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DESC S A DE C V
Form 6-K
April 29, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13A-16 OR 15D-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of April, 2004

Commission File Number: 001-13196

DESC, S.A. DE C.V.

(Translation of registrant's name into English)

PASEO DE LOS TAMARINDOS 400-B, BOSQUES DE LAS LOMAS, 05120 MEXICO, D.F., MEXICO

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports
under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as
permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as
permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this
Form, the registrant is also thereby furnishing the information to the
Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.
Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in
connection with Rule 12g3-2(b): 82-_____

The following is included in this report on Form 6-K:

Item

1. English translation of a summary of the resolutions adopted at the Registrant's annual ordinary shareholders' meeting
2. Consolidated Financial Statements of Desc Automotriz, S.A. de C.V. for the years ended December 31, 2003 and 2002, together with the independent auditors' report

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3. Consolidated Financial Statements of the Registrant for the years ended December 31, 2003 and 2002, together with the independent auditors' report
4. English Translation of a Press Release, dated April 27, 2004, announcing Registrant's First Quarter 2004 results
5. Consolidated Financial Statements of Registrant, at March 31, 2004 and 2003, in the format required to be filed with the Mexican Stock Exchange

Item 1

desc

SUMMARY OF THE RESOLUTIONS ADOPTED AT THE ANNUAL ORDINARY SHAREHOLDERS' MEETING OF DESC, S.A. DE C.V., HELD ON APRIL 26, 2004.

I. PRESENTATION OF THE REPORT OF THE BOARD OF DIRECTORS, AS PROVIDED IN ARTICLE 172 OF THE GENERAL CORPORATIONS LAW AND THE REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS, REGARDING THE FISCAL YEAR ENDED DECEMBER 31, 2003 AND RESOLUTIONS REGARDING SUCH REPORTS.

The Report referred to in the general provision of Article 172 of the General Law of Commercial Companies was deemed submitted, as was the Report of the Board of Directors Audit Committee, for the fiscal year from January 1 and December 31, 2003, which were available to the shareholders in advance of the meeting in accordance with the applicable provisions, together with the consolidated and unconsolidated Financial Statements of the Company and of the subsidiaries where the Company's investment exceeds 20% of its consolidated net worth, as well as those that contribute more than 10% to the total assets or profits of DESC, S.A. de C.V., duly audited by the external auditors (Desc Automotriz, S.A. de C.V. and Cantiles de Mita, S.A. de C.V.)

II. RATIFICATION OF THE ACTIONS UNDERTAKEN BY THE BOARD OF DIRECTORS AND THE BOARD COMMITTEES DURING SAID FISCAL YEAR.

Any and all of the actions taken by the Board of Directors of DESC, S.A. de C.V. and its Committees during the fiscal year ended December 31, 2003 were unanimously approved and ratified.

III. DISCUSSION, APPROVAL OR MODIFICATION, IF APPROPRIATE, OF THE FINANCIAL STATEMENTS OF THE CORPORATION AS OF DECEMBER 31, 2003, WITH THE PRIOR READING OF THE REPORT OF THE STATUTORY EXAMINER.

The consolidated and unconsolidated financial statements of the Company through December 31, 2003, were unanimously approved, consisting of the General Balance Sheet, the Profit and Loss Statement, the Statement of Stockholders Equity and the Statement of Changes in the Financial Situation of DESC, S.A. de C.V., with their Notes, audited by the company's external auditors, in the form that they were presented at the Shareholders' Meeting, upon prior reading of the Statutory Auditor's Report.

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IV. RESOLUTIONS ON THE APPLICATION OF RESULTS.

The net loss for the fiscal year, which is in the amount of \$2,240'386,163.23 pesos, Mexican Currency, was applied against the Accumulated Profit Account.

V. ELECTION OR REELECTION, AS THE CASE MAY BE, OF THE MEMBERS OF THE BOARD OF DIRECTORS, AS WELL AS THE BOARD COMMITTEE MEMBERS, AND THE STATUTORY EXAMINERS.

a) Pursuant to Clause Twenty-Sixth of the bylaws, it was resolved that the Board of Directors will be comprised of 11 Directors, of which 6 Directors shall be elected by majority vote of the Series "A" shares represented at the Shareholders' Meeting and 5 Directors shall be elected by majority vote of the Series "B" shares represented at the Shareholders' Meeting.

b) By unanimous vote of those present, the following persons were elected members of the Board of Directors of DESC, S.A. de C.V., who being present or having had knowledge of their possible election, have given their acceptance of their appointments.

BOARD OF DIRECTORS

SERIES "A" DIRECTORS

FERNANDO SENDEROS MESTRE	Patrimonial/ Related
ALBERTO BAILLERES GONZALEZ	Related
PABLO JOSE CERVANTES BELAUSTEGUIGOITIA	Independent
FEDERICO FERNANDEZ SENDEROS	Patrimonial/ Related
CARLOS GOMEZ Y GOMEZ	Patrimonial/ Related
ERNESTO VEGA VELASCO	Related

SERIES "B" DIRECTORS

RUBEN AGUILAR MONTEVERDE	Independent
VALENTIN DIEZ MORODO	Independent
CARLOS GONZALEZ ZABALEGUI	Independent
PRUDENCIO LOPEZ MARTINEZ	Independent
LUIS TELLEZ KUENZLER	Related

c) For purposes of the provisions of the Code of Better Corporate Practices, it was recorded that of the 11 Directors elected at the Shareholders' Meeting, that the company to date has 3 Related Patrimonial Directors; 5 Independent Directors; and 3 Related Directors.

