in Mexico. Founded in 1907, it is organized as a corporation whose shares are held by brokerage firms, which are exclusively authorized to trade on the exchange. Trading on the Mexican Stock Exchange takes place principally through automated systems and is open between the hours of 8:30 a.m. and 3:00 p.m. Mexico City time, each business day. Trades in securities listed on the Mexican Stock Exchange can also be performed off the exchange. The Mexican Stock Exchange operates a system of automatic suspension of trading in shares of a particular issuer as a means of controlling excessive price volatility, but under current regulations this system does not apply to securities such as the Series B Shares that are directly or indirectly (for example, through ADSs) quoted on a stock exchange (including for these purposes the New York Stock Exchange) outside Mexico.

Settlement is effected 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 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 to 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 its case, notify the corrective measures thereof; (xiii) oversee 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 legal applicable 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 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 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 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 its annual report; (ix) establish mechanisms and internal controls permitting to certify that the actions and

transactions of the company conform to the applicable regulations; and (x) exert 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 its 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 remnant, if any, pro rata among the shareholders.

Changes in Capital Stock

Our outstanding capital stock consists of Class I and Class II series B shares. Class I shares are the fixed portion of our capital stock and have no par value. 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 June 13, 2008, our capital stock was represented by 565,174,609 issued Series "B", class I, with no par value shares, of which 563,356,209 shares were outstanding, fully subscribed and paid, and 1,818,400 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 it may have with respect to its investment in us, including any rights under U.S. securities laws. If a shareholder should invoke governmental protection in violation of this provision, its shares could be forfeited to the Mexican government. Mexican law requires that such a provision be included in the bylaws of all Mexican companies unless such bylaws prohibit ownership of shares by non-Mexicans. 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 Market referred to in the preceding paragraph shall be the weighted average share price as quoted on the Mexican Stock Exchange for the last 30 days in which our shares were traded, in a period not greater than six months, prior to the date of the 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 results 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 20% partnership interest in Azteca Milling and retained 40% of the capital stock of Molinera de México. Archer-Daniels-Midland also obtained the right to designate two of the 15 members of our board of directors and their corresponding alternates.

Under the terms of this association, Archer-Daniels-Midland may not, without the consent of Mr. Roberto González Barrera, the Chairman of our board of directors or our board of directors, acquire additional shares of us. As of June 13, 2008, Archer-Daniels-Midland owned, directly and indirectly, approximately 23.2% 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 18.9% of our outstanding shares. In addition, Archer-Daniels-Midland has the right to nominate two of the 15 members of our board of directors and their corresponding alternates. 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 May 31, 2008, there was U.S.$150 million outstanding under the term facility with U.S.$100 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 in 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."

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.

Supplemental Indenture

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 our 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 bank's approval.

EXCHANGE CONTROLS

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

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

TAXATION

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

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

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

Mexican Tax Considerations

The following is a general summary of the principal consequences under the *Ley del Impuesto sobre la Renta*, 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.

The following information includes "forward-looking statements" that involve risk and uncertainties. Actual results could differ from those presented. All information below is presented on a Mexican FRS basis in pesos of constant purchasing power as of December 31, 2007.

We are exposed to market risks arising from changes in interest rates, foreign exchange rates, equity prices and commodity prices. We use derivative instruments, on a selective basis, to manage these risks. We maintain and control our treasury operations and overall financial risk through practices approved by our senior management.

INTEREST RATE RISK

We depend upon debt financing transactions, including debt securities, bank and vendor credit facilities and leases, to finance our operations. These transactions expose us to interest rate risk, with the primary interest-rate risk exposure resulting from changes in the relevant base rates (mostly LIBOR and to a lesser extent, Prime, TIIE and *Tasa Promedio 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.$352 million (Ps.3,844 million) of fixed rate debt and approximately U.S.$368 million (Ps.4,011 million) in floating rate debt at December 31, 2007.

The following table sets forth, as of December 31, 2007, principal cash flows and the related weighted average interest rates by expected maturity dates for our debt obligations.

	Maturity Dates						
	2008	**2009**	**2010**	**2011**	**Thereafter**	**Total**	**Fair Value**
	(in millions of pesos of constant purchasing power as of December 31, 2007, except percentages)						
Liabilities							
Debt							
Fixed Rate (Ps.)	182	316	56	10	3,280	3,844	3,782
Average Rate	7.3%	7.22%	6.1%	9.7%	8.8%		
Floating Rate (Ps.) .	760	190	2,297	764	—	4,011	4,011
Average Rate	4.9%	4.9%	5.8%	5.5%	—		

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 18 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%. On September 30, 2005, this interest rate swap was modified resulting in a 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 10 to our financial statements.

In the case of our cash and short-term investments, declines in interest rates decrease the interest return on floating rate cash deposits and short-term investments. A hypothetical 100 basis point (1.0%) decrease in interest rates would not have a significant effect on our results of operations.

FOREIGN EXCHANGE RATE RISK

Our net sales are denominated in U.S. dollars, Mexican pesos and other currencies. During 2007, approximately 49% of our revenues were generated in U.S. dollars, and approximately 33% in pesos. In addition, as of December 31, 2007,

approximately 56% 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 16 to our financial statements.

Our primary foreign exchange rate risk relates to our substantial U.S. dollar-denominated debt for our non-U.S. subsidiaries. As of December 31, 2007, approximately 93% of our debt obligations was denominated in U.S. dollars. The following table sets forth information concerning our U.S. dollar-denominated debt as of December 31, 2007. The table does not reflect our U.S. dollar sales or our U.S. dollar-denominated assets.

	Expected Maturity or Transaction Date						
U.S. dollar-denominated debt	**2008**	**2009**	**2010**	**2011**	**Thereafter**	**Total**	**Fair Value**
	(in millions of pesos of constant purchasing power as of December 31, 2007)						
7.75% Perpetual bond	—	—	—	—	3,276	3,276	3,214
Syndicated loan	—	—	2,239	—	—	2,239	2,239
Revolving credit facility	—	—	—	764	—	764	764
7.96% senior notes	17	115	—	—	—	132	133
Other*	925	391	115	10	3	1,444	1,444
	942	506	2,354	774	3,279	7,855	7,794

* 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.

During 2007, we also entered into exchange rate option contracts with quarterly maturity dates 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 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 average notional amount of U.S.$115 million. 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. Based on our positions at December 31, 2007, a hypothetical 10 percent depreciation of the peso would have resulted in an unfavorable effect of Ps.685 million.

In the first quarter of 2008, we entered into certain currency derivative transactions, which principally involve the peso/dollar and the dollar/yen exchange rates. 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. The mark-to-market value of these derivative instruments may decrease or increase in the future prior to the settlement date of the instruments. 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. As of May 31, 2008, these instruments represented a negative mark-to-market value of approximately U.S.$71 million. The Company continues to take steps to terminate the open positions in respect of these currency derivative instruments.

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 2007, 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, 2007, we had a favorable effect due to changes in the fair value of cash flow hedges amounting to Ps.42.3 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, 2007, we have outstanding fair value hedge contracts of natural gas for Ps.4.5 million. 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, 2007, we had an unfavorable effect of approximately Ps.98.7 million from these contracts. Additionally, as of December 31, 2007, we recognized an unfavorable effect of approximately Ps.4.9 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 December 31, 2007, 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.21.6 million (for contracts that qualify for hedge accounting), and a charge to income of Ps.9.0 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 2007.

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.

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.

None.

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

None.

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 and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2007. 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 and Chief Financial 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 and Chief Financial 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 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, 2007.

PricewaterhouseCoopers, an independent registered public accounting firm, our independent auditor, issued an attestation report on our internal control over financial reporting on June 19, 2008.

(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 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. Audit Committee Financial Expert.

Our Board of Directors has determined that 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 comptroller, 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, 2006 and 2007:

	Year ended December 31,	
	2006	2007
	(thousands of Mexican pesos)	
Audit fees	Ps. 39,098	Ps. 24,939
Audit-related fees	—	—
Tax fees	6,065	9,329
Other fees	1,527	1,051
Total fees	Ps. 46,690	Ps. 35,319

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.

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 and affiliated purchasers in 2007:

Issuer Purchases of Equity Securities
(for the fiscal year ended December 31, 2007)

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	—	—	—	—
February	—	—	—	—
March	—	—	—	—
April	—	—	—	—
May	—	—	—	—
June	—	—	—	—
July	—	—	—	—
August	—	—	—	—
September	—	—	—	—
October	—	—	—	—
November	—	—	—	—
December	1,046,900	Ps. 33.80	—	—
Total	1,046,900	Ps. 33.80	—	—

PART III

ITEM 17. Financial Statements.

Not Applicable.

ITEM 18. Financial Statements.

See pages F-1 through F-156, 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)	Registration Rights Agreement by and among us, Lehman Brothers Inc., Bear Stearns International Limited, and AFIN Securities International Ltd., dated October 9, 1997.**
2(b)(4)	Indenture, dated as of December 3, 2004, between us and JPMorgan Chase Bank, N.A., as Indenture Trustee representing up to U.S.$300,000,000 of our 7.75% Perpetual Bonds. ****
2(b)(5)	U.S.$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)(6)	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.******
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 26, 2008.
12(a)(2)	CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 26, 2008.
13	Officer Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated June 26, 2008.

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* 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 26, 2008

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, 2007, 2006 and 2005

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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, changes in stockholders' equity and changes in financial position present fairly, in all material respects, the financial position of Gruma, S. A. B. de C. V. and its subsidiaries at December 31, 2007 and 2006, and the results of their operations and changes in their financial position for each of the three years in the period ended December 31, 2007, 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, 2007, 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 appearing under 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 audits (which was an integrated audit in 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, 2007 and 2006 represents 8% and 9%, respectively, of the consolidated total assets, and whose equity in its earnings represents 32%, 40% and 52% of the 2007, 2006 and 2005 consolidated net income, 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 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 provide a reasonable basis for our opinions.

Mexican Financial Reporting Standards vary in certain significant respects from Accounting Principles Generally Accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 21 to the consolidated financial statements.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to

permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

PricewaterhouseCoopers, S. C.
Monterrey, Mexico
June 20, 2008

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

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2006 AND 2007
(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2007)
(Notes 1 and 3)

	2006	2007
ASSETS		
Current:		
Cash	Ps. 394,195	Ps. 383,469
Temporary investments (Note 3-G)	205,191	97,459
Accounts receivable, net (Note 4)	4,767,147	4,776,378
Refundable taxes (Note 4)	602,430	764,514
Inventories (Note 5)	4,012,754	5,549,290
Prepaid expenses	348,862	294,810
Total current assets	10,330,579	11,865,920
Investment in common stock of associated companies (Note 6)	2,859,151	2,849,978
Property, plant and equipment, net (Note 7)	15,563,733	16,274,447
Intangible assets, net (Note 8)	983,843	844,489
Excess of cost over book value of subsidiaries acquired, net	1,881,903	1,908,798
Other assets (Note 9)	133,192	167,070
Total assets	Ps. 31,752,401	Ps. 33,910,702
LIABILITIES		
Current:		
Bank loans (Note 10)	Ps. 180,789	Ps. 666,232
Current portion of long-term debt (Note 10)	746,131	274,841
Trade accounts payable	2,426,951	2,696,288
Accrued liabilities and other accounts payable	2,115,933	2,415,650
Employees' statutory profit sharing payable	49,213	21,964
Total current liabilities	5,519,017	6,074,975
Long-term debt (Note 10)	5,886,297	6,913,173
Deferred income taxes (Note 15-B)	1,799,305	2,005,814
Other liabilities	645,531	339,541
Total long-term liabilities	8,331,133	9,258,528
Total liabilities	13,850,150	15,333,503
Contingencies and commitments (Note 12)		
STOCKHOLDERS' EQUITY		
Majority interest (Note 13):		
Common stock	4,880,142	4,852,296
Restatement of common stock	8,437,293	8,437,310
	13,317,435	13,289,606
Additional paid-in capital	4,841,487	4,831,370
	18,158,922	18,120,976
Deficit from restatement	(15,091,290)	(16,196,178)
Derivative financial instruments	6,725	41,790
Cumulative effect of a change in an accounting principle for deferred income taxes and employees' statutory profit sharing	(226,316)	(226,316)
Retained earnings (Note 13-B):		
Prior years	11,192,355	12,174,703
Net income for the year	1,601,125	2,233,321
Foreign currency translation adjustments (Note 13-D)	(808,026)	(453,086)
Total majority interest	14,833,495	15,695,210
Minority interest	3,068,756	2,881,989
Total stockholders' equity	17,902,251	18,577,199
	Ps. 31,752,401	Ps. 33,910,702

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, 2005, 2006 AND 2007
(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2007, except share and per share data)
(Notes 1 and 3)

	2005	2006	2007
Net sales	Ps. 29,346,074	Ps. 32,189,955	Ps. 35,816,046
Cost of sales	(19,166,333)	(20,975,201)	(24,192,290)
Gross profit	10,179,741	11,214,754	11,623,756
Selling, general and administrative expenses	(8,459,679)	(9,342,921)	(9,749,888)
Operating income	1,720,062	1,871,833	1,873,868
Other (expense) income, net (Notes 3-A and 14)	(176,755)	(49,112)	555,743
Comprehensive financing result:			
Interest expense	(628,345)	(602,315)	(683,578)
(Loss) gain in derivative financial instruments	—	(146,693)	155,456
Interest income	58,706	82,012	64,357
Monetary position gain, net	331,120	336,552	558,509
Foreign exchange (loss) gain, net (Note 16-A)	(56,323)	(19,363)	72,129
	(294,842)	(349,807)	166,873
Equity in earnings of associated companies (Note 6)	684,844	643,318	707,835
Income before income taxes, cumulative effect of change in accounting principle and minority interest	1,933,309	2,116,232	3,304,319
Income taxes (Note 15):			
Current	(577,788)	(355,849)	(627,675)
Deferred	170,793	(76,321)	(298,035)
	(406,995)	(432,170)	(925,710)
Income before cumulative effect of change in accounting principle and minority interest	1,526,314	1,684,062	2,378,609
Cumulative effect of change in accounting principle, net of taxes of Ps.22,994	(59,545)	—	—
Income before minority interest	1,466,769	1,684,062	2,378,609
Minority interest	(162,076)	(82,937)	(145,288)
Majority net income for the year	Ps. 1,304,693	Ps. 1,601,125	Ps. 2,233,321
Earnings per share basic and diluted (in pesos):			
Income before cumulative effect of change in accounting principle	Ps. 3.02	Ps. 3.34	Ps. 4.63
Cumulative effect of change in accounting principle	(0.13)	—	—
Net income	Ps. 2.89	Ps. 3.34	Ps. 4.63
Weighted average shares outstanding (thousands)	451,446	480,007	482,506

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, 2005, 2006 AND 2007

(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2007, except share and per share data)

(Notes 1 and 3)

	Common stock (Note 13-A)						Retained earnings (Note 13-B)					
	Number of shares issued (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 for the year	Foreign currency translation adjustments (Note 13-D)	Total majority interest	Minority interest	Total stockholders' equity
Balances at December 31, 2004	452,049	Ps. 12,978,123	Ps. 3,959,037	Ps. (14,592,573)	Ps. 21,867	Ps. (226,316)	Ps. 9,406,904	Ps. 1,010,882	Ps. (683,257)	Ps. 11,874,667	Ps. 3,193,542	Ps. 15,068,209
Appropriation of prior year net income							1,010,882	(1,010,882)		—		—
Decrease of minority interest											(1,649)	(1,649)
Dividends paid (Ps.0.90 per share)							(395,779)			(395,779)	(185,188)	(580,967)
Net purchases and sales of Company's common stock	501	13,084	14,820				(4,144)			23,760		23,760
	501	13,084	14,820	—	—	—	610,959	(1,010,882)	—	(372,019)	(186,837)	(558,856)
Comprehensive income (loss):												
Recognition of inflation effects for the year				(293,191)			412,437			119,246	28,571	147,817
Foreign currency translation adjustments									(544,269)	(544,269)	(38,546)	(582,816)
Derivative financial instruments, net of taxes					(21,772)					(21,772)	(10,572)	(32,344)
Net income for the year								1,304,693		1,304,693	162,074	1,466,768
Comprehensive income of the year	—	—	—	(293,191)	(21,772)	—	412,437	1,304,693	(544,269)	857,898	141,527	999,425
Balances at December 31, 2005	452,550	12,991,207	3,973,857	(14,885,764)	95	(226,316)	10,430,300	1,304,693	(1,227,526)	12,360,546	3,148,232	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 of 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	Ps. 13,289,606	Ps. 4,831,370	Ps. (16,196,178)	Ps. 41,790	Ps. (226,316)	Ps. 12,174,703	Ps. 2,233,321	Ps. (453,086)	Ps. 15,695,210	Ps. 2,881,989	Ps. 18,577,199

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 FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007
(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2007)
(Notes 1 and 3)

	2005	2006	2007
Operating activities:			
Majority net income for the year	Ps. 1,304,693	Ps. 1,601,125	Ps. 2,233,321
Minority interest	162,076	82,937	145,288
Consolidated net income	1,466,769	1,684,062	2,378,609
Adjustments to reconcile consolidated net income to net resources provided by operating activities:			
Depreciation and amortization	1,221,689	1,262,299	1,178,797
Impairment of long-lived assets	43,406	488,935	140,049
Equity in earnings of associated companies, net of dividends received	(608,513)	(561,467)	(628,635)
Deferred income taxes and employees' statutory profit sharing	(179,735)	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 in sale of fixed assets	14,505	6,007	49,847
Cumulative effect of change in accounting principle, net of taxes	59,545	—	—
Labor obligations and other long-term accrued liabilities	48,435	9,467	21,263
	2,066,101	2,404,279	2,497,813
Changes in working capital:			
Restricted cash	530	—	—
Accounts receivable, net	(148,963)	(1,148,184)	(294,768)
Inventories	92,717	139,532	(2,166,018)
Prepaid expenses	(39,492)	(57,811)	45,984
Trade accounts payable	558,418	205,271	193,450
Accrued liabilities and other accounts payable	(522,584)	441,170	17,653
Income taxes and employees' statutory profit sharing payable	(18,164)	(10,646)	(26,767)
	(77,538)	(430,668)	(2,230,466)
Net resources provided by operating activities	1,988,563	1,973,611	267,347
Financing activities:			
Proceeds from bank loans and long-term debt	2,617,505	2,452,888	4,133,286
Repayment of bank loans and long-term debt	(2,121,694)	(3,214,893)	(3,151,536)
Long-term notes payable from new acquisitions	414,707	(50,628)	(50,666)
Proceeds from stock issuance	—	1,191,295	—
Contributions (decrease) by minority interest	(1,649)	98,735	(21,191)
Net purchases and sales of Company's common stock and derivative financial operations	(8,584)	19,884	(365)
Dividends paid	(580,967)	(687,199)	(627,264)
Other	(87,014)	21,729	(74,261)
Net resources provided by (used in) financing activities	232,304	(168,189)	208,003
Investing activities:			
Acquisition of property, plant and equipment	(1,357,813)	(1,921,881)	(2,221,326)
Acquisition of subsidiaries, net of cash acquired	(1,163,411)	(599,173)	—
Sale of property, plant and equipment	175,977	369,293	192,972
Intangible assets	(11,065)	(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	(32,797)	(159,745)	16,260
Net resources used in investing activities	(2,389,109)	(1,564,747)	(593,808)
Net (decrease) increase in cash and temporary investments	(168,242)	240,675	(118,458)
Cash and temporary investments at beginning of year	526,953	358,711	599,386
Cash and temporary investments at end of year	Ps. 358,711	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., a Mexican corporation, is a holding company whose subsidiaries are located in Mexico, the United States of America, Central America, Venezuela, Europe, Asia and Oceania. These subsidiaries are engaged primarily in manufacturing and distributing corn flour, tortillas, wheat flour and other related products. Gruma, S.A.B. de C.V. and its subsidiaries are herein collectively referred to as "the Company".

In accordance with the Mexican Stock Market Law issued on December 30, 2005, the shareholders agreed to modify the Company's name of Gruma S.A. de C.V. to Gruma, S.A.B. de C.V, through an Extraordinary General Meeting held on November 30, 2006. Additionally, certain bylaws were modified to include the new integration, organization and performance of its social bodies as well as the new rights for minority shareholders.

The accompanying consolidated financial statements and notes were authorized on June 11, 2008 by Juan Quiroga García, Chief Corporate Officer and Homero Huerta Moreno, Chief Administrative Officer.

2. ACQUISITIONS

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

The investments carried out during 2006 are described as follows:

- The Company, through its subsidiary Gruma Corporation, completed two acquisitions in Australia within Victoria province, which are related to the production and distribution of tortillas. In January 2006, all issued and outstanding shares of Rositas Investments Pty, Ltd. were acquired for a total of Ps.149,933 (U.S.$13,208,000). In March 2006, the Company purchased the assets related to tortilla production from Oz-Mex Foods Pty, Ltd. for Ps.43,941 (U.S.$3,871,000).

  The estimated fair values of the net assets acquired are summarized as follows:

Current assets	Ps.	46,291
Property, plant and equipment		65,467
Excess of cost over book value		113,956
Deferred income taxes		2,065
Total assets acquired		227,779
Current liabilities		33,905
Net assets acquired	Ps.	193,874

- In September 2006, the Company acquired in England all the issued and outstanding shares of Pride Valley Foods Ltd. for Ps.388,976 (U.S.$32,864,000). This business produces and distributes tortillas, pita bread and Indian bread.

  The net assets acquired are summarized as follows:

Current assets	Ps.	78,790
Property, plant and equipment		156,707
Excess of cost over book value		326,211
Total assets acquired		561,708
Current liabilities		146,755
Deferred income taxes		25,977
Net assets acquired	Ps.	388,976

3. SIGNIFICANT ACCOUNTING POLICIES

A) FINANCIAL REPORTING STANDARDS

The accompanying consolidated financial statements have been prepared in accordance with Mexican Financial Reporting Standards ("Mexican FRS"), issued by the Mexican Board for Research and Development of Financial Reporting Standards ("CINIF" for its initials in Spanish).

Starting January 1, 2007, the Company adopted the provisions of Financial Reporting Standard B-3 – "Statement of Income" (FRS B-3), which mainly establishes a new structure for the income statement, eliminates the presentation of extraordinary and special items, introduces a new classification for income and expenses in ordinary and non-ordinary, as well as modifies the general criteria for the presentation and disclosure of this basic statement. As a result of the adoption of this statement, the Company's management followed the criteria of presenting the statement of income based on its function, 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 item which is used for the analysis of the financial information is disclosed by the Company on a regular basis.

The adoption of this standard in 2007 did not represent a significant change in the presentation and structure of the statement of income, compared with the statement for the year ended December 31, 2006. The only significant changes were to reclassify the employees' statutory profit sharing (ESPS) as "Other income (expense)" and to present the equity in earnings of associated companies before taxes, instead of after taxes.

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 is 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, 2006 and 2007 the main subsidiaries included in the consolidation were the following:

	% of ownership	
	2006	**2007**
Gruma Corporation and subsidiaries	100.00	100.00
Grupo Industrial Maseca, S.A.B. de C.V. and subsidiaries	83.18	83.18
(1) Molinos Nacionales, C.A. (Note 18-C)	83.84	72.86
Derivados de Maíz Seleccionado, C.A. (Note 18-C)	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. and subsidiaries	100.00	100.00
Investigación de Tecnología Avanzada, S.A. de C.V. and subsidiaries	100.00	100.00

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(1) On April 6, 2006 the Company agreed to sell, in a series of installments and with reserve of title, 40% of its ownership in the common stock of Molinos Nacionales, C.A. (Monaca), a subsidiary located in Venezuela, for a total of U.S.$65,600,000. On May 31, 2006, the Company purchased 2% of the common stock of Monaca from Archer Daniels Midland (ADM) for a total of U.S.$3,289,000. Thus, once the sale in installments ends, the interest of the Company in Monaca will be 57%. As of December 31, 2007, the Company owned 72.86% of Monaca.

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

Financial statements of foreign subsidiaries have been restated to recognize the effects of inflation and translated to Mexican pesos of constant purchasing power as of December 31, 2007, as follows:

- Financial statements are restated to year-end constant local currencies following the provisions of FRS B-10, applying the General Consumer Price Index (“GCPI”) of the foreign country, which reflects the change in purchasing power of the local currency in which the subsidiary operates.
- Assets, liabilities, income and expenses are translated to Mexican pesos by applying the exchange rate in effect at each period-end. Stockholders’ equity balances are translated by applying the exchange rates in effect at the dates in which the contributions were made and the income was generated. The effects of translation are recognized as a component of equity entitled “Foreign Currency Translation Adjustments” (Note 13-D).

E) RECOGNITION OF THE EFFECTS OF INFLATION

The consolidated financial statements have been restated to recognize the effects of inflation and are expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2007, determined as follows:

- For comparability purposes, the financial statements as of and for the years ended December 31, 2005 and 2006 have been restated by utilizing a weighted average restatement factor, which considers the relative total sales contribution by country for that year and the corresponding inflation and exchange rate fluctuations during that year. The difference between the restatement of stockholders’ equity according to this methodology and the Mexican National Consumer Price Index (“NCPI”) is disclosed in retained earnings of prior years.
- The consolidated statements of income and of changes in stockholders’ equity for the year ended December 31, 2007 were restated applying GCPI factors from the country in which the subsidiary operates and applied to periods in which the transactions occurred and year-end.
- The consolidated statements of changes in financial position present, in Mexican pesos of constant purchasing power, the resources provided by or used in operating, financing and investing activities.
- The factors used to recognize the effects of inflation were the following:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Year	Mexican national consumer price index	Weighted average restatement factor
2005	3.33%	(1.66)%
2006	4.05%	4.45%
2007	3.76%	5.01%

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

- Restatement of non-monetary assets

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

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

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

- Deficit from restatement

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

- Monetary position gain, net

  Monetary position gain represents the inflationary effect, measured by NCPI factors, on the net balance of monetary assets and liabilities at the beginning of each month as expressed in local currency. The monetary position gain recognized on the net monetary position of foreign subsidiaries is based on the inflation rate of the respective country, as measured by the relevant GCPI factors in its net monetary position, prior to the translation to Mexican pesos.

F) FOREIGN CURRENCY TRANSACTIONS

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

G) TEMPORARY INVESTMENTS

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

H) INVENTORIES AND COST OF SALES

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

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. As a result, the Company's corn flour prices did not reflect the increase in the cost of corn, which resulted in a significant deterioration in the financial performance of Grupo Industrial Maseca, S.A.B. de C.V., the Company's subsidiary engaged in corn-flour production in Mexico, during the first quarter of 2007. The term of the second agreement was extended subsequently through December 31, 2007. Although the second agreement expired at the end of 2007, as of June 2008, the parties to that agreement have voluntarily continued to operate under its terms.

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

Property, plant and equipment are restated using NCPI factors, except for machinery 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 end of the year.

Depreciation expense is computed based on the net book value less residual 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. Starting January 1, 2007 the Company adopted the provisions of FRS D-6, "Capitalization of comprehensive financing result", which requires that interest expense, foreign currency exchange fluctuations, monetary position gain and other costs of the related debt for fixed assets for which its acquisition requires a substantial period of time, are capitalized as part of the cost of the assets. The Company already followed the provisions to capitalize the comprehensive financing cost of related debt for major construction projects until the assets began their operation. When assets are retired, sold or otherwise disposed of, any resulting gain or loss is included in "Other income (expense), net".

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The value of these assets is subject to impairment tests when certain events and circumstances are present as mentioned in Note 3-L.

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

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

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 from 2 to 20 years, based on their limited lives due to contractual, economic, legal or regulatory factors. Indefinite-lived intangible assets are not amortized, but tested annually for impairment.

Business combinations and investments in common stock of subsidiaries and associated companies are accounted for under the purchase method. The excess of cost over book value of business combinations is not amortized, but is tested annually for impairment.

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

The value of these assets, other than the excess of cost over book value and indefinite-lived intangible assets, is subject to impairment tests when certain events and circumstances are present as mentioned in Note 3-L.

L) IMPAIRMENT OF LONG-LIVED ASSETS

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

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

Fair value of assets to be disposed of by sale is determined using the lower of the book value and the estimated fair value less estimated cost to sell; an impairment loss is recognized for the excess of book value over the estimated fair value less estimated cost to sell. These assets are subsequently restated using NCPI factors and are no longer depreciated or amortized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

M) LABOR OBLIGATIONS

Seniority premiums to which Mexican employees are entitled after 15 years of service are charged to income as determined by annual actuarial valuations.

Obligations at the end of the labor relationship when the retirement age of 60 years is met according to the single-payment retirement plan set by the Company or in the case of dismissals are recognized through actuarial valuations using the projected unit credit method.

Starting January 1, 2005 the Company adopted the provisions of FRS D-3, “Labor Obligations”, which includes the rules for the valuation, presentation and recognition of retirement benefits at the end of the employee labor relationship for causes other than restructuring. The net period cost amounted to Ps.14,951 which was recognized in income of the year. As of January 1, 2005 the initial adoption of FRS D-3 included the recognition of a liability and a charge to income of Ps.59,545 net of taxes, for the recognition of prior services for retirement benefits at the end of the labor relationship. These effects mainly refer to the recognition of indemnities to which employees are entitled in case of dismissal.

N) FINANCIAL INSTRUMENTS

Derivative financial instruments that are not considered for hedging purposes are recognized initially at cost and subsequently at fair value, with changes in fair value recognized in income.

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 effected. Fair value hedge contracts as well as the hedged items attributable to the hedged risk are recognized at fair value and their valuation gains or losses are recognized in income.

O) REVENUE RECOGNITION

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

P) INCOME TAX

Income tax is recorded under the comprehensive asset-liability method requiring recognition of deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of all assets and liabilities and their respective tax bases. The valuation allowance is determined based on the financial projections of the Company, which define the probability that some or all deferred tax assets may not be realizable in the future.

On October 1, 2007 the Mexican government enacted the new Flat Rate Business Tax (“*Impuesto Empresarial Tasa Única”* or *“IETU”* for its name in Spanish*)*. This law is effective as of January 1, 2008. This law introduces a flat tax, which replaces Mexico’s asset tax and will apply along with Mexico’s regular income tax. In general Mexican companies are subject to paying the greater of the flat tax or the income tax. The flat tax is calculated by applying a 16.5% tax rate in 2008, 17% in 2009, and 17.5% in 2010 and the following years. Although the flat tax is defined as a minimum tax, it has a wider taxable base as many of the tax deductions allowed for income tax purposes are not allowed for the flat tax.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

In accordance with the interpretation published by the CINIF last December 21, 2007, with respect to the accounting effects of the IETU, and based on financial and tax projections, the Company has determined that it will continue paying regular income tax in the future on a consolidated basis, except for certain subsidiaries which are service providers, which will be subject to IETU. For such subsidiaries deferred IETU tax was recorded as of December 31, 2007 and the corresponding cumulative deferred income tax was cancelled.

Q) EMPLOYEES' STATUTORY PROFIT SHARING

Deferred employees' profit sharing is recorded only for those timing differences between net income and taxable income for employees' profit sharing purposes, which may result in a future liability or benefit, and is shown in the statement of income within "Other income (expense), net".

R) EARNINGS PER SHARE

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

S) COMPREHENSIVE INCOME (LOSS)

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

4. ACCOUNTS RECEIVABLE, NET AND REFUNDABLE TAXES

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

		2006		2007
Trade accounts receivable	Ps.	4,365,291	Ps.	4,329,437
Allowance for doubtful accounts		(215,100)		(233,733)
		4,150,191		4,095,704
Derivative financial instruments		249,487		63,921
Employees		33,623		32,302
Other debtors		333,846		584,451
	Ps.	4,767,147	Ps.	4,776,378

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

		2006		2007
Special tax on production and services	Ps.	918	Ps.	—
Value-added tax		187,260		295,053
Income tax		414,252		469,461
	Ps.	602,430	Ps.	764,514

5. INVENTORIES

Inventories consisted of the following as of December 31:

	2006	2007
Raw materials, mainly corn and wheat	Ps. 2,547,495	Ps. 3,914,798
Finished products	491,582	596,081
Materials and spare parts	390,121	392,454
Production in process	116,176	184,222
Advances to suppliers	352,229	350,808
Inventory in transit	115,151	110,927
	Ps. 4,012,754	Ps. 5,549,290

6. INVESTMENT IN COMMON STOCK OF ASSOCIATED COMPANIES

Investment in common stock of associated companies consists of the investment in common stock of Grupo Financiero Banorte, S.A.B. de C.V. (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, were comprised of the following as of December 31:

	2006	Ownership as of December 31, 2006	2007	Ownership as of December 31, 2007
GFNorte	Ps. 2,723,120	10.0024%	Ps. 2,713,592	8.6232%
Harinera de Monterrey, S.A. de C.V.	136,031	40%	136,386	40%
	Ps. 2,859,151		Ps. 2,849,978	

During 2006 and 2007, the Company sold through the Mexican Stock Exchange a total of 17,224,100 and 27,835,900 shares of its investment in GFNorte, respectively, which represented 0.8533% and 1.3792% of its interest in GFNorte, in each year. The net gain from these transactions for the years ended December 31, 2006 and 2007 amounted to Ps. 399,639 and Ps.847,175, respectively, and was reflected within “Other income (expense), net” (Note 14). Prior to the sale of these shares, the interest of the Company in GFNorte was 10.8557%.

7. PROPERTY, PLANT AND EQUIPMENT, NET

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

		2006		2007
Land	Ps.	1,269,174	Ps.	1,318,173
Buildings		5,350,991		5,272,783
Machinery and equipment		19,089,312		20,182,964
Construction in progress		1,060,681		1,152,810
Software for internal use		853,784		832,344
Leasehold improvements		383,275		394,073
Other		35,314		35,138
		28,042,531		29,188,285
Accumulated depreciation and amortization		(12,478,798)		(12,913,838)
	Ps.	15,563,733	Ps.	16,274,447

For the years ended December 31, 2005, 2006 and 2007, depreciation expense amounted to Ps.1,111,608, Ps.1,146,393 and Ps.1,072,174, respectively. For the years ended December 31, 2005, 2006 and 2007, comprehensive financing costs of Ps.8,525, Ps.5,778 and Ps.2,894, respectively, were capitalized to property, plant and equipment.

As of December 31, 2006 and 2007, property, plant and equipment included temporarily idled assets with a carrying value of approximately Ps.686,644 and Ps.649,015, respectively, resulting from the temporary shut-down of production at various plants in Mexico, mainly in the corn flour division. These assets are recognized at their net realizable value and are not being depreciated.

For the years ended December 31, 2005, 2006 and 2007, the Company recognized impairment losses of Ps.43,406, Ps.334,725 and Ps.97,196, respectively, reflected within “Other income (expense), net” according to the provisions established by FRS C-15, “Impairment of Long-Lived Assets and Their Disposition”, as follows:

Segment		2005		2006		2007
Corn flour division (Mexico)	Ps.	24,652	Ps.	14,814	Ps.	27,975
Corn flour, wheat flour and other products (Venezuela)		10,932		94,808		35,848
Other		7,822		191,972		33,373
Other reconciling items		—		33,131		—
Total	Ps.	43,406	Ps.	334,725	Ps.	97,196

8. INTANGIBLE ASSETS, NET

Intangible assets, net, were comprised of the following:

As of December 31, 2006:

	Gross carrying amount	Accumulated amortization	Net carrying amount
Intangible assets with finite lives			
Acquired:			
Non-compete agreements	Ps. 940,074	Ps. (487,250)	Ps. 452,824
Debt issuance costs	564,163	(193,147)	371,016
Patents and trademarks	106,455	(36,143)	70,312
Customer list	51,287	(14,087)	37,200
Generated:			
Preoperating expenses	56,566	(49,781)	6,785
Research on new projects	45,521	(45,521)	—
Other	56,781	(25,202)	31,579
	Ps. 1,820,847	Ps. (851,131)	969,716
Intangible assets with indefinite lives			
Trade names			14,127
			Ps. 983,843

As of December 31, 2007:

	Remaining useful life (years)	Gross carrying amount	Accumulated amortization	Net carrying amount
Intangible assets with finite lives				
Acquired:				
Non-compete agreements	9	Ps. 937,774	Ps. (535,818)	Ps. 401,956
Debt issuance costs	1 – 17	556,715	(229,939)	326,776
Patents and trademarks	1 – 14	95,670	(43,582)	52,088
Customer list	1 – 14	50,363	(20,584)	29,779
Generated:				
Preoperating expenses	1	56,317	(55,871)	446
Research of new projects	10	32,606	(32,606)	—
Other	1 – 4	64,304	(52,016)	12,288
		Ps. 1,793,749	Ps. (970,416)	823,333
Intangible assets with indefinite lives				
Trade names				21,156
				Ps. 844,489

Intangible assets recognized during 2006 amounted to Ps.13,574, mainly due to new projects (La Casa del Maíz), as well as the acquisition of the trade name La Ideal which totaled Ps.7,101. 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.

8. INTANGIBLE ASSETS, NET (continued)

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

For the years ended December 31, 2005, 2006 and 2007, the amortization expense of intangible assets amounted to Ps.110,081, Ps.115,906 and Ps.106,623, respectively.

Research and development costs charged to income amounted to Ps.44,213, Ps.61,860 and Ps.64,504 for the years ended December 31, 2005, 2006 and 2007, respectively.

During 2006 and 2007, the Company recognized impairment loss in certain intangible assets of Ps.154,210 and Ps.42,853, respectively, according to the provisions of FRS C-15, "Impairment in long-lived assets and its disposition". The impairment losses were recognized in "Other income (expense), net" (Note 14) within the "Other" segment. During 2005, the Company was not subject to impairment losses.

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

Year	Amount
2008	Ps. 99,594
2009	79,142
2010	75,192
2011	74,449
2012	72,151
Thereafter	422,805
Total	Ps. 823,333

Excess of cost over book value of subsidiaries acquired ("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, 2006	Ps. 834,746	Ps. 215,426	Ps. 29,202	Ps. 313,578	Ps. 1,392,952
Goodwill acquired	48,017		459,712		507,729
Foreign currency translation adjustment	19,570				19,570
Restatement	(24,447)	(9,791)	(2,786)	(1,324)	(38,348)
Balance at December 31, 2006	877,886	205,635	486,128	312,254	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	Ps. 866,797	Ps. 195,199	Ps. 535,415	Ps. 311,387	Ps. 1,908,798

9. OTHER ASSETS

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

	2006	2007
Long-term notes receivable	Ps. 104,529	Ps. 126,060
Club memberships	4,188	8,643
Guarantee deposits	24,475	32,367
	Ps. 133,192	Ps. 167,070

10. BANK LOANS AND LONG-TERM DEBT

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

	2006	2007
Perpetual notes in U.S. dollars, bearing interest at an annual rate of 7.75%, payable quarterly, redeemable starting 2009	Ps. 3,405,474	Ps. 3,276,000
Syndicated loan in U.S. dollars, maturing in July 2010; bearing interest at an annual rate of LIBOR plus 0.38% to 0.45% payable monthly or quarterly (5.6% in 2007)	1,702,737	2,238,600
Senior unsecured notes in U.S. dollars, maturing in October 2007 and bearing interest at an annual rate of 7.625% payable semiannually	573,732	—
Credit line in U.S. dollars, maturing in October 2011, bearing interest at an annual rate of LIBOR plus 0.35% to 0.45% (5.5% in 2007), payable in 30, 60, 90 and 180 days	124,867	764,400
Loans in U.S. dollars and Euros, payable between 2008 and 2010 and bearing interest at variable annual rates from 2.5% to 8.0% in 2007, payable in different installments	375,893	348,987
Loans in Venezuelan bolivars payable between 2008 and 2009 and bearing interest at variable annual rates from 9.0% to 10.0% in 2007, payable monthly	362,971	413,863
Loans in U.S. dollars due between 2008 and 2010, bearing interest at variable annual rates from 5.2% to 6.5%, payable monthly	171,030	563,703
Loans in Mexican pesos due in 2008 and 2012, bearing interest at fixed annual rates from 9.6% to 9.8%, payable monthly	96,513	134,033
Loan in U.S. dollars due in 2008 with fixed annual interest rate of 5.4%	—	114,660
	6,813,217	7,854,246
Short-term bank loans	(180,789)	(666,232)
Current portion of long-term debt	(746,131)	(274,841)
Long-term debt	Ps. 5,886,297	Ps. 6,913,173

Short-term bank loans denominated in U.S. dollars for Ps.456.5 million (U.S.$41.8 million) bear interest at an average rate of 5.8% as of December 31, 2007. Short-term bank loans denominated in Venezuelan bolivars for Ps.166.4 million (32,761 million of Venezuelan bolivars) bear interest at an average rate of 9.7% as of December 31, 2007. Additionally, as of December 31, 2007 the Company had short-term loans denominated in Euros for Ps.43.4 million (2.7 million of Euros) that bear an average interest rate of 5.3%.

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

The Company has credit line agreements for Ps.3,822 million (U.S.$350 million), from which Ps.819 million (U.S.$75 million) was available as of December 31, 2007. These credit line agreements require the payment of an annual commitment fee of 0.10% to 0.20% on the unused amounts.

Various credit agreements contain covenants, mainly related to the compliance of certain financial ratios, which if not maintained for a certain period of time, may be considered as a cause for early maturity of the debt. At December 31, 2007 the Company was in compliance with these financial ratios.