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d) It was resolved that the Evaluation and Compensation Committee be composed of 3 Directors; the Audit Committee, by 3 Directors; and the Finance and Planning Committee, by 4 Directors.

e) The following Directors were appointed members to the Executive, Evaluation and Compensation, Audit, and Finance and Planning Committees:

EVALUATION AND COMPENSATION COMMITTEE

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VALENTIN DIEZ MORODO
CARLOS GONZALEZ ZABALEGUI
ERNESTO VEGA VELASCO

Chairman

AUDIT COMMITTEE

RUBEN AGUILAR MONTEVERDE
PRUDENCIO LOPEZ MARTINEZ
ERNESTO VEGA VELASCO

Chairman

FINANCE AND PLANNING COMMITTEE

FERNANDO SENDEROS MESTRE
FEDERICO FERNANDEZ SENDEROS
CARLOS GOMEZ Y GOMEZ
ERNESTO VEGA VELASCO

Chairman

f) Messrs. Jose Manuel Canal Hernando and Daniel del Barrio Burgos were, respectively, appointed to the offices of Statutory Examiner and Alternate Statutory Examiner.

g) The dissolution of the Executive Committee was approved by the shareholders, and the Chief Executive Officer will assume the Committee's duties.

VI. RESOLUTION ON THE COMPENSATION TO THE DIRECTORS AND THE STATUTORY EXAMINERS.

It was resolved that the members of the Board of Directors, and the Statutory Auditors, whether or not Alternates, of DESC, S.A. de C.V., will continue receiving a fee of \$25,000.00 Mexican Currency (TWENTY-FIVE THOUSAND AND 00/100 PESOS, MEXICAN CURRENCY) for each Board of Directors Meeting that they attend, and for each meeting that they attend of the Evaluation and Compensation, Audit, and Finance and Planning Committees.

Further, the Committees were authorized to incur, as applicable, additional expenses on studies or work required to fulfill their functions, provided that any such expenses must be duly explained and approved by the Chairman of the Board of Directors.

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The aforesaid remuneration and additional expenses shall be paid by charging the General Expense Account corresponding to the fiscal year when they are actually paid.

VII. REPORT OF THE BOARD OF DIRECTORS, AS PROVIDED IN ARTICLE 60, SECTION III OF THE GENERAL RULES APPLICABLE TO SECURITIES' ISSUERS AND OTHER PARTICIPANTS OF THE SECURITIES MARKET ISSUED BY THE NATIONAL BANKING AND SECURITIES COMMISSION.

The Secretary of the Board of Directors reported that, in accordance with Article 60, Section III of the General Provisions Applicable to Securities' Issuers and Other Participants in the Securities Market issued by the National Banking and Securities Commission, no repurchase operations of the Desc's shares were completed during fiscal year 2003.

VIII. DESIGNATION OF DEPUTIES TO FORMALIZE THE RESOLUTIONS ADOPTED AT THE MEETING.

Messrs. Fernando Senderos Mestre, Ernesto Vega Velasco, Juan Marco Gutierrez Wanless, Arturo D'Acosta Ruiz, Ramon F. Estrada Rivero y Fabiola G. Quezada

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Nieto were named as Delegates of this Shareholders Meeting in order that, jointly or severally, they carry out the acts necessary to formalize and effectuate the resolutions adopted by this Shareholders Meeting, and process the formalization before a Notary Public of these minutes in relevant part, signing the relevant instrument, and process themselves or through a third party, their recording with the Public Registry of Commerce.

IX. READING AND APPROVAL OF THE MINUTES OF THIS MEETING.

The minutes were approved in all their terms, which were prepared and read by the Secretary. The Chairman, the Secretary and the Statutory Examiner are authorized to sign them for the record.

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Item 2

Desc Automotriz, S. A. de C. V. and Subsidiaries
(A Wholly-Owned Subsidiary of Desc, S.A. de C.V.)
Consolidated Financial Statements
For the Years Ended December 31, 2003 and 2002, and Independent Auditors' Report
Dated January 23, 2004

Desc Automotriz, S.A. de C.V. and Subsidiaries
(A Wholly-Owned Subsidiary of Desc, S.A. de C.V.)
Independent Auditors' Report and Consolidated
Financial Statements 2002 and 2003

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Independent Auditors' Report to the
Board of Directors and Stockholders of
Desc Automotriz, S.A. de C.V.:

We have audited the accompanying consolidated balance sheets of Desc Automotriz, S.A. de C.V. and subsidiaries (the "Company") as of December 31, 2002 and 2003, and the related consolidated statements of operations, changes in stockholders' equity and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements of the Company as of December 31, 2001 and for the year then ended was audited by other auditors who expressed an unqualified opinion in their report dated January 24, 2002.

We conducted our audits in accordance with auditing standards generally accepted

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in Mexico and United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in accordance with accounting principles generally accepted in Mexico. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 3 to the accompanying consolidated financial statements, as of December 31, 2003, the Company early adopted the provisions of new Bulletin C-15, "Impairment in the Value of Long-lived Assets and their Disposal", which establishes that an impairment loss has occurred if the present value of estimated net future cash flows of a cash generating unit is less than the book value of long-lived assets, tangible or intangible. The effect in thousands of Mexican pesos derived from the application of this principle was the recognition of Ps.676,312, of impairment in the value of certain property, plant and equipment. The charge to 2003 results was Ps.446,366, net of a reduction of Ps.229,946 in the deferred income tax liability.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Desc Automotriz, S.A. de C.V. and subsidiaries as of December 31, 2002 and 2003, and the results of their operations, changes in their stockholders' equity and changes in their financial position for the years then ended in conformity with accounting principles generally accepted in Mexico.

Accounting practices used by the Company in preparing the accompanying consolidated financial statements conform with accounting principles generally accepted in Mexico but do not conform with accounting principles generally accepted in the United States of America (US GAAP). A description of these differences and a reconciliation of majority net income and stockholders' equity to US GAAP as permitted by the regulations of the US Securities and Exchange Commission, which allows omission of the requirement to quantify, in the US GAAP reconciliation, the differences attributable to the effects of comprehensive inflation adjustments recorded locally, are set forth in Notes 25 and 26.