At December 31, 2007 the annual maturities of long-term debt outstanding were as follows:

Year	Amount
2009	Ps. 506,015
2010	2,352,892
2011	774,645
2012	3,621
2013 and thereafter	3,276,000
	Ps. 6,913,173

The Company entered into interest rate swap agreements for its long-term debt maturing in 2010 and exchange rate forward contracts for the interest payments of long-term debt maturing in 2007 (Note 18).

11. LABOR OBLIGATIONS

Seniority premium cost and other employee retirement benefits balance as of December 31, 2006 and 2007 amounted to Ps.113,417 and Ps.153,454, respectively, and are included in "Other liabilities".

Seniority premium to which employees are entitled in Mexico is determined by independent actuaries and is based mainly on the employees' years of service, age and salaries. The Company has contributed plan assets to meet these obligations. The employees do not contribute to these plans.

Additionally, indemnities to which employees are entitled at the end of the labor relationship when they reach the 60-year retirement age according to the Company's single-payment retirement plan or in case of dismissal, are determined by independent actuaries based mainly on the years of service, salaries and applicable labor laws.

The Company uses December 31 as the measurement date for its plans.

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

	2005	2006	2007
Service cost	Ps. 13,097	Ps. 12,454	Ps. 11,291
Interest cost	3,802	4,263	13,189
Return on plan assets	(6,855)	(6,086)	(2,807)
Curtailment loss	1,089	1,328	—
Settlement loss	5,004	14,378	—
Net amortization	6,086	7,257	2,168
Net cost for the year	Ps. 22,223	Ps. 33,594	Ps. 23,841
Initial effect for the recognition of benefits at the end of the labor relationship	Ps. 82,540	Ps. —	Ps. —

11. LABOR OBLIGATIONS (continued)

As of December 31, 2006 and 2007, the status of the plan was as follows:

	2006	2007
Actuarial present value of accumulated benefit obligations:		
Vested benefit obligation	Ps. (114,234)	Ps. (113,324)
Non-vested benefit obligation	(15,566)	(43,385)
	(129,800)	(156,709)
Excess of projected benefit obligation over accumulated benefit obligation	(1,800)	(5,534)
Projected benefit obligation	(131,600)	(162,243)
Plan assets at fair value (trust funds)	33,685	34,886
Unfunded status of the plan	(97,915)	(127,357)
Unrecognized amounts to be amortized over 17 years:		
Cumulative net loss	20,007	—
Labor obligations liability as of year-end	Ps. (77,908)	Ps. (127,357)

For the years ended December 31, 2006 and 2007, the changes in projected benefit obligation and plan assets (trust funds) are summarized as follows:

	2006	2007
Projected benefit obligation at beginning of year	Ps. 127,894	Ps. 131,600
Effect of inflation on beginning balance	(5,424)	(6,278)
Service cost	12,454	11,291
Interest cost	4,263	13,189
Benefit payments	(35,633)	(25,929)
Actuarial loss	28,046	38,370
Projected benefit obligation at end of year	Ps. 131,600	Ps. 162,243

	2006	2007
Fair value of plan assets at beginning of year	Ps. 28,974	Ps. 33,685
Effect of inflation on beginning balance	(1,234)	(1,607)
Return on plan assets	6,086	2,808
Benefit payments	(23,790)	—
Settlement loss	11,712	—
Amortization of obligations at transition	11,937	—
Fair value of plan assets at end of year	Ps. 33,685	Ps. 34,886

The weighted average assumptions (net of expected inflation) 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:

	2005	2006	2007
Discount rate	3.50%	4.00%	5.05%
Rate of increase in future compensation levels	1.50%	1.50%	0.50%
Expected long-term rate of return on plan assets	4.00%	5.00%	5.05%

11. LABOR OBLIGATIONS (continued)

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

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

	2006	2007
Equity securities	46%	60%
Fixed rate securities	54%	40%
Total	100%	100%

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

The Company estimates that it will not have to contribute to the plan during 2008.

The following table summarizes expected benefit payments from the Company's plans as follows:

Year	Amount
2008	Ps. 15,337
2009	13,656
2010	9,864
2011	14,993
2012	18,655
Thereafter	89,738

In the United States, the Company has a saving and investment plan that incorporates voluntary employee 401(k) contributions with Company-matching contributions. For the years ended December 31, 2005, 2006 and 2007, total expenses related to this plan were U.S.$3,061,000 (Ps.33,426), U.S.$3,045,000 (Ps.33,251), and U.S.$3,419,000 (Ps.37,335), respectively.

In Venezuela, the Company recognizes a liability for seniority premiums and indemnities for dismissal established by the local Labor Law, which amounted to Ps.25,033 and Ps.26,151 as of December 31, 2006 and 2007, respectively.

In Central America, the labor legislation of Costa Rica, Nicaragua, El Salvador, Honduras and Guatemala establishes that the accumulated payments to which workers may be entitled, based on the years of 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.10,551 and Ps.7,300 as of December 31, 2006 and 2007, respectively.

12. CONTINGENCIES AND COMMITMENTS

A) CONTINGENCIES

Servicio de Administración Tributaria ("Tax Administration Service" or "SAT").- Through an audit carried out by the Mexican Tax Administration Service ("SAT") of one of the Company's subsidiaries for the year 2005, its positive income tax balance resulting from crediting the *Impuesto Especial sobre Producción y Servicios* ("Special Tax on Production and Services") was rendered inappropriate by the SAT, and certain tax assessments were made against the Company amounting to Ps.4,063 plus restatements, penalties and charges. The Company filed an annulment suit before the Sixth Metropolitan Chamber of the Federal Tax and Administrative Court, and has received a favorable resolution as the tax authority did not provide evidence of its corresponding jurisdiction. The resolution of the Federal Tax and Administrative Court was appealed by the tax authority before the First Court of Appeals for Administrative Matters of Mexico City, which found the appeal with merit, and ordered the Federal Tax and Administrative Court to issue a new resolution taking into account the other arguments made by the Company in its initial annulment suit.

The Sixth Metropolitan Chamber of the Federal Tax and Administrative Court issued a new resolution revoking the tax assessments, given that the SAT was legally required to abandon the audit before time pursuant to the amendment made to article 47 of the Federal Fiscal Code, in force since January 6, 2004. This new resolution was also appealed by the SAT before the First Court of Appeals for Administrative Matters of Mexico City, which rendered a final judgment on October 31, 2007, declaring the appeal without merit and confirming the ruling of the Sixth Metropolitan Chamber of the Federal Tax and Administrative Court annulling the tax assessments asserted by the SAT.

Additionally, the *Secretaría de Hacienda y Crédito Público* ("Ministry of Finance and Public Credit") has: (i) made certain observations regarding the Company's asset tax returns for the years 1994, 1996, 1997, 1999 and 2000, amounting to Ps.340.7 million; (ii) made a determination for the amount of Ps.93.5 million for withholding taxes derived from the payment of interest to our foreign creditors for the years 2000, 2001 and 2002 (the Mexican authorities claim that the Company should have withheld 10% over such payments instead of 4.9%); and (iii) notified one of our subsidiaries in Mexico with several assessments for the import of wheat, amounting to Ps.101.8 million, which, according to the authority, were made under an incorrect HS Code. The Company has filed several appeals to obtain an annulment of such assessments. The Company believes the resolution of these proceedings will not have a material effect on the Company's financial position or results of operation.

Comisión Nacional de Agua ("National Water Commission" or "CNA").- At the date of issuance of the financial statements, some of the Company's subsidiaries were notified by the CNA of fee assessments due from different years for an amount of Ps.25,602.5 plus restatement, penalties and charges. These assessments arise mainly from the CNA's determination of discharge of sewage water on public property of the Nation that was being used as receiver facilities. Nevertheless, the subsidiaries are using the water derived from the production process, previously treated, to irrigate several garden properties of the Company through the sprinkler system. The affected subsidiaries challenged such determinations through the corresponding remedies provided by law. At the date of issuance of the financial statements, all of the assessments notified by the CNA have been resolved in favor of the Company. For this reason, as of this date no contingency exists for fees for discharge of sewage water on public property of the Nation.

12. CONTINGENCIES AND COMMITMENTS (continued)

Comisión Federal de Competencia ("Federal Competition Commission"or "CFC").- On August 24, 2005, the Company acquired a 100% interest in Agroinsa, a group of companies that produce corn flour in Celaya, Guanajuato as well as corn flour, wheat flour and other food products in Monterrey, Nuevo León. In accordance with the *Ley Federal de Competencia Económica,* or Mexican Competition Law, the Company notified the *Comisión Federal de Competencia*, or Federal Competition Commission ("CFC"), of the prospective acquisition through a "notice of concentration".

On November 21, 2005, the CFC notified the Company of its resolution not to approve such acquisition. In its resolution, the CFC held, among other things, that: (i) regarding the concentration in the corn flour market, the traditional cooked-corn method is not a substitute for the corn flour method for the production of tortillas and other corn chip products made with either corn flour or cooked-corn; and (ii) regarding the concentration in the wheat flour market, the Company already controls two wheat flour mills in the influence market area (Monterrey and Durango).

Subsequently, the Company appealed the above CFC resolution and pursued a *juicio de amparo* ("injunction") against the CFC resolution, which was ultimately ruled by the *Suprema Corte de Justicia de la Nacion* ("Mexican Supreme Court of Justice").

In compliance with the Third Administrative Court of Appeals' injunction, the CFC issued a new resolution on July 5, 2007, informing the Company that the CFC had no objection to the acquisition of Agroinsa. Under Mexican law, such resolution is deemed to be an authorization by the CFC to permit the acquisition and resulting market concentration. The CFC's 2007 resolution concluded the notice of concentration process with respect to the Company's acquisition of Agroinsa.

Other litigation.- The Company's Venezuelan subsidiaries have been named in several labor lawsuits relating to issues and rights such as profit sharing, social security, vacations, overtime hours, seniority and indemnity payments, which are currently ongoing. In order to handle these matters, the Company decided to create a provision of Ps.5,028 (990 million of Venezuelan bolivars) for potential damages, which is reflected within accrued payable expenses and other liabilities.

Additionally, Venezuelan subsidiaries are defending certain labor and tax lawsuits, which have been assumed by the previous shareholder, International Multifoods Corporation, pursuant to the share purchase agreement. Furthermore, the Venezuelan tax authorities have lodged certain assessments against the Company's Venezuelan subsidiaries regarding value-added tax, for Ps.8,142 (1,604 million of Venezuelan bolivars). The case has been appealed before the Tax Administration through a *juicio de amparo* ("injunction"), and the Company has created a provision of Ps.8,126 (1,600 million of Venezuelan bolivars) which is reflected within accrued payable expenses and other liabilities.

In October 2005, the Company was named in a class-action lawsuit, 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 is a punitive wage and hour class-action alleging a misclassification of the Teamster-represented Sales Drivers as exempt when they should be treated as non-exempt and paid overtime for all hours worked in excess of eight in a workday and forty-eight in a workweek, and state-mandated meal periods under the California Labor Code. In February 2008, the Company reached a definitive settlement agreement with the plaintiffs in the amount of Ps.32,050 (U.S.$2,935 thousand). The parties are waiting for court approval of such settlement, which the Company believes will be approved. Additionally, the Company recovered some of the amount spent defending this case from the insurance company with which it had insured against this kind of risks.

12. CONTINGENCIES AND COMMITMENTS (continued)

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

B) COMMITMENTS

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

As of December 31, 2007, the Company leased certain equipment under long-term operating lease agreements expiring through 2017. Future minimum lease payments under such leases amount to approximately Ps.1,547,273 (U.S.$141,692,000), as follows:

Year		Facilities		Equipment		Total
2008	Ps.	188,163	Ps.	241,976	Ps.	430,139
2009		165,514		196,920		362,434
2010		131,815		110,630		242,445
2011		98,367		77,684		176,051
2012		67,191		57,002		124,193
2013		155,588		56,423		212,011
	Ps.	806,638	Ps.	740,635	Ps.	1,547,273
	U.S.$	73,868	U.S.$	67,824	U.S.$	141,692

Rental expense was approximately Ps.452,390, Ps.531,142 and Ps.559,058 for the years ended December 31, 2005, 2006 and 2007, respectively.

At December 31, 2007, the Company had various outstanding commitments in the United States to purchase commodities and raw materials for approximately Ps.2,074,483 (U.S.$189,971 thousand), which will be delivered during 2008.

As of December 31, 2007, the Company had outstanding commitments to purchase machinery and equipment amounting to approximately Ps.210,276 (U.S.$19,256 thousand).

As of December 31, 2007, the Company had irrevocable letters of credit of approximately Ps.145,564 (U.S.$13,330 thousand) serving as collateral for claims pursuant to the Company's self-insured workers' compensation retention program in the United States.

13. STOCKHOLDERS' EQUITY

A) COMMON STOCK

On January 27, 2006, the Company concluded the equity offering of 30 million shares, which represented approximately Ps.1,191 million net of discounts and commissions from underwriters and expenses related with the offering. The net proceeds were used to increase the production capacity in the United States of America.

At December 31, 2007, Gruma's outstanding common stock consisted of 481,503,052 shares of Series "B", with no par value, fully subscribed and paid, which can only be withdrawn with stockholders' approval, and 1,046,900 shares held in Treasury. At December 31, 2006, the Company's outstanding common stock consisted of 482,549,952 shares.

13. STOCKHOLDERS' EQUITY (continued)

B) RETAINED EARNINGS

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

Dividends paid from retained earnings which 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.

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. During 2007, the Company carried out net purchases of 1,046,900 of its own shares, which are held in Treasury and have a market value of Ps.38,013 as of December 31, 2007.

D) FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

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

	2006	2007
Foreign currency translation at beginning of year	Ps. (1,227,526)	Ps. (808,026)
Effect of translating net investment in foreign subsidiaries	477,096	396,049
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.21,828 and Ps.15,417 in 2006 and 2007, respectively	(57,596)	(41,109)
	Ps. (808,026)	Ps. (453,086)

The investment that the Company maintains in the operations in the United States and Europe generated a natural hedge of up to U.S.$500 million as of December 31, 2006 and 2007, respectively (see Note 3-F).

As of December 31, 2006 and 2007, the accumulated effect of translating net investment in foreign subsidiaries in the minority interest amounted to Ps.(76,895) and Ps.(123,088), respectively.

13. STOCKHOLDERS' EQUITY (continued)

E) EFFECTS OF INFLATION

As of December 31, 2007, the majority stockholders' equity was comprised of the following:

	Nominal	Restatement	Total
Common stock	Ps. 4,852,296	Ps. 8,437,310	Ps. 13,289,606
Additional paid-in capital	2,140,506	2,690,864	4,831,370
Deficit from restatement	—	(16,196,178)	(16,196,178)
Derivative financial instruments	41,790	—	41,790
Cumulative effect of a change in an accounting principle for deferred income taxes and employees' statutory profit sharing	(218,116)	(8,200)	(226,316)
Retained earnings from prior years	5,149,385	7,025,318	12,174,703
Net income for the year	2,209,297	24,024	2,233,321
Foreign currency translation adjustments	(453,086)	—	(453,086)
	Ps. 13,722,072	Ps. 1,973,138	Ps. 15,695,210

F) TAX VALUES OF COMMON STOCK AND RETAINED EARNINGS

As of December 31, 2007, tax amounts of common stock and retained earnings were Ps.10,465,163 and Ps.2,868,315, respectively.

14. OTHER INCOME (EXPENSE), NET

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

	Years ended December 31,		
	2005	2006	2007
Net gain from sale of GFNorte's shares (Note 6)	Ps. —	Ps. 399,639	Ps. 847,175
Net gain from sale of subsidiaries' shares	—	144,883	75,718
Impairment loss on assets (Note 3-L)	(43,406)	(488,935)	(140,049)
Financial aid due to natural disasters in Chiapas and Tabasco	—	—	(100,000)
Amortization of other deferred costs	(53,176)	(59,152)	(48,709)
Loss on sale of fixed assets	(14,505)	(6,007)	(49.847)
Employees' statutory profit sharing – current	(30,727)	(51,160)	(21,395)
Employees' statutory profit sharing – deferred	8,939	16,822	17,259
Other	(43,880)	(5,202)	(24,409)
	Ps. (176,755)	Ps. (49,112)	Ps. 555,743

15. INCOME TAX

A) INCOME TAX AND ASSET TAX

Gruma files a consolidated income tax return for Mexican income tax purposes, consolidating taxable income and losses of Gruma and its controlled Mexican subsidiaries. Filing a consolidated tax return had the effect of reducing income tax expense for the years ended December 31, 2005, 2006 and 2007 by Ps.301,324, Ps.429,359 and Ps.283,208, respectively, as compared to filing a tax return on an unconsolidated basis. Mexican tax regulations allow companies to consolidate taxable income or losses of their controlled entities up to the ownership percentage in the subsidiaries.

Based on its financial and tax projections, the Company's management determined that the tax to be paid in the future for Gruma and most of its subsidiaries will be the income tax, so deferred income tax has been recognized.

Asset tax is calculated at 1.25% of the net value of certain assets and is payable only when it exceeds the income tax payable. During the year ended December 31, 2005 the Company determined an asset tax of Ps.75,657. For the years ended December 31, 2006 and 2007 the Company was not subject to asset tax.

Asset tax effectively paid is susceptible to refund according to the established mechanism in the Income Tax Law as long as the income tax exceeds the asset tax and up to the amount of the difference.

Starting January 1, 2008 the asset tax will be replaced by the Flat Rate Business Tax (*"Impuesto Empresarial Tasa Única"* or *"IETU"* for its name in Spanish). See section D below.

B) RECONCILIATION OF FINANCIAL AND TAXABLE INCOME

For the years 2005, 2006 and 2007, the reconciliation between statutory income tax amounts and the effective income tax amounts is summarized as follows:

	Years ended December 31,		
	2005	2006	2007
Statutory federal income tax (30% for 2005, 29% for 2006 and 28% for 2007)	Ps. 579,993	Ps. 613,707	Ps. 925,209
Equity in earnings of associated companies	(205,453)	(186,562)	(198,194)
Sale of shares from subsidiaries and associated company	—	38,981	49,783
Effect of deferred IETU in subsidiaries	—	—	18,719
Variation in valuation of tax loss carryforwards	45,328	61,208	89,178
Losses of Mexican subsidiaries which cannot be used for income tax consolidation	13,784	10,614	17,998
Foreign income tax rate differences	(27,961)	(87,004)	66,473
Effects related to inflation	(12,690)	4,259	(26,629)
Other	13,994	(23,033)	(16,827)
Effective income tax (21.1% for 2005, 20.4% for 2006 and 28.0% for 2007)	Ps. 406,995	Ps. 432,170	Ps. 925,710

15. INCOME TAX (continued)

At December 31, 2006 and 2007 the tax effects of main differences that give rise to significant portions of the deferred tax assets and liabilities, were as follows:

	(Assets) Liabilities	
	2006	2007
Deferred tax assets:		
Net operating loss carryforwards and other tax credits	Ps. (188,409)	Ps. (106,419)
Accrued liabilities	(241,520)	(205,881)
Recoverable asset tax	(204,946)	(82,174)
Intangible asset resulting from intercompany operation	(63,709)	(38,693)
Other	(172,973)	(128,593)
	(871,557)	(561,760)
Deferred tax liabilities:		
Property, plant and equipment, net	1,840,383	1,827,552
Inventories	255,481	164,631
Intangible assets and other	163,356	181,430
Investment in partnership and equity method investee	411,642	393,961
	2,670,862	2,567,574
Net deferred tax liability	Ps. 1,799,305	Ps. 2,005,814

At December 31, 2007 the Company recognized a valuation allowance of Ps.103,829 since certain tax loss carryforwards of foreign subsidiaries may not be realizable in the future.

C) TAX LOSS CARRYFORWARDS AND RECOVERABLE ASSET TAX

At December 31, 2007 the Company did not have tax loss carryforwards in Mexico corresponding to the consolidated income tax return. As of December 31, 2007 certain foreign subsidiaries had tax loss carryforwards of approximately Ps.49,262 (2,239,805 thousand of Costa Rican colons) that expire from 2008 to 2011 and Ps.60,602 (11,931,757 thousand of Venezuelan bolivars) that expire from 2008 to 2010.

As of December 31, 2007 asset tax of Ps.340,353 generated in the consolidated income tax return in Mexico and available to offset the excess of income tax over asset tax in future years is shown below:

Expiration year	Recoverable asset tax
2010	Ps. 35,046
2012	67,999
2013	92,987
2014	69,948
2015	74,373
	Ps. 340,353

15. INCOME TAX (continued)

D) FLAT RATE BUSINESS TAX (IETU)

Based on the projections prepared by management relative to the tax results of the Company in subsequent years, the Company determined to be essentially subject to income tax rather than IETU, except for certain subsidiaries, which are service providers. As a result, as of December 31, 2007, a deferred IETU asset of Ps.17,224 was recorded for those subsidiaries and the corresponding cumulative deferred income tax of Ps. 18,719 was cancelled.

16. FOREIGN CURRENCY

A) EXCHANGE DIFFERENCES

For the years ended December 31, 2005, 2006 and 2007, the effects of exchange rate fluctuations on the Company's monetary assets and liabilities were recognized as follows:

	2005	2006	2007
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. 285,207	Ps. (79,424)	Ps. (56,526)
Exchange differences arising from foreign currency transactions credited (charged) to income	(56,323)	(19,363)	72,129
	Ps. 228,884	Ps. (98,787)	Ps. 15,603

B) FOREIGN CURRENCY POSITION

As of December 31, 2006 and 2007, monetary assets and liabilities held or payable in U.S. dollars are summarized below:

	In thousands of U.S. dollars	
	2006	2007
In companies located in Mexico:		
Assets:		
Current	U.S.$ 12,142	U.S.$ 1,477
Non-current	71	—
Liabilities:		
Current	(69,488)	(52,798)
Long-term	(481,826)	(505,041)
	U.S.$ (539,101)	U.S.$ (556,362)

16. FOREIGN CURRENCY (continued)

	In thousands of U.S. dollars	
	2006	2007
In foreign companies:		
Assets:		
Current	U.S.$ 285,321	U.S.$ 289,361
Non-current	4,279	7,178
Liabilities:		
Current	(314,436)	(403,057)
Long-term	(184,612)	(258,683)
	U.S.$ (209,448)	U.S.$ (365,201)

At December 31, 2006 and 2007, the exchange rates used to translate U.S. dollar assets and liabilities were Ps.10.81 and Ps.10.92, respectively. On June 11, 2008, date of issuance of these financial statements, the exchange rate for the U.S. dollar was Ps.10.43.

For the years ended December 31, 2005, 2006 and 2007 the Company's Mexican subsidiaries had transactions in U.S. dollars as follows:

	In thousands of U.S. dollars		
	2005	2006	2007
Flour sales and others	U.S.$ —	U.S.$ —	U.S.$ (9,641)
Corn purchases and other inventories	94,963	144,453	184,446
Interest expense	35,946	38,222	40,028
Equipment purchases	424	300	1,232
Services	7,480	6,771	5,891
	U.S.$ 138,813	U.S.$ 189,746	U.S.$ 221,956

As of December 31, 2006 and 2007, the consolidated non-monetary assets of foreign origin are summarized as follows:

	2006		2007	
	Foreign currency (thousands)	Year-end exchange rate	Foreign currency (thousands)	Year-end exchange rate
U.S. dollars	836,932	10.81	925,439	10.92
Swiss francs	199,701	8.87	31,938	9.64
Euros	32,989	14.2681	31,547	15.9334
Venezuelan bolivars	385,424,593	0.0050	457,391,236	0.0051
Australian Dollars	28,695	8.4913	62,543	9.5910
Yuans	5,853	1.3834	207,976	1.4951
Pounds sterling	7,729	21.1671	10,167	21.7144
Malaysian Ringgit	—	3.0602	10,022	3.2879
Canadian dollars	521	9.28	443	11.06
Costa Rican colons	43,572,733	0.0209	58,130,289	0.0210

17. SEGMENT INFORMATION

The Company's reportable segments are strategic business units that offer different products in different geographical regions. These business units are managed separately because each business segment requires different technology and marketing strategies.

The Company's reportable segments are as follows:

- Corn flour and packaged tortilla division (United States and Europe) – manufactures and distributes over 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 and Europe. The main brands are MASECA for corn flour and MISSION and GUERRERO for packaged tortillas.

- Corn flour division (Mexico) – engaged principally in the production, distribution and sale of corn flour in Mexico under 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 individually 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 in Mexico. The corn flour and other products division in Central America manufactures, distributes and sells corn flour, tortillas and snacks; the wheat flour division in Mexico is engaged in the production and local marketing of wheat flour; the packaged tortilla division in Mexico produces and distributes packaged tortillas; the Asia and Oceania division produces and distributes wheat flour tortillas and snacks; and the technology and equipment division conducts research and development regarding flour and tortilla manufacturing equipment, produces machinery for corn flour and tortilla production and is engaged in the construction of the Company's corn flour manufacturing facilities.

- The "Other reconciling items" row includes the corporate expenses and the elimination of inter-business unit transactions.

All inter-segment sales prices are market-based. The Company's management uses the information as to operating income by segment to evaluate performance, make general operational decisions and assign resources.

Summarized financial information concerning the Company's reportable segments is shown in the following tables.

17. SEGMENT INFORMATION (continued)

Segment information as of and for the year ended December 31, 2005:

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. 14,473,271	Ps. —	Ps. 1,195,892	Ps. 567,064
Corn flour division (Mexico)	6,816,824	229,171	748,818	282,712
Corn flour, wheat flour and other products (Venezuela)	3,984,141	—	(112,121)	134,324
Other	4,049,759	542,875	(153,975)	169,162
Other reconciling items	22,079	(772,046)	41,448	68,427
Total	Ps. 29,346,074	Ps. —	Ps. 1,720,062	Ps. 1,221,689

Segment	Total assets	Total liabilities	Expenditures for long-lived assets
Corn flour and packaged tortilla division (United States and Europe)	Ps. 9,857,435	Ps. 3,650,841	Ps. 960,522
Corn flour division (Mexico)	9,196,564	2,339,267	798,781
Corn flour, wheat flour and other products (Venezuela)	3,935,564	1,982,416	269,534
Other	4,639,618	1,134,305	170,138
Other reconciling items	1,826,098	4,839,670	60,301
Total	Ps. 29,455,279	Ps. 13,946,499	Ps. 2,259,276

17. SEGMENT INFORMATION (continued)

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 long-lived 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

17. 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 long-lived 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

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

Other reconciling items	2005	2006	2007
Corporate expenses	Ps. (90,263)	Ps. (125,579)	Ps. (126,757)
Elimination of inter-business unit transactions	131,711	(108,193)	27,239
	Ps. 41,448	Ps. (233,772)	Ps. (99,518)

17. SEGMENT INFORMATION (continued)

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

	2005	%	2006	%	2007	%
NET SALES:						
United States and Europe ...	Ps. 14,473,271	49	Ps. 16,167,983	50	Ps. 17,402,790	48
Mexico................................	9,226,278	31	9,976,597	31	11,651,844	33
Venezuela...........................	3,984,141	14	3,874,434	12	3,862,214	11
Central America	1,662,384	6	1,862,648	6	2,076,158	6
Asia and Oceania................	—	—	308,293	1	823,040	2
	Ps. 29,346,074	100	Ps. 32,189,955	100	Ps. 35,816,046	100
IDENTIFIABLE ASSETS:						
United States and Europe ...	Ps. 9,857,435	33	Ps. 11,878,285	37	Ps. 12,675,499	37
Mexico................................	14,416,129	49	14,359,434	46	14,920,029	44
Venezuela...........................	3,935,564	14	3,202,635	10	2,893,111	9
Central America	1,246,151	4	1,401,609	4	1,689,943	5
Asia and Oceania................	—	—	910,438	3	1,732,120	5
	Ps. 29,455,279	100	Ps. 31,752,401	100	Ps. 33,910,702	100
CAPITAL EXPENDITURES:						
United States and Europe ...	Ps. 960,522	43	Ps. 1,324,431	52	Ps. 1,049,192	41
Mexico................................	977,822	43	300,362	20	259,430	13
Venezuela...........................	269,534	12	101,512	12	72,739	12
Central America	51,398	2	149,195	6	143,070	5
Asia and Oceania................	—	—	268,556	10	698,472	29
	Ps. 2,259,276	100	Ps. 2,144,056	100	Ps. 2,222,903	100

18. FINANCIAL INSTRUMENTS

A) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and temporary investments, accounts receivable, refundable taxes, trade accounts payable, short-term bank loans, current portion of long-term debt and accrued liabilities and other payables approximate their fair value, due to their short maturity. In addition, the net book value of accounts and notes receivable and refundable taxes represent the expected cash flow to be received.

18. FINANCIAL INSTRUMENTS (continued)

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

At December 31, 2006:	Carrying amount		Fair value	
Liabilities: Perpetual bonds in U.S. dollars bearing fixed interest at an annual rate of 7.75%	Ps.	3,405,473	Ps.	3,591,413
Liabilities: Senior unsecured notes in U.S. dollars bearing fixed interest at annual rate of 7.625%		573,732		580,733
Liabilities: Exchange rate forward contract		15,695		15,695
Liabilities: Interest rate swaps contract		10,480		10,480
Asset: Exchange rate forward contract		2,356		2,356
Asset: Interest rate swaps contract		34,424		34,424
Asset: Commodity contracts		212,076		212,706

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
Liabilities: Exchange rate forward contract		16,825		16,825
Liabilities: Interest rate swaps contract		8,731		8,731
Asset: Interest rate swaps contract		15,022		15,022
Asset: Commodity contracts		4,510		4,510
Asset: Interest and capital (TICC) bonds		44,389		44,389

Fair values were determined as follows:

- The fair value of debt and derivative financial instruments is determined based on quoted market prices for such instruments in the reference market.
- The carrying value of the remainder of the long-term debt was similar to its fair value.

The Company has debt securities called interest and capital (TICC) bonds for a nominal amount of U.S.$5.1 million, with annual interest of 5.25% and maturing in March 2019. The fair value of these instruments amounted to Ps.44,389. The unfavorable effect due to changes in the fair value of the outstanding contracts was Ps.35,823, which was recognized in income.

B) HEDGES

The Company has entered into futures contracts for certain key production requirements such as gas and some raw materials in order to hedge the cash flow variability due to price fluctuations. These contracts are short-term and do not exceed the maximum production requirements for a one-year period and are classified as cash flow hedges or fair value hedges.

As of December 31, 2007 the favorable effect due to changes in the fair value of cash flow hedges was approximately Ps.42,335 net of taxes, which was recognized as comprehensive income within stockholders' equity. As of December 31, 2006 the unfavorable effect due to changes in the fair value of cash flow hedges was approximately Ps.3,213 net of taxes, which was recognized as comprehensive income within stockholders' equity. The Company expects to recognize these effects in the income statement during the next 12 months. The Company did not determine any ineffectiveness for these hedges.

18. FINANCIAL INSTRUMENTS (continued)

The Company from time to time hedges 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. During 2006 and 2007, the Company had an unfavorable effect of approximately Ps.139,693 and Ps.98,749, respectively, arising from arrangements maturing during such periods. Additionally, as of December 31, 2006 and 2007, the Company recognized a favorable effect of Ps.1,135 (U.S.$100,000) and an unfavorable effect of approximately Ps.4,914 (U.S.$450,000), respectively, due to the valuation of outstanding contracts.

The Company uses derivative financial instruments such as interest rate swaps with the purpose of managing the interest rate risk related to its long-term debt. The Company has entered into interest rate swaps to hedge its syndicated loan that matures in 2010 under which the loan's variable rate of LIBOR 6M is converted to a fixed rate of 3.2775% through March 2008 and 4.5050% through March 2009; these contracts also include a provision limiting the amounts to be exchanged should the LIBOR 6M reach 6% through March 2008 and 7% through March 2009. As of December 31, 2007 the favorable effect of the changes in the fair value of these contracts amounted to Ps.6,966, from which Ps.545 was recognized as an unfavorable effect in comprehensive income within stockholders' equity and Ps.7,511 was registered as a favorable effect in income for the year. The favorable effect of the contracts maturing in 2007 was Ps.23,668, which was recognized in income.

During 2006, the Company entered into interest rate swap contracts for a nominal amount of U.S.$37.5 million, maturing in March 2008. Through these contracts, the Company pays a fixed rate of 0.34% and receives a LIBOR 6M rate less 3.2775% if the LIBOR 6M rate is greater than or equal to 6% and less than 6.75%. These contracts were not recognized as hedge accounting and the unfavorable changes in their fair values as of December 31, 2007 amounted to Ps.675, which was registered in income.

During 2004 and 2005, the Company entered into forward contracts and exchange rate option contracts (Mexican peso – U.S. dollar) for a notional amount of U.S.$55.8 million, with different maturity dates until November 2007. The purpose of these contracts was to hedge the financial risks due to exchange rate fluctuations over the quarterly interest payments related to the Company's perpetual notes. The unfavorable effect of the contracts maturing in 2007 of Ps.15,248 was recognized in income of the year.

During 2007, the Company entered into forward contracts and exchange rate option contracts (Mexican peso – U.S. dollar) related to the 7.75% perpetual notes. These contracts served four coupon dates for 2007, as well as six additional dates (18 months). Accordingly, the maturity dates for these contracts ranged from March 2007 to June 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. For the maturity dates in 2008 and for the remaining two dates in 2009, the Company entered into pivot contracts for an average notional amount of U.S.$115 million for each date. Additionally, at the end of 2007, 12 call contracts maturing on February 28, 2008 were sold with an exchange rate of Ps.12.00 per U.S. dollar. These contracts did not qualify for hedge accounting. The favorable effect of the contracts maturing in 2007 was Ps.290,720 and was recognized in income. As of December 31, 2007 the unfavorable effect for changes in the fair value of outstanding contracts was Ps.16,825, which was also recognized in income.

18. FINANCIAL INSTRUMENTS (continued)

C) CONCENTRATION OF CREDIT RISK

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

Operations in Venezuela represented approximately 11% of net sales in 2007. 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 nation-wide general strike that took place from December 2002 to February 2003, the operations of the Company in this country temporarily ceased for approximately 14 days. In response to this strike and in an effort to shore up the economy and control inflation, since 2003 Venezuelan authorities have imposed foreign exchange and price controls on certain products. The 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 fixed exchange rate of 1,600 bolivars per U.S. dollar, and in February 2004 the rate was set at 1,920 bolivars per U.S. dollar. Additionally, in February 2003, the Venezuelan government applied price controls to certain products such as corn flour and wheat flour, which limit the Company's ability to increase prices in order to compensate for higher costs in raw materials. In March 2005, the Venezuelan 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, among other reasons, since (i) a portion of its sales is denominated in bolivars; (ii) the subsidiaries in Venezuela make products that are subject to price controls; and (iii) the difficulty for Venezuelan subsidiaries to pay dividends, as well as to import some of their requirements of raw material as a result of the exchange controls.

The current president in Venezuela was reelected to a second six-year term in December 2006, so the civil and political instability may continue to prevail during the second term. Additionally, in 2007 the current president was qualified by the legislative power of Venezuela with extraordinary powers 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 and thus increasing the uncertainty in this country.

19. RELATED PARTY TRANSACTIONS

The FRS C-13, "Related Parties", became effective starting January 1, 2007, which extends the definition (scope) for related parties and increases the disclosure requirements in notes to the financial statements.

As of December 31, 2006 and 2007, the Company owned a 10.0024% and 8.6232% interest, respectively, in GFNorte, a Mexican financial institution. In the normal course of business, the Company obtains long-term financing from GFNorte and other subsidiaries of this institution at market rates and terms. During 2007, the Company did not obtain financing from GFNorte's subsidiaries.

The Company has insurance contracts with Seguros Banorte Generali, S.A. de C.V. (a subsidiary of GFNorte) in order to manage different risks in some of its subsidiaries. As of December 31, 2006 and 2007, the Company paid insurance premiums of approximately Ps.36,499 and Ps.34,518, respectively.

19. RELATED PARTY TRANSACTIONS (continued)

As of December 31, 2006 and 2007, the Company had accounts payable to Archer-Daniels-Midland (ADM) of Ps.139,074 and Ps.162,851, respectively. Additionally, during 2005, 2006 and 2007, the Company purchased inventory ingredients from ADM, amounting to U.S.$105 million (Ps.1,199,548), U.S.$115 million (Ps.1,252,957) and U.S.$133 million (Ps.1,455,155), respectively. ADM, a North American entity, is one of the Company's shareholders and is also associated with the Company in some of its subsidiaries.

20. RECENT ACCOUNTING PRONOUNCEMENTS

Starting January 1, 2008 the following Financial Reporting Standards (FRS) issued by the Mexican Financial Reporting Standards Boards became effective:

FRS B-2, "Statement of Cash Flows", supersedes Bulletin B-12, "Statement for Changes in the Financial Position", and requires a statement of cash flows as part of a full set of financial statements in place of a statement of changes in financial position. This statement of cash flows classifies cash receipts and payments according to whether they stem from operating, investing, or financing activities and provides a definition of each category. Cash flows from operating activities can be reported by directly showing major classes of operating cash receipts and payments (the direct method), or by reporting the same amount of net cash flow from operating activities indirectly by adjusting net income to reconcile it to net cash flow from operating activities (the indirect method) by removing the effects of (a) all deferrals of past operating cash receipts and accruals of expected future operating cash receipts and payments and (b) all items that are included in net income that do not affect operating cash receipts and payments. FRS B-2 also requires that a statement of cash flows reports the reporting currency equivalent of foreign currency cash flows, using the current exchange rate at the time of the cash flows; the effect of exchange rate changes on cash held in foreign currencies is reported as a separate item in the reconciliation of beginning and ending balances of cash and cash equivalents. Restatement of financial statements for years provided before 2008 is not required by FRS B-2.

FRS B-10, "Effects of Inflation", replaces the previous Bulletin B-10, "Recognition of the Effect of Inflation in Financial Information", and 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. FRS B-10 provides criteria for identifying both inflationary and non-inflationary 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, FRS 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. Additionally, restatement of financial statements for earlier periods presented is not required by FRS B-10. Since the cumulative inflation in Mexico measured by the NCPI in the three-year period ended December 31, 2007 was below 26%, the Company ceased recognizing the effects of inflation in financial statements beginning January 1, 2008. In addition, the Company elected to reclassify to retained earnings the initial accumulated gain or loss from withholding of non-monetary assets. The reclassification amounted to Ps.5,068,325.

20. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

FRS B-15, "Translation of Foreign Currencies", replaces the previous Bulletin B-15, "Foreign Currency Transactions and Translation of Financial Statements of Foreign Operations", and introduces the concepts of accounting currency, functional currency and reporting currency. FRS B-15 sets forth procedures for translating financial statements from the accounting currency of a foreign operation into the applicable functional currency, and from the functional currency of a foreign operation into the required reporting currency. FRS B-15 also allows an entity to present its financial statements in a reporting currency other than its functional currency. Restatement of financial statements for years provided before 2008 is not required by FRS B-15. The Company does not expect the adoption of this statement to have a material impact on its financial position or results of operations.

FRS D-3, "Benefits to Employees", replaces the previous Bulletin D-3, "Labor Obligations", and provides standards for recognizing those benefits granted by an entity to its employees, including direct, termination and retirement benefits, as well as other related provisions. FRS D-3 requires shorter amortization periods for items subject to be amortized, including an option to recognize in income any actuarial gain or loss, and does not require the recognition of a transition asset or liability other than benefits granted in a plan amendment (prior service cost). FRS D-3 eliminates the recognition in certain instances of an additional liability determined on the actuarial computation of retirement benefits without consideration of salary increases; consequently, a related intangible asset and an eventual stockholders' equity adjustment derived from the recognition of this additional liability, are no longer required by this new standard. FRS D-3 also requires the recognition of any termination benefit costs directly in income as a provision, with no deferral of any unrecognized prior service cost or related actuarial gain or loss. Additionally, FRS D-3 recognizes the employees' profit sharing required to be paid under certain circumstances in Mexico as a direct benefit to employees. The Company does not expect the adoption of this statement to have a material impact on its financial position or results of operations.

FRS D-4, "Income Taxes", replaces the previous Bulletin D-4, "Accounting for income tax, asset tax and employees' profit sharing", and provides additional guidance for valuation, presentation and disclosure of both current and deferred income taxes accrued for a period. FRS D-4 eliminates from its scope the accounting for employees' profit sharing, since this line item is deemed an ordinary expense associated with benefits to employees, and therefore, comes under the scope of FRS D-3. FRS D-4 also recognizes the Mexican asset tax paid as a tax credit to the extent of its expected recovery. In addition, FRS D-4 requires the reclassification to retained earnings of any outstanding cumulative effect of deferred income taxes recognized in stockholders' equity, in the period in which this standard becomes effective. Upon adoption of FRS D-4, on January 1, 2008 the Company recognized a deferred tax liability and a charge to retained earnings of Ps.327,167.

FRS Interpretation 6, "Option to choose the form of hedges". This INIF indicates that a derivative financial instrument may be considered as such as of the date of its acquisition or as of a subsequent date, only if it fulfills the new requirements established in paragraph 51a) of Statement C-10. The Company does not expect that the adoption of this interpretation to have an impact on its financial position or results of operations.

FRS Interpretation 7, "Accounting treatment of the comprehensive income or loss derived from a cash flow hedge over a projected transaction of purchasing a non-financial asset". This INIF amends the following paragraphs of Statement C-10:

Paragraph 105, to clarify that the effects of a hedge recorded in the comprehensive gain or loss derived from transactions of purchasing a non-financial asset can be capitalized in the cost of the non-financial asset, whose price is fixed by the hedge.

20. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Paragraph 106, to indicate that in the case of all cash flow hedges, the amounts recorded in the equity as a part of the comprehensive gain or loss of the year, must be reclassified to the income statement in the same period or periods in which the hedge contract is signed or the projected transaction is affected, except for the cases indicated in paragraph 105.

The Company does not expect the adoption of this interpretation to have an impact on its financial position or results of operations.

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

The Company's consolidated financial statements are prepared in accordance with Mexican FRS, which differ in certain significant respects from U.S. GAAP. The Mexican FRS consolidated financial statements include the effects of inflation as provided for under FRS B-10 (see Note 3-E) and FRS B-15, whereas financial statements prepared under U.S. GAAP are presented on a historical cost basis. The reconciliation to U.S. GAAP includes reconciling items for the effects of applying the option provided by FRS B-10 for the restatement of equipment of foreign origin, as well as FRS B-15 restatement to Mexican pesos of constant purchasing power as of December 31, 2007 because, as described below, these provisions of inflation accounting under Mexican FRS do not meet the consistent reporting currency requirements of Regulation S-X. The U.S. GAAP adjustments have been determined based on Mexican NCPI factors. The reconciliation does not include the reversal of other Mexican FRS inflation accounting adjustments as they represent a comprehensive measure of the effects of price-level changes in the inflationary Mexican economy and, as such, are considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. accounting purposes.

The principal differences, other than inflation accounting, between Mexican 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,		
	2005	2006	2007
Net majority income under Mexican FRS	Ps. 1,304,693	Ps. 1,601,125	Ps. 2,233,321
U.S. GAAP adjustments:			
Depreciation expense (see C)	(62,022)	(69,803)	(71,722)
Impairment loss in the carrying value of idle assets (see C)	24,652	14,814	20,838
Preoperating expenses and other deferred costs (see D)	6,555	(3,435)	10,461
Capitalized comprehensive financing costs (see E)	3,410	3,387	3,346
Sale-leaseback transaction (see F):			
Interest expense	(14,033)	(11,431)	(8,976)
Rental and depreciation expense, net	5,051	2,713	590
Deferred income taxes (see H)	(56,051)	(101,303)	(177,829)
Deferred employees' statutory profit sharing (see H)	(630)	510	(609)
Net gain from sale of associated company's shares (see M)	—	10,810	13,281
Effect of U.S. GAAP adjustments on equity method investee (see M)	5,586	(19,011)	(18,885)
Negative goodwill (see I):			
Depreciation expense	62,963	62,538	61,793
Goodwill and indefinite-lived intangible assets (see J)	—	(6,540)	—
Extinguishment of debt (see K)	14,518	14,371	14,205
Debt issuance costs (see K)	(2,907)	2,224	1,148
Monetary position loss resulting from U.S. GAAP adjustments	(14)	(17)	(9)
Effects of Bulletin B-15 restatement (see A)	(24,013)	(17,878)	—
Total U.S. GAAP adjustments	(36,935)	(118,051)	(152,368)
Minority interest (see B)	17,745	19,793	26,809
Net income under U.S. GAAP	Ps. 1,285,503	Ps. 1,502,867	Ps. 2,107,762
Basic and diluted earnings per share (in pesos)	Ps. 2.85	Ps. 3.13	Ps. 4.37
Weighted average shares outstanding (thousands)	451,446	480,007	482,506

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

Reconciliation of stockholders' equity:

	As of December 31, 2006	As of December 31, 2007
Stockholders' equity under Mexican FRS	Ps. 17,902,251	Ps. 18,577,199
U.S. GAAP adjustments:		
Property, plant and equipment (see C)	804,735	911,194
Preoperating expenses and other deferred costs (see D)	(11,221)	(446)
Capitalized comprehensive financing cost (see E)	(6,773)	(3,346)
Sale-leaseback transaction (see F)	(92,515)	(97,384)
Excess of cost over book value (see G)	(175,036)	(172,951)
Deferred income taxes (see H)	(114,087)	(296,093)
Deferred employees' statutory profit sharing (see H)	626	—
Equity method investee (see M)	(140,200)	2,802
Negative goodwill (see I)	(794,107)	(722,854)
Goodwill and indefinite-lived intangible assets (see J)	199,875	190,588
Extinguishment of debt (see K)	(259,561)	(242,263)
Debt issuance costs (see K)	(1,837)	(724)
Labor obligations (see L)	(20,008)	—
U.S. GAAP adjustments attributable to minority interest	(125,677)	(146,984)
Minority interest under Mexican FRS (see B)	(3,068,756)	(2,881,989)
Effects of Bulletin B-15 restatement (see A)	(167,942)	—
Total U.S. GAAP adjustments	(3,972,484)	(3,460,450)
Stockholders' equity under U.S. GAAP	Ps. 13,929,767	Ps. 15,116,749

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

Balance at December 31, 2006	Ps. 13,929,767
Net purchases and sales of Company's common stock	(35,430)
Dividends paid	(423,625)
Derivative financial instruments	35,065
Recognition of inflation effects for the year	(832,483)
Labor obligation adjustments (net of income tax)	(18,938)
Foreign currency translation adjustments	354,631
Net income for the year	2,107,762
Balance at December 31, 2007	Ps. 15,116,749

A summary of the Company's stockholders' equity after the U.S. GAAP adjustments described above as of December 31, 2006 and 2007 is as follows:

	2006	2007
Capital stock	Ps. 13,317,435	Ps. 13,289,606
Additional paid-in capital	4,741,263	4,731,146
Retained earnings	10,714,403	12,401,056
Accumulated other comprehensive loss	(14,843,334)	(15,305,059)
Total stockholders' equity under U.S. GAAP	Ps. 13,929,767	Ps. 15,116,749

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

A) EFFECTS OF FRS B-15 RESTATEMENT

As disclosed in Note 3-E, the Company restates information from prior periods for comparison purposes to information of the most current period presented, based on a weighted average restatement factor that reflects the relative inflation and currency exchange movements of the countries in which the Company operates. This restatement does not meet the Regulation S-X requirement that the financial statements be stated in the same currency for all periods, because changes in foreign currency exchange rates are included in the restatement factor. The U.S. GAAP adjustments to net income and stockholders' equity reflect the difference between restating these prior periods, including the U.S. GAAP adjustments, to December 31, 2007 constant pesos utilizing the Mexican NCPI and the weighted average restatement factor. See Note 21-R for summarized financial information prepared on a U.S. GAAP basis restated to December 31, 2007 constant pesos utilizing the Mexican NCPI.

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

Mexican FRS allows companies the option of using a specific index, which contemplates inflation and currency exchange movements in the restatement of machinery and equipment and the related depreciation expense if such machinery and equipment is of foreign origin. The Company has elected to apply a specific index to fixed assets of foreign origin for the purposes of determining the restated balances under Mexican FRS. For U.S. GAAP purposes, the use of a specific index, which contemplates currency exchange changes, is not in accordance with the historical cost concept nor does it present financial information in a constant reporting currency. The impact on the net carrying value of fixed assets of restating fixed assets of foreign origin utilizing the Mexican NCPI for U.S. GAAP purposes increases stockholders' equity as of December 31, 2006 and 2007 by Ps.901,829 and Ps.1,001,647, 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, 2006 and 2007 by Ps.207,887 and Ps.220,764, respectively.

Under Mexican FRS, the Company recognized impairment losses in the value of certain idle assets that were not being 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, 2006 and 2007 by Ps.110,793 and Ps.130,311, 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.11,221 and Ps.446 decrease intangible assets presented in the balance sheets as of December 31, 2006 and 2007, 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 is recognized with the use of the general criteria established for capital and operating lease transactions. Based upon these criteria, a sale-leaseback of real estate was recorded by the Company as an operating lease. Under U.S. GAAP, Statement of Financial Accounting Standards ("SFAS") No. 98, such a transaction would be recognized as a 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 U.S. GAAP balance sheet as of December 31, 2006 and 2007 would reflect increases in fixed assets, net, of Ps.44,044 and Ps.7,688 (net of accumulated depreciation of Ps.92,515 and Ps.97,384, respectively), respectively, and debt increases of Ps.136,559 and Ps.105,072, respectively.

During 2007, the Company irrevocably elected to execute the early purchase option on the lease and terminated this arrangement in April 2008.

G) AMORTIZATION OF EXCESS OF COST OVER BOOK VALUE

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 "Excess of cost over book value" for all of the Company's acquisitions, including common control acquisitions. Under U.S. GAAP, transfers and exchanges between enterprises under common control are accounted for on a carry-over basis, and therefore, no such goodwill would be recorded. The U.S. GAAP equity adjustments of Ps.175,036 and Ps.172,951 decrease the excess of cost over book value presented in the balance sheet as of December 31, 2006 and 2007, respectively. There is no net income reconciliation adjustment in 2005, 2006 and 2007, since the Company ceased amortizing goodwill under Mexican FRS with the adoption of FRS B-7.

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

H) DEFERRED INCOME TAXES AND EMPLOYEES' STATUTORY PROFIT SHARING

Under Mexican FRS, the Company adopted the provisions of revised FRS D-4 for the recognition of deferred tax assets and liabilities. The accounting treatment of FRS 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 and employees' statutory profit sharing generated by the other U.S. GAAP adjustments discussed elsewhere herein. Additionally, during 2006 and 2007, the Company recognized a deferred tax liability of Ps.46,470 and Ps.122,031, respectively, derived from the excess of the amount for financial reporting over the tax basis of the investment in GFNorte.

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

For both Mexican and U.S. GAAP purposes, the financial statement carrying amounts utilized in the determination of the deferred tax assets and liabilities included the inflation adjustments described in Note 3-E, and their respective tax bases also included the effects of inflation based on tax regulations.

The amounts of deferred income taxes charged or credited to net income for each year under SFAS No. 109 and as set forth in Issue 93-9 of the U.S. Financial Accounting Standards Board's Emerging Issues Task Force was determined based on the differences between the beginning and ending balances of the deferred tax assets or liabilities for each period, expressed in Mexican pesos of constant purchasing power.

Income tax expense:

The domestic and foreign components of income before taxes and minority interest reported under Mexican FRS were as follows:

	Years ended December 31,		
	2005	2006	2007
Domestic	Ps. 708,624	Ps. 1,046,635	Ps. 2,151,090
Foreign	1,224,685	1,069,597	1,153,229
	Ps. 1,933,309	Ps. 2,116,232	Ps. 3,304,319

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

Provisions for domestic federal, foreign federal and state income taxes in the Mexican FRS consolidated statements of income consisted of the following components:

	Years ended December 31,		
	2005	2006	2007
Current:			
Domestic federal	Ps. 182,199	Ps. 165,344	Ps. 390,074
Foreign federal	359,627	160,025	205,682
Foreign state	35,962	30,480	31,919
	Ps. 577,788	Ps. 355,849	Ps. 627,675
Deferred:			
Domestic federal	Ps. (71,648)	Ps. 121,915	Ps. 265,820
Foreign federal	(77,991)	(51,802)	30,358
Foreign state	(21,154)	6,208	1,857
	Ps. (170,793)	Ps. 76,321	Ps. 298,035
Total income taxes	Ps. 406,995	Ps. 432,170	Ps. 925,710

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and liabilities at December 31, 2006 and 2007, were as follows:

	2006	2007
Deferred tax assets:		
Net operating loss carryforwards and other tax credits (a)	Ps. 393,355	Ps. 188,593
Accrued liabilities	241,520	205,881
Intangible assets (b)	63,709	38,693
Other	178,576	128,593
Total gross deferred tax assets	877,160	561,760
Deferred tax liabilities:		
Property, plant and equipment, net (c)	1,820,004	1,855,951
Inventories	255,481	164,631
Investment in partnership and equity method investee	627,282	729,064
Other assets	87,785	114,021
Total gross deferred tax liabilities	2,790,552	2,863,667
Net deferred tax liability under U.S. GAAP	1,913,392	2,301,907
Net deferred tax liability under Mexican FRS	1,799,305	2,005,814
Adjustment for U.S. GAAP	Ps. 114,087	Ps. 296,093

(a) Includes valuation allowance of Ps.89,541 and Ps.103,829 as of December 31, 2006 and 2007, respectively, since no sufficient evidence is available that these tax loss carryforwards will be realizable.

(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.

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

A summary of the deferred tax liability (asset) balances on a U.S. GAAP basis is as follows:

	2006	2007
Current:		
Deferred tax asset	Ps. (414,493)	Ps. (334,474)
Deferred tax liability	255,481	164,631
	(159,012)	(169,843)
Non-current:		
Deferred tax asset	(457,064)	(227,286)
Deferred tax liability	2,529,468	2,699,036
	2,072,404	2,471,750
Total	Ps. 1,913,392	Ps. 2,301,907

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

	2005	2006	2007
Current	Ps. (567,045)	Ps. (351,607)	Ps. (627,675)
Deferred	112,610	(175,508)	(475,864)
	Ps. (454,435)	Ps (527,115)	Ps. (1,103,539)

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 the Company presented a liability for unrecognized tax benefits of Ps.89,304, 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):

Unrecognized tax benefits, at beginning of period	Ps. 58,608
Increase as a result of tax positions taken in 2007	26,306
Decrease as a result of tax positions taken in previous years	(1,813)
Unrecognized tax benefits, at end of period	Ps. 83,101

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

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 and Ps.6,203 related to unrecognized tax benefits for fiscal 2006 and 2007, 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.

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 permitted to be amortized over a period of time not to exceed five years.

Under U.S. GAAP, the excess of the fair value over the net book value of acquired identifiable assets is allocated to the book value of the non-monetary assets acquired. Once the book value has been reduced to zero, any unallocated amounts are recorded in earnings.

As of December 31, 2006 and 2007, the U.S. GAAP equity adjustments of Ps.794,107 and Ps.722,854 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. FRS 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 3-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.

As mentioned in Note 8, during 2006 the Company recognized in income an impairment loss for certain intangible assets. Under U.S. GAAP, the carrying value of these assets is higher by Ps.6,540.

The U.S. GAAP equity adjustments of Ps.199,875 and Ps.190,588 increased the excess of cost over book value in Ps.197,152 and Ps.187,897 and intangible assets in Ps.2,723 and Ps.2,691 as of December 31, 2006 and 2007, respectively, as a result of the above items.

K) EXTINGUISHMENT OF DEBT

In December 2004, the Company issued perpetual notes for a total of Ps.3,276,000 (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.

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

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.

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.11,271 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 FRS 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

Under U.S. GAAP, on December 31, 2006 the Company adopted the recognition and disclosure provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("SFAS No. 158"). SFAS No. 158 requires the Company to recognize the funded status (i.e. the difference between the fair value of plan assets and the benefit obligations) of its defined benefit pension and other postretirement plans in the Company's consolidated balance sheet, with a corresponding adjustment to accumulated other comprehensive income ("AOCI"), net of tax. The adjustment to AOCI represents primarily deferred actuarial losses, which were previously netted against the plans' funded status in the balance sheet pursuant to the provisions of SFAS No. 87, "Employers' Accounting for Pensions", SFAS No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions", and SFAS No. 112, "Employers' Accounting for Postemployment Benefits". These amounts will continue to be amortized and recognized as a component of future net periodic benefit cost.

In addition, SFAS No. 158 requires that companies using a measurement date for their defined benefit pension plans and other postretirement plans other than their fiscal year-end change to a fiscal year-end measurement date effective for years ending after December 15, 2008. The Company's measurement date for its plans is and has been the same as the Company's fiscal year-end.

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

The incremental effects of adopting SFAS No. 158 on the Company's consolidated balance sheet at December 31, 2006, are presented in the following table. The adoption of SFAS No. 158 had no effect on the Company's consolidated statement of income or the Company's consolidated statement of comprehensive income for the year ended December 31, 2006.

	Balance under U.S. GAAP		
	Before application of SFAS No. 158	Effect of adopting SFAS No. 158	After application of SFAS No. 158
Other liabilities	Ps. 634,541	Ps. 19,769	Ps. 654,310
Deferred income taxes	1,896,133	(5,535)	1,890,598
Total liabilities	13,937,729	14,234	13,951,962
Accumulated other comprehensive loss, net of tax	(14,829,095)	(14,234)	(14,843,329)
Total stockholders' equity	13,943,996	(14,234)	13,929,762

Included in accumulated other comprehensive income at December 31, 2006 and 2007 are the following amounts that have not yet been recognized in net periodic pension cost:

	2006	2007
Unamortized items (*)	Ps. 14,234 (net of income tax of Ps.5,535)	Ps. 33,172 (net of income tax of Ps.12,900)

(*) 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.2,168.

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

Amounts recognized in other comprehensive income for the year 2007 included the following components:

	Before tax	Tax effect	After tax
Accumulated other comprehensive income at beginning of plan year	Ps. (19,769)	Ps. (5,535)	Ps. (14,234)
Reclassification adjustment for items included in net income:			
Net cumulative losses	2,087	584	1,503
Net transition liability	1	—	1
Prior service cost	79	22	57
Items arising during the year:			
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 end of plan year	Ps. (46,072)	Ps. (12,900)	Ps. (33,172)

M) 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.

As mentioned in Note 6, 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 2006 and 2007, the Company received dividends from GFNorte amounting to Ps.81,851 and Ps.79,200, 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.7,846,016, based on the quoted market price at December 31, 2007.

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 of constant purchasing power as of December 31, 2007	
	2006	2007
Cash and cash equivalents	Ps. 45,054	Ps. 41,610
Investment securities	29,441	19,462
Net loan portfolio	143,964	192,746
Property, furniture and equipment, net	6,899	8,098
Total assets	250,990	287,283
Deposits	175,860	203,307
Bank and other entity loans – current	7,153	11,927
Bank and other entity loans – non-current	10,337	10,796
Total liabilities	222,964	253,127
Majority interest	26,580	32,489
Minority interest	1,446	1,667

	Amounts in millions of Mexican pesos of constant purchasing power as of December 31, 2007		
	2005	2006	2007
Interest income	Ps. 38,030	Ps. 36,120	Ps. 40,585
Interest expense	(23,703)	(21,256)	(22,838)
Income before minority interest	6,600	6,474	7,136
Net income	6,261	6,255	6,810

- Other current liabilities:

Included within accrued liabilities and other payables as of December 31, 2006 and 2007 are accrued compensation costs (Ps.476,135 and Ps.509,352 in 2006 and 2007, respectively) and a short-term note payable (Ps.347,118 in 2007).

- Other stockholders' equity:

Included within retained earnings as of December 31, 2006 and 2007 are undistributed earnings of GFNorte amounting to Ps.2,287,142 and Ps.2,430,794, respectively.

- Computer software:

Depreciation expense for the years ended December 31, 2005, 2006 and 2007 amounted to Ps.86,360, Ps.69,782 and Ps.36,216, respectively, on capitalized computer software cost. Unamortized software costs included as of December 31, 2006 and 2007 totaled Ps.87,318 and Ps.45,665.

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

N) SUPPLEMENTAL INCOME STATEMENT INFORMATION

- Advertising costs:

Advertising costs, included in selling, general and administrative expenses, are expensed when the advertising first takes place. Advertising expense was Ps.810,119, Ps.911,872 and Ps.872,610 for the years ended December 31, 2005, 2006 and 2007, respectively. The Company had Ps.124,754 and Ps.24,495 of prepaid advertising costs reported as prepaid expenses as of December 31, 2006 and 2007, respectively.

- Shipping and handling costs:

Shipping and handling costs are included in selling, general and administrative expenses and amounted to Ps.1,618,583, Ps.1,886,327 and Ps.1,975,231 for the years ended December 31, 2005, 2006 and 2007.

- 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, 2005, 2006 and 2007, these items amounted to Ps.74,963, Ps.93,491 and Ps.52,845, 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, 2005, 2006 and 2007 these items amounted to Ps.226,023, Ps.279,635 and Ps.388,839, 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.

O) SUPPLEMENTAL CASH FLOW INFORMATION

Mexican FRS B-12 specifies the appropriate presentation of the statements of changes in financial position. Under FRS B-12, the sources and uses of resources are determined based upon the differences between beginning and ending financial statement balances in Mexican pesos of constant purchasing power. Under U.S. GAAP, a statement of cash flow is required, which presents only cash movements and excludes non-cash items.

The following presents a price-level adjusted statement of cash flows, after considering the impact of U.S. GAAP adjustments in conformity with the AICPA SEC Regulations Committees' International Practice Task Force recommendation.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007
(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2007, except where otherwise indicated)

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

	Years ended December 31,		
	2005	2006	2007
Operating activities:			
Net income	Ps. 1,285,503	Ps. 1,502,867	Ps. 2,107,762
Minority interest	141,315	62,153	118,479
Consolidated income	1,426,818	1,565,020	2,226,241
Adjustments to reconcile net income to resources provided by operating activities:			
Monetary position gain	(324,946)	(332,530)	(558,500)
Depreciation and amortization	1,174,020	1,241,875	1,158,976
Impairment of long-lived assets	18,405	468,473	119,211
Allowance for doubtful accounts	34,712	79,398	42,336
Equity in earnings of associated companies	(677,593)	(616,872)	(688,950)
Seniority premium and other long-term accrued liabilities	47,534	9,354	21,263
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 in sale of fixed assets	14,235	5,935	49,847
Change in fair value of derivative financial instruments	(2,158)	294	52,442
Retirement benefits at the end of the labor relationship	81,004	—	—
Deferred income taxes and employees' statutory profit sharing	(143,330)	158,383	459,214
	1,648,701	2,030,614	1,945,906
Changes in working capital:			
Restricted cash	521	—	—
Accounts receivable, net	(310,598)	(1,401,667)	(654,980)
Inventories	84,997	137,865	(2,166,018)
Prepaid expenses	(38,760)	(57,120)	45,984
Trade accounts payable	582,937	257,480	498,656
Accrued liabilities and other payable	(434,448)	689,653	121,362
Income taxes and employees' statutory profit sharing	(14,314)	4,444	31,776
	(129,665)	(369,345)	(2,123,220)
Net cash provided by (used in) operating activities	1,519,036	1,661,269	(177,314)

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

	Years ended December 31,		
	2005	2006	2007
Investing activities:			
Purchases of property, plant and equipment	(1,385,819)	(2,304,890)	(2,221,326)
Purchases of new facilities, net of cash	(682,194)	(592,035)	—
Proceeds from sale of property, plant and equipment	172,707	770,794	192,972
Deferred assets	(22,597)	(16,284)	(16,487)
Dividends received from associated company	74,914	80,878	79,200
Proceeds from sale of subsidiaries' shares	—	143,157	167,420
Proceeds from sale of associated company's shares	—	610,989	1,267,353
Other	(32,186)	(157,840)	16,260
Net cash used in investing activities	(1,875,175)	(1,465,231)	(514,608)
Financing activities:			
Proceeds from bank loans and long-term debt	2,891,369	2,672,124	4,552,391
Repayment of bank loans and long-term debt	(2,082,246)	(3,176,593)	(3,151,536)
Repayment of long-term note payable	—	(50,025)	(50,666)
Proceeds from stock issuance	—	1,191,294	—
Contributions (distributions) by minority interest	(1,619)	97,558	(21,191)
Net purchases-sales of Company's common stock	23,760	2,712	(365)
Derivative financial instruments	(31,090)	16,966	—
Dividends paid	(577,524)	(684,258)	(627,264)
Other	(5,296)	12,495	(74,261)
Net cash provided by financing activities	217,354	82,273	627,108
Effect of inflation on cash and cash equivalents	(52,604)	(39,162)	(46,503)
Net increase (decrease) in cash and cash equivalents	(191,389)	239,149	(111,317)
Cash and cash equivalents at beginning of year	544,485	353,096	592,245
Cash and cash equivalents at end of year	Ps. 353,096	Ps. 592,245	Ps. 480,928

In August 2005, there was a non-cash transaction of Ps.459,586 related to notes payable issued by a subsidiary for the acquisition of certain businesses.

Net cash flow from operating activities reflects cash payments for interest and income taxes as follows:

	Years ended December 31,		
	2005	2006	2007
Interest paid	Ps. 629,680	Ps. 701,693	Ps. 544,700
Income and asset taxes paid	664,334	357,874	687,819

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

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, 2005, 2006 and 2007 the Company had no investments with original maturities over three months, so no reclassifications were needed.

P) COMPREHENSIVE INCOME

Comprehensive income is as follows:

	Years ended December 31,		
	2005	2006	2007
Net income under U.S. GAAP	Ps. 1,285,503	Ps. 1,502,867	Ps. 2,107,762
Other comprehensive loss, net of taxes:			
Deficit from restatement	21,842	(27,189)	(832,483)
Derivative financial instruments	(21,772)	6,549	35,065
Labor obligations adjustments, net of income tax (a)	—	—	(20,499)
Foreign currency translation adjustments	(511,469)	405,485	354,631
Comprehensive income under U.S. GAAP	Ps. 774,104	Ps. 1,887,712	Ps. 1,644,476

(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.82,840, Ps.(21,568) and Ps.(15,417) for the years ended December 31, 2005, 2006 and 2007, respectively.

The components of accumulated other comprehensive loss were as follows as of December 31, 2006 and 2007:

	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, 2005	Ps. 263,386	Ps. 95	Ps. (15,477,426)	Ps. —	Ps. (15,213,945)
Impact of adoption of SFAS No. 158	—	—	—	(14,234)	(14,234)
Current period changes	405,485	6,549	(27,189)	—	384,845
Balance at December 31, 2006	668,871	6,644	(15,504,615)	(14,234)	(14,843,334)
Current period changes	354,631	35,065	(832,483)	(18,938)	(461,725)
Balance at December 31, 2007	Ps. 1,023,502	Ps. 41,709	Ps. (16,337,098)	Ps. (33,172)	Ps. (15,305,059)

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

Q) VALUATION AND QUALIFYING ACCOUNTS

The valuation and qualifying accounts are as follows:

Allowance for doubtful accounts:

For the year ended December 31,	Balance at beginning of year	Additions charged to costs and expenses	Deductions	Balance at year-end
2005	Ps. 125,668	Ps. 35,370	Ps. (4,714)	Ps. 156,324
2006	156,324	80,355	(21,579)	215,100
2007	215,100	42,336	(23,703)	233,733

R) RESTATEMENT TO CONSTANT PESOS

The following table presents condensed financial information prepared on a U.S. GAAP basis restated to December 31, 2007 constant pesos utilizing the Mexican NCPI. As disclosed in Note 3-E, under FRS B-15, the Company restated prior year balances utilizing weighted average restatement factors. The difference in the factors applied to restate prior year information to December 31, 2007 constant pesos utilizing the Mexican NCPI were:

Year	Factor
2005	0.98141
2006	0.98809

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

	Expressed in Thousands of Constant Mexican Pesos as of December 31, 2007	
	2006	2007
Total current assets	Ps. 10,207,512	Ps. 11,865,920
Property, plant and equipment	15,425,649	16,467,129
Total assets	31,038,108	33,880,390
Short-term debt	942,864	1,046,145
Long-term debt	5,924,119	6,913,173
Total liabilities	13,951,962	15,734,668
Minority interest	3,156,379	3,028,973
Total stockholders' equity	13,929,767	15,116,749

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

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

	Expressed in Thousands of Constant Mexican Pesos as of December 31, 2007		
	2005	2006	2007
Net sales	Ps. 28,578,636	Ps. 31,530,165	Ps. 35,427,207
Gross profit	9,777,880	10,803,692	11,228,924
Operating income	1,548,550	1,753,111	1,824,882
Majority net income	1,285,503	1,502,867	2,107,762

S) RECENTLY ISSUED ACCOUNTING STANDARDS

Fair value measurements (FASB Statement No. 157):

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". SFAS No. 157 defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. The statement does not require any new fair value measures. The statement is effective for fair value measures already required or permitted by other standards for fiscal years beginning after November 15, 2007. The Company is required to adopt SFAS No. 157 beginning on January 1, 2008. SFAS No. 157 is required to be applied prospectively, except for certain financial instruments. Any transition adjustment will be recognized as an adjustment to opening retained earnings in the year of adoption. In February 2008, the FASB approved FASB Staff Position FAS 157-2 ("FSP 157-2") that permits companies to partially defer the effective date of SFAS No. 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. FSP 157-2 did not permit companies to defer recognition and disclosure requirements for financial assets and financial liabilities or for nonfinancial assets and nonfinancial liabilities that are re-measured at least annually. The Company is currently evaluating the impact that SFAS No.157 will have on its results of operations and financial position.

The fair value option for financial assets and financial liabilities, including an amendment of FASB Statement No. 115 (FASB Statement No.159):

In February 2007 the FASB published SFAS No. 159, "The Fair Value Option for Financial Assets and Financial liabilities." This statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective is to improve financial reporting by providing entities 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. This Statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. This statement does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value nor does it establish requirements for recognizing and measuring dividend income, interest income, or interest expense. This statement also does not eliminate disclosure requirements included in other accounting standards, including requirements for disclosures about fair value measurements included in SFAS No. 157, "Fair Value Measurements", and SFAS No. 107, "Disclosures about Fair Value of Financial Instruments". SFAS No. 159 will be effective for all fiscal years beginning after November 15, 2007. 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)

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 position or results of operations.

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. It is effective for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. The Company does not expect the adoption of this statement to have a material impact on its financial position or results of operations.

The Hierarchy of Generally Accepted Accounting Principles (FASB Statement No. 162):

In May 2008, the FASB issued Statement No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("FAS 162"), which identifies the sources of accounting principles and the framework for selecting principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States. This statement is not expected to result in a change in current practice.

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

Amendment of FASB Interpretation No. 39 (FSP FIN 39-1):

In April 2007, the FASB issued FASB Staff Position ("FSP") FIN 39-1, which amends certain aspects of FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts - an interpretation of APB Opinion No. 10 and FASB Statement No. 105" ("FSP FIN 39-1"). FSP FIN 39-1 amends paragraph 10 of FIN 39 to permit a reporting entity to offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts, including amounts that approximate fair value, recognized for derivative instruments executed with the same counterparty under the same master netting arrangement. Derivative instruments permitted to be netted for the purposes of the FSP include those instruments that meet the definition of a derivative in FASB Statement No. 133, Accounting for Derivative Financial Instruments and Hedging Activities, including those that are not included in the scope of Statement 133 (for example, a financial guarantee, weather derivatives, etc.). The decision to apply the guidance of the FSP FIN 39-1 is an accounting policy decision and should be consistently applied.

The FSP is effective for fiscal years beginning after November 15, 2007, with early application permitted. A reporting entity should recognize the effects of applying this FSP as a change in accounting principle through retrospective application for all financial statements presented. If it is impractical to apply the guidance in this FSP retrospectively to all financial statements presented, the reporting entity should disclose why it is impractical and apply the guidance in this FSP retrospectively for as many consecutive prior financial statements as practical. Upon adoption of this FSP, a reporting entity is permitted to change its accounting policy to offset or not offset fair value amounts recognized for derivative instruments under master netting arrangements. The Company does not expect the adoption of this statement to have a material impact on its financial position or results of operations.

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.

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

Consolidated Financial Statements for the Years Ended December 31, 2007, 2006 and 2005, and Report of Independent Registered Public Accounting Firm dated February 25, 2008 and May 9, 2008 as to Notes 40 and 41

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

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

Monterrey, N.L.

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, 2007 and 2006, 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, 2007, all expressed in millions of Mexican pesos of purchasing power of December 31, 2007. 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 audit 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 audit 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 audit 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 audit provides a reasonable basis for our opinion.

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, 2007 and 2006, 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, 2007, 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, 2007 and 2006, to the extent summarized in Note 40.

Accounting practices prescribed by the Commission also 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, 2007 and 2006 and net income for each of the three years in the period ended December 31, 2007, to the extent summarized in Note 41.

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 25, 2008
May 9, 2008 as to Notes 40 and 41

GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2007 AND 2006
(In millions of Mexican pesos of purchasing power of December 31, 2007)

	2007	2006
ASSETS		
CASH AND CASH EQUIVALENTS	**Ps. 41,610**	**Ps. 45,054**
INVESTMENTS IN SECURITIES		
Trading securities	7,754	17,396
Available for sale securities	10,948	7,091
Held to maturity securities	760	4,954
	19,462	**29,441**
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS		
Debtor balances under repurchase and resale agreements	58	26
Derivative financial instruments	2,302	2,168
	2,360	**2,194**
CURRENT LOAN PORTFOLIO		
Commercial loans		
Business loans	98,091	80,946
Loans to financial institutions	13,158	2,464
Government loans	17,948	11,194
Consumer loans	27,225	21,505
Housing mortgage loans	37,216	28,857
TOTAL CURRENT LOAN PORTFOLIO	**193,638**	**144,966**
PAST-DUE LOAN PORTFOLIO		
Commercial loans		
Business loans	927	758
Consumer loans	1,109	632
Housing mortgage loans	858	748
TOTAL PAST-DUE LOAN PORTFOLIO	**2,894**	**2,138**
LOAN PORTFOLIO	**196,532**	**147,104**
(Minus) Allowance for loan losses	(3,786)	(3,140)
LOAN PORTFOLIO, net	**192,746**	**143,964**
ACQUIRED LOAN PORTFOLIOS	**3,660**	**4,617**
TOTAL LOAN PORTFOLIO, net	**196,406**	**148,581**
OTHER ACCOUNTS RECEIVABLE, net	**7,617**	**8,249**
MERCHANDISE INVENTORY	**7**	**84**
FORECLOSED ASSETS, net	**385**	**393**
PROPERTY, FURNITURE AND FIXTURES, net	**8,098**	**6,899**
PERMANENT STOCK INVESTMENTS	**2,590**	**2,544**
DEFERRED TAXES, net	**214**	**—**
OTHER ASSETS		
Other assets, deferred charges and intangible assets	**8,534**	**7,551**
TOTAL ASSETS	**Ps. 287,283**	**Ps. 250,990**

MEMORANDUM ACCOUNTS (Note 33)

These balance sheets, consolidated with those of the financial entities and other companies that form part of the Financial Group and are 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 balance sheet dates above.

"The stockholders' equity amounts to Ps. 7,009 (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.

	2007	2006
LIABILITIES		
DEPOSITS		
Demand deposits	Ps. 111,080	Ps. 99,002
Time deposits		
General public	79,408	72,236
Money market	12,819	4,622
	203,307	**175,860**
BANK AND OTHER LOANS		
Demand loans	871	1,026
Short-term loans	11,056	6,127
Long-term loans	10,796	10,337
	22,723	**17,490**
OVERNIGHT SECURITIES	**10**	**1,810**
SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS		
Creditor balances under repurchase and resale agreements	515	244
Derivative financial instruments	2,435	3,689
	2,950	**3,933**
OTHER PAYABLES		
Income taxes and employee profit sharing	2,212	1,390
Sundry creditors and other payables	10,888	9,755
	13,100	**11,145**
SUBORDINATED DEBENTURES	**10,210**	**11,761**
DEFERRED TAXES, net	**—**	**338**
DEFERRED CREDITS AND ADVANCED COLLECTIONS	**827**	**627**
TOTAL LIABILITIES	**253,127**	**222,964**
STOCKHOLDERS' EQUITY		
PAID-IN CAPITAL		
Common stock	11,965	12,020
Additional paid-in capital	1,272	1,862
	13,237	**13,882**
OTHER CAPITAL		
Capital reserves	2,452	2,140
Retained earnings from prior years	21,379	16,417
Insufficiency in restated stockholders' equity	(6,380)	(6,380)
Effect of holding non-monetary assets	(5,009)	(5,734)
Net income	6,810	6,255
	19,252	**12,698**
MINORITY INTEREST IN STOCKHOLDERS' EQUITY	**1,667**	**1,446**
TOTAL STOCKHOLDERS' EQUITY	**34,156**	**28,026**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**Ps. 287,283**	**Ps. 250,990**

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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 INCOME

FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

(In millions of Mexican pesos of purchasing power of December 31, 2007)

	2007	2006	2005
Interest income	Ps. 40,585	Ps. 36,120	Ps. 38,030
Interest expense	(22,838)	(21,256)	(23,703)
Monetary position loss, net	(363)	(350)	(159)
FINANCIAL MARGIN	**17,384**	**14,514**	**14,168**
Provision for loan losses	(2,646)	(1,530)	(1,169)
FINANCIAL MARGIN AFTER PROVISION FOR LOAN LOSSES	**14,738**	**12,984**	**12,999**
Commission and fee income	7,693	6,324	5,690
Commission and fee expense	(1,086)	(920)	(643)
Brokerage revenues	1,292	1,781	1,120
	7,899	**7,185**	**6,167**
NET OPERATING REVENUES	**22,637**	**20,169**	**19,166**
Administrative and promotional expenses	(14,432)	(13,157)	(12,478)
OPERATING INCOME	**8,205**	**7,012**	**6,688**
Other income	2,835	3,192	4,120
Other expenses	(968)	(905)	(1,997)
	1,867	**2,287**	**2,123**
INCOME BEFORE INCOME TAXES AND EMPLOYEE PROFIT SHARING	**10,072**	**9,299**	**8,811**
Current income taxes and employee profit sharing	(3,780)	(3,098)	(2,523)
Deferred Income taxes and employee profit sharing	487	(355)	(42)
	(3,293)	**(3,453)**	**(2,565)**
INCOME BEFORE EQUITY IN EARNINGS OF SUBSIDIARIES AND ASSOCIATED COMPANIES	**6,779**	**5,846**	**6,246**
Equity in earnings of subsidiaries and associated companies	357	628	354
NET EARNINGS BEFORE MINORITY INTEREST	**7,136**	**6,474**	**6,600**
Minority interest	(326)	(219)	(339)
NET INCOME	**Ps. 6,810**	**Ps. 6,255**	**Ps. 6,261**

These statements of income, 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 income statements.