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Our audit also comprehended the translation of the Mexican peso amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. The translation of the financial statement amounts into US dollars and the translation of the financial statements into English have been made solely for the convenience of readers in the United States of America.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member firm of Deloitte Touche Tohmatsu

/s/ Luis Javier Fernandez Barragan

C. P. C. Luis Javier Fernandez Barragan
Mexico City, Mexico
January 23, 2004

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desc Automotriz, S.A. de C.V. and Subsidiaries
(A Wholly-Owned Subsidiary of Desc, S.A. de C.V.)
Consolidated Balance Sheets
As of December 31, 2002 and 2003
(In thousands of Mexican pesos (Ps.) of purchasing power of December 31, 2003

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and thousands of U.S. dollars (\$))

Assets

	2002	2003
Current assets:		
Cash and temporary investments	Ps. 721,881	Ps. 145,098
Accounts and notes receivable, net	780,856	1,013,732
Accounts receivable from parent company and related parties	30,536	972,458
Inventories, net	1,106,852	1,086,928
Prepaid expenses	16,659	10,548
Discontinued operations	4,319	4,199
	-----	-----
Total current assets	2,661,103	3,232,963
Property, plant and equipment, Net	6,528,678	5,550,909
Noncurrent assets of discontinued operations	111,331	16,402
Other assets, net	237,402	144,678
Employee retirement obligation intangible asset	13,124	12,010
	-----	-----
	Ps. 9,551,638	Ps. 8,956,962
	=====	=====

Liabilities and stockholders' equity

	2002	2003
Current:		
Bank loans and current portion of long-term debt	Ps. 1,134,264	Ps. 173,186
Current portion due to Desc, .S.A. de C.V	--	349,294
Notes and accounts payable to suppliers	718,420	432,739
Accounts payable to related parties	166,782	86,703
Other payables and accrued liabilities	382,536	361,514
Income taxes, asset taxes and employee profit sharing	280,610	164,129
Discontinued operations	31,193	4,915
	-----	-----
Total current liabilities	2,713,805	1,572,480
Long-term debt	5,455	--
Due to Desc, S. A. de C. V. (parent company)	--	1,262,681
Employee retirement obligations	--	28,599
Deferred income tax	1,074,046	539,977
Additional liability for employee retirement obligations	170,374	156,306
	-----	-----
Total liabilities	3,963,680	3,560,043
	-----	-----
Stockholders' equity:		
Common stock	2,825,547	2,825,547
Earned surplus from restructuring of subsidiary	68,438	68,438
Retained earnings	2,261,659	1,810,797
Cumulative initial effect of deferred income taxes	(1,144,105)	(1,144,105)
Cumulative effect of restatement	(434,047)	(301,887)
Adjustment of additional liability for employee retirement obligations	(87,164)	(81,658)
	-----	-----
Majority stockholders' equity	3,490,328	3,177,132
Minority interest	2,097,630	2,219,787
	-----	-----
Total stockholders' equity	5,587,958	5,396,919
	-----	-----

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Ps. 9,551,638 Ps. 8,956,962
 =====

See accompanying notes to consolidated financial statements.

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desc Automotriz, S.A. de C.V. and Subsidiaries
 (A Wholly-Owned Subsidiary of Desc, S.A. de C.V.)
 Consolidated Statements of Operations
 For the years ended December 31, 2001, 2002 and 2003
 (In thousands of Mexican pesos (Ps.) of purchasing power of December 31, 2003
 and thousands of U.S. dollars (\$) except per share information)

	2001	2002
Net sales	Ps. 10,158,203	Ps. 8,732,651
Cost of sales	7,675,805	6,878,401
	-----	-----
Gross profit	2,482,398	1,854,250
Operating expenses:		
Administrative	1,115,157	1,019,583
Selling	222,761	190,522
	-----	-----
	1,337,918	1,210,105
	-----	-----
Income from operations	1,144,480	644,145
Other expenses (income):		
Special item - severance indemnities	137,005	--
Income earned on trust funds	(37,020)	(29,117)
Loss for sale and impairment of fixed assets	6,699	10,388
Clean-up of accounting records	--	29,702
Other, net	53,631	41,239
	-----	-----
	160,315	52,212
Integral financing cost:		
Interest income	(61,315)	(51,500)
Interest expense	197,577	107,361
Exchange loss, net	(65,818)	130,764
Monetary position gain	(69,128)	(3,689)
	-----	-----
	1,316	182,936
	-----	-----
Income (loss) from continuing operations before provisions	982,849	408,997
Provisions for:		
Current income taxes	484,436	463,830
Deferred income taxes	(210,146)	(228,494)
Asset taxes	1,116	--
Employee profit sharing	119,927	95,151
	-----	-----
	395,333	330,487
	-----	-----
Income from continuing operations	587,516	78,510
Income (loss) from discontinued operations	(17,150)	(81,325)
Extraordinary item	--	(40,637)
Cumulative effect of change in accounting principle	--	--
	-----	-----
Consolidated net income (loss)	Ps. 570,366	Ps. (43,452)
	=====	=====
Allocation of consolidated net income:		
Majority interest	Ps. 374,611	Ps. (101,574)
Minority interest	195,755	58,122

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	Ps.	570,366	Ps.	(43,452)	P
Earning per share:					
Income from continuing operations	Ps.	0.5589	Ps.	0.0291	P
Income (loss) from discontinued operations		(0.0244)		(0.1160)	
Extraordinary item		--		(0.0580)	
Cumulative effect of change in accounting principle		--		--	
Majority net income (loss)	Ps.	0.5345	Ps.	(0.1449)	P

See accompanying notes to consolidated financial statements.

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desc Automotriz, S.A. de C.V. and Subsidiaries
(A Wholly-Owned Subsidiary of Desc, S.A. de C.V.)
Consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 2001, 2002 and 2003
(In thousands of Mexican pesos (Ps.) of purchasing power of December 31, 2003
and thousands of U.S. dollars (\$))

	Number of Shares	Common Stock	
		Historical	Restatement
Balances as of January 1, 2001	700,968,216	Ps. 700,968	Ps. 2,124,57
Dividends declared and paid	--	--	--
Earned surplus from restructuring of subsidiary	--	--	--
Decrease in equity of minority stockholders from restructuring of subsidiary	--	--	--
Consolidated comprehensive income	--	--	--
Balances as of December 3, 2001	700,968,216	700,968	2,124,57
Dividends declared and paid	--	--	--
Consolidated comprehensive income	--	--	--
Balances as of December 31, 2002	700,968,216	700,968	2,124,57
Dividends declared and paid	--	--	--
Consolidated comprehensive income (loss)	--	--	--
Balances as of December 31, 2003	700,968,216	Ps. 700,968	Ps. 2,124,57
Balances as of December 31, 2002	700,968,216	\$ 62,588	\$ 189,69
Dividends declared and paid	--	--	--
Consolidated comprehensive income (loss)	--	--	--
Balances as of December 31, 2003	709,968,216	\$ 62,588	\$ 189,69

Cumulative Initial Effect of Deferred Income Taxes	Cumulative Effect of Restatement	Adjustment of Additional Liability for Employee Retirement Obligations
--	----------------------------------	--

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Balances as of January 1, 2001	Ps. (1,144,105)	Ps. (372,356)	Ps. --
Dividends declared and paid	--	--	--
Earned surplus from restructuring of subsidiary	--	--	--
Decrease in equity of minority stockholders from restructuring of subsidiary	--	--	--
Consolidated comprehensive income	--	(204,484)	--

Balances as of December 3, 2001	(1,144,105)	(576,840)	--
Dividends declared and paid	--	--	--
Consolidated comprehensive income	--	142,793	(87,160)

Balances as of December 31, 2002	(1,144,105)	(434,047)	(87,160)
Dividends declared and paid	--	--	--
Consolidated comprehensive income (loss)	--	132,160	5,500

Balances as of December 31, 2003	Ps. (1,144,105)	Ps. (301,887)	Ps. (81,650)
=====			
Balances as of December 31, 2002	\$ (102,154)	\$ (38,755)	\$ (7,780)
Dividends declared and paid	--	--	--
Consolidated comprehensive income (loss)	--	11,800	490

Balances as of December 31, 2003	\$ (102,154)	\$ (26,955)	\$ (7,290)
=====			

See accompanying notes to consolidated financial statements.

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Desc Automotriz, S.A. de C.V. and Subsidiaries
(A Wholly-Owned Subsidiary of Desc, S.A. de C.V.)
Consolidated Statements of Changes in Financial Position
For the years ended December 31, 2001, 2002 and 2003
(In thousands of Mexican pesos (Ps.) of purchasing power of December 31, 2003
and thousands of U.S. dollars (\$))

	2001	2002	2003
Operating activities:			
Income from continuing operations	Ps. 587,516	Ps. 78,510	Ps. 23,000
Add (deduct)- Items which did not require (generate) resources-			
Depreciation and amortization	737,420	778,200	750,000
Deferred income taxes	(210,146)	(228,494)	(422,000)
Net cost of employee benefits for the year	79,948	51,441	93,000
Loss for sale and impairment of fixed assets	6,699	10,388	7,000
Non-cash items from discontinued operations	1,493	(8,635)	3,000
	-----	-----	-----
Net resources obtained from results	1,202,930	681,410	455,000
Change in working capital-			
(Increase) decrease in-			
Accounts and notes receivable, net	446,745	53,381	(232,000)
Accounts receivable from parent company and related parties	(169,224)	542,510	(941,000)
Inventories, net	595,345	(29,413)	126,000
Prepaid expenses	18,072	19,381	6,000
Trust funds	(58,284)	291,969	--
Current asset from restructuring of subsidiary	104,646	--	--
Current assets of discontinued operations	25,659	65,775	--
Increase (decrease) in-			

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Notes and accounts payable to suppliers, other payables and accrued liabilities	(182,688)	(191,480)	(306)
Accounts payable to related parties	(17,945)	141,406	(80)
Income taxes, asset taxes and employee profit sharing	175,409	(50,134)	(116)
Short-term liability from restructuring of subsidiary	(38,617)	--	
Current liabilities of discontinued operations	(31,286)	3,061	(26)
	-----	-----	-----
	867,832	846,456	(1,571)
	-----	-----	-----
Net resources generated by (used in) operations before other effects	2,070,762	1,527,866	(1,116)
	-----	-----	-----
Income (loss) from discontinued operating activities	(17,150)	(81,325)	31
Extraordinary item	--	(40,637)	
Cumulative effect of change in accounting principle	--	--	(446)
	-----	-----	-----
	(17,150)	(121,962)	(414)
	-----	-----	-----
Net resources generated by (used in) operating activities	2,053,612	1,405,904	(1,531)
	-----	-----	-----
Financing activities:			
Variance in bank loans and current portion of long-term debt in real terms	(479,091)	(483,718)	(917)
Variance in bank loans and current portion of long-term debt from restructuring of subsidiary	(148,418)	--	
Decrease in bank loans and current portion of long-term debt due to restatement in constant Mexican pesos	(104,304)	(93,705)	(43)
Repayment of long-term debt	(429,296)	(138,005)	(5)
Decrease in long-term debt from restructuring of subsidiary	(37,944)	--	
Monetary effect on long-term debt	(27,280)	(8,177)	
Due to Desc, S.A. de C.V. (Parent Company)	--	--	1,611
Dividends paid to majority stockholders	(118,000)	(199,492)	(35)
Dividends paid to minority stockholders of subsidiaries	(402,094)	(121,085)	
		(Continued)	
		6	
	2001	2002	2003
Decrease in minority interest from restructuring of subsidiary	(250,087)	--	
Earned surplus from restructuring of a subsidiary	68,438	--	
Adjustment of additional liability for employee retirement obligations	--	(87,164)	5
Adjustment to additional liability for employee retirement obligations - minority interest	--	(13,058)	(3)
Deferred income taxes	(214,846)	38,767	(111)
Deferred income taxes from restructuring of subsidiary	(94,661)	--	
Financing activities of discontinued operations	(9,003)	(720)	
	-----	-----	-----
Net resources generated by (used in) financing activities	(2,246,586)	(1,106,357)	499
	-----	-----	-----
Investing activities:			
Additions to property, plant and equipment	(333,104)	(806,046)	(556)
Net book value of retirements of property, plant and equipment	200,867	169,368	264
Cumulative effect of change in accounting policy in			