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GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005
(In millions of Mexican pesos of purchasing power of December 31, 2007)

	PAID-IN CAPITAL		OTHER CAPITAL		
	Common stock	Additional paid-in capital	Capital reserves	Retained earnings from prior years	Insufficiency in restated stockholders' equity
Balances, January 1, 2005	Ps. 6,255	Ps. 1,858	Ps. 1,681	Ps. 15,014	Ps. (6,380)
TRANSACTIONS APPROVED BY STOCKHOLDERS					
Issuance (repurchase of shares)	1	—	(19)	—	—
Transfer of prior years' result	—	—	—	2,916	—
Creation of reserves as per General Stockholders' meeting on April 28, 2005	—	—	145	(145)	—
Dividends declared at the General Stockholders' meeting on October 6, 2005	—	—	—	(689)	—
Increase in common stock at the General Stockholders' Meeting on October 6, 2005	5,765	—	—	(5,765)	—
Total transactions approved by stockholders	5,766	—	126	(3,683)	—
COMPREHENSIVE INCOME		—			—
Net income	—	—	—	—	—
Effect of holding non-monetary assets	—	—	—	—	—
Total comprehensive income	—	—	—	—	—
Minority interest	—	—	—	—	—
Balances, December 31, 2005	12,021	1,858	1,807	11,331	(6,380)
Changes in accounting principles	—	—	—	—	—
Balances, December 31, 2005 after retroactive effect of changes in accounting principles	12,021	1,858	1,807	11,331	(6,380)
TRANSACTIONS APPROVED BY STOCKHOLDERS					
Issuance (repurchase of shares)	(1)	4	28	—	—
Transfer of prior years' result	—	—	—	6,261	—
Creation of reserves as per General Stockholders' meeting on April 28, 2006	—	—	305	(305)	—
Dividends 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	(6,380)
Changes in accounting principles					
Balances, December 31, 2006 after retroactive effect of changes in accounting principles	12,020	1,862	2,140	16,417	(6,380)
TRANSACTIONS APPROVED BY STOCKHOLDERS					
Issuance (repurchase of shares)	(55)	(590)	6	—	—
Transfer of prior years' result	—	—	—	6,255	—
Creation of reserves as per General Stockholders' meeting on March 30, 2007	—	—	306	(306)	—
Dividends 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	Ps. 11,965	Ps. 1,272	Ps. 2,452	Ps. 21,379	Ps. (6,380)

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 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				
	Effect of holding non-monetary assets	Net income	Total majority interest	Total minority interest	Total stockholders' equity
Balances, January 1, 2005	**Ps. (4,102)**	**Ps. 2,916**	**Ps. 17,242**	**Ps. 973**	**Ps. 18,215**
TRANSACTIONS APPROVED BY STOCKHOLDERS					
Issuance (repurchase of shares)	—	—	(18)	—	(18)
Transfer of prior years' result	—	(2,916)	—	—	—
Creation of reserves as per General Stockholders' meeting on April 28, 2005	—	—	—	—	—
Dividends declared at the General Stockholders' meeting on October 6, 2005	—	—	(689)	—	(689)
Increase in common stock at the General Stockholder's Meeting on October 6, 2005	—	—	—	—	—
Total transactions approved by stockholders	**—**	**(2,916)**	**(707)**	**—**	**(707)**
COMPREHENSIVE INCOME				—	
Net income	—	6,183	6,183	—	6,183
Effect of holding non-monetary assets	(558)	—	(558)	—	(558)
Total comprehensive income	**(558)**	**6,183**	**5,625**	**—**	**5,625**
Minority interest	—	—	—	86	86
Balances, December 31, 2005	**(4,660)**	**6,183**	**22,160**	**1,059**	**23,219**
Changes in accounting principles	(400)	78	(322)	(14)	(336)
Balances, December 31, 2005 after retroactive effect of changes in accounting principles	**(5,060)**	**6,261**	**21,838**	**1,045**	**22,883**
TRANSACTIONS APPROVED BY STOCKHOLDERS					
Issuance (repurchase of shares)	—	—	31	—	31
Transfer of prior years' result	—	(6,261)	—	—	—
Creation of reserves as per General Stockholders' meeting on April 28, 2006	—	—	—	—	—
Dividends 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	**(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	**(5,734)**	**6,255**	**26,580**	**1,446**	**28,026**
TRANSACTIONS APPROVED BY STOCKHOLDERS					
Issuance (repurchase of shares)	—	—	(639)	—	(639)
Transfer of prior years' result	—	(6,255)	—	—	—
Creation of reserves as per General Stockholders' meeting on March 30, 2007	—	—	—	—	—
Dividends 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 ENTRIES	—				
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	**Ps. (5,009)**	**Ps. 6,810**	**Ps. 32,489**	**Ps. 1,667**	**Ps. 34,156**

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GRUPO FINANCIERO BANORTE, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005
(In millions of Mexican pesos of purchasing power of December 31, 2007)

	2007	2006	2005
OPERATING ACTIVITIES:			
Net income	**Ps. 6,810**	**Ps. 6,255**	**Ps. 6,261**
Items not requiring (generating) resources:			
Fair value adjustments of financial instruments	(192)	176	(46)
Allowance for loan losses	2,646	1,530	1,169
Depreciation and amortization	980	923	1,025
Deferred taxes	(487)	355	42
Provisions for other obligations	2,433	(107)	2,016
Minority interest	326	219	339
Equity in earnings of subsidiaries and associated companies	(357)	(628)	(354)
	12,159	**8,723**	**10,452**
Increase or decrease in operating accounts:			
Increase in deposits	27,447	27,260	5,672
Increase in loan portfolio	(51,124)	(24,143)	(12,271)
Decrease (increase) from treasury transactions (investment securities)	10,171	(6,444)	(2,369)
(Increase) decrease in transactions with securities and derivative financial instruments	(2,370)	3,380	1,691
Increase (decrease) from bank and other loans	5,233	(3,668)	(4,469)
(Increase) decrease of deferred taxes	(65)	419	371
Net resources generated by operating activities	**1,451**	**5,527**	**(923)**
FINANCING ACTIVITIES:			
Subordinated debentures	(1,551)	6,837	(91)
(Repurchase) issuance of shares	(639)	31	(18)
Dividends declared	(917)	(792)	(689)
(Decrease) increase in other payables	(418)	4,443	2,465
Net resources (used in) generated by financing activities	**(3,525)**	**10,519**	**1,667**
INVESTING ACTIVITIES:			
Acquisition of property, furniture and fixtures, net	(1,961)	(1,378)	(183)
Decrease (increase) in permanent stock investments	353	(416)	(640)
Increase in deferred charges and credits	(388)	(5,987)	(1,159)
(Increase) decrease in foreclosed assets	(6)	89	(144)
Decrease (increase) in other accounts receivables	632	(5,239)	(478)
Net resources used in investing activities	**(1,370)**	**(12,931)**	**(2,604)**
Net (decrease) increase in cash and cash equivalents	(3,444)	3,115	(1,860)
Cash and cash equivalents at the beginning of the year	45,054	41,939	43,799
Cash and cash equivalents at the end of the year	**Ps. 41,610**	**Ps. 45,054**	**Ps. 41,939**

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 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") (previously Grupo Financiero Banorte, S.A. de C.V.) 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 Mexican Central Bank (Banco de México) and other applicable laws and regulations. The powers of these Commissions in their capacity as regulators of the Financial Group and its subsidiaries include reviewing the financial information and requesting modifications to such information.

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, the purchase and sale of uncollected invoices and notes, rendering of general warehousing services 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.

At the Extraordinary Stockholders' Meeting held on December 13, 2006, it was resolved, among other things, to reform the Financial Group's bylaws in order to adjust them to the new provisions of the Mexican Stock Market Law. This new law establishes that business corporations with representative shares of their stockholders' equity registered in the National Securities Register will, as of the law's effective date, become securities business corporations. Consequently, the Financial Group's name was modified to add "Securities Business Corporation of Variable Capital" or its abbreviation in Spanish, S.A.B. de C.V. The corresponding authorization by the SHCP was obtained by means of official document UBA/DGABM/1293/2007 dated September 4, 2007. The modifications to the bylaws are recorded in Public Document 58,046 dated August 27, 2007, which is inscribed in the Public Registry of Property and Commerce under electronic mercantile folio 40197*9 dated October 1, 2007.

The Financial Group's consolidated financial statements were approved by the Board of Directors at their January 31, 2008 meeting in accordance with the responsibility assigned to them.

2 – SIGNIFICANT EVENTS DURING THE YEAR

a. Acquisition of Uniteller Holdings, Inc.

In January 2007, Banco Mercantil del Norte, S.A. ("Banorte"), through its subsidiary Banorte USA Corporation ("Banorte USA"), a company constituted in the United States of America, completed the acquisition of 100% of the outstanding shares of Uniteller Holdings, Inc. (Uniteller), which is a remittances company based in the United States of America. The acquisition was completed after receiving the approval of the SHCP in Mexico and U.S. authorities that regulate the money transfer industry in that country.

To close this acquisition, Banorte USA received a total of USD 19 million as a capital contribution from Banorte, USD 18.3 million of which covered the purchase price of all of Uniteller's shares and the rest was used as a capital contribution of USD 700 thousand. In addition, as part of the purchase agreement, Banorte USA contributed an additional USD 650 thousand to Uniteller that was used to pay its previous shareholders' loans. This payment was capitalized in June 2007.

The initial purchase price allocation assigned goodwill of USD 17 million and other intangible assets of USD 375 thousand, which are included as "Other assets, deferred charges and intangibles" in the consolidated balance sheet. The goodwill was calculated as follows:

	Millions of USD
Purchase price	18.30
Plus:	
Acquisition expenses	2.50
Less:	
Fair value of the net assets acquired	(3.38)
Intangible assets acquired	(0.38)
Goodwill	**17.04**

b. Bond securitization

In keeping with a modification in its investment strategy, Banorte, during the first quarter of 2007, reclassified Ps. 3,434 of its PEMEX bonds from "Held to maturity securities" to "Available for sale securities". As a result of this reclassification, a gain of Ps. 26 was recognized in stockholders' equity resulting from the fair market valuation as required by the Commission's Accounting Circular B-2, "Investments in Securities".

Due to the transfer of securities between the abovementioned categories, a corresponding reclassification was made for its derivative financial instruments that hedged those positions, comprised of cross currency swaps that exchanged the Financial Group's variable exposure with interest rates denominated in Mexican pesos to a fixed rate in US dollars. The reclassification consisted of a change of category from "Hedge of securities held to maturity" to "Hedge of available for sale securities".

Subsequently, Banorte sold part of its position in UMS, PEMEX, CFE and BANCOMEXT bonds of Ps. 2,027 to a trust created for this specific purpose, which subsequently issued stock certificates that were placed through a public offering on the Mexican Stock Exchange. Banorte recorded a loss of Ps. 43 on the sale, as a result of cancelling the fair market value effects recorded in stockholders' equity and recognized the effects of the sale in the consolidated income statement.

Banorte kept its position in its cross currency swaps and entered into four swaps transactions with the Trust so that the latter could cover the exchange exposure and interest generated by the bonds it acquired. The transaction generated a Ps. 79 gain that was recognized in the consolidated income statement.

Banorte purchased a majority of the stock certificates issued by the trust and subsequently entered into repurchase agreements with third parties. Banorte continued to account for the transaction as a sale in accordance with the accounting practices established by the Commission, which requires that the stock certificates purchased by Banorte be resold through repurchase agreement transactions. If the stock certificates had not been placed in securities repurchase agreements, the transaction would have been considered to be a secured borrowing with collateral.

c. State and municipal government portfolio securitization

In November 2007, Banorte securitized its state and municipal government portfolio of Ps. 5,599, transferring such loans to a trust created specifically for the purpose of this transaction. The trust then issued Series A stock certificates for Ps. 5,263 and Series B for Ps. 112 in the Mexican Stock Market. The guaranteed rate of return for the Series A shareholders is TIIE 28 + 0.18 bp and TIIE 28 + 0.65 bp for the Series B shareholders. Banorte received Ps. 5,375 in cash and a stock certificate valued at 224 which gives it rights over the trust's remaining cash flows after its shareholders are all paid off. This retained interest was recorded at its fair value within "Trading Securities". The securitization was recorded as a sale and generated a gain of Ps. 14, resulting from the difference between the fair value of the assets received and the carrying value of the transferred assets.

d. Acquisition of Motran Services, Inc.

In December 2007, Banorte, through its subsidiary Banorte USA, acquired 100% of the outstanding shares of Motran Services, Inc. ("Motran"), a remittances company located in the United States of America. The acquisition was completed after receiving the approval of the SHCP in Mexico and the U.S. authorities that regulate the money transfer industry in that country.

Banorte USA received a capital contribution of USD 3 million from Banorte, of which USD 1.94 million was used to cover the entire purchase price of Motran's shares and USD 117 thousand was used to pay Motran's debt to its previous shareholder. The remainder of the funds will be paid as a bonus to the previous shareholder, who continues to be in charge of running Motran's money transfer business. This bonus will be paid to the shareholder in the first two years of operations subsequent to the purchase date. Consequently, beginning in January 2008 a monthly provision will be recorded for the payments that will be made over the next two years.

The preliminary purchase price allocation assigned goodwill of USD 1.54 million and USD 61 thousand to other intangible assets, which are included as "Other assets, deferred charges and intangibles" in the consolidated balance sheet. The goodwill was calculated as follows:

	Millions of USD
Purchase price	1.94
Plus:	
Acquisition expenses	0.23
Less:	
Fair value of the net assets acquired	(0.57)
Intangible assets acquired	(0.06)
Goodwill	**1.54**

e. Early payment of subordinated debentures

On November 28, 2002 Banorte authorized the issuance of publicly traded (in Mexico) non-preferred, non-convertible subordinated debentures (BANORTE 02D) up to a total amount of Ps. 1,500 (nominal value) with a 10-year term and principal due at maturity.

Subsequently, at the General Extraordinary Shareholders' Meeting held on June 16, 2003, a reduction of the total amount of the issuance to Ps. 1,136 (nominal value) was approved.

Banorte's management decided to prepay the outstanding debt and on November 28, 2007 paid Ps. 1,236 of principal and Ps. 47 of accrued interest. There was no prepayment penalty as stipulated in clause eleven of the debenture.

f. Sale of Fianzas Banorte, S.A. de C.V.

On March 31, 2007, 100% of the shares of Fianzas Banorte, S.A. de C.V. ("Fianzas Banorte") were sold. This transaction was approved by the Board of Directors in its July 27, 2006 meeting. The Financial Group recorded a gain on sale of Ps. 19 as it received Ps. 154 in cash and the book value of its investment was Ps. 135 on the date of sale.

3 – BASIS OF PRESENTATION

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, 2007 and 2006, the Financial Group's consolidated subsidiaries and its ownership percentage is as follows:

	2007	2006
Banco Mercantil del Norte, S.A. and Subsidiaries	97.06%	97.06%
Casa de Bolsa Banorte, S. A. de C. V.	99.99%	99.99%
Arrendadora and Factor Banorte, S. A. de C. V. (previously Factor Banorte, S.A. de C.V.)	99.99%	99.99%
Arrendadora Banorte, S. A. de C. V.	99.99%	99.99%
Almacenadora Banorte, S. A. de C. V.	99.99%	99.99%
Créditos Pronegocio, S.A. de C.V.	99.99%	99.99%

4 – SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting principles

On September 15, 2006 the Official Gazette of the Federation published the changes in accounting criteria established by the Commission for financial institutions. Such changes became effective as of January 1, 2007, of which the most significant are listed below:

- The following pronouncements of Mexican Financial Reporting Standards ("MFRS"), as published or adopted by the Mexican Board for Research and Development of Financial Information Standards ("CINIF"), were adopted by the Commission: a) NIF B-1, "Accounting Changes and Error Corrections"; b) Bulletin B-7, "Business Acquisitions"; c) Bulletin C-10, "Derivative Financial Instruments and Hedging Activities"; d) Bulletin C-15, "Impairment of the Value of Long-lived Assets and their Disposal;" and e) Bulletin D-5, "Leases".

- All subsidiaries under the control of financial holding companies, except those in the insurance and pension sector, are required to be consolidated. The exception to consolidate only subsidiaries belonging to the financial sector was eliminated.

- The result of monetary position ("REPOMO") is now determined based on the beginning balances and not over the average balances.

- Foreclosed assets are now considered to be non-monetary assets.

- Cash dividends received from publicly traded securities are recorded in the balance sheet in the same period the fair value of the securities is affected.

- Transfers to or from trading securities were eliminated, allowing companies to only make transfers from held to maturity securities to available for sale securities, providing they will not be held to maturity.

- Changes in the fair value of derivative instruments designated as hedges are recognized as follows:

  a. For fair v-alue hedges, changes in both the derivative instrument and the hedged item are recognized in current earnings.

  b. For cash flow hedges, 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 change in fair value is immediately recognized in current earnings.

  As stated below, the Financial Group applied these changes in accounting principles retroactively. The cumulative effect in 2007 resulting from accounting for its derivative instruments at fair value was decrease of Ps. 578 in stockholders' equity within "Results from the valuation of cash flow hedging instruments", which in turn is included in the "effect of holding non-monetary assets" ("RETANM"), which is shown in the 2006 statement of changes in stockholders' equity for presentation purposes.

- Loans with financial entities, governments and the IPAB loans are considered to be commercial loans for presentation purposes.

- Fees charged in connection with the issuance of loans will be recorded as a deferred credit, which will be amortized into interest income over the loan's term.

- Reserves may be recorded in addition to those established by the Commission 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.

- Recoveries of previously written-off loans are recorded in the consolidated income statements within other income.

- Additional allowances for loan losses determined through the portfolio rating, must be cancelled with the effects recognized in the income statement (on a quarterly basis), as established by the Commission.

- Fees collected for granting guarantees are presented in commission and fee income within the consolidated income statement.

- On April 26, 2007 the Commission published in the Official Gazette of the Federation additional changes, among which the most important was Criterion B-11, "Collection Rights", which establishes how to account for acquired impaired loans. The amortization of the initial investment and the determination of the yield are recorded by applying one of the following three methods, depending on the specific features of the acquired loans packages: a) effective interest method, b) cash basis method, and c) cost recovery method. The accounting policies previously used by the Financial Group through 2006 did not contemplate the cash basis method.

Retrospective application of the changes in accounting criteria

As a result of the accounting changes described above, the 2006 and 2005 financial statements reflect the effect of such changes retrospectively in order for them to be comparative with the 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 (in millions of Mexican pesos of purchasing power of December 31, 2007):

CONSOLIDATED BALANCE SHEETS

	2006 As originally presented	2006 As adjusted	Variance
ASSETS			
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

	2006 As originally presented	2006 As adjusted	Variance
LIABILITIES			
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	Ps. (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

	2006 As originally presented	2006 As adjusted	Variance
CONSOLIDATED STATEMENTS OF INCOME			
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**

	2005 As originally presented	2005 As adjusted	Variance
CONSOLIDATED STATEMENTS OF INCOME			
Interest income	**Ps. 38,190**	**Ps. 38,030**	**Ps. (160)**
Interest expense	**(23,709)**	**(23,703)**	**6**
Monetary position loss, net	**(159)**	**(159)**	**—**
FINANCIAL MARGIN	**14,322**	**14,168**	**(154)**
Allowance for loan losses	**(1,562)**	**(1,169)**	**393**
FINANCIAL MARGIN AFTER PROVISION FOR LOAN LOSSES	**12,760**	**12,999**	**239**
Commission and fee income	**7,167**	**5,690**	**(1,477)**
Commission and fee expense	**(1,619)**	**(643)**	**976**
Brokerage revenues	**1,121**	**1,120**	**(1)**
NET OPERATING REVENUE	**19,429**	**19,166**	**(263)**
Administrative and promotional expenses	**(12,019)**	**(12,478)**	**(459)**
OPERATING INCOME	**7,410**	**6,688**	**(722)**
Other income	**3,136**	**4,120**	**984**
Other expenses	**(2,009)**	**(1,997)**	**12**
INCOME TAXES AND EMPLOYEE PROFIT SHARING	**8,537**	**8,811**	**274**
Current income taxes and employee profit sharing	**(2,473)**	**(2,523)**	**(50)**
Deferred income taxes and employee profit sharing	**26**	**(42)**	**(68)**
INCOME BEFORE EQUITY IN EARNINGS OF SUBSIDIARIES AND ASSOCIATED COMPANIES	**6,090**	**6,246**	**156**
Equity in earnings of subsidiaries and associated companies, net	**435**	**354**	**(81)**
NET EARNINGS BEFORE MINORITY INTEREST	**6,525**	**6,600**	**75**
Minority interest	**(342)**	**(339)**	**3**
NET INCOME	**Ps. 6,183**	**Ps. 6,261**	**Ps. 78**

The significant accounting policies of the Financial Group are in conformity with practices prescribed by the Commission for Credit Institutions, Brokerage Houses and Money Management Companies, which require that management make certain estimates and use certain assumptions that affect the amounts reported in the financial statements and their related disclosures; however, actual results may differ from such estimates. The Financial Group's management, upon applying professional judgment, considers that estimates made and assumptions used were adequate under the circumstances.

In the absence of a specific accounting principle issued by the Commission or in the NIFs issued by the CINIF, the following supplemental guidance should be applied: International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and accounting principles generally accepted in the United States of America ("U.S. GAAP") issued by the Financial Standards Board ("FASB").

The significant accounting policies followed by the Financial Group are described below:

Recognition of the effects of inflation in financial information

The Financial Group restates its consolidated financial statements to Mexican peso purchasing power as of the most recent balance sheet date presented thereby recognizing the effects of inflation in its financial information. Accordingly, the consolidated financial statements of the prior year, that are presented for comparative purposes, have also been restated to Mexican pesos of the same purchasing power and, therefore, differ from those originally reported in the prior year. Consequently, the prior year financial statements are comparable with the current year as they are all expressed in the same purchasing power.

To recognize the effects of inflation in terms of purchasing power of the most recent balance sheet presented, the following procedures are applied:

To the balance sheet accounts

Real estate property is restated based on a factor derived from the value of Investment Units ("UDIS"), taking values determined by independent appraisers as the basis for their valuation.

Furniture and fixtures are restated based on a factor derived from the value of the UDI from their acquisition date to the most recent balance sheet presented.

Foreclosed assets are considered to be non-monetary beginning on January 1, 2007, consequently the prior year amounts have been restated based on a factor derived from the value of the UDI.

Investments in shares are valued based on the equity method. The difference between the restatement of the balance at the beginning of the period using the restatement factor derived from the value of the UDI and the increase or decrease from the equity in earnings is reflected as a result from holding non-monetary assets.

Contributed capital and retained earnings, as well as other non-monetary items, are restated using a factor derived the value of the UDI from the date of contribution or when earned. Contributed and earned capital is restated taking May 1992 as the base month for restatement.

To the statement of income accounts

Revenues and expenses that affect or are derived from a monetary item (funds available, financial instruments, loan portfolio, deposits, etc.), and those derived from current operations (commissions, tariffs and administrative and promotional expenses) are restated from the month in which they occur to the most recent balance sheet presented, using a factor derived from the value of the UDI.

Depreciation for the year is calculated on restated values based on the estimated useful lives determined by independent appraisers.

Monetary position result, which represents the erosion of purchasing power of monetary items caused by inflation, is calculated by applying the inflation factor derived from the value of the UDI to the monthly net monetary liability (asset) average and is restated using the factor discussed above at the most recent balance sheet presented.

To the statement of changes in stockholders' equity accounts

The insufficiency in restating stockholders' equity is comprised by the accumulated result of holding monetary assets ("REPOMO") up to the first restatement.

RETANM is equal to the difference between the final permanent investments balance valued by the equity method and the amount resulting from applying the restatement factor of the period to the permanent investments at the beginning of such period plus the restated amount of the latest balance sheet.

To the statement of changes in financial position accounts

The statement of changes in financial position presents the changes in constant pesos, starting from the financial position of the previous balance sheet presented, restated to pesos as of the most recent balance sheet presented.

Comprehensive income

Represents 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 2007 and 2006, the comprehensive income is represented by the year's results, the translation effects of foreign subsidiaries, the unrealized gain/loss on available for sale securities and RETANM.

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 most recent balance sheet date presented.

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 its 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, net of their monetary position result and reclassified to current earnings upon their sale. The monetary position result generated by the valuation of these securities is recorded in stockholders' equity.

Held to maturity securities

Held to maturity securities consist of debt instruments whose payments can be readily 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 fair 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.

As of January 1, 2007, transfers from this classification to "Available for sale securities" can only be made providing the related instruments will not be held to maturity.

Customer repurchase agreements

Customer repurchase agreements represent the temporary purchase or sale of certain financial instruments in exchange for an established premium with the obligation to resell or repurchase such securities in the future.

When the Financial Group acts as the vendor of securities, the net position represents the difference between the fair value of the securities covered by the repurchase agreement (asset position) which, in turn, represents the securities to be received through the transaction, valued according to the investment valuation methods established for trading securities, and the present value of the price at maturity (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.

The debit or credit balance resulting from transactions involving repurchase agreements is presented under assets or liabilities in the consolidated balance sheet under the heading "Securities and derivative financial instruments".

For repurchase transactions entered into for periods exceeding three business days, a guarantee must be provided to mitigate market and counterparty risks. Guarantees received for repurchase transactions not involving the transfer of ownership are recognized in memoranda accounts and are considered as restricted assets.

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 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 Credit Risk Committee or liquid guarantees given through a securitized collateral contract. Transactions entered into with medium and small 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

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. Asset and liability positions are individually offset; a resulting debit balance is presented as an asset under the "Derivative financial instruments" heading, while a credit balance is presented as a liability under the same heading.

Option contracts

The balance of these transactions entered into for trading purposes is stated at fair value and recorded as an asset or liability under the "Derivative financial instruments" heading.

Swaps

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 instruments are carried at fair value in the balance sheet and changes in such instruments are recorded in current earnings.

Management's policy with regards to its hedging instruments is to protect the Financial Group's individual balances and stockholders' equity by anticipating interest rate and exchange rate fluctuations.

Accordingly, the Financial Group documents its hedging transactions based on the following guidelines:

- For fair value hedges, the transactions are recorded as follows:

  a. The fair value of the derivative instrument is recorded as an asset or liability in the consolidated balance sheet as "Securities and derivative financial instruments".

  b. Changes in both the derivative instrument and the hedged item are stated at fair value and recognized in current earnings.

- For cash flow hedges, the transactions are recorded as follows:

  a. The fair value of the derivative instrument is recorded as an asset or liability in the consolidated balance sheet as "Securities and derivative financial instruments". 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.

  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 profit or loss of the hedging instrument; and
     II. The accumulated change in the primary position's fair value from the beginning of the hedging transaction.

Loan portfolio

The loan portfolio represents the balance of amounts effectively granted to borrowers plus uncollected accrued interest minus interest payments received. The allowance for loan losses resulting from credit risks is presented by deducting the balance from 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 upon 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 having 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 is recorded as a deferred credit and amortized as interest income, over 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 at least 25% of the original loan amount are considered past-due until evidence of sustained payments 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 December 2, 2005 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 internal 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 allowances are determined based on the rules set by the Commission. This methodology is explained further 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 utilized 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's current 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 its related allowance for loan losses, derived from applying such methodologies.

As of December 14, 2006, the Commission issued Document No. 111-1/524348/2006, which renewed for a two-year period, as of December 1, 2006, the authorization for such internal commercial 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 held 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 applies 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 in accordance with the established trust agreements 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 applies the procedure established by the Commission.

When evaluating a debtor's credit quality with the CIR Banorte method, the following risks and payment type 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 homologated with the risk degrees established by the Commission.

CIR Banorte	Risk level description	Commission classification equivalent
1	Substantially risk free	A1
2	Below minimal risk	A2
3	Minimum risk	A2
4	Low risk	B1
5	Moderate risk	B2
6	Average risk	B3
7	Risk requiring management attention	C1
8	Potential partial loss	C2
9	High loss percentage	D
10	Total loss	E

For commercial loans under 4 million UDIS or its equivalent in Mexican pesos, loans under 900 thousand UDIS to state and municipal governments and their decentralized agencies, mortgage loans and consumer loans, the Financial Group applied the general provisions applicable to credit institutions for classifying the loan portfolio as issued by the Commission.

Acquired loan portfolios

This balance is represented by the acquisition cost of the various loan portfolios acquired by the Financial Group, that 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 portfolios' 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, providing 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 recoveries are recorded in current earnings.

For its portfolios valued using the interest method, the Financial Group 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 Group 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 as "highly effective" if the result of dividing the sum of the cash flows actually collected by the sum of the expected cash flows is between 80% and 125% when such effectiveness is evaluated.

The Financial Group periodically evaluates the expected cash flows of its purchased portfolios to determine, whether based on events or circumstances the expected cash flows will decrease. It will then make an estimate of non-recoverability or difficult collection and record the corresponding decrease in the portfolio balance equal to the difference between the carrying value and the revised estimated cash flows.

Other accounts receivable and payable

The Financial Group performs an internal analysis 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 balance of asset and liability settlement accounts represent transactions involving the sale and purchase of foreign currencies and securities, which are recorded when entered into and settled within 48 hours.

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. No impairment has been recorded in the consolidated financial statements.

Foreclosed property or property received as payments in kind, 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 the 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 cancelling the allowance for loan losses when such assets are awarded. If the carrying value of the loan is lower than the fair value of the foreclosed property, the latter must be adjusted to equal 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.

When recognizing the effects of inflation in financial information, foreclosed property is considered to be a non-monetary item as of January 1, 2007 and is restated using a factor derived from the value of the UDI.

The provisions applicable to the new valuation methodology for the allowance for loan losses mentioned above, define the valuation methodology for reserves related to either foreclosed property or those assets received as payment in kind, establishing that additional quarterly provisions must be created to recognize the potential decrease in value over time of property awarded under legal proceedings, out-of-court or received as payment in kind and the investments in securities received as foreclosed goods or payment in kind, based on the following guidelines:

I. In the case of collection rights and personal 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 payment in kind (months)	Reserve percentage
Up to 6	0%
More than 6 and up to 12	10%
More than 12 and up to 18	20%
More than 18 and up to 24	45%
More than 24 and up to 30	60%
More than 30	100%

The amount of the reserves to be created will be the result of applying the reserve percentage determined under the preceding table to the value of collection rights or foreclosed property, received as payment in kind or awarded, in a court proceeding.

II. Investments in securities must be valued in accordance with the provisions of the Commission's accounting circular B-2, "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 payment in kind (months)	Reserve percentage
Up to 12	0%
More than 12 and up to 24	10%
More than 24 and up to 30	15%
More than 30 and up to 36	25%
More than 36 and up to 42	30%
More than 42 and up to 48	35%
More than 48 and up to 54	40%
More than 54 and up to 60	50%
More than 60	100%

The amount of the reserves to be created will be the result of applying the reserve percentage determined under the preceding table to the 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.

If appraisals subsequent to the foreclosure or payment in kind result in the recording of a decrease in the value of collection rights, securities, personal or real property, the reserve percentages contained in the preceding table may be applied to the adjusted value.

Property, furniture and fixtures

Property, furniture and fixtures are recorded at acquisition cost, restated as explained earlier in this note.

Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets, which for the Financial Group's property is determined 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"), Tax on Assets ("IMPAC") and Employee Statutory Profit-Sharing ("PTU")

ISR and PTU are recorded in the results of the year in which they are incurred. Beginning October 2007, based on its financial projections, the Financial Group must determine whether it will incur regular income tax ("ISR") or the new Business Flat Tax ("IETU") and, accordingly, recognizes deferred taxes based on the tax it will pay. Deferred taxes are calculated by applying the corresponding tax rate to the applicable temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. Deferred tax assets are recorded only when there is a high probability of recovery.

The net effect of the abovementioned items is presented in the consolidated balance sheet under the "Deferred taxes, net" heading.

Asset tax paid that is expected to be recovered is recorded as an advance on income tax and is presented in the consolidated balance sheet under "Other receivables, net".

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 indefinite lives are amortized systematically over the period expected to receive benefits. The value of these assets 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. It is restated using the National Consumer Price Index ("NCPI") and at least once a year is subject to impairment tests. No impairment of goodwill was recorded in the consolidated financial statements.

Deposits

Liabilities derived from deposits, including promissory notes, are recorded at their procurement or placement cost plus accrued interest, which is determined according to the number of days elapsed at each monthly close and is 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.

Defined benefit plans

The Financial Group records a liability for seniority premiums, 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 net discount rates as established by Bulletin D-3 "Labor Obligations".

Accordingly, the liability is being accrued which, at present value, will cover the obligation from benefits projected to the estimated retirement date of the Company's current employees, as well as the obligation related to retired personnel.

The Financial Group applies the provision of NIF D-3, related to 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.

Defined contribution plan

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.

Costs associated with the defined contribution plan are recorded based on 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. MMonetary 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 current earnings.

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 transferor 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 transferor and transferee account for the transfer as a secured borrowing with pledge of collateral.

Securitizations

Through this type of transaction, the Financial Group seeks to sell and transfer certain financial assets to a qualifying special purpose entity (ordinarily a trust), 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 transferor does not transfer ownership of the financial assets, i.e., if it effectively retains control over 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 transferor cannot derecognize such transferred assets from its financial statements and accounts for the transfer as a secured borrowing with pledge of collateral.

5 – NEW ACCOUNTING PRINCIPLES

According to the Commission's accounting Circular A-1, "Basic Framework of Accounting for Credit Institutions", the accounting by financial service institutions must be in accordance with MFRS established by the CINIF, except when the Commission considers it necessary to apply a specific standard or accounting criterion, taking into consideration that such institutions perform specialized operations.

The following are some of the principal changes derived from the new standards or modifications issued by the CINIF to go into effect as of January 1, 2008:

- NIF B-10, "Effects of Inflation". CINIF defines two economic environments: a) inflationary environment, when cumulative inflation of the three preceding years is 26% or more, in which case, the effects of inflation should be recognized using the comprehensive method; and b) non-inflationary environment, when cumulative inflation of the three preceding years is less than 26%, in which case, no inflationary effects should be recognized in the financial statements. Additionally, NIF 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.

- Cumulative RETANM that has been realized as of the effective date of NIF B-10 should be reclassified to retained earnings. Cumulative RETANM that has not been realized should be separately stated in stockholders' equity and recognized in current earnings in the period the item that originated it is realized. For practical purposes, entities may reclassify the entire balance of cumulative RETANM, both realized or unrealized, to retained earnings as well as monetary position amount recorded in stockholders' equity.

- NIF D-3, "Employee Benefits". This NIF includes current and deferred PTU. Deferred PTU should be calculated using the same methodology established in NIF D-4. It also includes the career salary concept and the amortization period of most items is reduced to five years, as follows:

  Items will be amortized over a 5-year period, or less, if the employees' remaining labor life is less than the:

  - Beginning balance of the transition liability for severance and retirement benefits
  - Beginning balance of past service cost and changes to the plan
  - Beginning balance of gains and losses from severance benefits, according to actuarial calculations, should be amortized against the results of 2008
  - Beginning balance of gains and losses from retirement benefits, according to actuarial calculations, should be amortized over a 5-year period (net of the transition liability), with the option to fully amortize such item against the results of 2008

  The initial balance of the actuarial profits and losses of severance benefits is amortized in 5 years (transition liability net) with the option to amortize it in the 2008 income statements.

- PTU is considered to be an expense associated with labor obligations instead of an income tax (NIF D-4, "Taxes on Income").

- IMPAC should be recognized as a tax credit and consequently, as a deferred tax asset only when there is high probability of recoverability (NIF D-4).

- The Business Flat Tax is considered to be an income tax as established by INIF 8, "Effects of the Business Flat Tax", which requires an entity determine if it will be an ISR or IETU payer in the future based on management's projections and to recognize deferred taxes based on the tax it will pay.

6 – CASH AND CASH EQUIVALENTS

As of December 31, 2007 and 2006, this line item was composed as follows:

	Mexican pesos		Denominated in US dollars		Total	
	2007	2006	2007	2006	2007	2006
Cash	Ps. 7,033	Ps. 6,803	Ps. 798	Ps. 740	Ps. 7,831	Ps. 7,543
Deposits with foreign credit institutions	—	—	5,309	7,065	5,309	7,065
Domestic banks	250	340	—	—	250	340
Banco de México	25,782	26,750	37	7	25,819	26,757
Call money	—	382	109	—	109	382
Other deposits and available funds	2,292	2,967	—	—	2,292	2,967
	Ps. 35,357	**Ps. 37,242**	**Ps. 6,253**	**Ps. 7,812**	**Ps. 41,610**	**Ps. 45,054**

As of December 31, 2007 the "Other" item includes Ps. 1,456 for funds due to be received in 24 and 48 hours, and Ps. 28 in gold and silver coins. In 2006, it included Ps. 1,890 for funds to be received in 24 and 48 hours, and Ps. 30 in gold and silver coins. As of December 31, 2007 and 2006, the Financial Group had made monetary regulation deposits of Ps. 25,782 and Ps. 26,750, respectively. As of December 31, 2007 and 2006, the total sum of restricted cash and cash equivalents is Ps. 28,089 and Ps. 29,998, respectively. This includes monetary regulation deposits, futures placed in the domestic and foreign market, call money and contracted transactions pending liquation in 24 and 48 hours.

7 – INVESTMENTS IN SECURITIES

a. Trading securities

As of December 31, 2007 and 2006, trading securities are as follows:

	2007				2006
	Acquisition cost	Accrued interest	Valuation increase (decrease)	Book value	Book value
Commercial paper	Ps. 1,244	Ps. —	Ps. 10	Ps. 1,254	Ps. 399
CETES	517	2	(1)	518	366
Government bonds	100	13	—	113	11
Government CBIC	—	—	—	—	92
Treasury bonds	—	—	—	—	56
BREMS	—	—	—	—	52
Bank securities	5,399	—	(4)	5,395	15,692
Securitization certificates	201	3	12	216	665
Shares listed on the International Quotation System (SIC)	2	—	—	2	2
Futures	4	—	—	4	1
Investment funds	11	—	—	11	59
Subordinated securities	236	—	5	241	1
	Ps. 7,714	**Ps. 18**	**Ps. 22**	**Ps. 7,754**	**Ps. 17,396**

During 2007 and 2006, the Financial Group recognized a valuation effect for the net amount of Ps. 1 and Ps. 18, respectively, in results of operations related to its trading securities.

As of December 31, 2007, 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. 1,228	Ps. —	Ps. 16	Ps. 1,244
CETES	517	—	—	517
Government bonds	100	—	—	100
Bank securities	2,139	3,260	—	5,399
Securitization certificates	201	—	—	201
Shares listed on the International Quotation System (SIC)	2	—	—	2
Futures	4	—	—	4
Investment funds	11	—	—	11
Subordinated securities	—	—	236	236
	Ps. 4,202	**Ps. 3,260**	**Ps. 252**	**Ps. 7,714**

b. Available for sale securities

As of December 31, 2007 and 2006, available for-sale securities were as follows:

	2007				2006
	Acquisition cost	Accrued interest	Valuation increase (decrease)	Book value	Book value
U.S. Government bonds	Ps. 4,642	Ps. 24	Ps. (32)	Ps. 4,634	Ps. 3,957
UMS	1,309	34	18	1,361	1,838
Treasury bonds	—	—	—	—	224
Bonds	273	2	10	285	70
EUROBONDS	380	9	(3)	386	—
Structured notes	—	—	—	—	112
PEMEX bonds	3,817	54	10	3,881	—
Subordinated securities	21	—	309	330	22
Bank securities	—	—	—	—	829
CYDSA shares	19	—	52	71	39
	Ps. 10,461	**Ps. 123**	**Ps. 364**	**Ps. 10,948**	**Ps. 7,091**

c. Held to maturity securities

As of December 31, 2007 and 2006, the held to maturity securities are as follows:

Medium and long-term debt instruments:

	2007				2006
	Acquisition cost	Accrued interest	Valuation increase (decrease)	Book value	Book value
Government bonds – support program for Special Federal Treasury Certificates	Ps. 644	Ps. 7	Ps. —	Ps. 651	Ps. 636
Fiduciary rights	34	—	(26)	8	9
U.S. Government bonds	10	—	—	10	11
PEMEX bonds	—	—	—	—	4,155
Strip and Myra bonds	13	1	—	14	61
Subordinated securities	77	—	—	77	82
	Ps. 778	**Ps. 8**	**Ps. (26)**	**Ps. 760**	**Ps. 4,954**

As of December 31, 2007, 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. 644	Ps. 644
Fiduciary rights	—	34	34
U.S. Government bonds	—	10	10
Strip and Myra bonds	13	—	13
Subordinated securities	—	77	77
	Ps. 13	**Ps. 765**	**Ps. 778**

8 – TRANSACTIONS INVOLVING SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 2007 and 2006, transactions involving securities and derivative financial instruments were as follows:

a. Debtor and creditor balances derived from repurchase transactions

Acting as seller of securities

	2007				2006			
	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. 4,039	Ps. 4,039	Ps. —	Ps. —	Ps. 3,640	Ps. 3,640	Ps. —	Ps. —
Development bonds	25,900	25,901	—	1	882	882	—	—
Bonds 182	929	929	—	—	111	111	—	—
Bonds IPAB	874	879	—	5	19,377	19,377	2	2
Quarterly IPAB bonds	119,370	119,739	18	387	125,076	125,169	12	105
Semi-annual IPAB bonds	13,767	13,808	4	45	555	556	—	1
BREMS	—	—	—	—	2,185	2,184	1	—
5-year bonds	—	—	—	—	3,287	3,287	—	—
7-year bonds	1,684	1,684	—	—	154	154	—	—
10-year bonds	4,067	4,069	1	3	4,214	4,222	1	9
20-year bonds	8,758	8,780	1	23	18,186	18,195	1	10
PICFARAC	—	—	—	—	311	311	—	—
UDIBONDS	102	102	—	—	384	384	—	—
10-year UDIBONDS	1,460	1,459	1	—	77	77	—	—
Government securities	**180,950**	**181,389**	**25**	**464**	**178,439**	**178,549**	**17**	**127**
Promissory Notes	4,001	4,001	—	—	4,979	4,980	—	1
CEDES	12,897	12,906	3	12	11,595	11,676	—	81
Bank acceptances	10	10	—	—	5	5	—	—
CEBUR Bank	2,449	2,450	—	1	2,470	2,472	—	2
Bank securities	**19,357**	**19,367**	**3**	**13**	**19,049**	**19,133**	**—**	**84**
Private paper	11,618	11,642	1	25	4,997	5,023	—	26
CEBUR government bonds	4,027	4,026	4	3	3,134	3,133	1	—
Securitization certificates	281	284	—	3	290	290	—	—
Private securities	**15,926**	**15,952**	**5**	**31**	**8,421**	**8,446**	**1**	**26**
	Ps. 216,233	**Ps. 216,708**	**Ps. 33**	**Ps. 508**	**Ps. 205,909**	**Ps. 206,128**	**Ps. 18**	**Ps. 237**

With the Financial Group acting as the vendor, accrued premiums were charged to the results of operations in the amount of Ps. 16,468 (Ps. 15,752 in 2006).

During 2007 and 2006, the period of repurchase transactions entered into by the Financial Group in its capacity as vendor ranged from 3 to 91 days.

Acting as securities purchaser

Instrument	2007 Liability position: Value of securities deliverable	2007 Asset position: Repurchase agreement from debtors	2007 Debit difference	2007 Credit difference	2006 Liability position: Value of securities deliverable	2006 Asset position: Repurchase agreement from debtors	2006 Debit difference	2006 Credit difference
CETES	Ps. 300	Ps. 300	Ps. —	Ps. —	Ps. 1,503	Ps. 1,503	Ps. —	Ps. —
Development bonds	3,233	3,233	—	—	882	882	—	—
Bonds 182	928	928	—	—	—	—	—	—
Bonds IPAB	878	873	5	—	519	519	—	—
Quarterly IPAB bonds	7,558	7,543	18	3	6,875	6,874	6	5
BREMS	—	—	—	—	2,153	2,154	—	1
5-year bonds	—	—	—	—	3,280	3,281	—	1
7-year bonds	350	350	—	—	151	151	—	—
10-year bonds	1,092	1,093	—	1	6	6	—	—
20-year bonds	1,126	1,125	2	1	547	547	—	—
UDIBONDS	102	102	—	—	384	384	—	—
10-year UDIBONDS	501	501	—	—	—	—	—	—
PICFARAC	—	—	—	—	311	311	—	—
Government securities	**16,068**	**16,048**	**25**	**5**	**16,611**	**16,612**	**6**	**7**
Promissory Notes	3,011	3,011	—	—	2,621	2,621	—	—
CEDES	1,773	1,773	—	—	794	792	2	—
Bank securities	**4,784**	**4,784**	**—**	**—**	**3,415**	**3,413**	**2**	**—**
Private paper	—	—	—	—	—	—		
CEBUR government bonds	650	652	—	2	235	235	—	—
Private securities	**650**	**652**	**—**	**2**	**235**	**235**	**—**	**—**
	Ps. 21,502	**Ps. 21,484**	**Ps. 25**	**Ps. 7**	**Ps. 20,261**	**Ps. 20,260**	**Ps. 8**	**Ps. 7**

With the Financial Group acting as the purchaser, accrued premiums of Ps. 2,345 (Ps. 2,585 in 2006) were earned and recognized in the results of operations.