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property, plant and equipment	--	--	676
Decrease in property, plant and equipment from restructuring of subsidiary	269,327	--	
Other assets	(128,040)	101,715	(8
Other assets from restructuring of subsidiary	11,431	--	
Decrease in employee retirement obligation intangible asset	--	157,489	(12
Investing activities of discontinued operations	(2,243)	5,499	91
	-----	-----	-----
Net resources generated by (used in) investing activities	18,238	(371,975)	454
	-----	-----	-----
Net increase (decrease) in cash and temporary investments	(160,866)	(72,428)	(576
Decrease in cash and temporary investments from restructuring of subsidiary	(13,870)	--	
(Increase) decrease in cash and temporary investments of discontinued operations	32,533	8,024	
Cash and temporary investments at the beginning of the year	928,489	786,286	721
	-----	-----	-----
Cash and temporary investments at the end of the year	Ps. 786,286	Ps. 721,881	Ps 145
	=====	=====	=====
Supplemental cash flow disclosures:			
Income and asset taxes paid	Ps. 419,982	Ps. 421,083	Ps 250
	=====	=====	=====
Employee profit sharing paid	Ps. 104,638	Ps. 111,063	Ps 78
	=====	=====	=====
Interest paid	Ps. 197,519	Ps. 104,945	Ps 69
	=====	=====	=====

(Concluded)

See accompanying notes to consolidated financial statements.

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Unil, S.A. de C.V.y Subsidiarias

Notas a los estados financieros consolidados al 31 de diciembre de 1998, 1999 y 2000 Expresadas en miles de pesos (Ps.) de poder adquisitivo del 31 de diciembre de 2000 y miles de dolares americanos (\$)

Desc Automotriz, S.A. de C.V. and Subsidiaries
(A Wholly-Owned Subsidiary of Desc, S.A. de C.V.)

Notes to Consolidated Financial Statements

For the years ended December 31, 2001, 2002 and 2003

(In thousands of Mexican pesos (Ps.) of purchasing power of December 31, 2003 and thousands of U.S. dollars (\$))

1. Activities and significant events

Activities - Desc Automotriz, S.A. de C.V. (DESC AUTOMOTRIZ or the Company) is a subsidiary of Desc, S.A. de C.V. (DESC), representing the automotive parts segment, and is the majority stockholder of a group of companies engaged mainly in the manufacturing and distribution of pick-up truck bodies, pistons, axles, transmissions, constant velocity and propeller shafts, universal joints, gears, cardans joints, steel wheels and other parts, as well as the manufacture of spare parts and accessories for the automotive industry.

Significant events -

- a. The economic decline experienced by the automotive industry in the United States of America and Mexico in 2001, 2002 and 2003 resulted in a decrease in customer demand for original equipment and spare parts, as well as the termination of some contractual agreements. A decrease in sales to Daimler Chrysler contributed to a significant decrease in sales and operating margins of the Company. During 2002 and 2003 DESC

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began two new programs "Evolucion" and "Evolucion II". The objectives of these programs are to i) review the company's investment portfolio to maximize profitable investments and ii) to align the operating structure of the Company with market demands. Consequently, the Company decided to shut down the spark plug and electrical part plants due to the low profitability of those businesses and began a personnel reduction program that continues during 2003 (see Notes 19 and 20).

- b. In the Extraordinary General Stockholder Meeting held on November 27, 2002, the stockholders approved a change in the name of the Company from Unik, S.A. de C.V. to Desc Automotriz, S.A. de C.V. effective as of that date.
- c. On October 18, 2001, a shareholder restructuring took place at Moresa, S.A. de C.V. (MORESA) a Subsidiary which engages in the manufacturing of pistons, bolts and followers/valve lifters, and the sale of automotive engine components. Such restructuring consisted of the exchange of MORESA equity in Forjas y Maquinas, S.A. de C.V. (FOMASA), representing 60% of the capital stock, for 40% of the equity in Pistones Moresa, S.A. de C.V., Morestana, S.A. de C.V. and Comercializadora Moresa, S.A. de C.V. held by TRW, Inc. (TRW). This resulted in the Company increasing its current equity holdings in MORESA to 96.3%, and the termination of the Company's association/joint venture with TRW. Additionally, in this transaction the Company recognized a capital surplus of Ps. 68,438, resulting from the increase in its participation in the equity of MORESA and a reduction in TRW's minority shareholding of Ps. 250,086.

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2. Basis of presentation

The consolidated financial statements of the Company are presented on the basis of accounting principles generally accepted in Mexico ("MEX GAAP"), which differ in certain significant aspects from the accounting principles generally accepted in the United States of America ("US GAAP"). See Note 25 for an explanation of the differences and Note 26 for the reconciliation of MEX GAAP to US GAAP.

- a. Convenience translation - The translation of Mexican pesos into US dollars is included exclusively for the convenience of the reader, using the exchange rate at December 31, 2003 of 11.1998 Mexican pesos per US dollar. The convenience translations should not be construed as representations that the amounts in Mexican pesos have been, could have been or could in the future be translated into US dollars at this or any another rate of exchange. The statement of operations in U.S. dollars that is prepared monthly by the Company is presented in nominal Mexican pesos and converted at the average exchange rate of the corresponding month. Therefore, they differ from the accompanying financial statements.
- b. Consolidation of financial statements - The accompanying consolidated financial statements include those of DESC AUTOMOTRIZ and its subsidiaries, whose shareholding percentage in their capital stock is shown below for the more significant subsidiaries. Intercompany balances and transactions have been eliminated in these consolidated financial statements.

The Company's principal subsidiaries are:

	% of Ownership
Spicer, S. A. de C. V. and subsidiaries	51.19
Moresa, S. A. de C. V. and subsidiaries	96.31
Hayes Wheels de Mexico, S. A. de C. V. and subsidiaries	59.99
Velcon, S. A. de C. V.	51.05
Pintura, Estampado y Montaje, S. A. de C. V.	99.99
Desc Automotriz Comercializadora, S. A. de C. V.	99.99
The equity in results of operations and changes in equity of the subsidiaries acquired or sold during the year are included in the	

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financial statements through or from the date on which the transactions were carried out and are restated in terms of the purchasing power of the Mexican pesos as of the latest year presented.

- c. Translation of financial statements of foreign subsidiaries - To consolidate the financial statements of the foreign subsidiaries, Transmissions Technologies Corporation (TTC) and Uniko, Inc, whose operations are an integral part of the Company, the foreign currency financial statements are remeasured into Mexican pesos with the resulting remeasurement gain or loss included in integral financing cost within the consolidated statements of operations. For remeasurement purposes, amounts are converted into Mexican pesos using the following exchange rates: (i) the closing exchange rate in effect at the balance sheet date for monetary assets and liabilities (ii) the historical exchange rate for nonmonetary assets and liabilities (iii) the exchange rate in effect at the date the contributions were made for common stock (iv) the average exchange rate of each month and restated at year-end for revenues and expenses. The resulting translated Mexican peso amounts are then restated to Mexican pesos of purchasing power of the most recent balance sheet date presented using the National Consumer Price Index (NCPI). The effects of the conversion, which are not considered significant in 2003, 2002 and 2001, are included in the statements of operations as part of the exchange gain or loss in the integral financing cost.

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- d. Comprehensive income (loss) - Comprehensive income (loss) presented in the accompanying consolidated statement of changes in stockholders' equity is comprised of the net income (loss) of the year, plus other comprehensive income (loss) items of the same period which, in accordance with MEX GAAP, are recorded directly in stockholders' equity without affecting the consolidated statements of operations. In 2001, 2002 and 2003, other comprehensive income (loss) includes the effect of gain or loss from holding nonmonetary assets and, in 2002 and 2003, the adjustment of the additional liability for employee retirement obligations.
- e. Reclassifications - Certain amounts in the financial statements as of and for the year ended December 31, 2001 and 2002 have been reclassified to conform to the presentation of the consolidated financial statements as of and for the year ended December 31, 2003.

3. Summary of significant accounting policies

The accounting policies followed by the Company and subsidiaries are in conformity with MEX GAAP, which require that management make certain estimates and use certain assumptions to determine the valuation the some of the balances included in the consolidated financial statements and to make the disclosures required for inclusion therein. Although these estimates are based on management's best knowledge of current events, actual results may differ. The significant accounting policies of the Company are as follows:

- a. New accounting policies - The Company early adopted the provisions of new Bulletin C-15, "Impairment of Long-lived Assets and Their Disposal" ("C-15"). C-15 establishes, among other issues, new rules for the calculation and recognition of impairment losses for long-lived assets and their reversal. It also provides guidance as to indicators of potential impairment in the carrying amount of tangible and intangible long-lived assets in use, including goodwill. Entities must determine the possible loss from impairment unless they have conclusive evidence that the indicators are temporary. The calculation of such loss requires the determination of the recoverable value, which is now defined as the greater of the net selling price of a cash-generating unit and its value in use, which is the net present value of discounted future net cash flows. The accounting principles issued prior to this new Bulletin used future net cash flows, without

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requiring the discounting of such cash flows. The Company performed impairment tests on certain of its long-lived assets and determined that the net present value of certain property, plant and equipment was less than its carrying amount. Accordingly, the Company recorded and impairment of the value of such property, plant and equipment in the amount of Ps. 676,312 of the value of such property, plant and equipment of certain subsidiaries, a decrease in the deferred income tax liability of Ps.229,946, and a net charge to results of the period of Ps.446,366, which is presented as a "Cumulative effect of change in accounting principle" in the consolidated statements of operations. Beginning January 1, 2003, the Company adopted the provisions of new Bulletin C-8, "Intangible Assets" ("C-8"), which establishes that project development costs should be capitalized if they fulfill the criteria established for recognition as assets; preoperating costs that are not considered development costs should be recorded as a period expense; and intangible assets considered to have indefinite useful lives are not amortized, but instead are subject to impairment tests. The unamortized balance of capitalized preoperating costs up to December 31, 2002, under the former Bulletin C-8 will continue to be amortized according to the provisions of that Bulletin. The adoption of C-8 did not have a material effect on the Company's financial position, results of operations or cash flow.

Beginning January 1, 2003, the Company also adopted the provisions of new Bulletin C-9, "Liabilities, Provisions, Contingent Assets and Liabilities and Commitments" ("C-9"), which establishes additional guidelines clarifying the accounting for provisions, accruals and contingent liabilities, and establishes new standards for the use of present value techniques to measure liabilities and accounting for the early settlement or substitution of obligations. The adoption of C-9 did not have a material effect on the Company's financial position, results of operations or cash flow.