During 2007 and 2006, the period of repurchase transactions entered into by the Financial Group in its capacity as purchaser ranged from 3 to 28 days.

b. Derivative financial instruments

The transactions entered into by the Financial Group involving derivative financial instruments correspond mainly to futures, swaps and option contracts. These transactions are entered into to hedge various risks and for trading purposes.

As of December 31, 2007, 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, 2007 and 2006, the positions of the Financial Group's derivative financial instrument are as follows:

Concept	**2007**		
Futures	**Receivable flows**	**Deliverable flows**	**Net flows**
Over National Consumer Price Index	10	10	—
Individual compensation	Asset position	Liability position	Net
	—	—	—
Foreign currency forwards contracts	**Purchase**	**Sale**	**Net**
Market value	3,068	3,165	6,233
Contract price	(3,111)	(3,126)	(6,237)
Net position	(43)	39	(4)
Individual compensation	Asset position	Liability position	Net
	42	(46)	(4)
Swaps for trading purposes	**Receivable flows**	**Deliverable flows**	**Net flows**
Interest rate	49,227	(49,182)	45
Individual compensation	Asset position	Liability position	Net
	1,550	(1,505)	45
Swaps designated as hedging	**Receivable flows**	**Deliverable flows**	**Net flows**
Interest rate	16,440	(16,869)	(429)
Individual compensation	Asset position	Liability position	Net
	415	(844)	(429)
Trading call options	**Initial premium**	**Fair value adjustment**	**Premium fair value**
Interest rate	852	(633)	219
Swaptions	6	(30)	(24)
Net position	858	(663)	195
Individual compensation	Asset position	Liability position	Net
	195	—	195
Hedging call options	**Initial premium**	**Fair value adjustment**	**Premium fair value**
Interest rate	138	(38)	100
Net position	138	(38)	100
Individual compensation	Asset position	Liability position	Net
	100	—	100
Net asset position	**996**	**(701)**	**295**
Put options	**Initial premium**	**Fair value adjustment**	**Premium fair value**
Interest rate	(691)	661	(30)
Swaptions	(12)	2	(10)
Net position	(703)	663	(40)
Individual compensation	Asset position	Liability position	Net
	—	(40)	(40)
Net liability position	**(703)**	**663**	**(40)**
Total asset and liability position	**Ps. 2,302**	**Ps. (2,435)**	**Ps. (133)**

Concept	2006		
Futures	**Receivable flows**	**Deliverable flows**	**Net flows**
Over National Consumer Price Index	3	3	—
Individual compensation	Asset position	Liability position	Net
	—	—	—
Foreign currency forwards contracts for trading purposes	**Purchase**	**Sale**	**Net**
Market value	285	341	626
Contract price	(292)	(333)	(625)
Net position	(7)	8	1
Individual compensation	Asset position	Liability position	Net
	8	(7)	1
Foreign currency forwards contracts designated as hedging	**Purchase**	**Sale**	**Net**
Market value	2,907	(2,859)	48
Contract price	2,907	(2,907)	—
Net position	—	48	48
Individual compensation	Asset position	Liability position	Net
	48	—	48
Swaps for trading purposes	**Receivable flows**	**Deliverable flows**	**Net flows**
Interest rate	6,606	(6,600)	6
Individual compensation	Asset position	Liability position	Net
	1,657	(1,651)	6
Swaps designated as hedging	**Receivable flows**	**Deliverable flows**	**Net flows**
Interest rate	19,008	(20,595)	(1,587)
Individual compensation	Asset position	Liability position	Net
	442	(2,029)	(1,587)
Trading call options	**Initial premium**	**Fair value adjustment**	**Premium fair value**
Interest rate	9	—	9
Swaptions	1	3	4
Net position	10	3	13
Individual compensation	Asset position	Liability position	Net
	13	—	13
Hedging call options	**Initial premium**	**Fair value adjustment**	**Premium fair value**
Interest rate	—	—	—
Net position	—	—	—
Individual compensation	Asset position	Liability position	Net
	—	—	—
Net asset position	**10**	**3**	**13**
Put options	**Initial premium**	**Fair value adjustment**	**Premium fair value**
Interest rate	(16)	14	(2)
Net position	(16)	14	(2)
Individual compensation	Asset position	Liability position	Net
	—	(2)	(2)
Net liability position	**(16)**	**14**	**(2)**
Total asset and liability position	**Ps. 2,168**	**Ps. (3,689)**	**Ps. (1,521)**

Transactions entered into for hedging purposes have maturities from 2007 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, 2007, is USD 413,350 (thousand) and EUR 21,406 (thousand).

9 – LOAN PORTFOLIO

As of December 31, 2007 and 2006, the loan portfolio by loan type is as follows:

	Current portfolio		Past–due portfolio		Total	
	2007	2006	2007	2006	2007	2006
Commercial loans						
Denominated in domestic currency						
Commercial	Ps. 77,312	Ps. 53,564	Ps. 900	Ps. 632	Ps. 78,212	Ps. 54,196
Rediscounted portfolio	6,646	8,425	—	—	6,646	8,425
Denominated in USD						
Commercial	13,975	18,949	27	126	14,002	19,075
Rediscounted portfolio	158	8	—	—	158	8
Total commercial loans	**98,091**	**80,946**	**927**	**758**	**99,018**	**81,704**
Loans to financial institutions	13,158	2,464	—	—	13,158	2,464
Consumer loans						
Credit card	13,881	9,842	829	372	14,710	10,214
Other consumer loans	13,344	11,663	280	260	13,624	11,923
Housing mortgage loans	37,216	28,857	858	748	38,074	29,605
Government loans	17,948	11,194	—	—	17,948	11,194
	95,547	**64,020**	**1,967**	**1,380**	**97,514**	**65,400**
Total loan portfolio:	**Ps. 193,638**	**Ps. 144,966**	**Ps. 2,894**	**Ps. 2,138**	**Ps. 196,532**	**Ps. 147,104**

On December 31, 2007 and 2006, revenues from recoveries of previously written-off or eliminated loan portfolios was Ps. 604 and Ps. 479, respectively.

The loans granted grouped into economic sectors as of December 31, 2007 and 2006 are shown below:

	2007		2006	
	Amount	Concentration percentage	Amount	Concentration percentage
Private (companies and individuals)	Ps. 99,018	50.38%	Ps. 81,704	55.53%
Financial institutions	13,158	6.53%	2,464	1.67%
Credit card and consumption	28,334	14.41%	22,137	15.04%
Housing	38,074	19.37%	29,605	20.12%
Federal government loans	17,948	9.31%	11,194	7.64%
	Ps. 196,532	**100.00%**	**Ps. 147,104**	**100.00%**

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 Benefit 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, 1996 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.

In the case of borrowers participating in the above restructured UDIS 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, 2007 and 2006, the balances of the respective trust balances are made up as follows:

	2007	2006
Banks	Ps. 10	Ps. 14
Government securities	3	3
Current loan portfolio	737	903
Past-due loan portfolio	314	321
Accrued interest on loans	3	6
Past-due accrued interest	12	12
Allowance for loan losses	(582)	(569)
Total assets	**497**	**690**
Investment in trusts assets	460	654
Deferred tax liabilities	37	36
Total liabilities	**Ps. 497**	**Ps. 690**

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. The Financial Group's Treasury Department is the central unit responsible for balancing resource requirements and eliminating the interest rate risk derived from transactions entered into at fixed rates through the use of hedging and arbitrage strategies.

10 – LOANS RESTRUCTURED IN UDIS

As of December 31, 2007 and 2006 the total amount of the loan portfolio restructured in UDIS is as follows:

	2007		2006	
Current portfolio	Ps.	737	Ps.	903
Current accrued interest		3		6
Past-due portfolio		314		321
Past-due accrued interest		12		12
	Ps.	**1,066**	**Ps.**	**1,242**

11 – ALLOWANCE FOR LOAN LOSSES

The Financial Group's portfolio classification, which serves as the basis for recording the allowance for loan losses, is detailed below. (The loan portfolio includes loans between subsidiaries that were eliminated for the purpose of consolidating the financial statements):

	2007									
			Required allowances for losses							
	Loan portfolio		Commercial portfolio		Consumer portfolio		Mortgage port folio		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**		**3,480**
Recorded allowance										**3,786**
Additional allowance									**Ps.**	**306**

	2006									
			Required allowances for losses							
	Loan portfolio		Commercial portfolio		Consumer portfolio		Mortgage port folio		Total	
Exempt portfolio	Ps.	400	Ps.	—	Ps.	—	Ps.	—	Ps.	—
Risk A		46,297		—		98		93		191
Risk A1		53,792		250		—		—		250
Risk A2		36,713		335		—		—		335
Risk B		3,748		—		123		80		203
Risk B1		8,296		140		—		—		140
Risk B2		1,905		97		—		—		97
Risk B3		859		91		—		—		91
Risk C		629		—		217		48		265
Risk C1		323		73		—		—		73
Risk C2		87		35		—		—		35
Risk D		861		38		409		164		611
Risk E		528		247		59		221		527
Unclassified		(15)		—		—		—		—
	Ps.	**154,423**	**Ps.**	**1,306**	**Ps.**	**906**	**Ps.**	**606**		**2,818**
Recorded allowance										**3,140**
Additional allowance									**Ps.**	**322**

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 institutions and the notices issued by the Commission to regulate debtor support programs, denominated in UDI trusts.

As of December 31, 2007 and 2006, the estimated allowance for loan losses is determined based on portfolio balances at those dates. As of December 31, 2007 and 2006, the allowance for loan losses includes a reserve for 100% of delinquent interest owed.

As of December 31, 2007 and 2006, the allowance for loan losses represents 131% and 147%, respectively, of the past-due portfolio.

The allowance includes reserves for loans granted in foreign currency, which are evaluated at the exchange rate in effect as of December 31, 2007 and 2006.

Rollforward of allowance for loan losses

A rollforward of the allowance for loan losses is detailed below:

	2007		2006	
Balance at the beginning of the year	Ps.	3,140	Ps.	3,316
Changes in accounting principles		527		—
Increase charged to results		2,571		1,435
Reserve release		(36)		(20)
Debt forgiveness and write-offs		(2,194)		(1,601)
Valuation in foreign currencies and UDIS		31		34
Rebates granted to housing debtors		(72)		(106)
Created with profit margin (UDI Trusts)		27		23
FOPYME and FINAPE programs		—		(1)
Acquisition of INB Financial Corp.		—		206
Other		(74)		(13)
Restatement effects		(134)		(133)
Year-end balance	**Ps.**	**3,786**	**Ps.**	**3,140**

As of December 31, 2007, the total amount of the allowance for loan losses charged to current earnings totaled Ps. 2,646. This sum is made up of Ps. 2,571 credited directly to the allowance, Ps. 27 from the UDI trusts and Ps. 48 from inflation effects. As of December 31, 2006, the total amount of allowance for loan losses charged to current earnings totaled Ps. 1,530. This sum is made up of Ps. 1,435 credited directly to the allowance, Ps. 23 from the UDI trusts, Ps. 41 from inflation effects and Ps. 31 from recognizing shared losses with the IPAB, derived from its financial restoration program.

12 – ACQUIRED PORTFOLIOS

As of December 31, 2007 and 2006, the acquired portfolios are comprised as follows:

	2007		2006		Valuation Method
Bancrecer I	Ps.	180	Ps.	286	Interest Method
Bancomer III		164		181	Cash Basis Method
Bancomer IV		679		747	Cash Basis Method
Bital I		292		323	Cash Basis Method
Bital II		103		147	Cash Basis Method
Banamex Mortgage		367		426	Cash Basis Method
Confia III		84		106	Interest Method
GMAC Banorte		144		243	Cash Basis Method
Serfin Comercial I		177		251	Cash Basis Method
Serfin Comercial II		88		161	Interest Method
Serfin Mortgage		247		283	Cash Basis Method
Santander		84		160	Interest Method (Commercial); Cash Basis Method (Mortgage)
Bancomer II		—		1	Cost Recovery Method
Meseta		70		90	Cash Basis Method
Vipesa		10		16	Cash Basis Method
Bancrecer II		—		4	Cost Recovery Method
Goldman Sachs		226		253	Cash Basis Method
Cremi		62		72	Interest Method
Banorte-Sólida		186		200	Interest Method
Bancrecer III		—		6	Cost Recovery Method
BBVA Bancomer		166		191	Interest Method
Banco Unión		87		111	Interest Method
Confia I		107		198	Interest Method
Confia II		137		161	Interest Method
	Ps.	**3,660**	**Ps.**	**4,617**	

For the years ended December 31, 2007 and 2006, the Financial Group recognized income related to its purchased portfolios of Ps. 1,326 and Ps. 1,650, together with the corresponding decrease in the value of the purchased portfolios of Ps. 555 and Ps. 621, respectively, the effects of which were recognized in "Other income" in the consolidated statements of income. Assets other than cash that the Financial Group has received as collections on its purchased portfolios have been real property.

The Financial Group performs an analysis based on existing events and available information to estimate the amount of expected future cash flows in order to determine the rate of return used in the valuation method and income recognition of the receivable. If the analysis demonstrates that the expected future cash flows will decrease, it will make an estimate of non-recoverability or difficult collection against the outstanding balance for the amount that such expected cash flows are less than the book value of the receivable.

13 – OTHER ACCOUNTS RECEIVABLE, NET

As of December 31, 2007 and 2006, other accounts receivable balance is as follows:

	2007		2006	
Loans to officers and employees	Ps.	1,122	Ps.	1,151
Debtors from liquidation settlement		1,382		3,827
Real property portfolios		1,025		613
Fiduciary rights		2,486		1,778
Sundry debtors		1,494		881
Taxes receivable		20		54
Other		107		57
		7,636		**8,361**
Allowance for doubtful accounts		(19)		(112)
	Ps.	**7,617**	**Ps.**	**8,249**

14 – FORECLOSED ASSETS, NET

As of December 31, 2007 and 2006, the foreclosed assets balance is as follows:

	2007		2006	
Personal property	Ps.	68	Ps.	123
Real property		597		627
Goods pledged for sale		44		50
		709		**800**
Allowance for losses on foreclosed assets		(324)		(407)
	Ps.	**385**	**Ps.**	**393**

15 – PROPERTY, FURNITURE AND FIXTURES, NET

As of December 31, 2007 and 2006, the property, furniture and fixtures balance is as follows:

	2007		2006	
Furniture and equipment	Ps.	4,481	Ps.	3,758
Property intended for offices		5,039		5,195
Installation costs		2,360		1,555
		11,880		**10,508**
Less - Accumulated depreciation and amortization		(3,782)		(3,609)
	Ps.	**8,098**	**Ps.**	**6,899**

The average estimated useful lives of the Financial Group's assets subject to depreciation are listed below:

	Useful Life
Transportation equipment	4 years
Computer equipment	4.7 years
Furniture and fixtures	10 years
Real estate	From 4 to 99 years

16 – PERMANENT STOCK INVESTMENTS

Investments in unconsolidated subsidiaries and associated companies are valued according to the equity method, as detailed below:

	2007	2006
Transporte Aéreo Técnico Ejecutivo, S. A. de C. V.	Ps. 112	Ps. 116
Seguros Banorte Generali, S. A. de C. V.	932	822
Fondo Solida Banorte Generali, S. A. de C. V., SIEFORE (one and two)	669	657
Pensiones Banorte Generali, S. A. de C. V.	572	499
Fianzas Banorte, S. A. de C. V.	—	144
Banorte Investment funds	112	109
Controladora Prosa, S. A. de C. V.	50	55
Bolsa Mexicana de Valores, S. A. de C. V.	45	39
Servicio Pan Americano de Protección, S. A. de C. V.	29	32
Other	69	71
	Ps. 2,590	**Ps. 2,544**

As of December 31, 2007 and 2006, the investment in shares of Servicio Pan Americano de Protección, S.A. de C.V. is presented net of an impairment reserve of Ps. 77.

17 – DEFERRED TAXES, NET

The income tax reported by the Financial Group is calculated based on the current tax result and the effects of deferred income taxes calculated based on enacted tax regulations. Due to temporary differences between accounting and tax balance sheet accounts, the Financial Group has recognized a recoverable net deferred tax asset of Ps. 214 (liability of Ps. 338 in 2006) as detailed below:

	2007			2006		
	Temporary Differences	Deferred Effect		Temporary Differences	Deferred Effect	
	Base	ISR	PTU	Base	ISR	PTU
Temporary Differences - Assets						
Allowance for loan losses	Ps. 174	Ps. 55	Ps. —	Ps. 130	Ps. 44	Ps. —
Tax loss carryforwards	5	2	—	315	88	—
Tax loss carryforwards of Uniteller and Banorte USA	37	13	—	—	—	—
Recoverable asset tax (IMPAC)	2	2	—	2	2	—
State tax on deferred assets	5	2	—	—	—	—
Unrealized loss on available for sale securities	29	10	—	83	29	—
Excess of tax over book value of foreclosed assets and fixed assets	802	224	48	714	199	71
PTU	842	236	84	634	178	—
Other	1,809	507	169	1,615	327	61
Total assets	**Ps. 3,705**	**Ps. 1,051**	**Ps. 301**	**Ps. 3,493**	**Ps. 867**	**Ps. 132**
Temporary Differences – Liabilities						
Excess of book over tax value of fixed assets	Ps. 591	Ps. 166	Ps. 37	Ps. 979	Ps. 274	Ps. 46
Unrealized capital gain from investments in SIEFORES	146	41	—	136	38	—
ISR payable on UDI trusts	131	37	—	131	36	—
Portfolios acquired	1,751	490	70	2,422	678	97
Reversal of sales costs	39	11	—	53	15	—
Other	784	236	50	458	147	6
Total liabilities	**Ps. 3,442**	**Ps. 981**	**Ps. 157**	**Ps. 4,179**	**Ps. 1,188**	**Ps. 149**
Net deferred tax asset (liability)	**Ps. 263**	**Ps. 70**	**Ps. 144**	**Ps. (686)**	**Ps. (321)**	**Ps. (17)**
Deferred tax			**Ps. 214**			**Ps. (338)**

As discussed in Note 26, 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. In accordance with Bulletin D-4, "Accounting for Income Tax, Tax on Assets and Employee Statutory Profit-Sharing", and the stipulations of INIF 8, based on its financial projections the Financial Group determined that it will continue to incur ISR in the future, Therefore, the enactment of IETU did not have any effects on its consolidated financial information, and the Financial Group continues to only recognize deferred ISR.

18 – OTHER ASSETS

As of December 31, 2007 and 2006, other assets are as follows:

		2007		2006
Plan assets held for employee pension plans	Ps.	2,727	Ps.	2,082
Other amortizable expenses		2,642		3,107
Accumulated amortization of other expenses		(969)		(1,546)
Goodwill		4,134		3,741
Guarantee deposits		—		104
Other		—		63
	Ps.	**8,534**	**Ps.**	**7,551**

As of December 31, 2007, goodwill was comprised of the following: Ps. 34 related to the purchase of Banorte Generali, S.A. de C.V., AFORE; Ps. 2,368 related to the purchase of INB; Ps. 1,525 related to the purchase option representing the remaining 30% of INB's shares and Ps. 207 for the purchase of Uniteller. As of December 31, 2006, goodwill was comprised of the following: Ps. 37 related to the purchase of Banorte Generali, S.A. de C.V., AFORE; Ps. 2,330 related to the purchase of INB; Ps. 1,367 relating to the purchase option representing the remaining 30% of INB's shares and Ps. 7 related to the purchase of Bancrecer, S.A.

19 – DEPOSITS

Liquidity coefficient

The "Investment regime for transactions in foreign currency and conditions to be fulfilled during the term of transactions in such currency", designed for credit institutions by Banco de México, establishes the mechanism for determining the liquidity coefficient of liabilities denominated in foreign currency.

In accordance with such regime, during 2007 and 2006 the Financial Group generated a liquidity requirement of USD 303,221 thousand and USD 179,305 thousand, respectively, and held investments in liquid assets of USD 490,577 thousand and USD 339,067 thousand, holding a surplus of USD 187,356 thousand and USD 159,762 thousand in the same currency, respectively.

DEPOSITS

The liabilities derived from traditional deposits as of December 31, 2007 and 2006 are made up as follows:

	2007	2006
Immediately due and payable deposits		
Checking accounts earning no interest:		
Cash deposits	Ps. 45,518	Ps. 37,926
Checking accounts in U.S. dollars for individual residents on the Mexican border	475	414
Demand deposit accounts	2,865	1,961
Checking accounts earning interest:		
Other bank checking deposit	33,918	30,195
Savings accounts	167	167
Checking accounts in U.S. dollars for individual residents on the Mexican border	1,931	2,241
Demand deposit accounts	26,197	25,430
Tax payments	—	120
IPAB checking accounts	9	548
	111,080	**99,002**
Time deposits		
General public:		
Fixed term deposits	17,462	15,692
Over the counter investments	15,604	16,116
PRLV primary market for individuals	44,735	39,436
PRLV primary market for business entities	1,389	778
Foreign resident deposits	54	63
Provision for interest	164	151
	79,408	**72,236**
Money market:		
Fixed term deposits	1,860	356
Over the counter promissory notes	9,881	2,659
Provision for interest	1,078	1,607
	12,819	**4,622**
	92,227	**76,858**
	Ps. 203,307	**Ps. 175,860**

The funding rates that 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 earn 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

	2007				2006			
Foreign exchange	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
Mexican pesos and UDIS	0.88%	0.87%	0.86%	0.86%	0.99%	1.06%	0.99%	0.94%
Foreign currency	0.97%	0.92%	0.85%	0.74%	1.00%	1.11%	1.16%	1.07%
Banorte USA								
Demand, NOW and savings	0.43%	0.65%	0.67%	0.50%	—	—	—	0.29%
Money market	4.60%	4.36%	4.23%	3.64%	—	—	—	4.40%

Time deposits

	2007				2006			
Foreign exchange	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
General public								
Mexican pesos and UDIS	5.32%	5.43%	5.53%	5.19%	5.95%	5.43%	5.40%	5.17%
Foreign currency	2.88%	2.86%	3.00%	2.94%	2.17%	2.73%	2.60%	2.84%
Money market	9.66%	8.69%	7.79%	8.48%	8.52%	8.15%	9.98%	10.19%
Banorte USA								
General public	5.04%	5.11%	5.17%	5.12%	—	—	—	4.94%

As of December 31, 2007 and 2006, the terms at which these deposits are traded are as follows:

	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 resident 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
Over the counter 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**

	2006			
	From 1 to 179 days	From 6 to 12 months	More than 1 year	Total
General public				
Fixed term deposits	Ps. 11,207	Ps. 2,859	Ps. 1,626	Ps. 15,692
Over the counter investments	16,104	12	—	16,116
PRLV primary market for individuals	39,151	258	27	39,436
PRLV primary market for business entities	762	16	—	778
Foreign resident deposits	34	6	23	63
Provision for interest	136	10	5	151
	67,394	**3,161**	**1,681**	**72,236**
Money market				
Fixed term deposits	—	—	356	356
Over the counter promissory notes	251	2,408	—	2,659
Provision for interest	—	16	1,591	1,607
	251	**2,424**	**1,947**	**4,622**
	Ps. 67,645	**Ps. 5,585**	**Ps. 3,628**	**Ps. 76,858**

20 – INTERBANK AND OTHER LOANS

Loans received from other banks as of December 31, 2007 and 2006 are as follows:

	Mexican pesos		Denominated in US dollars		Total	
	2007	2006	2007	2006	2007	2006
Immediately due................						
Domestic banks						
(call money)....................	Ps. 871	Ps. —	Ps. —	Ps. —	Ps. 871	Ps. —
Development banking.........	—	8	—	—	—	8
Public trusts	—	976	—	3	—	979
Provision for interest...........	—	37	—	2	—	39
	871	**1,021**	**—**	**5**	**871**	**1,026**
Short-term						
Banco de México	3	—	—	—	3	—
Commercial banking...........	211	(155)	1,537	282	1,748	127
Development banking.........	3,869	2,595	1,754	557	5,623	3,152
Public trusts	3,447	2,794	76	18	3,523	2,812
Other agencies	—	—	48	—	48	—
Provision for interest...........	85	31	26	5	111	36
	7,615	**5,265**	**3,441**	**862**	**11,056**	**6,127**
Long-term..........................						
Commercial banking...........	1,084	640	2,661	1,805	3,745	2,445
Development banking.........	1,381	785	7	12	1,388	797
Public trusts	4,747	6,544	81	64	4,828	6,608
Other agencies	—	—	835	487	835	487
	7,212	**7,969**	**3,584**	**2,368**	**10,796**	**10,337**
	Ps. 15,698	**Ps. 14,255**	**Ps. 7,025**	**Ps. 3,235**	**Ps. 22,723**	**Ps. 17,490**

These liabilities earn interest depending on the type of instrument and average balance of the loans. The average interest rates are shown below:

	2007				2006			
Foreign exchange	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
Call money								
Mexican pesos and UDIS	7.02%	7.19%	7.21%	7.40%	7.75%	7.40%	7.70%	6.89%
Other bank loans								
Mexican pesos and UDIS	7.47%	7.41%	7.26%	7.94%	8.43%	6.71%	6.74%	8.08%
Foreign currency......................	5.90%	5.76%	5.95%	5.71%	6.27%	6.62%	6.25%	6.01%

The liabilities contracted by Banorte USA accrue interest at an average rate of 4.55%.

21 – OVERNIGHT SECURITIES

As of December 31, 2007 and 2006, overnight securities are comprised as follows:

	2007			2006
	Acquisition cost	Accrued interest	Book value	Book value
Government bonds..	Ps. 70	Ps. —	Ps. 70	Ps. 771
CETES	(29)	(1)	(30)	194
Saving protection bonds (BPAS)...	—	—	—	849
Government CBIC...	(23)	(7)	(30)	(28)
UMS	—	—	—	24
	Ps. 18	**(Ps. 8)**	**Ps. 10**	**Ps. 1,810**

22 – EMPLOYEE RETIREMENT OBLIGATIONS

The Financial Group recognizes its liabilities for pension plans, seniority premiums and retiree medical benefits 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 accumulated and projected benefits as of December 31, 2007 and 2006, related to the Financial Group's employee retirement obligations as noted above determined by independent actuaries, is analyzed below:

	2007							
	Pension plan		Seniority pre miums		Medical servic es		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 costs		(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**

	2006							
	Pension plan		Seniority pre miums		Medical servic es		Total	
Projected benefit obligation (PBO)	Ps.	(705)	Ps.	(111)	Ps.	(1,135)	Ps.	(1,951)
Fund market value		711		152		514		1,377
Funded status		**6**		**41**		**(621)**		**(574)**
Transition asset (obligation)		86		(16)		440		510
Unrecognized prior service costs		(33)		(4)		—		(37)
Unrecognized actuarial losses		144		2		70		216
Net projected asset	**Ps.**	**203**	**Ps.**	**23**	**Ps.**	**(111)**	**Ps.**	**115**
Accumulated benefit obligations (ABO)	**Ps.**	**547**	**Ps.**	**78**	**Ps.**	**—**	**Ps.**	**625**

The Financial Group has a net accounting provision of Ps. 4 (net prepaid asset) as a result of transferring personnel from Sólida Administradora de Portafolios, S.A. de C.V. ("Sólida") to Banorte. Moreover, as of December 31, 2007, a separate fund amounting to Ps. 1,932, (Ps. 1,380 in 2006) has been set aside to meet the above mentioned obligations, in accordance with NIF D-3 and is presented within "Other assets".

For the years ended December 31, 2007 and 2006, the net periodic pension cost is as follows:

	2007		2006	
Service cost	Ps.	68	Ps.	71
Interest cost		100		98
Expected return on plan assets		(82)		(93)
Amortization of unrecognized items:				
Transition obligation		32		35
Prior service costs		(2)		(2)
Variations in assumptions		2		18
Actuarial losses		3		—
Period pension cost	**Ps.**	**121**	**Ps.**	**127**

The rates used in the calculation of the projected benefit obligation and return on plan assets as of December 31, 2007 and 2006 are shown below:

	2007	2006
Discount rate	5.00%	5.50%
Rate of wage increase	1.00%	1.00%
Rate of increase in costs and expenses of other post-retirement benefits	2.00%	2.00%
Expected long-term rate of return on plan assets	6.00%	6.50%

The liability for severance indemnities due to causes other than organization restructuring, which was also determined by independent actuaries, is comprised as follows:

	2007		2006	
Projected benefit obligation (PBO)	Ps.	(155)	Ps.	(221)
Fund market value		—		136
Funded status		**(155)**		**(85)**
Transition obligation		105		130
Unrecognized actuarial (gains) losses		(3)		31
Net projected liability	**Ps.**	**(53)**	**Ps.**	**76**

As of December 31, 2007 and 2006, the net periodic pension cost is as follows:

	2007		2006	
Service cost	Ps.	24	Ps.	25
Interest cost		7		7
Transition obligation		15		15
Periodic pension cost	**Ps.**	**46**	**Ps.**	**47**

The balance of the employee retirement obligations presented in this note, refer to the Financial Group's defined benefit pension plans for those employees that decided to remain enrolled within it.

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.

23 – SUBORDINATED DEBENTURES

	2007		2006	
Senior subordinated nonconvertible debentures, maturing in January 2014, denominated in US dollars, at an interest rate of 5.875%, payable semi-annually with a final principal payment upon maturity (10-year term)	Ps.	3,346	Ps.	3,439
Senior subordinated nonconvertible debentures (BANORTE 02D) maturing in November 2012, at an annual interest rate of 8.0% for the first 10 semi-annual periods and subject to review for the next 10 semi-annual periods, which will not be less than 8% nor greater than 10.0% a year		—		1,265
Senior subordinated nonconvertible debentures, maturing in April 2021, denominated in US dollars, at an interest rate of 6.862%, payable semi-annually with a final principal payment upon maturity (15-year term)		2,215		2,277
Preferred subordinated nonconvertible debentures, maturing in April 2016, denominated in US dollars, at an interest rate of 6.135%, payable semi-annually with a final principal payment upon maturity (10-year term)		4,423		4,550
Preferred subordinated debentures maturing in April 2009, denominated in US dollars, at an interest rate of 2.72%		113		115
Preferred subordinated debentures maturing in June 2034, denominated in US dollars, at an interest rate of 2.75%		113		115
	Ps.	**10,210**	**Ps.**	**11,761**

The costs related to these debentures are amortized over the contractual term of the debt. Interest expense was . Ps. 13 and Ps. 5 in 2007 and 2006, respectively.

24 – TRANSACTIONS AND BALANCES WITH SUBSIDIARIES AND ASSOCIATED COMPANIES

The balances and transactions with subsidiaries and associated companies as of December 31, 2007, 2006 and 2005 are as follows:

	Revenues			Accounts receivable		
Institution	**2007**	**2006**	**2005**	**2007**	**2006**	**2005**
Arrendadora Banorte, S. A. de C. V.	Ps. 118	Ps. 99	Ps. 83	Ps. 1,475	Ps. 1,311	Ps. 958
Casa de Bolsa Banorte, S. A. de C. V.	379	491	351	—	—	—
Banco del Centro, S.A.	—	—	1,436	—	—	2,329
Almacenadora Banorte, S. A. de C. V.	7	10	6	—	—	116
Arrendadora y Factor Banorte, S. A. de C. V. (previously Factor Banorte, S. A. de C. V.)	78	67	55	1,026	359	716
Sólida Administradora de Portafolios, S. A. de C. V.	224	213	—	2,399	2,446	—
Inmobiliaria Bra, S.A. de C.V.	—	—	—			2
Créditos Pronegocio, S.A. de C.V.	63	47	21	563	546	310
Banorte USA	1	—	—	3	95	—
Total	**Ps. 870**	**Ps. 927**	**Ps. 1,952**	**Ps. 5,466**	**Ps. 4,757**	**Ps. 4,431**

Institution	Expenses 2007	Expenses 2006	Expenses 2005	Accounts payable 2007	Accounts payable 2006	Accounts payable 2005
Grupo Financiero Banorte, S. A. B. de C. V.	Ps. 15	Ps. 5	Ps. 8	Ps. 187	Ps. 43	Ps. 68
Arrendadora Banorte, S. A. de C. V.	110	131	32	4	9	15
Casa de Bolsa Banorte, S. A. de C. V.	1,587	1,366	2,453	1	—	—
Banco del Centro, S.A.	—	—	209			416
Banorte Generali, S. A. de C. V., AFORE	—	—	—	1	5	2
Almacenadora Banorte, S. A. de C. V.	2	4	4	7	6	4
Arrendadora y Factor Banorte, S. A. de C. V. (previously Factor Banorte, S. A. de C. V.)	—	—	—	38	17	43
Inmobiliaria Banorte, S. A. de C. V.	60	71	68	106	144	162
Constructora Primero, S. A. de C. V.	26	24	28	91	138	96
Inmobiliaria Bancrecer, S. A. de C. V.	57	52	52	54	65	61
Inmobiliaria Innova, S. A. de C. V.	27	28	21	70	103	116
Inmobiliaria Banormex, S. A. de C. V.	3	4	3	6	4	5
Inmobiliaria Finsa, S. A. de C. V.	7	7	9	22	19	17
Inmobiliaria Bra, S. A. de C. V.	12	11	19	4	3	10
Inmuebles de Occidente, S. A. de C. V.	5	4	4	17	15	12
Inmuebles de Tijuana, S. A. de C. V.	—	—	—	3	3	3
Sólida Administradora de Portafolios, S. A. de C. V.	3	2	—	44	94	—
Créditos Pronegocio, S.A. de C.V.	—	—	1	2	1	1
Administradora de Servicios Profesionales Especializados, S. A. de C. V.	193	154	—	57	29	—
Banorte USA	1	—	—	—	—	—
Total	**Ps. 2,108**	**Ps. 1,863**	**Ps. 2,911**	**Ps. 714**	**Ps. 698**	**Ps. 1,031**

All the balances and transactions with the subsidiaries indicated in Note 3 have been eliminated in consolidation. Furthermore these transactions are supported by transfer pricing studies.

Pursuant to article 73 of the Credit Institutions Law ("LIC"), the loans granted by Banorte to related parties (belonging to the financial sector or not) cannot exceed 75% of the basic portion of their net capital. As of December 31, 2007 and 2006, the amount of the loans granted to related parties is Ps. 5,041 and Ps. 5,833, respectively, representing 27% and 34%, respectively, of the limit established by the LIC.

Loan portfolio sales

Sale of loan portfolio packages between related parties

In February 2003 Banorte sold Ps. 1,925 (nominal value) of its own portfolio (with interest) to its subsidiary Sólida at a price of Ps. 378 (nominal value). Of this transaction, Ps. 1,891 (nominal value) related to past-due amounts and Ps. 64 (nominal value) 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 (nominal value), considering the collections made since August 2002. In conjunction with the sold loan portfolio, Ps. 1,577 (nominal value) 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 (at nominal value) and for the year ending December 31, 2006 (at nominal value) and 2007:

	Mexican pesos			Foreign currency			Total		
Type of portfolio	**Aug 02**	**Dec 06**	**Dec 07**	**Aug 02**	**Dec 06**	**Dec 07**	**Aug 02**	**Dec 06**	**Dec 07**
Current portfolio									
Commercial	Ps. 5	Ps. 1	Ps. —	Ps. 5	Ps. —	Ps. —	Ps. 10	Ps. 1	Ps. —
Housing mortgage	54	92	77	—	—	—	54	92	77
Total	**59**	**93**	**77**	**5**	**—**	**—**	**64**	**93**	**77**
Past-due portfolio									
Commercial	405	400	375	293	131	112	698	531	487
Consumer	81	77	73	—	—	—	81	77	73
Housing mortgage	1,112	523	458	—	—	—	1,112	523	458
Total	**1,598**	**1,000**	**906**	**293**	**131**	**112**	**1,891**	**1,131**	**1,018**
Total portfolio	**Ps. 1,657**	**Ps. 1,093**	**Ps. 983**	**Ps. 298**	**Ps. 131**	**Ps. 112**	**Ps. 1,955**	**Ps. 1,224**	**Ps. 1,095**
Allowance for loan losses (1)									
Commercial	326	382	363	246	125	112	572	507	475
Consumer	77	77	73	—	—	—	77	77	73
Housing mortgage	669	486	433	—	—	—	669	486	433
Total allowance for loan loss	**Ps. 1,072**	**Ps. 945**	**Ps. 869**	**Ps. 246**	**Ps. 125**	**Ps. 112**	**Ps. 1,318**	**Ps. 1,070**	**Ps. 981**

(1) Allowances required based on the classification methodology applied in Banorte.