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- b. Recognition of the effects of inflation - The Company restates its consolidated financial statements to Mexican pesos purchasing power of the most recent balance sheet date presented. Accordingly, the consolidated financial statements of the prior years have been restated to Mexican pesos of purchasing power of December 31, 2003 and, therefore, differ from those originally reported in the prior year.
- c. Temporary investments - Temporary investments are stated at the lower of acquisition cost plus accrued yields, or market value, yields are recorded in the statement of operations.
- d. Inventories and cost of sales - Inventories are originally recorded at direct acquisition or production cost adjusted at the end of each year to the full absorption costing method through the capitalization of fixed expenses applicable to the inventories and subsequently restated to the lower of replacement cost or market, without exceed their fair value. Cost of sales is restated using replacement cost at the time of the sale.
- e. Property, plant and equipment - Property, plant and equipment are initially recorded at acquisition cost and restated using the NCPI. For fixed assets of foreign origin, restated acquisition cost expressed in the currency of the country of origin is converted into Mexican pesos at the market exchange rate in effect at the balance sheet date.

If the restatement of all property, plant and equipment of foreign origin had been calculated using the NCPI, the net value of fixed assets as of December 31, 2002 and 2003 would have increased by Ps.287,763 and Ps.70,251, respectively, and the depreciation for the years ended December 31, 2001, 2002 and 2003 would have increased by Ps.95,164, Ps.87,722 and Ps.31,307, respectively.

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Depreciation of property, plant and equipment is calculated based on the assets' average restated value of the year, using the straight-line method (considering a salvage value that fluctuated between 5% to 10%) based on the estimated remaining useful lives of the related assets.

- f. Financial instruments - Financial assets and liabilities resulting from any type of financial instrument, except for investments in financial instruments held to maturity, are presented in the balance sheet at fair value. The effects of the valuation of a financial asset or liability are recognized in results of operations of the respective period. Investments in financial instruments held to maturity are valued at acquisition cost. The costs and yields of financial instruments are recognized in results of the period in which they occur.
- g. Goodwill - Goodwill results from acquisitions made by the Company at prices greater than the recorded value at the date of acquisition. It is restated using the NCPI, and is being amortized over four years. The amortization recorded in operating expenses in 2001 and 2002 it was Ps.19,212 and in 2003 was Ps.16,223.
- h. Other assets - Costs incurred in the development phase that meet certain requirements and that the Company has determined will have future economic benefits are capitalized and amortized based on the straight-line method over five years. Those disbursements that do not meet such requirements are recorded in results of the period in which they are incurred. Intangible assets with indefinite lives are not amortized because they can be renewed at a reduced cost. However, their value is subject to impairment tests. Preoperating costs incurred after January 1, 2003, are recorded directly in results of the period in which they are incurred. Preoperating expenses incurred and capitalized up to December 31, 2002 are amortized using the straight-line method over ten years.

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- i. Impairment of long-lived assets in use - The Company reviews potential impairments to its long-lived assets in use, when ever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is defined as the greater of the net present value of the future net cash flows or the net selling price upon disposal. Impairment is recorded when the carrying amounts of assets exceeds their recoverable value.
- j. Warranties - The Company has established warranty reserves that are estimated as a function of the contractual obligations arising at the time sales are made over an average period of two years and based on the experience of warranties granted.
- k. Start-up costs - These relate to expenses incurred in connection with the acquisition of new production lines and are amortized over a four-year period, the term over which the benefit from the investment is expected to be realized. The amount amortized in 2001 and 2003 amounted to Ps.16,462 and Ps.7,202, respectively.
- l. Provisions - Provisions are recognized for obligations that result from a past event, that are probable to result in the use of economic resources and that can be reasonably estimated. Such provisions are recorded at net present values when the effect of the discount is significant.
- m. Income tax, asset tax and employee statutory profit-sharing - Income tax (ISR) and employee statutory profit-sharing (PTU) are recorded in results of the year in which they are incurred. Deferred income tax assets and liabilities are recognized for temporary differences resulting from comparing the book and tax values of assets and liabilities plus any future benefits from tax loss carryforwards. Deferred income tax assets are reduced by any benefits about which there is uncertainty as to their realizability. Deferred PTU is

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derived from temporary differences between the accounting result and income for PTU purposes and is recognized only when it can be reasonably assumed that they will generate a liability or benefit, and there is no indication that this situation will change in such a way that the liabilities will not be paid or benefits will not be realized.

The asset tax paid that is expected to be recoverable is recorded as an advance payment of income tax and is presented on the balance sheet with deferred ISR.

- n. Employee retirement obligations - Seniority premiums, pension plans and payments that are similar to pensions, are recognized as costs over employee years of service calculated by independent actuaries using the projected unit credit method using real interest rates. Accordingly, the liability accrued at present value will cover the obligation from benefits projected to the estimated retirement date of the Company's employees. Severance is charged to results when the liability is determined to be payable.
- o. Foreign currency balances and transactions - Foreign currency transactions are recorded at the applicable exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Mexican pesos at the applicable exchange rate in effect at the balance sheet date. Exchange fluctuations are recorded as a component of integral financing cost in the consolidated statements of operations.
- p. Cumulative effect of restatement - The insufficiency in the restatement of stockholders' equity represents the accumulated monetary position result through the initial restatement of the consolidated financial statements and the gain (loss) from holding nonmonetary assets, which resulted from restating certain nonmonetary assets above (below) inflation, less the related deferred income tax effect.
- q. Revenue recognition - Revenues are recognized when the products are shipped or delivered to the client and the client assumes title to the products.

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- r. Integral financial result - This represents the net effect of interest earned and incurred, exchange gains and losses and monetary position gain on, which is the result of maintaining monetary assets and liabilities whose real purchasing power is modified by the effects of inflation.
 - s. Earnings per share - Basic earnings (loss) per share is calculated by dividing the net income (loss) of majority stockholders' by the weighted average number of shares outstanding during the year.
4. Cash and temporary investments

	2002	2003
Cash	Ps. 146,068	Ps. 104,373
Investments with maturities of less than three months	259,050	40,725
Technology and training trust funds to be used within three months	316,763	--
	-----	-----
	Ps. 721,881	Ps. 145,098
	=====	=====

As of December 31, 2002, the technology and training trust funds held in trust, which would be exercised within three months during 2003 were classified as cash.