As of December 31, 2007 and 2006, the composition of Banorte's loan portfolio, including the loan portfolio sold to Sólida, is as follows:

	Mexican pesos		Foreign currency		Total	
Type of portfolio	**Dec 07**	**Dec 06**	**Dec 07**	**Dec 06**	**Dec 07**	**Dec 06**
Commercial loans	Ps. 99,311	Ps. 72,579	Ps. 21,791	Ps. 18,976	Ps. 121,102	Ps. 91,555
Consumer loans	27,045	21,352	175	151	27,220	21,503
Housing mortgage loans	35,602	28,159	1,691	789	37,293	28,948
Current portfolio	**161,958**	**122,090**	**23,657**	**19,916**	**185,615**	**142,006**
Commercial loans	1,060	1,023	204	208	1,264	1,231
Consumer loans	1,182	708	—	1	1,182	709
Housing mortgage loans	1,299	1,267	16	4	1,315	1,271
Past-due portfolio	**3,541**	**2,998**	**220**	**213**	**3,761**	**3,211**
Total portfolio	**165,499**	**125,088**	**23,877**	**20,129**	**189,376**	**145,217**
Allowance for loan losses	4,319	4,008	369	639	4,688	4,647
Net portfolio	**Ps. 161,180**	**Ps. 121,080**	**Ps. 23,508**	**Ps. 19,490**	**Ps. 184,688**	**Ps. 140,570**
Allowance for loan losses					**124.64%**	**144.72%**
% of past-due portfolio					**1.98%**	**2.21%**

25 – INFORMATION BY SEGMENTS

To analyze the financial information of the Financial Group, the data of the most representative segments as of December 31, 2007, 2006 and 2005 is presented.

a. The balances by service line of the Financial Group, without considering the eliminations relative to the consolidation of the financial statements, are as follows:

	2007	2006	2005
Banking sector			
Net income	Ps. 6,151	Ps. 5,382	Ps. 5,850
Stockholders' equity	30,440	24,690	20,295
Total portfolio	188,235	143,992	120,856
Past-due portfolio	2,743	2,037	1,914
Allowance for loan losses	(3,707)	(3,578)	(3,208)
Total net assets	274,361	189,546	197,439
Brokerage sector			
Net income	288	191	80
Stockholders' equity	1,020	736	594
Portfolio balance	180,972	168,949	129,110
Total net assets	1,333	971	972
Savings sector			
Net income	736	1,067	827
Stockholders' equity:	3,962	3,607	2,532
Total net assets	23,701	18,193	14,095
Auxiliary credit organizations sector			
Net income	271	256	197
Stockholders' equity	1,092	1,133	880
Total portfolio	12,222	7,708	7,141
Past-due portfolio	37	42	71
Allowance for loan losses	(339)	(73)	101
Total net assets	**Ps. 12,587**	**Ps. 8,547**	**Ps. 7,966**

b. The current loan portfolio, grouped by economic sector and geographical location, is as follows

	2007				
	Geographical location				
Economic sector	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
Other	—	—	—	—	54
Arrendadora Banorte	—	—	—	—	3,153
Arrendadora y Factor Banorte	—	—	—	—	7,539
Créditos Pronegocio	—	—	—	—	472
Current loan portfolio	**Ps. 41,942**	**Ps. 43,252**	**Ps. 9,290**	**Ps. 14,584**	**Ps. 193,638**

Economic sector	2006 Geographical location North		Central		West		South		Total	
Agriculture	Ps.	2,216	Ps.	1,349	Ps.	615	Ps.	468	Ps.	4,648
Mining		97		24		12		23		156
Manufacturing		5,775		3,307		1,535		542		11,159
Construction		2,967		2,140		184		296		5,587
Public utilities		48		11		1		1		61
Commerce		4,095		4,603		2,475		3,407		14,580
Transportation		2,731		719		84		99		3,633
Financial services		6,607		6,709		226		1,755		15,297
Communal, social services		4,623		6,105		1,766		587		13,081
Business groups		91		225		3		10		329
Public administration services		3,429		3,298		1,294		2,437		10,458
International organization services		1		—		1		—		2
USA		—		—		—		—		8,827
Credit card		—		—		—		—		9,842
Consumer		—		—		—		—		11,524
Housing mortgage		—		—		—		—		28,065
Other		—		—		—		—		87
Arrendadora Banorte		—		—		—		—		2,784
Arrendadora y Factor Banorte		—		—		—		—		4,270
Créditos Pronegocio		—		—		—		—		576
Current loan portfolio	**Ps.**	**32,680**	**Ps.**	**28,490**	**Ps.**	**8,196**	**Ps.**	**9,625**	**Ps.**	**144,966**

c. The past-due loan portfolio, grouped by economic sector and geographical location, is summarized as follows:

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 past-due loans		—		—		—		—		1
Arrendadora Banorte		—		—		—		—		13
Arrendadora y Factor Banorte		—		—		—		—		25
Créditos Pronegocio		—		—		—		—		112
Past-due loan portfolio	**Ps.**	**171**	**Ps.**	**346**	**Ps.**	**117**	**Ps.**	**76**	**Ps.**	**2,894**

Economic sector	2006 Geographical location North		Central		West		South		Total	
Agriculture	Ps.	14	Ps.	35	Ps.	7	Ps.	3	Ps.	59
Mining		2		2		—		—		4
Manufacturing		27		64		46		6		143
Construction		6		36		3		3		48
Commerce		77		94		54		20		245
Transportation		3		10		5		—		18
Financial services		2		6		—		—		8
Communal, social services		12		14		2		2		30
USA		—		—		—		—		100
Credit card		—		—		—		—		372
Consumer		—		—		—		—		258
Housing mortgage		—		—		—		—		744
Other past-due loans		—		—		—		—		7
Arrendadora Banorte		—		—		—		—		23
Arrendadora y Factor Banorte		—		—		—		—		19
Créditos Pronegocio		—		—		—		—		60
Past-due loan portfolio	**Ps.**	**143**	**Ps.**	**261**	**Ps.**	**117**	**Ps.**	**34**	**Ps.**	**2,138**

d. Deposit accounts grouped by product and geographical location are as follows:

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**

	2006							
	Geographical location							
Product	Monterrey	Mexico City	West	Northwest	Southeast	Treasury and other	Foreign	Total
Non-interest bearing checking accounts	Ps. 10,186	Ps. 12,348	Ps. 3,772	Ps. 4,732	Ps. 5,080	Ps. 98	Ps. —	Ps. 36,216
Interest bearing checking accounts	7,343	15,896	2,890	4,287	4,834	91	—	35,341
Savings accounts	2	1	—	—	—	—	—	3
Current account in pesos and preestablished	2,722	3,439	1,098	1,812	1,907	67	—	11,045
Non-interest bearing demand deposits, USD	230	254	99	683	129	—	3,023	4,418
Interest bearing demand deposits, USD	2,339	1,036	415	2,272	208	(2)	4,482	10,750
Savings accounts in USD	—	—	—	—	—	—	164	164
Over the counter promissory notes	9,298	16,743	4,181	4,023	5,966	—	—	40,211
Time deposits, USD	2,005	2,783	1,326	1,235	765	15	7,626	15,755
Money desk customers	5,382	6,162	1,866	1,311	1,303	—	—	16,024
Financial intermediaries	—	—	—	—	—	3,628	—	3,628
FOBAPROA checking accounts bearing interest	546	—	—	—	—	1,759	—	2,305
Total deposits	**Ps. 40,053**	**Ps. 58,662**	**Ps. 15,647**	**Ps. 20,355**	**Ps. 20,192**	**Ps. 5,656**	**Ps. 15,295**	**Ps. 175,860**

26 – TAX ENVIRONMENT

Income tax and asset tax regime

In accordance with Mexican tax law, the Financial Group and its subsidiaries are subject to ISR, and through 2007, to IMPAC. ISR is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated asset values. Taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through the inflationary component, which is similar to the gain or loss from monetary position. As of 2007, the tax rate is 28% and in 2006 it was 29%. Due to changes in the tax legislation, effective January 1, 2007, taxpayers who file tax reports and meet certain requirements may obtain a tax credit equivalent to 0.5% or 0.25% of taxable income.

In 2007, IMPAC was calculated by applying 1.25% to the value of the assets of the year, without deducting any debt amounts. Through 2006, IMPAC was calculated by applying 1.8% on the net average of the majority of restated assets less certain liabilities, including liabilities payable to banks and foreign entities. IMPAC is payable only to the extent that it exceeded ISR payable for the same period.

Any payment made can be recovered against the amount by which ISR exceeds IMPAC over the next ten fiscal years. In 2007 and 2006, the Financial Group incurred and paid ISR.

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 deduction of the allowance for loan losses, up to 2.5% of the average loan portfolio and the valuation of financial instruments.

PTU

The Financial Group determines 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, 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. 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. In addition, as opposed to ISR, a parent and its subsidiaries will incur IETU on an individual basis.

27 – STOCKHOLDERS' EQUITY

At the Stockholders' Ordinary General Meetings held on March 30, 2007 and October 3, 2007, the following resolutions were adopted, among others:

a) To transfer the profits from 2006 equal to Ps. 6,185 (nominal value) to earnings from prior years, and increase the legal reserve by Ps. 306 equivalent to 5% of net income for the year.

b) Declare cash dividends for Ps. 917.

The Financial Group's stockholders' equity as of December 31, 2007, 2006 and 2005 is comprised as follows:

	Number of shares with a nominal value of Ps. 3.50		
	2007 Paid-in Capital	2006 Paid-in Capital	2005 Paid-in Capital
"O" Series	2,002,718,738	2,018,347,548	2,018,554,148

	Historical Amounts		
	2007 Paid-in Capital	2006 Paid-in Capital	2005 Paid-in Capital
"O" Series	Ps. 7,009	Ps. 7,064	Ps. 7,065
Restatement in pesos as of December 31, 2007	4,956	4,956	4,956
	Ps. 11,965	Ps. 12,020	Ps. 12,021

As mentioned in Note 4 to the consolidated financial statements, the result of retroactively incorporating the effects of the changes in the accounting criteria to the 2006 figures led to a Ps. 70 increase in 2006 net income, a Ps. 578 decrease in RETANM mainly due to the fair value adjustment related to derivative instruments held by Banorte, and a Ps. 15 decrease in minority interest, which were stated under "Changes in accounting principles" in the Consolidated Statement of Changes in Stockholders' Equity for 2006.

Such effects are included only for purposes of comparability and to avoid any distortion in the information related to changes in the 2007 stockholders' equity balances, the Financial Group's accounting records reflected the change in accounting principles in 2007.

Restrictions on profits

Stockholders' equity distributions, 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.

Share based payments

Banorte offers share option plans to key officers so they may acquire shares in the Financial Group. Banorte set up trusts to manage such plans and contributes the necessary funds so that shares can be purchased from the market when each plan is established.

The Commission issued official letter 601-II-9477 instructing Banorte to record its contributions to the trusts as a deferred asset. In 2007 the Financial Group reclassified the shares held by the trusts to treasury shares, which resulted in a net reduction of Ps. 55 to capital stock and Ps. 590 to additional paid-in capital.

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 the year ended December 31, 2007 sent to Banco de México for review is shown below.

The capitalization ratio of Banorte as of December 31, 2007 was 13.80% of total risk (market and credit), and 19.43% of credit risk, which in both cases exceeded 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		2007
Stockholders' equity	**Ps.**	**30,130**
Subordinated debentures and capitalization instruments		**2,215**
Deduction of investment in subordinated instruments		257
Deduction of investments in shares of financial entities		5,664
Deduction of investments in shares of non-financial entities		1,143
Deduction of intangibles and expenses or deferred costs		338
Basic capital		**24,943**
Debentures and capitalization instruments		7,769
Allowance for loan losses		998
Complementary capital		**8,767**
Net capital	**Ps.**	**33,710**

Characteristics of the subordinated debentures:

Concept		Issuance amount	Maturity	Basic capital proportion	Complementary capital proportion
Complementary capital debentures 2004	Ps.	3,346	17/02/2014	0%	100%
Complementary capital debentures 2006		4,424	13/10/2016	0%	100%
Basic capital debentures 2006		2,215	13/10/2021	100%	0%

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 rates	Ps.	49,599	Ps.	3,968
Transactions with debt instruments in Mexican pesos with interest and reset rates		13,896		1,112
Transactions in Mexican pesos with real interest rates or in UDIS		1,741		139
Transactions in UDIS or with yields referenced to the National Consumer Price Index		12		1
Transaction in foreign currency with nominal interest rates		1,930		155
Exchange transactions		1,003		80
Transactions involving shares		328		26
Total	**Ps.**	**68,509**	**Ps.**	**5,481**

Assets subject to credit risk

Concept		Assets weighted by risk		Capital requirement
Group II (weighted at 20%)	Ps.	12,582	Ps.	1,006
Group II Other (weighted at 10%)		23		2
Group III (weighted at 100%)		145,910		11,673
Group III Other (weighted at 11.5%)		42		3
Group III Other (weighted at 50%)		539		43
Group III Other (weighted at 115%)		3,488		279
Group III Other (weighted at 150%)		3,059		245
Sum		**165,643**		**13,251**
For permanent shares, furniture and real property, and advance payments and deferred charges		7,862		629
Total	**Ps.**	**173,505**	**Ps.**	**13,880**

28 – FOREIGN CURRENCY POSITION

As of December 31, 2007 and 2006, the Financial Group holds certain assets and liabilities in foreign currency, mainly in US dollars, converted at the exchange rate issued by Banco de México of Ps. 10.9157 and Ps. 10.8116 per USD $1.00, respectively, as shown below:

	Thousands of USD			
		2007		2006
Assets		4,946,554		4,287,773
Liabilities		4,563,009		3,995,056
Net asset position in US dollars		**383,545**		**292,717**
Net asset position in Mexican pesos	**Ps.**	**4,187**	**Ps.**	**3,165**

29 – POSITION IN UDIS

As of December 31, 2007 and 2006, the Financial Group holds certain assets and liabilities denominated in UDIS, converted to Mexican pesos based on the current equivalency of Ps. 3.932983 and Ps. 3.788954, per UDI, respectively, as shown below:

	Thousands of UDIS	
	2007	2006
Assets	171,932	146,081
Liabilities	94,163	103,296
Net asset position in UDIS	**77,769**	**42,785**
Net asset position in Mexican pesos	**Ps. 306**	**Ps. 162**

30 – EARNINGS PER SHARE

Earnings per share is the result of dividing net income by the weighted average of the Financial Group's shares in circulation.

The results for the years ended December 31, 2007, 2006 and 2005 are shown below:

	2007			2006	2005
	Net income	Weighted average shares	Earnings per share	Earnings per share	Earnings per share
Net income per share	Ps. 6,810	2,018,167,791	Ps. 3.3744	Ps. 3.0981	Ps. 3.1007

31 – RISK MANAGEMENT (unaudited)

Authorized bodies

To ensure adequate risk management of the Financial Group, as of 1997 the Financial Group's Board of Directors created the Risk Policy Committee (CPR), whose purpose is to manage the risks to which the Financial Group is exposed, and ensure that the performance of operations adheres to the established risk management objectives, guidelines, policies and procedures.

Furthermore, the CPR provides oversight on the global risk exposure limits approved by the Board of Directors, and also approves the specific risk limits for exposure to different types of risk.

The CPR is composed of regular members of the Board of Directors, the Managing Director of the Financial Group, the Corporative Director, 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 Audit, who has the right to speak but not to vote.

To adequately carry out its duties, the CPR performs the following functions, among others:

1. Propose for the approval of the Board of Directors:

- The objectives, guidelines and policies for comprehensive risk management.
- The global limits for risk exposure.
- The mechanisms for implementing corrective measures.
- The special cases or circumstances in which the global and specific limits may be exceeded.

2. Approve and review at least once a year:

    - The specific limits for discretionary risks, as well as tolerance levels for nondiscretionary risks.
    - The methodology and procedures to identify, measure, oversee, limit, control, report and disclose the different kinds of risks to which the Financial Group is exposed.
    - The models, parameters and scenarios used to perform the valuation, measurement and control of risks proposed by the Comprehensive Risk Management Unit.

3. Approve:

    - The methodologies for identification, valuation, measurement and control of risks of the new operations, products and services which the Financial Group intends to introduce into the market.
    - The corrective measures proposed by the Comprehensive Risk Management Unit.
    - The manuals for comprehensive risk management.

4. Appoint and remove the person responsible for the Comprehensive Risk Management Unit, who is ratified by the Board of Directors.

5. Inform the Board, at least every quarter, of the exposure to risk and its possible negative effects, as well as follow up on limits and tolerance levels.

6. Inform the Board of the corrective measures implemented.

32 – COMPREHENSIVE RISK MANAGEMENT UNIT (UAIR) (unaudited, regarding Banorte, the Financial Group's main subsidiary)

The function of the UAIR is to identify, measure, oversee, limit, control, report and disclose the different kinds of risk to which the Financial Group is exposed, and 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 income due to the creation of allowances 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 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 credit risk management objectives are as follows:

- Improve the quality, diversification and composition of the loan portfolio to optimize the risk-return ratio.
- Provide senior management with reliable and timely information to support decision-making in credit matters.
- Provide the business departments with clear and sufficient tools to support credit placement and follow up.
- Support the creation of economic value for shareholders by means of efficient credit risk management.
- Define and constantly update the regulatory framework for credit risk management.
- Comply with the credit risk management reporting requirements established by the relevant authorities.
- Perform risk management in accordance with best practices; implementing models, methodologies, procedures and systems based on the latest international advances.

Individual credit risk

The Financial Group's banks segment the loan portfolio into two large groups: 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.

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 4 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, 2007, the total portfolio of Banorte is Ps. 179,724. The expected loss represents 1.8% and the unexpected loss represents 3.3% of the total operating portfolio. The average expected loss was 1.8% for the period between October and December 2007.

Risk Diversification

In December 2005, the Commission 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, 2007	**Ps.**	**25,150**
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.	3,756
% in relation to basic capital		15%
Money market transactions		
Number of financings		2
Amount of financings taken as a whole	Ps.	8,961
% in relation to basic capital		36%
II. Maximum amount of financing with the 3 largest debtors and common risk groups	**Ps.**	**17,290**

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. 2,168 for the last quarter of 2007.

Millions of Mexican pesos	4Q06		1Q07		2Q07		3Q07		4Q07	
VaR Banorte*	Ps.	1,480	Ps.	1,773	Ps.	2,072	Ps.	2,050	Ps.	2,168
Banorte net capital**		30,535		30,363		31,627		34,086		33,710
VaR / net capital Banorte		4.85%		5.84%		6.55%		6.01%		6.43%

* 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 2007:

Risk factor		
Domestic interest rate	Ps.	2,088
Foreign interest rate		134
Exchange rate		80
Capital		20
Foreign currency bond prices		84
Total VaR	Ps.	2,168

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 (Cur 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 2007 is 50.9%, while the average during the quarter is 57.3%, as shown below:

	End of quarter									
	4Q06		1Q07		2Q07		3Q07		4Q07	
Liquid assets	Ps.	64,013	Ps.	58,475	Ps.	61,668	Ps.	58,549	Ps.	59,540
Liquid liabilities	Ps.	98,883	Ps.	96,210	Ps.	108,975	Ps.	101,628	Ps.	116,879
Liquidity ratio		64.7%		60.8%		56.6%		57.6%		50.9%

	Average									
	4Q06		1Q07		2Q07		3Q07		4Q07	
Liquid assets	Ps.	58,764	Ps.	55,854	Ps.	51,814	Ps.	51,177	Ps.	56,520
Liquid liabilities	Ps.	87,371	Ps.	89,740	Ps.	90,388	Ps.	93,613	Ps.	98,706
Liquidity ratio		67.3%		62.2%		57.3%		54.7%		57.3%

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" (ARO) 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	Actions intended to defraud, illegally seize ownership or evade the regulations, law or policies of the Institution involving at least one internal party.
External fraud	Actions taken by third parties intended to defraud, illegally seize ownership or evade the law.
Labor relations	Actions inconsistent with laws or employment, health or safety agreements, or which result in the payment of claims for damages to personnel or discrimination claims.
Practices with customers	Negligence or unintentional breaches which prevent compliance with professional obligations with customers or due to the nature or design of a product or service.
Damage to assets........	Damage or loss to physical assets due to natural disasters or other events.
System failure	Interruption in business activities due to information systems failures.
Execution, delivery and processes	Failures in processing of transactions or in process management and in relations with counterparties and supplier.

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 irreversible 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 (applicable to banking in Mexico as of January 2008). The Financial Group is currently applying this new methodology to calculate Operating Risk Capital Requirements.

IV. Information and reporting

The information generated by the databases and the management model is processed regularly in order to report the main operating events detected, trends, identified risks (risk matrix) and the mitigating strategies to the Risk Policy Committee and the Board of Directors. The status of the principal initiatives for Operating Risk mitigation implemented by the different areas of the organization is also reported.

On the other hand, an internal methodology is in place that estimates the operating losses (based on the average of historical losses over the last 36 months that affected the Financial Group). Based on this methodology, the Financial Group's Operating Risk consequences and losses is estimated at Ps. 17 a month (for the next 3 months).

Technology risk

It is defined as the potential loss due to damage, interruption, alteration or failures in the use of or dependence on hardware, software, IT systems, applications, networks and any other data distribution channel for rendering services to customers. Technology risk forms an inherent part of Operating Risk, for which reason its management is performed throughout the entire organization

To address Operating Risk associated with data integrity, the "Integrity Committee" was created. Its objectives include aligning data security and control efforts to a prevention approach, defining new strategies, policies, processes or procedures and solving data security issues that affect or may affect the Financial Group's assets.

The Financial Group performs the functions for Technology Risk Management set forth by the Commission under the guidelines established by the institutional regulations and the Integrity Committee.

To address the Operating Risk caused by high impact external events, the Financial Group has a Business Continuity Plan (BCP) and Business Recovery Plan (BRP) based on a same-time data replication system at an alternate computer site. This guarantees the back-up and recovery of critical applications in the event of an operating contingency.

Legal risk

Legal risk is defined as the potential loss due to noncompliance with applicable legal and administrative provisions, adverse administrative and judicial rulings, and imposed penalties.

The Legal Risk must be measured as an inherent part of Operating Risk in order to understand and estimate its impact. Therefore, those legal issues which result in actual operating losses in the SMARL system are recorded in the SCERO in accordance with a predetermined classification.

Based on the statistics of the current legal issues and real loss events, the Financial Group can identify specific legal or operating risks, which are analyzed in order to eliminate or mitigate them in an attempt to reduce or limit their future occurrence or impact.

33 – MEMORANDUM ACCOUNTS

	2007		2006	
Bank customers (current accounts)	Ps.	11	Ps.	11
Settlement of customer transactions		58		436
Customer valuables received in custody		180,385		168,950
Customer repurchase agreements		21,803		22,864
Customer call options transactions		146		—
Managed trusts		3,048		2,873
	Ps.	**205,451**	**Ps.**	**195,134**
Other contingent assets and liabilities	Ps.	279	Ps.	272
Credit commitments		2,365		2,368
Deposits of assets		1,541		1,231
Financial Group securities delivered into custody		610		212
Financial Group government securities held in custody		147		303
Assets in trusts or under mandate		101,632		87,560
Managed assets in custody		117,167		94,210
Investment banking transactions on account of third parties (net		91,329		96,246
Past-due loan portfolio accrued but not collected interest		102		51
	Ps.	**315,172**	**Ps.**	**282,453**
Securities to be received in repurchase agreements	Ps.	216,233	Ps.	205,909
Less: Creditor repurchase agreement		(216,708)		(206,128)
	Ps.	**(475)**	**Ps.**	**(219)**
Repurchase agreement from debtors	Ps.	21,502	Ps.	20,261
Less: Securities to be received in repurchase agreements		(21,484)		(20,260)
	Ps.	**18**	**Ps.**	**1**

34 – COMMITMENTS

As of December 31, 2007 and 2006, the Financial Group had the following contingent obligations and commitments:

- Other contingent obligations totaling Ps. 2,644 (Ps. 2,640 in 2006), which are recorded in memorandum accounts.

- Certain real property and operating equipment are leased. The leases establish periodic rental adjustments based on changes in different future economic factors. Total property lease payments for the periods ended December 31, 2007 and 2006, were Ps. 171 and Ps. 167, respectively. Total operating equipment rental payments for the periods ended December 31, 2007 and 2006, were Ps. 24 and Ps. 61, respectively.

35 – CONTIGENCIES

As of December 31, 2007, 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. 119 is recorded to cover 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.

36 – SAVINGS PREVENTIVE AND PROTECTION MECHANISM

The objective of the Institute for the Protection of Bank Savings (IPAB) is to protect the deposits of small customers and thereby contribute to maintaining the financial system's stability and the proper functioning of the payments systems.

According to the Law of Bank Savings Protection (LPAB), the IPAB manages a bank savings protection system that guarantees the payment of bank deposits or loans or credits to Full Service Banking Institution up to an amount equivalent to 400 thousand UDIS per individual or business entity, regardless of the number or type of such obligations in the customer's favor and charged to a single bank.

On July 30, 2007, general rules were issued for addressing joint accounts or those in which there is more than one account holder, referred to in article 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 other in the banking system.

During 2007 and 2006, the amount of contributions to the IPAB payable by Banorte for fees amounted to Ps. 774 and Ps. 684, respectively.

37 – MERGER OF SUBSIDIARIES

At the Financial Group's Extraordinary Stockholders' meeting held on October 3, 2007 it was authorized to merge Arrendadora y Factor Banorte, S.A. de C.V. with Arrendadora Banorte, S.A. de C.V., whereby the former was the merged entity and the latter the merging entity that took on the merged entity's name. The merger will become effective as of January 31, 2008 and was driven by the following benefits: maximized operating efficiencies; enhanced capital consolidating leverage; sustaining high ratings by rating agencies; and improved lines of credit with financial institutions.

38 – ISSUANCE OF SUBORDINATED DEBENTURES

At the Banorte General Extraordinary Stockholders' meeting, held on February 22, 2008, it was approved, pending the corresponding authorizations and inscriptions, to subsequently issue subordinated debentures in a public offerings up to Ps. 15,000.

The subordinated debentures may be preferred or non-preferred and, in both cases, nonconvertible.

The funds generated by issuing the subordinated securities will be used for general corporate purposes.

The program will be effective for 5 years once the Commission authorizes it. Each issue made under such program will have its own interest rate, term, and dates of payment, among other features.

39 – STRATEGIC ALLIANCE

Grupo Financiero Banorte, S.A.B. de C.V. and Controladora Comercial Mexicana, S.A.B. de C.V. (CCM) announced that CCM and Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte (Banorte) have signed a letter of intent dated February 25, 2008 to establish a strategic alliance to provide financial services to customers of the following stores: Mega, Comercial Mexicana, Bodega Comercial Mexicana, Sumesa, Alprecio and City Market.

This alliance is subject to the conclusion of the current alliance between CCM and Cetelem and to the authorization of the SHCP and other corresponding authorities.

CCM and Banorte intend to create a new company as a Full Service Regulated Financial Corporation, (SOFOM). CCM will hold 51% of the SOFOM's stockholders' equity while Banorte will have the remaining 49%. The SOFOM will have a capital of up to Ps. 1,300. Operations are scheduled to begin in the second half of 2008.

40 – 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").

As a result of the accounting changes applied retrospectively for presentation purposes by the Financial Group as described in Note 4, the 2006 and 2005 reconciliations also reflect such retrospective effects given that the consolidated stockholders' equity and net income under Mexican Banking GAAP have been adjusted for presentation purposes in order for them to be comparative with the 2007 financial statement presentation.

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, 2007	December 31, 2006
Stockholders' equity under Mexican Banking GAAP	Ps. 34,156	Ps. 28,026
Adjustments:		
Loan loss reserves (See B)	(192)	(136)
Loan origination fees and costs (See A)	176	289
Foreclosed assets (See C)	164	329
Insurance and postretirement activities (See A and F)	1,453	1,396
Derivatives (See A)	19	(48)
Business combinations (See D)	(1,478)	(1,254)
Purchased loan portfolio (See A)	(661)	(1,149)
Securitizations (See E)	(267)	(14)
Repurchase agreements (See A)	(69)	(49)
Investment valuation (See A and F)	21	(36)
Capitalized costs (See A and F)	(93)	(225)
Share-based payment (See A)	—	(46)
Total adjustments	(927)	(943)
Tax effect on adjustments (See G)	(94)	185
Minority interest attributable to adjustments (See H)	(422)	(297)
Stockholders' equity under MFRS	Ps. 32,713	Ps. 26,971

Reconciliation of net income:

	Year ended December 31,	
	2007	2006
Net income under Mexican Banking GAAP	Ps. 6,810	Ps. 6,255
Adjustments:		
Loan loss reserves (See B)	(55)	(475)
Loan origination fees and costs (See A)	438	680
Foreclosed assets (See C)	(95)	(60)
Insurance and postretirement activities (See A and F)	139	(296)
Derivatives (See A)	(31)	(276)
Purchased loan portfolio (See A)	343	(251)
Securitizations (See E)	45	12
Repurchase agreements (See A)	(19)	(1)
Investment valuation (See A and E)	149	(93)
Capitalized costs (See A and F)	125	231
Share-based payment (See A)	—	(19)
Sale of subsidiary (See F)	(63)	—
Total adjustments	976	(548)
Tax effect on adjustments (See G)	(312)	(160)
Minority interest attributable to adjustments (See H)	(129)	176
Net income under MFRS	Ps. 7,345	Ps. 5,723

Explanation of reconciling items:

A) General

This difference between Mexican Banking GAAP and MFRS is explained further in Note 41, 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 Criterion 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, as disclosed in Note 4, 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.

Prior to 2007, as disclosed in Note 4, in accordance with Mexican Banking GAAP foreclosed assets were considered to be monetary assets, while for MFRS these were treated as non-monetary assets. As a result of the change in accounting principle related to foreclosed assets, the Financial Group no longer calculates REPOMO related to these assets as they are considered to be non-monetary 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 common 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 the assets and liabilities under MFRS 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 MFRS resulted in a loss, whereas under Mexican Banking GAAP the Financial Group recognized a gain.

As a result of the presentation of the sale of Fianzas Banorte as a discontinued operation under US GAAP (see note 41 L 6)), the 2006 balances of Insurance and postretirement activities and Capitalized costs are not the same as those presented in the US GAAP reconciliation.

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.

41 – DIFFERENCES BETWEEN MEXICAN BANKING GAAP AND U.S. GAAP

The Financial Group's consolidated financial statements are prepared in accordance with the accounting practices as prescribed by the Commission, which differ in certain significant respects from accounting principles generally accepted in the United States of America ("U.S. GAAP"). 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. Beginning on January 1, 2008, in accordance with NIF B-10, "Effects of Inflation", the Financial Group expects to discontinue the recognition of inflation in its financial statements under Mexican Banking GAAP as the cumulative inflation for the preceding three years is less than 26%. Notwithstanding the prior comments, the following reconciliation to U.S. GAAP 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 application of Bulletin B-10 represents a comprehensive measure of the effects of price level changes in the inflationary Mexican economy and, as such, is considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. accounting purposes.

As a result of the accounting changes applied retrospectively for presentation purposes by the Financial Group as described in Note 4, the 2006 and 2005 reconciliations also reflect such retrospective effects for presentation purposes given that the consolidated stockholders' equity and net income under Mexican Banking GAAP have been adjusted in order for them to be comparative with the 2007 financial statement presentation.

The principal differences, other than inflation accounting, 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,	
	2007	2006
Stockholders' equity under Mexican Banking GAAP	Ps. 34,156	Ps. 28,026
U.S. GAAP adjustments:		
Loan loss reserves (See A)	1,141	859
Loan origination fees and costs (See B)	176	289
Purchased loan portfolio (See C)	(661)	(1,149)
Derivatives (See D)	19	(48)
Foreclosed assets (See E)	164	246
Insurance and postretirement activities (See F)	1,453	1,314
Business combinations (See G)	371	201
Employee retirement obligations (See H)	(898)	(755)
Capitalized costs (See I)	(93)	(218)
Securitizations (See J)	(3)	356
Share-based payment (See K)	—	(46)
Other adjustments (See L)	(121)	(71)
Income taxes (See M)	(1,645)	(1,712)
Total U.S. GAAP adjustments	(97)	(734)
Tax effect on U.S. GAAP adjustments (See M)	(463)	(1)
Minority interest under Mexican Banking GAAP (See N)	(1,667)	(1,446)
Minority interest attributable to U.S. GAAP adjustments (See N)	(428)	(319)
Stockholders' equity under U.S. GAAP	Ps. 31,501	Ps. 25,526

Reconciliation of net income:

	Years ended December 31,		
	2007	2006	2005
Net income under Mexican Banking GAAP	Ps. 6,810	Ps. 6,255	Ps. 6,261
U.S. GAAP adjustments:			
Loan loss reserves (See A)	(245)	(338)	(103)
Loan origination fees and costs (See B)	438	680	263
Purchased loan portfolio (See C)	343	(251)	506
Derivatives (See D)	(31)	(276)	265
Foreclosed assets (See E)	(95)	(74)	(152)
Insurance & postretirement activities (See F)	139	(319)	196
Business combinations (See G)	229	15	44
Employee retirement obligations (See H)	8	(40)	(109)
Capitalized costs (See I)	125	230	204
Securitizations (See J)	—	358	(2)
Share-based payment (See K)	—	(19)	—
Other adjustments (See L)	60	(180)	(59)
Income taxes (See M)	62	(410)	(654)
Total U.S. GAAP adjustments	1,033	(624)	399
Tax effect on U.S. GAAP adjustments (See M)	(390)	(18)	(377)
Minority interest attributable to U.S. GAAP adjustments (See N)	(90)	207	(51)
Net income under U.S. GAAP	Ps. 7,363	Ps. 5,820	Ps. 6,232

A rollforward of the Financial Group's U.S. GAAP stockholders' equity balance is as follows:

	2007	2006
Balance at the beginning of the year	Ps. 25,526	Ps. 20,443
Net income under U.S. GAAP	7,363	5,820
Dividends declared	(917)	(792)
Issuance (repurchase) of shares	(639)	31
Other comprehensive income (loss)	168	24
Balance at the end of the year	Ps. 31,501	Ps. 25,526

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, as disclosed in Note 4, 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 UDIS 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:

	2007	2006	2005
Loan loss reserves			
Loan loss reserves for SFAS No. 114	Ps. 3	Ps. 45	Ps. 75
Loan loss reserves for SFAS No. 5	2,569	2,124	2,044
Total loan loss reserves US GAAP	2,572	2,169	2,119
Loan loss reserves Mexican Banking GAAP prior to change in accounting principle	3,786	3,667	3,316
(Less)			
Change in accounting principle (2)	—	(527)	(409)
Mexican Banking GAAP loan loss reserves	3,786	3,140	2,907
Adjustment to INB reserves (1)	(73)	(112)	—
Adjusted loan loss reserves	3,713	3,028	2,907
Stockholders' equity adjustment after changes in accounting principles	1,141	859	803
Net Income adjustment after changes in accounting principles	Ps. (245)	Ps. (338)	Ps. (103)

(1) In 2006, as a result of the Financial Group's acquisition of INB as disclosed in Note 41 G), additional reserves were recorded with an offset to goodwill in its Mexican Banking GAAP consolidated financial statements. As of December 31, 2007 and 2006 the additional reserves recorded under Mexican Banking GAAP are Ps. 73 and Ps. 112, respectively.

(2) Retrospective application of the change in accounting principle as disclosed in Note 4.

Rollforward of loan loss reserves:

	2007	2006	2005
Beginning of the year	Ps. 2,169	Ps. 2,119	Ps. 2,156
Charge-offs net of recoveries	(2,341)	(1,151)	(1,184)
Charges	2,823	1,287	1,208
Restatement effect	(79)	(86)	(61)
End of the year	Ps. 2,572	Ps. 2,169	Ps. 2,119

Ratios:

	December 31,			Percentage		
	2007	2006	2005	2007	2006	2005
Loan loss reserves for SFAS No. 114						
Total reserves	Ps. 3	Ps. 45	Ps. 75			
Total balances of impaired loans	Ps. 87	Ps. 210	Ps. 264	3.45%	21.43%	28.41%
Total balances of outstanding loans	Ps. 87	Ps. 322	Ps. 1,710	3.45%	13.98%	4.39%

	December 31,			Percentage		
	2007	2006	2005	2007	2006	2005
Loan loss reserves for SFAS No. 5						
Total reserves	Ps. 2,569	Ps. 2,124	Ps. 2,044			
Total balances of impaired loans	Ps. 2,637	Ps. 1,788	Ps. 1,719	97.42%	118.79%	118.91%
Total balances of outstanding loans (1)	Ps. 196,445	Ps. 149,179	Ps. 124,080	1.31%	1.42%	1.65%

(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. 2,365, Ps. 2,368 and Ps. 2,375 as of December 31, 2007, 2006 and 2005, 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 on 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 estimated 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, as disclosed in Note 4, 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 are 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. Previously, as disclosed above, the accounting policies used by the Financial Group through 2006 did not contemplate the cash basis method mentioned in Note 4. This change in accounting principle was applied retrospectively.

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 collectibility of the acquisition amount of the loan and the discount is probable. If these criteria are not satisfied, the loan should be accounted for using the cost recovery method. Application of the cost-recovery method requires that any amounts received be applied first against the recorded amount of the loan; when that amount has been reduced to zero, any additional amounts received are recognized as income.

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:

	Stockholders' equity December 31,		Net income Year ended December 31,			
Portfolio	**2007**	**2006**	**2007**	**2006**	**2005**	**Methodology applied under U.S. GAAP**
Bancrecer I	Ps. (167)	Ps. (232)	Ps. (28)	Ps. (80)	Ps. (8)	Cost-recovery method
Serfin Santander	(70)	(148)	21	(28)	301	Cost-recovery method
Meseta	(38)	(57)	34	51	39	Cost-recovery method
Bancrecer II	(1)	(5)	6	8	3	Cost-recovery method
Goldman Sachs	(227)	(253)	81	109	24	Cost-recovery method
Cremi	(63)	(72)	(2)	(8)	(22)	Cost-recovery method
Banorte Sólida	(198)	(209)	11	30	5	Cost-recovery method
Bancrecer III	(1)	(5)	8	12	(15)	Cost-recovery method
Banco Industrial	—	—	—	19	22	Cost-recovery method
Bancomer I	(109)	(94)	(32)	(39)	(34)	Cost-recovery method
Bancomer II	11	14	(3)	—	10	Interest method
Banco Unión	11	14	(3)	(58)	36	Interest method
Bital I	(66)	(4)	(8)	(130)	52	Interest method
Serfin	—	34	—	(6)	152	Interest method
Bancomer III	27	7	28	7	3	Interest method
Bancomer IV	104	91	104	91	(35)	Interest method
Bital II	20	(21)	20	(21)	(6)	Interest method
Banamex Hipotecario	62	5	62	5	(29)	Interest method
GMAC Banorte	18	(32)	18	(32)	10	Interest method
Serfin Comercial I	(11)	(27)	(11)	(27)	—	Interest method
Serfin Hipotecario	43	—	43	—	—	Interest method
Vipesa	(6)	—	(6)	—	(2)	Interest method
Confia I	—	(75)	—	(75)	—	Interest method
Confia II	—	(15)	—	(15)	—	Interest method
Confia III	—	(2)	—	(2)	—	Interest method
Serfin Comercial II	—	(63)	—	(62)	—	Interest method
	Ps. (661)	Ps. (1,149)	Ps. 343	Ps. (251)	Ps. 506	

D) Derivatives

Beginning in 2007, as disclosed in Note 4, 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 the earliest period presented 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.

Prior to adopting the provisions of Bulletin C-10, changes in the fair value of forward and futures contracts that qualified as hedges for accounting purposes were only recorded if the underlying item being hedged was recorded at its fair market value. The initial discount or premium on forward and futures contracts was included in results of operations over the life of the contract, on a straight-line basis. For swap contracts that qualified as hedges, the Financial Group recognized an asset (cash flow receivable) and a liability (cash flow payable) which were recorded and valued on the same basis as the underlying item being hedged, and which were presented as a net figure on the balance sheet.

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, as disclosed in Note 4, 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, the Financial Group no longer calculates REPOMO related to these assets as they are 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, 2007, 2006 and 2005 under U.S. GAAP are as follows:

	December 31,		
	2007	2006	2005
Life	Ps. 20	Ps. 17	Ps. 16
P&C	225	222	187
Health	30	21	10
Afore	1,223	812	747
Surety	—	—	57
Total accumulated DAC	Ps. 1,498	Ps. 1,072	Ps. 1,017
DAC - net amount charged to net income	Ps. 426	Ps. 55	Ps. 39

For the years ended December 31, 2007, 2006 and 2005, the net income effect for DAC amounted to Ps. 426, Ps. 55 and Ps. 39, respectively.

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,	
	2007	2006
Life	Ps. 19	Ps. 47
P&C	(300)	(250)
Health	(80)	(26)
LAE	(76)	(70)
Afore	(391)	(179)
Pensions	576	525
Total	(252)	47
Catastrophic reserve:		
P&C	144	131
	144	131
Reinsurance activities	63	64
Total reserves	Ps. (45)	Ps. 242

Summary:

	December 31,	
	2007	2006
DAC	Ps. 1,498	Ps. 1,072
Total reserves	(45)	242
Total adjustments	Ps. 1,453	Ps. 1,314

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 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 will 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. Cash flow information relative to the acquisition of INB is as follows:

Fair value of assets acquired	Ps. 1,485
Minority interests	(22)
Cash paid for the capital stock of INB	(269)
Liabilities assumed	Ps. 1,194

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. The Call Option is not within the scope of SFAS No. 133 or SFAS No. 150 as it does not meet the definition of a derivative financial instrument or represent an unconditional obligation for the Financial Group to repurchase its subsidiaries' shares.

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. 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. 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 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)", in 2006. This statement requires companies 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; (3) measure the funded status of defined pension and other postretirement benefit plans as of the date of the company's fiscal year-end; and (4) provide enhanced disclosures. The provisions of this statement are effective for an employer with publicly traded equity securities, or controlled subsidiaries of such companies, in fiscal years ending after December 15, 2006. In addition, a company must now measure the fair value of its plan assets and benefit obligations as of the date of its year-end balance sheet. A company is no longer permitted to measure the funded status of its plan(s) by being able to choose a measurement date up to three months prior to year end. This provision within the standard is effective for all companies in fiscal years ending after December 15, 2008, however this provision does not impact the Financial Group as its measurement date is the same as its fiscal year end. Retrospective application of this standard is not permitted. There is no impact on the Financial Group's consolidated US GAAP results of operations or cash flows. The impact on the Financial Group's consolidated US GAAP stockholders' equity as a result of adopting the provisions of SFAS No. 158 was due to the reclassification of the unrecognized items related to its employee retirement obligations to other comprehensive income.

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 (See Note 2b)

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.

As mentioned in Note 2b, 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 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 (See Note 2c)

During November 2007, the Financial Group securitized state and municipal government loans in the amount of Ps. 5,599 by transferring such loans to a qualifying special purpose entity (the "Trust") created specifically for purposes of this transaction. The Trust issued certificates that trade on the Mexican Stock Exchange and guarantees its holders with a specific rate of return. The Financial Group retained the 100% of the securitization certificates issued by the Trust and immediately subsequent to the securitization sold them under repurchase agreements. The Financial Group received a subordinated certificate from the Trust, which entitles the Financial Group to retain the excess cash flows in the Trust, after reimbursing the holders of the certificates, which was recorded at its fair value and classified as a trading security. Under Mexican Banking GAAP, this securitization was accounted for as a sale and generated a gain, resulting from the difference between the fair value of the assets received and the carrying value of the transferred assets.

For U.S. GAAP purposes, given that the Financial Group repurchased 100% of the certificates issued by the Trust, the transactions did not meet the sales criteria established by 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. At December 31, 2006, the Financial Group had certain stock-based compensation plans that are described below.

The Financial Group provides a stock option plan to key employees approved by the Board of Directors' Compensation Committee in order to acquire the Financial Group's shares. Compensation cost according to the grant-date fair value of these awards is recognized over the vesting period (requisite service period) established in each employee's option agreement.

The following table presents the status of all option plans as of December 31, 2007 and changes during the year then ended:

	Shares	Weighted Average Exercise Price (Pesos)	
Outstanding at January 1, 2007	870,288	Ps.	5.93
Options granted	14,447,259	Ps.	45.19
Options exercised	(531,392)	Ps.	5.93
Options forfeited	(30,548)	Ps.	45.19
Outstanding at December 31, 2007	14,755,607	Ps.	44.28
Options exercisable at December 31, 2007	14,755,607	Ps.	44.28

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. The Black-Scholes model was developed to estimate the fair value of employee stock options, changes to the subjective assumptions used in the model can result in materially different fair value estimates. The weighted average grant date fair values of the options granted were based on the assumptions below:

	Share volatility	Risk free Rate	Expected life of options	Dividend yield
Option Plan 2003	38.87%	9.37%	4 years	—
Option Plan 2007	31.94%	7.59%	4 years	—

In addition to the stock option plans discussed above, the Financial Group provides an equity incentive plan to certain key employees approved by the Board of Directors' Compensation Committee in order to acquire the Financial Group's shares. Due to the particular characteristics of the plan, the Financial Group applied internal valuation methods to calculate the fair value of the equity awards. During 2007, all of the outstanding equity awards related to this plan were exercised; as a result no equity awards remained outstanding under this plan as of December 31, 2007.

The Financial Group provides an equity incentive plan to certain key executives approved by the Board of Directors' Compensation Committee by means of a nonvested share plan, which is recognized in accordance with the provisions established by SFAS No. 123(R). The number of nonvested shares outstanding as of December 31, 2007 was 603,562.

L) Other adjustments

These include the following:

	Stockholders' equity December 31,		Net income Year ended December 31,		
	2007	2006	2007	2006	2005
1) Non-accrual loans	Ps. 26	Ps. (38)	Ps. 64	Ps. 36	Ps. 11
2) Guarantees	(23)	(15)	(7)	(4)	(8)
3) Repurchase agreements	(69)	(49)	(19)	(1)	(22)
4) Investment valuation	21	41	62	(234)	(65)
5) Equity method investments	(76)	(73)	23	2	8
6) Discontinued operations	—	63	(63)	21	17
	Ps. (121)	Ps. (71)	Ps. 60	Ps. (180)	Ps. (59)

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 41J), 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) As disclosed in Note 2f, on March 31, 2007, 100% of the shares of Fianzas Banorte were sold.

   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.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes". FIN 48 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with SFAS No. 109. FIN 48 requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. If the tax position meets the more-likely-than-not recognition threshold, the tax effect is recognized at the largest amount of the benefit that is greater than 50% likely of being realized upon ultimate settlement. Any difference between the tax position taken in the tax return and the tax position recognized in the financial statements using the criteria above results in the recognition of a liability in the financial statements for the unrecognized benefit. Similarly, if a tax position fails to meet the more-likely-than-not recognition threshold, the benefit taken in the tax return will also result in the recognition of a liability in the financial statements for the full amount of the unrecognized benefit. FIN 48 became effective for fiscal years beginning after December 15, 2006 for public entities and their subsidiaries. The Company adopted FIN 48 as of January 1, 2007, as required. The provisions of FIN 48 were applied to all tax positions under SFAS No. 109 upon initial adoption. The impact of adopting this interpretation was not material to the Company's consolidated financial position, results of operations or cash flows.

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, 2,018,167,791, 2,019,019,115 and 2,018,237,486 weighted-average shares outstanding for 2007, 2006 and 2005, 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,		
	2007	**2006**	**2005**
Basic and diluted earnings per share	Ps. 3.6483	Ps. 2.8827	Ps. 3.0876

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, 2007, 2006 and 2005, 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, 2007, 2006 and 2005
(In millions of Mexican pesos of purchasing power of December 31, 2007)

	2007	2006	2005
Cash flows from operating activities:			
Net income under U.S. GAAP	Ps. 7,363	Ps. 5,820	Ps. 6,232
Unrealized investment loss (income)	(204)	329	(218)
Allowance for loan losses	2,830	1,857	1,272
Depreciation and amortization	702	697	787
Deferred income taxes and employee profit sharing	(173)	775	1,183
Provision for miscellaneous obligations	2,369	(43)	2,016
Minority interest	721	484	626
Equity in earnings of subsidiaries and associated companies	(66)	(115)	(56)
Allowance for doubtful accounts	(89)	20	22
Periodic pension cost	205	350	356
Gain on sale of property	(22)	(15)	(113)
Loss on sale of foreclosed assets	208	96	185
Loss on sale of trading securities	338	776	507
Gain (loss) on sale of available for sale securities	(36)	52	342
Amortization of purchased portfolios	679	1,598	429
Loss from monetary position	1,298	1,129	660
Insurance and postretirement reserves	(139)	319	(197)
Amortization of debt issuance fees and costs	(439)	(679)	(263)
Income recognition of purchased portfolios	(343)	251	(506)
Other non-cash items	(334)	(28)	(19)
Changes in operating assets and liabilities:			
Trading securities	4,868	(13,538)	1,512
Trading derivative financial instruments	(2,463)	3,354	1,527
Deferred income taxes and employee profit sharing	—	—	357
Decrease in settlement accounts payable	(226)	(1,082)	(283)
Decrease in settlement accounts receivable	2,263	2,935	158
(Increase) in other accounts receivable	(2,233)	(8,518)	(636)
Increase in other accounts payable	5,231	7,242	3,701
(Increase) in deferred charges	(2,115)	(2,500)	(1,560)
(Decrease) increase in deferred credits	(210)	164	86
Net cash generated by operating activities	Ps. 19,983	Ps. 1,730	Ps. 18,107

Cash flows from investing activities:

	2007	2006	2005
Proceeds from sale of property, furniture and equipment	Ps. 21	Ps. 31	Ps. 178
Acquisitions of property, furniture and equipment	(1,843)	(907)	(275)
Cash paid for acquisition of subsidiaries	(200)	(2,724)	(67)
Proceeds from sale of foreclosed assets	369	136	764
Treasury transactions - held to maturity securities	16,087	18,528	(7,002)
Treasury transactions - available for sale securities	(3,328)	(3,097)	(231)
Issuance of loans	(55,758)	(19,717)	(13,700)
Purchased credit portfolios	169	(553)	(3,724)
Repurchase agreements – purchases	(15,545)	(13,298)	(1,787)
Net cash used in investing activities	(60,028)	(21,601)	(25,844)
Cash flows from financing activities:			
Proceeds from (repayments of) subordinated liabilities	(1,131)	6,899	51
Issuance (repurchase) of shares	(639)	31	(17)
Dividends paid	(917)	(792)	(689)
Deposits received	34,044	21,327	9,626
Repayments of bank debt and other loans	3,909	(5,108)	(3,809)
Repurchase agreements – sales	2,949	2,274	1,949
Debt issuance costs of subordinated liabilities	(9)	(31)	—
Net cash generated by financing activities	38,206	24,600	7,111
Effects of inflation accounting	(1,610)	(1,723)	(1,140)
Net increase (decrease) in cash and cash equivalents	(3,449)	3,006	(1,766)
Cash and cash equivalents at beginning of year	45,165	42,159	43,925
Cash and cash equivalents at end of year	Ps. 41,716	Ps. 45,165	Ps. 42,159
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Income taxes	2,419	2,882	414
Interest	33,168	26,719	27,225
Supplemental schedule of non-cash investing activities:			
Transfers from loans to foreclosed assets	342	108	797
Transfers from (to) purchased credit portfolio to (from) foreclosed assets	109	(124)	231
Transfers to (from) foreclosed assets from (to) loans and purchased credit portfolio, net	Ps. 451	Ps. (16)	Ps. 1,028

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

SFAS No. 157, ''Fair Value Measurements'', was issued in September 2006. This statement establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 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 standard relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. On February 12, 2008, the FASB issued FSP FAS 157-1 and FSP FAS 157-2, which remove leasing transactions accounted for under SFAS No. 13, "Accounting for Leases" from the scope of SFAS No. 157 and partially defer the effective date of SFAS No. 157 as it relates to all nonrecurring fair value measurements of nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008. The Financial Group's management is in the process of determining the potential impact of adopting this standard on its consolidated financial position and results of operations.

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 and provides a fair value option to measure financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS No. 157. This statement is not expected to impact the Financial Group's consolidated financial position or results of operations in future periods.

SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51", was issued in December 2007. SFAS No. 160: (a) amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and the deconsolidation of a subsidiary; (b) changes the way the consolidated income statement is presented; (c) establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation; (d) requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated; and (e) requires expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent's owners 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. Early adoption is prohibited. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Financial Group's management is in the process of determining the potential impact of adopting this standard on its consolidated financial position and results of operations.

SFAS No. 141(R), Business Combinations, a replacement of FASB No. 14, was issued in December 2007. SFAS No. 141(R) requires (a) a company to recognize 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. SFAS No. 141(R) requires that any adjustments to an acquired entity's deferred tax asset and liability balance that occur after the measurement period be recorded as a component of income tax expense. This accounting treatment is required for business combinations consummated before the effective date of SFAS No. 141(R) (non-prospective), otherwise SFAS No. 141(R) must be applied prospectively. The presentation and disclosure requirements must be applied retrospectively to provide comparability in the financial statements. Early adoption is prohibited. SFAS No. 141(R) is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company is in the process of determining the impact of adopting this standard on its consolidated financial position and results of operations.

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Exhibit 1

BYLAWS
GRUMA, S.A.B. DE C.V.

NAME, PURPOSE, DOMICILE, DURATION AND NATIONALITY

ARTICLE FIRST. NAME. The Company's legal name is: "GRUMA", which shall always be followed by the words SOCIEDAD ANÓNIMA BURSÁTIL DE CAPITAL VARIABLE (PUBLICLY-HELD STOCK COMPANY) or by its abbreviation "S. A. B. DE C.V."

ARTICLE SECOND. PURPOSE. The Company's purpose is to: (a) purchase, sell, import, export, as well as to manufacture and assemble all kinds of goods or trade products; (b) purchase, sale, manage, negotiate, subscribe, issue, amortize, encumber, and transfer by any legal means, shares or partnership interests, unsecured debt, mortgages or of any other type, securities, derivative financial instruments and any kind of credit instruments; (c) create, organize and manage all types of businesses; (d) grant guaranties, endorsements, sureties, bonds, pledges, mortgages, trust funds and any other credit operation, either real or personal, on its own behalf or on behalf of third parties with which the Company has share, financial or commercial relationships; (e) purchase, sell, encumber, rent or lease, whether as lessor or as lessee, all types of personal property and real estate as may be necessary and/or convenient to achieve the Company's purposes; (f) provide and receive all types of administrative or technical consulting and advisory services to or from any individual or corporation, whether Mexican or foreign; (g) establish branches, agencies or representative offices and to act as intermediary, commission agent, representative, distributor or warehouse depositor for all types of Mexican or foreign businesses; (h) register, acquire, hold, market and transfer brand names, trademarks, patents, copyrights, inventions, processes, and any other type of industrial property, as well as all types of concessions, rights and licenses; (i) grant and take loans; (j) subscribe, issue and negotiate, all types of credit instruments with the intervention of any institution and/or authority, as may be required by the applicable legal regulations; (k) carry out all types of businesses and financial, commercial and industrial transactions which are directly or indirectly related to the Company's purposes; and (l) carry out any actions and enter into contracts permitted by applicable legal regulations, which may be necessary or convenient to achieve the Company's purposes.

ARTICLE THIRD. DOMICILE. The Company's domicile is Monterrey, Nuevo León, México; and the Company may establish agencies or branches anywhere in the Mexican Republic or abroad and subject itself to conventional domiciles in all contracts executed by the same.

ARTICLE FOURTH. DURATION. The duration of the Company shall be 99 (ninety nine) years, commencing on December 24 (twenty four), 1971 (nineteen seventy one).

ARTICLE FIFTH. NATIONALITY. The Company is of Mexican nationality. All foreign nationals whom at the time of incorporation of the Company or at any other time thereafter acquires a stock participation or an interest in said Company shall be considered, due to that fact, as Mexican, regarding said participation or interest, as well as in respect to the property, rights, concessions, participations or interests owned by the Company, or to the rights and duties derived from any agreements entered into by the Company, and said foreign national agrees not to invoke therefore the protection of their governments, under the penalty to forfeit, in favor of the Mexican Nation, any participation or interest they would have acquired.

CAPITAL STOCK, SHARES AND SHAREHOLDERS

ARTICLE SIXTH. CAPITAL STOCK. The Company's capital stock is variable; the fixed and non-redeemable fully subscribed and paid portion of the capital stock is represented by 565'174,609 (FIVE HUNDRED AND SIXTY FIVE MILLION ONE HUNDRED AND SEVENTY FOUR THOUSAND SIX HUNDRED NINE) Class I, Series "B", common nominative shares, with no par value; which shares amount to the sum of $7,004'909,811.09 (SEVEN BILLION FOUR MILLION NINE HUNDRED AND NINE THOUSAND EIGHT HUNDRED AND ELEVEN PESOS 09/100 MEXICAN CURRENCY), the variable part of the capital stock shall be represented by Class II, Series "B" common shares with no par value.

All of the shares shall confer the same rights and obligations to their holders within each one of its Series and Classes. Shares may have all other features determined by the General Shareholders' Meeting that approves their issuance thereof, according to the applicable legal regulations. Only the shares which value is fully paid are to be released.

The Company shall only recognize as shareholders those persons or entities registered in the ledger referred to in Article Eighth of these Bylaws.

The corporate entities controlled by the Company may not directly or indirectly be shareholders of said Company, nor of any other corporate entity holding the majority of the shares of the Company.

ARTICLE SEVENTH. SHARE CERTIFICATES REPRESENTATIVE OF THE CAPITAL STOCK. Share certificates representing the capital stock may include one or more shares and shall be signed by 2 (two) members of the Board of Directors. Share certificates shall bare the provisions of Articles Fifth and Eleventh hereof as well as to satisfy all the requirements set forth in Article 125 of the Ley General de Sociedades Mercantiles ("Mexican Corporate Law").

While the definitive certificates representing the shares issued by the Company are delivered to their holders, provisional share certificates may be issued which shall be exchanged in time for the definitive share certificates.

Upon request and at the expense of its holder, provisional and definitive share certificates may be exchanged for certificates of different denominations.

In the event of loss, theft or destruction of the provisional or definitive share certificates, such certificates will be replaced at holder's expense, in accordance with the procedure set forth in the General Law of Negotiable Instruments and Credit Operations.

If the capital stock consists of share certificates representing more than one share, and for any reason whatsoever the original certificate has to be divided, any 2 (two) Directors shall sign the new divided share certificates issued to be exchanged for the original divided share certificate. Any Director who signs a new share certificate shall be responsible for receiving and for the

cancellation of the old divided share certificate and the issuance of new certificates representing an identical number, class, and series of shares as the original divided certificate. The ownership of the shares shall be transferred by endorsing the corresponding share certificate or title or by any other legal mean.

ARTICLE EIGHTH. REGISTRATION OF SHAREHOLDERS. The Company shall keep a Stock Ledger, which may be kept by the Secretary of the Board of Directors, by any securities depository institution or by any credit institution. All information demanded by Article 128 of the Mexican Corporate Law shall be recorded in said registry. Only those persons listed in the Company's Stock Ledger will be recognized as shareholders by the Company, and upon request of the relevant holder, all annotations in respect to any transfer, limitation, lien and encumbrance of the shares must be recorded in said Stock Ledger.

ARTICLE NINTH. MODIFICATIONS TO THE CAPITAL STOCK. In the event of increments or reductions of the capital stock, and the amortization of shares with distributable earnings, exception made for transactions by Company to purchase or sell the Company's own shares in market, in accordance to the dispositions of Article Tenth hereof, the following procedure shall be observed:

The increments or reductions of the fixed part of the capital stock as well as the amortization of shares with distributable earnings, representing the same portion of the capital stock must be approved by the General Extraordinary Shareholders' Meeting.

The increments or reductions of the variable part of the capital stock, as well as the amortization of shares with distributable earnings representing the same part of the capital stock, should be approved by the General Ordinary Shareholders' Meeting, and all corresponding minutes taken therein should be formalized before a Civil Law Notary, without having to register the Notarial deed containing the registration of the corresponding resolution before the Public Registry of Property and Commerce.

The shareholders of the variable portion of the capital stock of the Company shall not have the right to redeem shares referred in Article 220 of the Mexican Corporate Law.

Any increments or reductions of the capital stock should be recorded in the registry kept by the Company for said purpose.

The Company may issue unsubscribed shares kept in the treasury to be subscribed thereafter by the investor public through public offering according to the applicable legal regulations or to the conditions set forth by the General Extraordinary Shareholders' Meeting ordering said issuance.

The Company may make, at any time, a private offer of its shares according to the dates, terms, conditions and exemptions provided by the Ley del Mercado de Valores ("Mexican Securities Law") and any other applicable legal regulations.

The capital stock may be incremented also by capitalizing Stockholders' equity accounts referred to in Article 116 of the Mexican Corporate Law or by capitalizing debts. In increments based upon the capitalization of Stockholders' equity accounts, all shares shall be entitled to receive the proportional part of the shares issued to represent the relevant capital stock increment.

Shareholders shall have the preemptive right to subscribe all new shares issued in the event of an increment of the capital stock, proportionate to the number of shares that they own at the time such increment is resolved. Such right must be exercised within the time period determined to that effect by the Shareholders' Meeting that resolved such increase of capital stock, however under no circumstance shall such period be less than 15 (fifteen) days from the day following the publication of the corresponding resolution in the Federal Official Gazette or in one of the newspapers of greater circulation of the Company's domicile. In the event that after the expiration of the term set forth for the shareholders to exercise their preemptive right mentioned in the prior paragraph, there remain unsubscribed shares, these may be offered for their subscription and payment at the conditions and terms determined by the Meeting that had approved the capital stock increase, or pursuant to the terms set forth by the Board of Directors or the delegates designated by the Meeting for such purposes.

Without affecting the foregoing in any manner whatsoever, the preemptive right to subscribe shall not apply regarding capital increases through public offerings or by placing shares owned by the Company that has been previously acquired by the same.

The capital stock may be reduced (i) to absorb losses; (ii) to reimburse capital contributions to shareholders, (iii) due to the release granted to stockholder of non-paid exhibits, (iv) by repurchasing shares according to the applicable legal regulations and to the Bylaws of the Company.

The reductions of capital stock to absorb losses shall be made on a strict proportionate basis among the shareholders, without the need of canceling the corresponding shares since they do not have a nominal value. In the event of reductions of the capital stock for reimbursement to the shareholders, such reimbursement shall be made on a proportionate basis among them, in the understanding that the price of the reimbursement may not be less than the book value of the shares pursuant to the last statement of financial position that had been approved by the Ordinary Shareholders' Meeting.

The General Shareholders' Meeting may decree the amortization of the Company's shares with distributable earnings without reducing the capital stock, complying with the provisions of the Mexican Corporate Law and other applicable legal regulations for the Company. The amortized shares shall be voided and the corresponding certificates shall be cancelled.

ARTICLE TENTH. TRANSACTIONS WITH COMPANY'S OWN SHARES. The Corporation may repurchase shares representing its capital stock or credit instruments representing said shares pursuant to the terms, conditions and exceptions established by the applicable legal regulations, without the application of the prohibition established in the first paragraph of Article 134 of the Mexican Corporate Law and provided that:

I. The repurchase takes place in any Mexican stock market where the shares of the Company are traded.
II. The repurchase takes place at the prevailing market price, exception made for public offerings or biddings authorized by the Comisión Nacional Bancaria y de Valores (Mexican Banking and Securities Commission).

III. That the repurchase be charged to the Stockholders' equity being able to keep them in the power of the Company without having to reduce the capital stock or that the repurchase be charged to the capital stock converting them into treasury shares, in which case no resolution from the Shareholders' Meeting shall be required.

IV. The General Ordinary Shareholders' Meeting expressly resolves, for each fiscal year, the maximum amount of monetary resources that may be used for the repurchase of the Company's stock or of the credit instruments representing said shares, with the only limitation that the aggregate of such amount of resources under no circumstance shall be greater than the balance of the total net earnings of the Company, including retained earnings.

V. The Corporation has no pending obligations derived from debt instruments recorded in the Mexican Securities Registry, and

VI. The percentages referred thereto in Article 54 of the Mexican Securities Law are not exceeded and the requisites to keep the listing in the stock market where the shares operate are met.

The Company shares owned by the Company or, in its case, the treasury shares referred to in this Article, without affecting the provisions established by the Mexican Corporate Law, may be placed among the investor public pursuant to the applicable legal regulations, without requiring the resolution of any Shareholders' Meeting or of the Board of Directors

The Company shares or credit instruments representing said shares owned by the Company may not be represented, nor voted in the Shareholders' Meeting nor any economic or corporate rights of any kind may be exerted therefrom.

ARTICLE ELEVENTH. REQUIREMENTS FOR THE PURCHASE AND SALE OF COMPANY'S SHARES. The prior written approval from the Board of Directors of the Company as provided in this Article shall be required for any Person (as such term is defined below) that individually or jointly with any Related Party (as such term is defined below), intends to acquire common Shares (as such term is defined below), or rights over common Shares by any means or under any title, directly or indirectly, whether in a single event or in a set of consecutive events, regardless of the lapse of time between them, which consequence or effect be the following:

a) That its shareholdings, individually or jointly with the Shares previously held, being acquired or intended to be acquired in the future be equal or greater than 5% (five percent) of the total common Shares.

b) The ownership rights over common Shares, individually or jointly with any Shares previously held, being acquired or intended to be acquired, be equal or greater than 5% (five percent) of the total common Shares.

Such prior approval from the Company' Board of Directors must be obtained each time the shareholdings thresholds are intended to be exceeded as provided hereto, in a percentage equal to or greater than 5% (five percent) (and multiples thereof) of common Shares or ownership rights therefrom, except for Persons who directly or indirectly are deemed to be Competitor (as such term is defined below) of the Company or of any of its Subsidiaries (as this term is defined bellow), in which case the Person in question must obtain the prior approval of the Board of Directors for future acquisitions where a limit of 2% (two percent) (or multiples thereof) of common Shares is intended to be exceeded.

For the purposes hereof, the Person in question shall comply with the following:

I. Approval of the Board of Directors:

1 (one) The Person in question shall submit a written authorization request to the Board of Directors. Such request must be indubitably delivered to the domicile of the Company and addressed to the Chairman of the Board of Directors, with carbon copy to the Secretary and to their respective Alternates of the same Board. The mentioned application shall set forth and enumerate the following:

(a) the number, class or series of Shares that the Person in question or any Related Party thereto (i) owns or co-owns, whether directly or indirectly through any Person or through any relative by consanguinity, affinity or adoption, within the fifth degree or spouse under civil or common law marriage or by means of an intermediary, or (ii) in respect to which such Person has, Shares or enjoys any right, be it as a result of an agreement or by any other cause.

(b) the number, class or series of Shares which the Person in question or any Related Party thereto intends to acquire, be it directly or through any Person in which it should have an interest or participation, either in its capital stock or in the direction, management or operation or otherwise, through any relative by consanguinity, affinity or adoption, within the fifth degree or spouse under civil or common law marriage or by means of an intermediary.

(c) the number and class or series of Shares in respect to which such Person intends to acquire or share any right, be it as a result of an agreement or by any other legal means.

(d) (i) the Shares percentage referred to in the previous paragraph (a) represent the total Shares issued by the Company; (ii) the Shares percentage referred to in the previous paragraph (a) represent the class or series pertaining to the same; (iii) the Shares percentage referred to in the previous paragraphs (b) and (c) represent the total Shares issued by the Company, and; (iv) the Shares percentage referred to in the previous paragraphs (b) and (c) represent the class or series pertaining to the same.

(e) the identity and nationality of the Person or group of Persons intending to acquire the Shares, provided that if any of such Persons is a corporate entity, trust or its equivalent or any other means, enterprise, corporation or form of economic or commercial association, the identity and nationality of the partners or shareholders, settlors and trustees or their equivalent, members of the technical committee or their equivalent, successors, members or limited partners must also be identified, including the nationality and identity of the Person or Persons that Control (as such term is defined below) directly or indirectly such corporate entity, trust or its equivalent or any other means, enterprise, corporation or form of economic or commercial association thereto, until the Persons maintaining any right, interest or participation of any nature with such corporate entity, trust or any other equivalent or any other means, entity, corporation or form of economic or commercial association can be identified, including the documents evidencing economic solvency and good standing of such Person or Group of Persons.

(f) the reasons and purposes behind such acquisition of Shares, in particular mentioning if the purpose is to acquire directly or indirectly (i) additional Shares to those referred in the approval application, (ii) a Significant Participation (as this term is defined bellow) or; (iii) the Control of the Company.

(g) if such Person is, directly or indirectly, a Competitor of the Company or of any other Subsidiary or Affiliate (as these terms are defined bellow) thereof and if such Person has the authority to legally acquire the Shares pursuant to the terms of these Corporate Bylaws and the applicable legal regulations. Furthermore, the application must indicate if the Person intending to acquire the Shares has any relative by consanguinity, affinity or adoption, within the fifth degree or spouse under civil or common law marriage that may be considered a Competitor of the Company or of any Subsidiary or Affiliate thereof or has an economic relationship with a Competitor or any interest or participation, be it in the capital stock or in the direction, management or operation of a Competitor, directly or through any Person or any relative by consanguinity, affinity or adoption, within the fifth degree or spouse under civil or common law marriage.

(h) the origin of the funds intended to be used to pay the price of the Shares, subject matter of the application. In the event, the funds come from any financing arrangement, the identity and nationality of the one providing such funds should be specified and a document issued by such funding Person accrediting and explaining the conditions of the financing arrangement should be delivered along with the authorization request.

(i) if the Person in question is a part of any economic group formed by one or more Related Parties which as such, in a single event or in a set of consecutive events, intends to acquire Shares or rights over the same or, if applicable, if such economic group is the owner of Shares or of rights over the same.

(j) if the Person in question has received resources as a loan or for any other concept, from a Related Party or if such Person has provided funds as a loan or under any other capacity to a Related Party for the purpose of paying the price of the Shares.

(k) the identity and nationality of the financial institution that would act as broker, assuming that the relevant transaction is to be carried through tender offer.

(l) the address for receiving notices of the petitioner.

2 (two). Within the 10 (ten) business days, following the date in which the request for authorization, referred to in the above mentioned section 1 (one), had been received, the Chairman or Secretary, or in absence of the latter, his Alternate, shall convene the Board of Directors for a meeting to discuss and resolve the aforementioned authorization request. For the purposes herein, the notices for the meetings of the Board of Directors shall be made in writing and they should be delivered by the Chairman or Secretary, or in absence of the latter by his alternate, by certified mail, private courier service, telegram or fax to each one of the Proprietary Directors and their Alternates, at least 45 (forty five) days prior to the date set forth for the meeting, to their domiciles or to the addresses given in writing by the Directors for all matters referred to in this Article of the Corporate Bylaws. The Alternate Directors may only discuss and vote in cases where the Proprietary Directors are not present in the meeting convened upon. The notices must contain the time, date and place of the meeting and the relevant agenda.

For the purposes of this Article of the Corporate Bylaws, the resolutions taken without a meeting of the Board of Directors shall not be valid.

3 (three) In order for the Board to validly hold a meeting, at least the majority of the Directors or their respective alternates shall be in attendance and its decision and resolutions, to be valid, shall be adopted by the favorable vote of the majority of the Directors in attendance. The Chairman of the Board shall have a deciding vote, in the event of a tie.

The Meetings of the Board of Directors convened to resolve over the above-mentioned authorization request shall consider and adopt resolutions solely with regards to the authorization request referred to in this section 1 (one).

4 (four). The Board of Directors shall resolve over each submitted request for authorization within 60 (sixty) calendar days following the submission date.

The Board of Directors may request from the Person intending to acquire the Shares in question, the additional documents or clarifications deemed necessary to decide over the submitted authorization request, including the documents evidencing the veracity of the information referred to in paragraphs "a" to "l" of the above section 1 (one) of this Article. Assuming that the Board of Directors requests the abovementioned clarification or documents, the 60 (sixty) day term referred to in the first paragraph of this section 4 (four) shall be considered as of the date the aforementioned Person furnishes or delivers, as the case may be, the documents or clarification requested by the Board of Directors through its Chairman, Secretary or his or her alternate.

Assuming that jointly, coordinated or by agreement, one or more Persons are intending to acquire Shares, regardless of the legal act originating the same, shall be deemed as a single Person for the purposes of this Article of the Corporate Bylaws.

In the same manner, for the purposes of this Article, it shall be understood as Shares belonging to the same Person, the Shares held by a Person plus the Shares: (i) held by any consanguinity, affinity or adoption relative, within the fifth degree, or by any spouse under a civil or common law marriage of the Person holding such Shares, or; (ii) Shares held by an entity, trust or its equivalent, means, enterprise or economic or commercial association, whenever such entity, trust or its equivalent, means, enterprise or economic or commercial association is Controlled by the abovementioned Person or; (iii) Shares held by any Related Party (related) to such Person.

In the assessment of the authorization request referred to in this Article, the Board of Directors shall take into account those factors deemed appropriate, considering the interests of the Company and of its shareholders, including issues of financial nature, market, business and the moral and economic standards of the potential buyers, whether the intended transaction represents a conflict of interests or not, if it leads to a change of Control of the Company or to an acquisition of a Significant Participation of the common Shares, if the reports and/or authorizations requests, referred to in this Article, were submitted on time, among others factors.

The Board of Directors may deny the authorization request referred to in this Article, among other reasons in connection to with the items provided by the preceding paragraph, for the following reasons:

(a) Due to petitioner lack of economic solvency or good standing;
(b) When financing is required to carry out the requested transaction;
(c) When it refers to a Competitor of the Company or of its Subsidiaries;
(d) When the petitioner's interests are contrary to the ones of the Company or of its Shareholders;
(e) Due to the object, cause, motive or purpose of the requested acquisition;
(f) Due to the existence of economic, family or similar ties with other shareholders of the Company or with competitors of the same or of its Subsidiaries;
(g) When it entails transactions with Related Parties;
(h) If the funds required to carry out the intended transaction are of unknown or doubtful origin;
(i) When the information furnished in the authorization request or any complementary information thereof should prove deficient, doubtful, non verifiable, erroneous, incomplete or be imprecise or incorrect, among others;
(j) When it entails the acquisition of a Significant Participation or its purpose is a change of Control of the Company.
(k) The failure to submit the information and/or notices provided in the last paragraph of section II of this Article.

The request for authorization shall be deemed denied if the Board Meeting has been convened upon the terms provided hereof, but said Board Meeting was unable to convene for any reason whatsoever.

5 (five). In case the Board of Directors approves the proposed acquisition of Shares and such acquisition should entail the acquisition of a Significant Participation without such acquisition exceeding half of the common Shares, then the Person intending to acquire the relevant Shares must make a public tender offer, at a price payable in cash, for the percentage of Shares equivalent to the percentage of common voting Shares that said Person is intending to acquire or by 10% (ten percent) of the Shares, whichever is greater, pursuant to the terms and conditions of the Mexican Securities Law.

The public tender offer referred to in this section five (5) must be made simultaneously in Mexico's and United State's stock markets, as long as the stock of the Company continues to be traded in said countries.

Effective from the time the public tender offer is made and until the conclusion of the same, the Company, as well as its Directors and senior officers shall refrain from making or closing transactions which, in detriment to the minority investors, are aimed to hinder the development of said offer.

Notwithstanding the foregoing, the Board of Directors shall, within 10 (ten) business days following the commencement of the public tender offer, prepare, under the advise of the Corporate Governance Committee and disclose to the investor public through SEDI (Electronic Information Carriage and Disclosure System, as authorized to the applicable Stock Exchange by

the Mexican Banking and Securities Commission, or whichever system substitutes SEDI for this purposes), its opinion in connection with the public tender offer. If the Board of Directors should face a situation where it may create a conflict of interest or when more than one offer is made at conditions not directly comparable to those contained in the opinion, then the opinion may be coupled with another opinion issued by an independent expert retained for such purposes by the Company at the request of the Corporate Governance Committee.

Directors who may also be shareholders of the Company shall disclose to Bolsa de Valores, S.A. de C.V. (Mexican Stock Exchange), to be circulated through SEDI network (Electronic Information Carriage and Disclosure System, as authorized to the applicable Stock Exchange by the Mexican Banking and Securities Commission, or whichever system substitutes SEDI for this purposes), not later than the beginning of the last business day of the public tender offer period, which decision they will take as to their Shares in connection with the public tender offer.

The shareholders, in the event of any public tender offer, shall have the right to hear more competitive offers.

6 (six). An approval of the Board of Directors will not be necessary for any Person that wishes to acquire, directly or indirectly, a participation of more than 50% (fifty percent) of the common Shares or the Control of the Company, in which case, the Person shall make a public tender offer for 100% (one hundred percent) minus 1 (one) of the common Shares issued by the Company, according to the provisions of the Mexican Securities Law and other applicable legal regulations. Nevertheless, if in such public tender offer, the Person making the tender offer is not able to acquire at least half plus 1 (one) of the total of the Shares representing the capital stock, said Person must obtain approval from the Board of Directors upon the terms provided hereto.

The public tender offer referred to in this section six (6) must be made simultaneously in Mexico’s and US stock markets, as long as the stock of the Company continues to be traded in said countries.

Effective from the time the public tender offer is made and until the conclusion of the same, the Company, as well as its Directors and senior officers shall refrain from making or closing transactions which, in detriment to the minority investors, are aimed to hinder the development of said offer.

Notwithstanding the foregoing, the Board of Directors shall, within 10 (ten) business days following the commencement of the public tender offer, prepare, under the advise of the Corporate Governance Committee and disclose to the investor public through SEDI (Electronic Information Carriage and Disclosure System, as authorized to the applicable Stock Exchange by the Mexican Banking and Securities Commission, or whichever system substitutes SEDI for this purposes), its opinion in connection with the public tender offer. If the Board of Directors should face a situation where it may create a conflict of interest or when more than one offer is made at conditions not directly comparable to those contained in the opinion, then the opinion may be coupled with another opinion issued by an independent expert retained for such purposes by the Company at the request of the Corporate Governance Committee.

Directors who may also be shareholders of the Company shall disclose to Bolsa de Valores, S.A. de C.V. (Mexican Stock Exchange), to be circulated through SEDI network (Electronic Information Carriage and Disclosure System, as authorized to the applicable Stock Exchange by the Mexican Banking and Securities Commission, or whichever system substitutes SEDI for this purposes), not later than the beginning of the last business day of the public tender offer period, which decision they will take as to their Shares in connection with the public tender offer.

The shareholders, in the event of any public tender offer, shall have the right to hear more competitive offers.

7 (seven). Any Person performing a Share acquisition approved by the Board of Directors, shall not be registered in the Stock Ledger of the Company but until such time when the public tender offer referred to in sections five (5) and six (6) above has been concluded. Consequently, such Person shall not be able to exercise the corporate nor the economic rights corresponding to the Shares which acquisition has been approved, but until such time when the tender offer has been concluded.

In case of Persons who are already shareholders of the Company and therefore, are registered in the Stock Ledger of the Company, the Share acquisition approved by the Board of Directors shall not be registered in the Stock Ledger of the Company but until such time when the public tender offer had been concluded and, consequently, such Persons shall not be able to exercise the corporate nor the economic rights corresponding to the Shares acquired by the authorization given by the Board of Directors until they are entered in the Stock Ledger.

II. General Provisions:

If the terms contained in this Article are not met, then the Person or Persons in question may not, directly or indirectly exercise corporate or economic rights vested into the Shares acquired without the appropriate approval, and such Shares shall not be taken into account for the purposes of computing quorum at Shareholders' Meetings and the Company shall refrain from recording the Shares acquired in breach of the terms established by these Bylaws in the Company's Stock Ledger referred to in the Mexican Corporate Law, and any Registry kept by any securities depository institution shall have no effect whatsoever, and thus, the certificates or listings referred to in the first paragraph of Article 290 of the Mexican Securities Law shall not be proof of ownership of Shares nor will they evidence the right to attend the Shareholders' Meetings nor will they entitle exercise of any action whatsoever, including those of procedural nature.

The Persons that obtained the approval of the Board of Directors to acquire Shares as provided under this Article, shall be bound to inform of such situation to said collegiate body, through a written notice addressed and delivered to the same under the terms set forth in the first paragraph of section one (1) of this Article within 5 (five) calendar days following the date the authorized acts and operations are carried out.

The approvals granted by the Board of Directors pursuant to this Article shall cease to be effective automatically and without the need of any statement if the approved transactions are not carried out within a maximum term of sixty (60) calendar-days following the notice of the corresponding approval to the interested party, unless the Board of Directors, prior petition of said person, extends the aforementioned term.

Holders of Shares reaching (or in its case, exceeding) the percentages referred hereunder, shall provide written notice of such circumstance to the Company, which notice shall be addressed and delivered under the terms set forth in the first paragraph of section one (1) of this Article, within a term of five (5) business days after obtaining, reaching or exceeding Ownership: (i) non competitors: each 2% (two percent) of common Shares; (ii) Competitors: each 1% (one percent) of common Shares.

III. Exceptions:

The provisions of this Article of the Corporate Bylaws shall not be applicable to:

(a) acquisitions or transfers of Shares made by succession, either with or without will, or

(b) acquisitions of Shares by: (i) the Person who directly or indirectly has the authority or possibility of appointing the majority of the Directors of the Company's Board of Directors; (ii) any company, trust or similar form of venture, means, entity, corporation or economic or mercantile association, which may be under the Control of the Person referred to in section (i) above; (iii) the heirs of the Person referred to in section (i) above; (iv) the Person referred to in section (i) above when such Person should be repurchasing the Shares of any corporation, trust or similar form of venture, means, entity, corporation or economic or mercantile association referred to in section (ii) above, and; (v) the Company or trusts created by the Company.

(c) Such Person(s) that as of December 4th (fourth), 2003 (two thousand three) hold(s), directly or indirectly, 20% (twenty percent) or more of the Shares representing the Company's capital stock.

(d) Any other exception contained in the Mexican Securities Law and other applicable legal regulations.

IV. Definitions:

For the purposes of the foregoing Article, the terms indicated below shall have the meanings assigned thereto:

"Shares" and/or "common Shares" means the shares of stock representative of the capital stock of the Company, of any class or series or any certificate, security or instrument issued under such shares or which otherwise confer rights upon such shares or which may be convertible into such shares, and specifically including ordinary participation certificates (CPO's) representing shares of stock of the Company.

"Affiliate" means any Person Controlling, under Control of or under common Control of any Person.

"Competitor" means any Person devoted, directly or indirectly to (i) the business of production and/or marketing of corn or wheat flour, and/or (ii) any other activity carried by the Company or by any of its Subsidiaries or Affiliates.

"Control", "Controlling" or "Controlled" means the capacity of a person or group of persons to carry out any of the following activities: (a) to directly or indirectly impose decisions in General Shareholders' Meetings, Partners' Meetings or any equivalent entities, or appoint destitute the majority of the Directors, managers, or their equivalent, of a corporate entity; (b) to hold the rights that directly or indirectly allow voting regarding more than 50% (fifty percent) of the capital stock of a corporate entity; (c) to directly or indirectly direct the management strategies or main policies of a corporate entity, whether this be through the ownership of securities, by contract or by any other means.

"Significant Participation" means the direct or indirect ownership or holding of 30% (thirty percent) or more of the common voting Shares.

"Person" means any natural person, corporate entity, trust or similar form of venture, vehicle, entity, corporation or economic or commercial 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, by an arrangement or in a coordinated manner under the terms of this Article.

"Related Party" means the ones that regarding the Company, fall in any one of the following assumptions: (a) Controlling persons having a significant influence in a corporate entity belonging to the corporate group or consortium to which the issuer belongs, as well as the Directors or managers and the senior officers of the companies comprising said group or consortium; (b) persons with management authority in a corporate entity that is a part of a corporate group or consortium to which the issuer belongs; (c) the spouse, concubine, concubinary and blood and non-blood related persons up to the fourth degree or by affinity up to the third degree with individuals that fall in any of the assumptions indicated in the aforementioned sections (a) and (b), as well as partners and co-owners keeping business relationship with the individuals mentioned in said sections; (d) corporate entities that are part of a corporate group or consortium to which the issuer belongs; (e) the corporate entities over which any one of the persons referred to in the foregoing sections (a) to (c) have control or significant influence.

"Subsidiary" means any company in respect to which a Person should be the owner of the majority of the shares of stock representative of its capital stock or in respect to which a Person should have the right to appoint the majority of the Directors of its Board of Directors or otherwise the Sole Director.

The foregoing covenant shall be filed with the Public Registry of Commerce of the corporate domicile of the Company and shall be inserted accordingly in the certificates of the shares of stock of the Company, so that third parties may be warned of the foregoing provisions.

ARTICLE TWELFTH. PENALTIES. As provided for in Article 2117 of the Código Civil Federal ("Federal Civil Code"), any Person acquiring Shares in violation to the terms of Article Eleventh of these Corporate Bylaws, shall be obligated to pay to the Company, as penalty, an amount equal to the Market Value of the entirety of the Shares such party had purchased

without obtaining the approval referred to in said Article of these Corporate Bylaws or the Market Value of the shares representing 5% (five percent) of the capital stock, whichever is greater. In the event of gratuitous transfers of Shares made in violation to the terms of Article Eleventh hereof, the amount payable as penalty shall be of an amount equal to the Market Value of the Shares subject matter of the transfer or the Market Value of shares representing 5% (five percent) of the capital stock, whichever is greater.

The term "Market Value" means and/or be understood as the quoted value on closing of operations of the Mexican Stock Exchange on the day of the transaction in which the percentage of shares requiring approval according to said Article had been exceeded.

MANAGEMENT AND DIRECTION

ARTICLE THIRTEENTH. THE MANAGEMENT OF THE COMPANY. The Company's Management shall be entrusted to a Board of Directors and a Chief Executive Officer, whom shall have the authorities and attributions established in these Bylaws and the applicable legal regulations.

ARTICLE FOURTEENTH. INTEGRATION OF THE BOARD OF DIRECTORS. The Board of Directors shall be composed of at least 5 (five) and not more than 21 (twenty one) Proprietary Directors, as determined by the Shareholders' Meeting, of which at least 25% of the members shall be Independent Directors. Each Proprietary Director will have an appointed corresponding Alternate, in the understanding that the Alternate Directors of such Proprietary Independent Directors must also meet the same requirements. In the same manner, the Board of Directors or the General Shareholders' Meeting shall appoint a Secretary that will not be a part of said corporate entity who shall be subject to the obligations and responsibilities imposed to said officers by applicable legal regulations.

Directors shall remain in office for a year with a possibility of reelection. Directors shall remain in office even though their term for which they were designated had concluded or due to their resignation, for up to 30 (thirty) calendar days, if no designation of their substitute has been made, or when the substitute has not taken office, without being subject to the dispositions of Article 154 of the Mexican Corporate Law. In the absence of any of the Directors, and provided no Alternate Director has been designated, the Board of Directors may designate Provisional Directors without the intervention of the Shareholders' Meeting, whom shall ratify the referred appointment or designate other alternate Directors in the Shareholders Meeting following such event.

Anyone who has served as external auditor of the Company or of any of the corporate entities integrating the business group or consortium to which the Company belongs, may not be Director of the Company during the 12 (twelve) months immediately presiding the date of their appointment. In the same manner, such persons whose positions as Directors had been revoked may not serve as Directors of the Company during the 12 (twelve month) period following the date their positions were revoked.

Independent Directors shall be those Directors that comply with the independence requirements established by the Mexican Securities Law and other applicable legal regulations for the Company.

The General Shareholders' Meeting designating or ratifying the Directors, or in its case, the one informing or disclosing such designations or ratifications shall qualify the independence of Independent Directors whom shall be elected by their experience, capacity and professional prestige, considering also that according to their characteristics they are able to perform their duties without any conflict of interest and without being subject to personal, patrimonial or economic interests.

Independent Directors that during their office term cease to have such character should inform the Board of Directors not later than the date following the Board Meeting carried out after said requirements cease to exist.

ARTICLE FIFTEENTH. COMPENSATION OF DIRECTORS. Upon taking office, the Members of the Board of Directors shall receive the compensation indicated by the General Shareholders' Meeting. In the same manner, the Meeting may set forth additional compensation for the members of the Committees of the Board of Directors.

ARTICLE SIXTEENTH. CHAIRMAN OF THE BOARD OF DIRECTORS. The General Shareholders' Meeting, upon designating the members of the Board of Directors or the Board itself in its first meeting immediately following said Shareholders' Meeting, shall designate one of its members to act as Chairman.

The Chairman of the Board of Directors shall be, due to such designation, the representative of said Board and shall have authority to execute the resolutions of the Board of Directors, without the need of a special resolution of any sort. To exert his authority as Chairman of the Board of Directors, he shall have the powers of attorney enumerated in sections I to V of Article Eighteenth of these Corporate Bylaws.

In the same manner, the Chairman of the Board of Directors shall propose said Board or said Shareholders' Meeting, the members that shall integrate the Corporate Governance and the Audit Committees, as it corresponds.

ARTICLE SEVENTEENTH. MEETINGS OF THE BOARD OF DIRECTORS. The Board of Directors must meet at least 4 (four) times during each fiscal year.

The Chairman of the Board of Directors or the Chairman of the Corporate Governance and Audit Committees, as well as 25% (twenty five percent) of the Company's Directors may convene a Board Meeting and insert in the agenda the issues they deem convenient.

The notices for the Meetings of the Board of Directors should be sent to Directors by email, regular mail, fax, or by any other communication means, to the last address that said Directors had informed to the Company, at least 5 (five) working days prior to the date of the Meeting.

The Company's External Auditor may be convened to the Meetings of the Board of Directors, to be heard but without voting rights, refraining to attend such issues relevant to the agenda where auditor has a conflict of interest or that may compromise his independence.

In the same manner, the Chief Executive Officer and any other Company's senior officers may be convened to the Meetings of the Board of Directors, but without voting rights.

The validity of the Meetings of the Board of Directors requires the attendance of the majority of its members. The meetings of the Board of Directors shall be presided by its Chairman. If the Chairman is not present at the meeting, it shall be presided by its corresponding alternate and in absence of both, by the Board member designated by the majority of the remaining members of this Board. In the same manner, the person that has been designated as such by the Board of Directors or by the Shareholders' Meeting shall act as Secretary. If absent, he shall be substituted by the Alternate Secretary and in the absence of both, by the person designated therein by the majority of votes of the Directors.

The Board of Directors shall adopt its resolutions through the majority of the votes of the attending members. The Chairman of the Board shall have the tie breaking vote in case of a tie. The minutes of each meeting of the Board of Directors shall be registered in the relevant Book and shall be signed by the Chairman and by the Secretary.

Resolutions taken outside the meeting of the Board of Directors by unanimous vote of its members shall have, for all legal effects, the same validity as if they were adopted in a Board meeting, provided that they are confirmed in writing.

In the same manner, any Director may postpone a Board meeting when said Director had not been convened for such meeting or if the notice was not made in time or, in its case, if the Director did not receive the information delivered to the other Directors. Said postponement shall be for up to 3 (three) calendar days, being the Board of Directors being able to meet without the need of a new notice, provided the deficiency has been remedied.

ARTICLE EIGHTEENTH. AUTHORITIES OF THE BOARD OF DIRECTORS. The Board of Directors shall have all the authority to manage and administrate the Company, pursuant to the provisions of these Corporate Bylaws and of the applicable legal regulations, in the same manner, the Board may establish the measures, procedures and other actions deemed necessary or convenient in order to comply with the legal dispositions binding the Company, being able to perform all actions that directly or indirectly are related to the corporate object, in which case the Board shall have:

I. GENERAL POWER FOR COLLECTION AND LITIGATION, with all the general and special powers requiring special power or special clause, without any limitation whatsoever, with the ampleness of the first paragraph of Article 2554 and of Article 2587 of the Federal Civil Code and the corresponding Articles in the Civil Codes of all States of the Mexican Republic, including, but not limited to the authority to promote and dismiss any legal action including the "amparo" proceeding, to settle or compromise or subject to any arbitration proceedings the Company's rights and legal proceeding, accept reductions of amounts due and grant additional time for compliance, intervene as a bidder in auctions, formulate and present questionnaires, to file complaints and accusations for any felony directly or indirectly committed in detriment of the Company, as well as granting pardons, to recuse judges, magistrates or any other public servant, jurisdictional body or Labor Board in individual or collective matters, and in general, to represent the Company in any and all administrative or judicial disputes before any and all authorities and before any individuals.

II.- GENERAL POWER OF ATTORNEY FOR ACTS OF ADMINISTRATION, being empowered to enter into any kind of agreements, contracts or any other legal acts, whether civil, mercantile, administrative or of any other nature, pursuant to the terms of the second paragraph of Article 2554 and Article 2587 of the Federal Civil Code and the correlative Articles in the Civil Codes of the States of the Mexican Republic.

III.- GUARANTEE AND SURETYSHIP POWER OF ATTORNEY, pursuant to the terms of Articles 9 and 85 of the General Law of Negotiable Instruments and Credit Operations, being empowered to grant, accept, draw, subscribe, issue, endorse, guarantee and negotiate in any manner, all kinds of contracts and credit instruments on behalf of the Company.

IV.- GENERAL POWER OF ATTORNEY FOR ACTS OF OWNERSHIP, being empowered to sell, mortgage, pledge, or put in a in trust, and in general dispose of and encumber in any manner and under any legal title, the assets of the Company, both those that constitute Fixed Assets as well as the Current Assets, with all legal authorities of ownership pursuant to the terms of the third paragraph of Article 2554 of the Federal Civil Code and the correlative Articles in the Civil Codes of the States of the Mexican Republic.

V.- Regarding the aforementioned Powers, the Board of Directors shall have the right to delegate them and grant General or Special Powers of Attorney and to revoke those previously granted.

ARTICLE NINETEENTH. DUTIES OF THE BOARD OF DIRECTORS. The Board of Directors shall have the following responsibilities:

I. To set general strategies for the conduction of the business of the Company and the ones of the corporate entities controlled by said Company.

II. To oversee the performance and conduction of business of the Company and of the corporate entities controlled by said Company, considering the relevance that these corporate entities have in the Company's legal, administrative and financial situation, as the performance of the senior officers.

III. To approve, after obtaining the opinion of the corresponding Committee:

a) the policies and guidelines for the use or enjoyment of the Company's assets and of the corporate entities controlled by the same, by any related party;

b) every individual transaction entered into by the Company with a related party, or corporate entities controlled by said Company.

No approval from the Board of Directors shall be required for any of the transactions indicated bellow, provided that they conform to the policies and guidelines approved by the Board of Directors to that effect:

1. Transactions which amount are not relevant for the Company or for the corporate entities controlled by the same.

2. Transactions executed between the Company and the corporate entities controlled by the same or those where the Company has a significant influence or between any of these corporate entities, provided that:

   (i) they fall under their ordinary or habitual course of business
   (ii) they are deemed as done within price market or supported by assessments made by specialized external agents.

3. Transactions carried out with employees provided these are under the same conditions as with any other client or as a result from labor benefits of general nature.

c) Transactions executed either simultaneously or consecutively, that due to their characteristics may be considered as one sole transaction intended to be performed by the Company or by the corporate entities controlled by the same within the term of a fiscal year, when they are unusual or non-habitual or that its amount represent, based upon figures corresponding to the previous approved trimester, on any of the following assumptions:

   1. The purchase or sale of property which value is greater than or equal to 5% (five percent) of the Company's consolidated assets.
   2. The granting of warranties or taking on debt for an amount greater than or equal to 5% (five percent) of the Company's consolidated assets.

   Debt security or banking instruments investments are excluded therefrom, provided they are carried out pursuant to the policies approved by the Board of Directors for said effect.

d) Appointment, election, and in its case, destitution of the Chief Executive Officer of the Company and his integral compensation, as the designation of integral compensation policies for all other senior officers.
e) Policies to grant muttums, loans or any other kind of credits or guaranties to any related party.
f) Dispensations granted to allow Directors, senior officers or persons with managing power to take business opportunities favorable to them or to any third parties, that correspond to the Company or to the corporate entities controlled by the same or over which the Company has a significant influence.
g) Internal control and internal audit guidelines of the Company and of the corporate entities controlled by the same.
h) Company's accounting policies conforming to the accounting principles accepted or issued by the Mexican Banking and Securities Commission through general dispositions.
i) Company's financial statements.
j) The hiring of the firm providing external audit services and, in its case, any services additional or supplemental to the external audit.

When the determinations of the Board of Directors are not according with the opinions furnished by the corresponding Committee, said Committee should instruct the Chief Executive Officer to reveal such circumstance to the investor public through the stock market where the Company's shares or where the credit instruments representing said shares are traded, conforming to the terms and conditions established by the internal regulations of said stock market.

IV. To submit before the General Shareholders' Meeting held at the closing of the fiscal year:

a) The reports referred to in Article 43 of the Mexican Securities Law.
b) The report prepared by the Chief Executive Officer pursuant to the provisions of Section XI of Article 44 of the aforementioned Law, along with the opinion of the external auditor.
c) The opinion issued by the Board of Directors over the contents of the Chief Executive Officer's report referred to in the previous section.
d) The report referred to in section b) of Article 172 of the Mexican Corporate Law containing the main policies, accounting principles and information criteria, considered to prepare the financial report.
e) The report regarding any transaction and activity where the Company had intervened, pursuant to the provisions of the Mexican Securities Law.

V. To follow up the main risks encountered by the Company and by the corporate entities controlled by the same, identified by the information submitted by the Committees, the Chief Executive Officer and the firm providing the external auditing services, as well as the accounting systems, internal control, and internal auditing, registration, files or information, both regarding the Company as the corporate entities controlled by the same, which may be carried out through the Committee exercising such auditing duties.

VI. To approve the information and communication policies with shareholders and the market, as well as with the Directors and senior officers to comply with the provisions hereof.

VII. To determine the relevant actions to remedy any known irregularity and to implement the corresponding corrective measures.

VIII. To establish the terms and conditions to be followed by the Chief Executive Officer while exerting any authority derived from the power of attorney for acts of ownership.

IX. To instruct the Chief Executive Officer, to reveal to the investor public, any relevant information when known.

X. Any other responsibilities set forth by the Mexican Securities Law, by any other applicable legal regulations, or provided by these Bylaws.

ARTICLE TWENTIETH. DUTIES OF THE DIRECTORS. The members of the Board of Directors, and in its case, the Secretary of the Board of Directors, when exerting their duties and authorities, shall comply with the duty of diligence and loyalty before the Company and the corporate entities controlled by said Company or those where the Company has a significant influence according to the terms of the Mexican Securities Law.

ARTICLE TWENTY-FIRST. LIABILITIES OF THE DIRECTORS. Members of the Board of Directors failing to comply with duty of diligence and loyalty, and/or those incurring in illegal acts, actions or omissions, pursuant to the terms of the Mexican Securities Law, shall be jointly liable for any damages caused to the Company and to the corporate entities controlled by said Company or to those where the Company has a significant influence. Directors found guilty of incurring in illegal acts, actions or omissions, and/or those who fail to comply with loyalty duties pursuant to the terms of the Mexican Securities Law shall be removed from their offices.

Liability for damages caused to the Company or to the corporate entities controlled by said Company or to those companies where the Company has a significant influence incurred by the members of the Board of Directors caused by breaches to their duty of diligence may be limited by the terms and conditions determined by the General Shareholders' Meeting unless arising from willful misconduct, bad faith or illegal acts according to applicable legal regulations.

In the same manner, the Company may settle payment for indemnifications and may purchase, in favor of the members of the Board, insurance policies, surety bonds or bails covering the indemnification amount for damages caused by their performance to the Company or to the corporate entities controlled by said Company or to those where the Company has a significant influence, exception made for those acts arising from willful misconduct or made in bad faith, or that are illegal according to the corresponding applicable legal regulations, in which case, it shall be not legal to stipulate said indemnifications or contracting insurance policies, surety bonds or bail bonds payable to them.

The Company, however, may never agree to any benefits or exemption clauses that limit, release from, substitute or compensate the obligations for the liability derived from the breach of their duty of loyalty or illegal acts, actions or omissions, nor shall contract in favor of any person whatsoever, insurance policies, surety bonds or bails covering the indemnification amount for any damages caused thereof.

To guarantee their performance, and only upon request of the General Shareholders' Meeting, proprietary and alternate Directors, members of the Audit Committee and members of the Corporate Governance Committee shall deposit in the treasury of the Company the amount in Mexican currency determined by said Meeting or they shall contract a surety bond for said amount, payable to the Company when taking office. The deposit or bond may not be withdrawn until the performance of the relevant Director or Directors has been approved by the General Shareholders' Meeting of the Company. In absence of the express indication from the General Shareholders' Meeting, it shall be understood that the Meeting has released the board members of the Company from guaranteeing their performance therein.

ARTICLE TWENTY-SECOND. CIVIL LIABILITY SUIT. Liability derived from the acts referred to in Articles Twenty-First and Twenty-Eighth hereof shall be, exclusively, in favor of the Company or in favor of the corporate entities controlled by said Company or in favor of those companies where the Company has a significant influence enduring the patrimonial damage. The liability suit may be exerted: (i) by the Company, or (ii) by the Company's shareholders that jointly or individually are holders of 5% (five percent) or more of the shares representing the capital stock of the Company.

Plaintiff may settle by trial, the indemnity amount for damages, provided, however, plaintiff previously submits the terms and conditions of the corresponding settlement to be approved by the Company's Board of Directors. Lack of said formality shall cause relative nullity.

The exertion of the suits, referred to in this Article shall not be bound to the compliance of the requisites established in Articles 161 and 163 of the Mexican Corporate Law. But said suit should comprise the total amount of liabilities in favor of the Company or in favor of the corporate entities controlled by said Company or in favor of those companies where the Company has a significant influence and not only plaintiffs' personal interests.

ARTICLE TWENTY-THIRD. LIABILITY EXEMPTIONS. Without affecting the provisions of the previous Article Twenty-Second, Directors shall not jointly or individually incur in any liability for damages caused to the Company or to corporate entities controlled by the Company or to those companies where the Company has significant influence, derived from the suits exerted by the same, nor over the decisions adopted by them when, while acting in good faith, any of the following liability exemptions occur:

I. While complying with the provisions that the Mexican Securities Law or these Bylaws establish to approve the issues to be resolved by the Board of Directors or in its case by the Committees to which they belong.

II. While adopting resolutions or voting in the Board meetings or, in its case, in the meetings of the Committees to which they belong, based upon the information furnished by the senior officers, by the corporate entity rendering the external audit services or the independent experts, whose capacity and credibility imply no reasonable doubt.

III. When, to the best of their ability, they have chosen the best alternative or when negative patrimonial effects have not been foreseeable, in both cases, considering the information available at the moment;

IV. While following the resolutions of the Shareholders' Meeting as long as they are not in violation of applicable legal regulations.

ARTICLE TWENTY-FOURTH. COMMITTEES OF THE BOARD OF DIRECTORS. For the performance of their duties the Board of Directors, shall be assisted by an Audit Committee and by a Corporate Governance Committee. Said Committees shall be exclusively integrated by Independent Directors and by a minimum of 3 (three) members, designated by the Board of Directors proposed by the Chairman of the Board of Directors.

Notwithstanding the foregoing, the Chairman of said Committees shall be exclusively designated and/or removed from office by the General Shareholders' Meeting and they may not preside the Company's Board of Directors. Independent Board Members designated to integrate any of the aforementioned Committees may be, in turn, designated to some other Company's Committee. In the same manner, the Board of Directors may create other Committees different from the aforementioned ones to care for and/or follow-up specific issues for the establishment of policies or for other specified purposes granting said Committees with the authorities that the Board of Directors deems convenient. The Company may provide the necessary funds for the performance of the tasks of each Committee.

In case the minimum number of members of the Audit Committee are not present, for any reason, and the Board of Directors has not appointed provisional Directors, any shareholder may request from the Chairman of the Board of Directors to convene a General Shareholders' Meeting to make the corresponding designations pursuant to the terms established by the Mexican Securities Law.

ARTICLE TWENTY-FIFTH. MEETINGS OF THE CORPORATE GOVERNANCE AND AUDIT COMMITTEES. The Audit and the Corporate Governance Committees should meet as many times as it is necessary to comply with the obligations and authorities indicated in these Bylaws and in the applicable legal regulations.

The Chairman of the Board of Directors, any of the members of the Corporate Governance and Audit Committees, the Secretary of the Board of Directors, the Secretary of any of these Committees the Chief Executive Officer, as well as 25% (twenty five percent) of the Directors of the Company, may convene a meeting of any of the Corporate Governance and Audit Committees and insert in the agenda any issues they deem pertinent.

The notices for the meetings of the Corporate Governance and Audit Committees should be sent to the Directors integrating the same, by e-mail, regular mail, fax, or by any other communication means, to the last address registered by the same in the Company, at least 5 (five) working days prior to the date of the meeting. The Company's External Auditor, Chief Executive Officer and other senior officers and employees of the Company may be invited thereto.

The meetings of the Committees shall only be valid with the attendance of the majority of its members. In the same manner, their resolutions shall be taken by the majority of the attending members.

The resolutions unanimously adopted by the members of any Committee without a meeting shall have, for all legal effects, the same authority as if they had been adopted in a meeting, provided they are confirmed in writing. The minutes of each meeting of the Committees shall be recorded in the relevant Book and they shall be signed by the Chairman and the Secretary.

ARTICLE TWENTY-SIXTH. SURVEILLANCE OF THE COMPANY. The Board of Directors, through the Corporate Governance Committee and the Audit Committee as well as through the firm performing the external audit of the Company, shall be in charge of the surveillance of the Company and of the corporate entities controlled by the same, considering the influence the latter have in the, legal, administrative and financial situation of the first one.

Additionally to the powers of attorney, duties and liabilities indicated in the applicable legal regulations, the Corporate Governance Committee and the Audit Committee shall be in charge of developing the following activities, as it may correspond:

I. The Corporate Governance Committee shall:

a) render an opinion to the Board of Directors over the issues corresponding to said Committee, pursuant to the Mexican Securities Law;

b) request the opinion of independent experts, when deemed convenient, for the adequate performance of their duties or as required by law;

c) convene shareholders meetings and include issues they deem pertinent in the agenda thereof;

d) support the Board of Directors when making the annual reports of the corresponding fiscal year to be submitted to the General Shareholders' Meeting.

e) any other activity established for the Company by the Mexican Securities Law and other legal applicable regulations or provided by these Bylaws.

II. The Audit Committee shall:

a) render an opinion to the Board of Directors over the issues corresponding to said Committee, pursuant to the Mexican Securities Law;

b) assess the performance of the firm providing the external audit services as well as analyze the opinions, reports or documents made and signed by the external auditor. For that effect, the Committee may require the attendance of the mentioned auditor when deemed convenient without affecting auditor's obligation to meet with said Committee at least once a year;

c) discuss the financial statements of the Company with the persons responsible for making and revising the same, and based upon said financial statements, recommend its approval to the Board of Directors;

d) inform the Board of Directors of the condition and status of the internal controls and internal auditing systems of the Company or of the corporate entities controlled by the Company, including any irregularities detected therein;

e) prepare the opinion of the report rendered by the Chief Executive Officer and submit the same to the consideration of the Board of Directors to be presented thereafter before the Shareholders' Meeting supported by the opinion of the external auditor. Said opinion should indicate at least:

1. If the accounting and information policies and criteria followed by the Company are adequate and sufficient considering the particularities of the same.
2. If said policies and criteria had been consistently applied in the information presented by the Chief Executive Officer.
3. If, as a consequence of the previous sections 1 and 2, the information presented by the Chief Executive Officer reflects, in a reasonable manner, the financial situation and the profit and losses of the Company.

f) support the Board of Directors in the preparation of the reports referred to in paragraphs d) and e) of Section IV of Article 28 of the Mexican Securities Law;

g) oversee that the operations referred to in Section III of Article 28 and Article 47 of the Mexican Securities Law be carried out conforming to the relevant provisions contained therein;

h) request the opinion of independent experts when deemed convenient for the adequate performance of their duties or as required by law;

i) require from the senior officers and from other employees of the Company or of the corporate entities controlled by the Company, reports relevant to the preparation of the financial information and of any other kind deemed necessary for the performance of their duties;

j) investigate possible breaches known to them, both committed by the Company or by the corporate entities controlled by said Company, examining the documents, register books and other probative evidence in the degree and scope necessary to carry out such surveillance;

k) receive any observation made by shareholders, Directors, senior officers, employees, and in general, any third parties, regarding the issues referred to in the previous paragraph, as well as to carry out the actions deemed appropriate relevant to such observations;

l) request periodical meetings with senior officers as well as surrendering any kind of information in connection with the internal control and internal audit of the Company to corporate entities controlled by the same;

m) inform the Board of Directors about the material irregularities detected while exerting their duties, and in its case, notify the corrective measures thereof;

n) convene Shareholders' Meetings and request that the issues they deem convenient be inserted in the agenda of said Meetings;

o) oversee that the Chief Executive Officer complies with the resolutions taken by the Shareholders' Meetings and by the Board of Directors;

p) oversee the establishment of internal controls and mechanisms in order to verify that the actions and transactions of the Company, and of the corporate entities controlled by said Company, conform to the legal applicable regulations.

q) any other activity established for the Company by the Mexican Securities Law and other legal applicable regulations or provided by these Bylaws.

In the same manner, the Chairman of the Corporate Governance and Audit Committees must prepare an annual report about the activities corresponding to said bodies and submit the same to the Board of Directors complying with the requirements established by applicable legal regulations. To prepare said reports, as well as the opinions referred to in this Article, the Corporate Governance and Audit Committees shall consider the opinions of the senior officers of the Company. In case there is a difference of opinions with the latter, said differences shall be incorporated into said reports and/or opinions.

The Company shall not be subject to the provisions of section V of Article 91 of the Mexican Corporate Law, nor shall be applicable Articles 164 to 171, last paragraph of Article 172, 173 and 176 and other Articles related to the statutory auditor of the Company provided by the mentioned Law.

ARTICLE TWENTY-SEVENTH. CHIEF EXECUTIVE OFFICER. The Chief Executive Officer shall be in charge of running, conducting and executing the Company's business and the ones of the corporate entities controlled by the same, pursuant to this Article, complying with the strategies, policies and guidelines approved by the Board of Directors.

To comply with his duties, the Chief Executive Officer shall have the most ample power of attorney to represent the Company for acts of administration and for collection and litigation, including the special powers of attorney that according to law, require a special clause, in the same terms indicated in Article Eighteenth hereof. The Chief Executive Officer shall

not have a power of attorney for acts of ownership except when this power is expressly granted or delegated by the Board of Directors of the Company or by any person holding a power of attorney or authorized to do so.

Without limiting the foregoing, the Chief Executive Officer shall:

I. Submit, for the approval of the Board of Directors, the business strategies of the Company and of the corporate entities controlled by the same, pursuant to the information rendered by said corporate entities.

II. Carry out the resolutions of the Shareholders' Meetings and of the Board of Directors according, in its case, to the instructions given by the same Board.

III. Propose to the Audit Committee, the internal control system and internal audit guidelines of the Company and of the corporate entities controlled by the same, as well as execute the guidelines approved thereof by the Board of Directors.

IV. Subscribe within his scope, any information relevant to the Company along with the senior officers in charge of preparing the same.

V. Disclose the relevant information and events that should be disclosed to the public, conforming to the provisions of the Mexican Securities Law.

VI. Comply with the provisions relevant to the purchase and placement transactions of Company's own shares of stock.

VII. Exert, either personally or through an authorized delegate, within the scope of the Chief Executive Officer or as directed by the Board of Directors, the corresponding corrective measures and liability suits.

VIII. Oversight, in its case, that the capital contributions made by the shareholders are carried out.

IX. Comply with the legal and statutory requisites established regarding dividends paid to shareholders.

X. Assure that adequate accounting, registry and information systems are maintained by the Company.

XI. Prepare and submit to the Board of Directors the report referred to in Article 172 of the Mexican Corporate Law, exception made for the provisions of section (b) of said precept.

XII. Establish mechanisms and internal controls permitting to certify that the actions and transactions of the Company and of the corporate entities controlled by the same conform to the applicable regulations, and take any necessary measures thereof.

XIII. Exert the liability suits referred to in the Mexican Securities Law and in Article Twenty-Second hereof, against related parties or third parties that allegedly had caused a damage to the Company or to the corporate entities controlled by the same

or to companies where said Company has a significant influence, exception made for the cases when the Board of Directors, after having obtained the approval from the Audit Committee, determines that the damages caused are not relevant.

XIV. Provide anything necessary to comply with the provisions of Article 31 of the Mexican Securities Law in the corporate entities controlled by the Company.

The Chief Executive Officer shall carry out his duties and activities, as well as comply with the obligations set forth by applicable legal regulations assisted by the senior officers designated thereof and by any other employee of the Company or of the corporate entities controlled by the same.

ARTICLE TWENTY-EIGHTH. LIABILITY OF THE CHIEF EXECUTIVE OFFICER AND OTHER SENIOR OFFICERS. The Chief Executive Officer and other senior officers shall perform their duties intending to generate value in benefit of the Company and without favoring any determined shareholder or group of shareholders. To that effect, they shall act diligently adopting educated decisions and complying with other duties that are to be imposed to them, and therefore, they shall be liable for the damages derived from the performance of their corresponding duties. In the same manner, the liabilities for damages set forth in Article 46 of the Mexican Securities Law, shall be applicable, as well as the liability exemptions and limits referred to in Articles 33 and 40 of the same Mexican Securities Law.

GENERAL SHAREHOLDERS MEETINGS

ARTICLE TWENTY-NINTH. MEETINGS. The General Shareholders' Meeting convened pursuant to the provisions hereof, is the outmost body of the Company.

The General Shareholders' Meetings shall be Ordinary or Extraordinary. Extraordinary Meetings shall be the ones convened to deal with any of the issues included in Article 182 of the Mexican Corporate Law or, or that according to the applicable legal regulations, should have such character; all other meetings shall be Ordinary Meetings.

ARTICLE THIRTIETH. GENERAL ORDINARY MEETINGS. General Ordinary Shareholders' Meetings shall be held at least once a year within the 4 (four) month period following the closing of each fiscal year. When said annual Meeting is held, besides other specific issues of the agenda, said Annual Meeting shall: (i) discuss, revise, and in its case, approve the reports and opinions indicated in Section IV of Article 28 of the Mexican Securities Law; (ii) appoint the members of the Board of Directors, qualify the independence of the Directors proposed with such character and set their compensations, same which shall be included in the expenses of the relevant fiscal year; (iii) appoint the chairmen of the Corporate Governance Committee and the Audit Committee; (iv) resolve the application of the fiscal year profits, and; (v) decide the maximum resource amount to be destined to repurchase Company's own shares.

In the same manner it shall be a non delegable authority of the General Ordinary Shareholders' Meeting to approve the transactions intended by the Company or by the corporate entities controlled by the same when they represent 20% (twenty

percent) or more of the consolidated assets of the Company based upon the figures corresponding to the previous closing quarter, notwithstanding their form of execution, whether this be simultaneously or successively, but that due to their nature be considered as a sole operation.

ARTICLE THIRTY-FIRST. SHAREHOLDERS' RIGHTS.

I. Shareholders that individually or jointly hold 5% (five percent) or more of the capital stock may exert the liability suit provided by Article Twenty-Second hereof.

II. Shareholders that individually or jointly hold 10% (ten percent) of the capital stock of the Company shall be entitled to:

a) designate and revoke in the General Shareholders' Meeting, a member of the Board of Directors. Such designation may only be revoked by other shareholders when the appointment of all other Directors is revoked, in which case, the persons to be substituted may not be appointed with such character during the 12 (twelve) month period following the date of revocation;
b) require from the Chairman of the Board or from the Corporate Governance Committee and Audit Committee, at any time, that a General Shareholders' Meeting be convened, without the application of the percentage indicated in Article 184 of the Mexican Corporate Law;
c) request that the voting of any issue over which they consider they are not sufficiently informed be postponed for a maximum of 3 (three) calendar days, and for one time only without the need of a new notice, without the application of the percentage indicated in Article 199 of the Mexican Corporate Law;

III. Shareholders that individually or jointly hold 20% (twenty percent) of the capital stock may oppose in court the resolutions of the General Meetings where they have a right to vote, without the application of the percentage indicated in Article 201 of the Mexican Corporate Law;

IV. In the same manner, the Company's shareholders shall have the following rights:

a) have access, at the Company's offices, to the information and the documentation for every item Shareholders' Meeting agenda, free from any charge, and at least 15 (fifteen) calendar days prior to the date of the Meeting.
b) Prevent that the matters be discussed in the General Shareholders' Meeting as "general matters" or its equivalent.
c) Enter into agreements with the other shareholders pursuant to the terms provided by the applicable legal regulations. Such agreements should be notified to the Company within 5 (five) working days following their subscription, to be revealed to the investor public through the stock market where the shares or certificates representing said shares are traded, pursuant to the terms and conditions established by the same, being accessible to the public for consultation in the Company's offices. These agreements shall not be opposable to the Company except in cases of judicial resolutions which breaching shall not affect the validity of the vote in Shareholders' Meetings, but they may only effective between the parties when they have been revealed to the investor public.

ARTICLE THIRTY-SECOND. NOTICES. Shareholders' Meetings may be convened by the Board of Directors, by the Corporate Governance Committee or by the Audit Committee, as the case may be. In the same manner, shareholders representing at least 10% (ten percent) of the capital stock may require from the Chairman of the Board of Directors or from the Committees, in writing, at any time, to convene a General Shareholders' Meeting to discuss the issues specified in their request. Shareholders owning one share have the same right as any of the cases referred to in Article 185 of the Mexican Corporate Law. If the notice is not made within 15 (fifteen) days following the date of the request, a civil or a district judge of the domicile of the Company shall make such notice upon request from anyone of the interested parties.

In absence of the minimum amount of members required for the Corporate Governance Committee and Audit Committees to convene, and only when the Board of Directors had not made the appointment of provisional Directors and/or members of the Committees, any shareholder may request from the Chairman of the Board of Directors to convene, within a term of 3 (three) calendar days, a General Shareholders' Meeting so that the latter makes the corresponding designations.

ARTICLE THIRTY-THIRD. PUBLICATION OF NOTICES. Meeting notices should be published in the Federal Official Gazette or in a newspaper of major circulation of the Company's domicile at least 15 (fifteen) calendar days prior to the date set for said Meeting. Notices shall contain the agenda and shall be signed by the person or persons making such notice. The General Shareholders' Meeting may be held without a previous notice if all the capital stock is represented therein at voting time.

ARTICLE THIRTY-FOURTH. SHAREHOLDER'S PROXIES. The Shareholders of the Company may be represented in the Shareholders' Meetings by the person or persons designated by said shareholders by a simple proxy or by a power of attorney given in the forms prepared by the Company, which forms shall be at the disposal of shareholders through market brokers or through the Company, at least 15 (fifteen) days prior to the date of each Meeting complying with the following requisites: (i) notice shall indicate in a noticeable manner the name of the Company as well as the corresponding agenda; (ii) it shall contain a space to be filled with the instructions given by grantor to exert said power of attorney. The Secretary of the Board of Directors should verify that the provisions contained in this Article are observed and shall inform the General Shareholders' Meeting of said compliance, evidencing the same in the relevant minute.

ARTICLE THIRTY-FIFTH. DEVELOPMENT OF THE MEETINGS. The Meetings shall be presided by the Chairman of the Board of Directors and in his absence, by his Alternate, and in the absence of the latter, by the person designated by the majority of votes of the Shareholders. In the same manner, it shall serve as Secretary, the one designated as such by the Board of Directors and/or by the Shareholders' Meeting, and in his absence, he shall be substituted by the Alternate Secretary, and in absence of both, by the person designated by the Shareholders by a majority of votes therein.

The Minutes of the Meetings shall be recorded in the relevant Book and shall be signed by the Chairman and by the Secretary of the meeting.

ARTICLE THIRTY-SIXTH. QUORUM FOR THE GENERAL MEETINGS. General Ordinary Shareholders' Meetings held by first notice shall be valid if at least 50% (fifty percent) of the capital stock is represented therein and their resolutions shall be valid when they are adopted by the assenting vote of the majority of the shares represented therein. In the Meetings, each common share shall be entitled to one vote.

The Extraordinary Shareholders' Meetings held by first notice shall be valid if at least 75% (seventy five percent) of the capital stock is represented therein and their resolutions shall be valid when they are adopted by the assenting vote of shares representing at least 50% (fifty percent) of the capital stock.

Regarding Ordinary Meetings, if the number of shares established in the previous Articles in the date set forth for the first notice were not represented therein, this shall reconvene and said Meeting shall decide the issues contained in the agenda, notwithstanding the number of shares represented in the same. If it should be a Extraordinary Meeting it shall require, in all cases, the assenting vote of the shares representing at least 50% (fifty percent) of the capital stock.

ARTICLE THIRTY-SEVENTH. RIGHT TO ATTEND MEETINGS. In order to be entitled to attend to and vote in a Shareholders' Meeting, all shareholders shall previously deposit their share certificates with the Company's Secretary, in any Mexican or Foreign Bank or any Securities Depository Institution, not later than the day immediately preceding the date set forth for the Meeting. The deposit slip of the share will accredit the right to attend the Meetings. The Stock Ledger of the Company shall be closed, and therefore no recordings shall be permitted the day prior to the date of the Meeting.

FISCAL YEARS, FINANCIAL INFORMATION, PROFITS AND LOSSES

ARTICLE THIRTY-EIGHTH. FISCAL YEARS. Fiscal years shall coincide with calendar years pursuant to the terms of Article 8-A of the Mexican Corporate Law.

ARTICLE THIRTY-NINTH. ANNUAL REPORT. The Company through its Board of Directors shall annually submit to the Shareholders' Meeting held for the closing of the fiscal year the following: (i) the report prepared by the Chief Executive Officer pursuant to the provisions of Section XI of Article 44 of the Mexican Securities Law; (ii) the opinion of the Board of Directors over the contents of the report prepared by the Chief Executive Officer; (iii) the report provided in Article 172 of the General Law of Commercial Companies, containing the main policies, accounting principles and information criteria followed to prepare the financial information of the Company; (iv) the reports of the Chairman of the Corporate Governance Committee and the Chairman of the Audit Committee, and (v) the report containing the transactions and activities where the Company had intervened pursuant to the provisions of the Mexican Securities Law.

Notwithstanding the foregoing, the Board of Directors shall be free to submit any financial statements referring to any date during the fiscal year and the Meeting may approve them for all legal effects thereof.

ARTICLE FORTIETH. APPLICATION OF PROFITS AND LOSSES. Net profits shown in the Financial Statements approved in the Shareholders' Meetings shall be distributed as follows:

(i) 5% (five percent) to reconstitute the legal reserve fund until said fund reaches at least 20% (twenty percent) of the capital stock; (ii) if it is so determined by the Meeting it may designate the amounts deemed convenient to constitute a contingency fund, as well as special reserve funds, and; (iii) the remaining profits, if any, shall be applied in the manner resolved by the General Ordinary Shareholders' Meeting.

Losses, if any, shall be supported primarily by the reserves, and in lack of these, by the capital stock.

ARTICLE FORTY-FIRST. DISTRIBUTION OF DIVIDENDS. The Ordinary Shareholders' Meeting may declare a dividend payment throughout the fiscal year, in the form, term, and conditions agreed by said Meeting, complying with the legal requirements and after making the corresponding legal reserves.

DISSOLUTION AND LIQUIDATION

ARTICLE FORTY-SECOND. DISSOLUTION. The Company shall be dissolved in any of the events specified in Article 229 of the Mexican Commercial Law.

ARTICLE FORTY-THIRD. LIQUIDATION. Once the Company has been dissolved it shall be liquidated. One or more liquidators appointed by the General Extraordinary Shareholders' Meeting shall be in charge of the Liquidation. If the Meeting fails to appoint said liquidator, a Civil or District Judge, of the domicile of the Company shall do so, upon petition of any of the shareholders.

ARTICLE FORTY-FOURTH. BASIS FOR LIQUIDATION. In absence of specific instructions given by the Meeting to the Liquidators, Liquidation shall be performed according to the following general basis:

I. Conclusion of all pending businesses with the minimum damage to creditors and shareholders.
II. Preparation of the General Balance Sheet and Inventory.
III. Collection of all Credits and payment of all debts.
IV. Sale of all Company's Assets and application of profits for the purpose of the Liquidation.
V. Distribution of the remnant, if any, among the shareholders, in proportion to their shares.

ARTICLE FORTY-FIFTH. APPLICATION OF LIQUIDATION REMNANT. Once the Liquidation transactions are concluded, the Liquidator or Liquidators shall convene a General Meeting to examine, during the same, the Liquidation Account Statements, to render an opinion on said Statements, and resolve the application of the remnant, if any.

CANCELLATION OF REGISTRATION AND CONFLICT RESOLUTION

ARTICLE FORTY-SIXTH. CANCELLATION OF REGISTRATION AT THE MEXICAN SECURITIES REGISTRY. Cancellation of the registration of the Company's shares in the Mexican Securities Registry, should be carried out within the prices, dates, terms, conditions and exceptions established by the Mexican Securities Law and other legal regulations applicable to the Company.

ARTICLE FORTY-SEVENTH. DISPUTE RESOLUTION. It is the will of the shareholders of the Company to expressly waive the judicial venue and submit to arbitration all controversies, issues, or incidence that should arise against the Company regarding these Bylaws. Said arbitration shall be of law and shall be resolved by an arbitration court composed by 3 (three) arbiters. Each one of the parties shall be entitled to appoint an arbiter and both parties shall appoint a third arbiter. The arbitration shall be governed and controlled, regarding arbitration proceedings, by the relevant Articles of Commercial Arbitration contained in the Código de Comercio ("Mexican Commerce Code").

ARTICLE FORTY-EIGHTH. HEADINGS. All headings and titles contained in each one of the Articles herein, are for convenience and reference only and they will not affect, in any manner whatsoever, the interpretation of these Bylaws.

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	Nevada, United States
Molinos Nacionales, C.A. ("MONACA")	Venezuela
Derivados de Maíz Seleccionado, C.A. ("DEMASECA")	Venezuela
Investigación de Tecnología Avanzada, S.A. de C.V.	Mexico

Exhibit 12(a)(1)

CERTIFICATION 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 26, 2008

/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 García, certify that:

1. I have reviewed this annual report on Form 20-F of Gruma, S.A.B. de C.V.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 26, 2008

/s/ Juan Antonio Quiroga García
Juan Antonio Quiroga García

Chief Corporate Officer

Exhibit 13

Officer Certifications
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Gruma, S.A.B. de C.V., a *sociedad anónima bursátil de capital variable* organized under the laws of Mexico (the "Company"), does hereby certify to such officer's knowledge that:

The annual report on Form 20-F for the fiscal year ended December 31, 2007 (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 26, 2008

/s/ Roberto González Barrera
Name: Roberto González Barrera
Title: Chief Executive Officer

Dated: June 26, 2008

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.