5. Accounts and notes receivable

	2002	2003
Customers	Ps. 604,152	Ps. 803,291
Allowance for doubtful accounts	(4,639)	(3,358)
	-----	-----

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	599,513	799,933
Creditable value-added taxes	46,333	59,219
Recoverable income and asset taxes	93,384	98,071
Other debtors	36,111	54,465
Officers and employees	5,515	2,044
	-----	-----
	Ps. 780,856	Ps. 1,013,732
	=====	=====

The movements of the allowance for doubtful accounts are as follows:

	2002	2003
Balance at the beginning of the year	Ps. 6,345	Ps. 4,639
Provision for the year	--	1,576
Provision used in the year	(1,365)	(2,679)
Restatement of initial balance	(341)	(178)
	-----	-----
Balance at the end of the year	Ps. 4,639	Ps. 3,358
	=====	=====

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During 2002 and 2003, certain subsidiaries sold commercial paper without recourse at an average financial cost of 4.5% and 4.77%, respectively, and terms ranging between 20 and 26 days in 2002 and 15 and 52 days in 2003, with two financial institutions. As of December 31, 2002 and 2003, the balances of commercial paper sold without recourse amounted to \$34.7 and \$30.4 millions, respectively.

6. Inventories

	2002	2003
Finished goods and work-in-process	Ps. 513,692	Ps. 478,762
Raw materials and indirect materials	556,478	580,323
	-----	-----
Allowance for slow-moving and obsolete items	1,070,170	1,059,085
	(12,445)	(21,622)
	-----	-----
	1,057,725	1,037,463
Advances to suppliers	856	1,051
Merchandise-in-transit	48,271	48,414
	-----	-----
	Ps. 1,106,852	Ps. 1,086,928
	=====	=====

The movements of the allowance for slow-moving and obsolete inventories are as follows:

	2002	2003
Balance at the beginning of the year	Ps. 21,788	Ps. 12,445
Provision for the year	2,291	13,514
Provision used in the year	(10,461)	(3,860)
Restatement of the initial balance	(1,173)	(477)
	-----	-----
Balance at the end of the year	Ps. 12,445	Ps. 21,622
	=====	=====

7. Property, plant and equipment

	2002	2003	Annual depreciation rates
Buildings and installations	Ps. 2,820,204	Ps. 2,851,550	5%
Machinery and equipment	10,062,806	9,950,994	8%
Transportation equipment	53,717	44,854	25%
Furniture and fixtures	234,650	197,287	10%
	-----	-----	
Accumulated depreciation	13,171,377	13,044,685	
	(7,916,908)	(8,410,733)	
	-----	-----	
	5,254,469	4,633,952	

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Projects in progress	571,672	363,828
Land	424,106	418,311
Investment properties	277,431	134,818
	-----	-----
	Ps. 6,528,678	Ps. 5,550,909
	=====	=====

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The Company continues to evaluate all idle assets, to determine their possible use or disposal in the short-term. Temporarily idle assets amounted to Ps. 257,709 and Ps.41,142 in 2002 and 2003, respectively, and permanently idle assets amounted to Ps. 121,327 and Ps.457,171 in 2002 and 2003, respectively.

During 2001, 2002 and 2003, certain subsidiaries entered into machinery sales agreement without the obligation to repurchase with a financial institution. On that same date, a machinery lease agreement (see note 21) covering the same machinery was entered into, as follows:

Date of transaction	Maturity	Amount	Lease payments	Interest rate
June 29, 2001	5 years	\$18.7 millions	Quarterly	1.5%
December 19, 2002	7 years	\$11.8 millions	Quarterly	3.7%
March 27, 2003	7 years	\$3.1 millions	Quarterly	3.7%
August 19, 2003	7 years	\$12.2 millions	Quarterly	3.4% to 3.7%

Below is a summary of investment properties at their estimated realizable value at December 31, 2002 and 2003:

	2002	2003
Buildings	Ps. 273,143	Ps. 172,380
Land	176,093	67,390
Accumulated depreciation	(171,805)	(104,952)
	-----	-----
	Ps. 277,431	Ps. 134,818
	=====	=====

The annual average depreciation rate of buildings in 2002 and 2003 was 5%. At December 31, 2002 and 2003, the fair value of investment properties determined by an external appraiser amounts to Ps. 322,396 and Ps.153,931, respectively.

As of December 31, 2003, property, machinery and equipment of certain subsidiaries, are designated as collateral for the long term-debt of Desc, S.A. de C.V. (holding company). See Note 16.

8. Other assets

	2002	2003	Annual Amortization Rate
Contributions to the technology trust fund	Ps. --	Ps. 3,351	--
Prepaid contribution of employee benefits (see Note 12)	55,142	--	--
Installation and preoperating expenses, net	45,721	39,573	10%
Development expenses and start-up cost, net	24,681	39,969	20% to 25%
Goodwill	31,664	14,564	25%
Other assets to be amortized	37,119	3,065	20% to 25%
Other assets not amortized	43,075	44,156	--
	-----	-----	
	Ps. 237,402	Ps. 144,678	
	=====	=====	

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9. Trust funds

The Company has a trust fund with Banco Santander Mexicano, S.A. as trustee, to earmark funds for research and development of technology. The

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Company is authorized to make use of these funds for specific purposes, and the fund may be increased by future contributions in accordance with the provisions in the contract, or by interest, dividends and capital gains earned by the fund. At December 31, 2002 and 2003, the unused amounts of the fund were Ps.179,225 and Ps.3,351, respectively.

The Company also had a similar trust fund through a contract with Banco Santander Mexicano, S.A., whose funds were utilized for the training of personnel. The terms governing this trust were similar to those of the technology trust. As of December 31, 2002 unused amounts of the fund were Ps.137,538, which were disposed of in full during 2003.

10. Other payables and accrued liabilities

	2002	2003
Taxes payable	Ps. 143,850	Ps. 107,670
Other debtors	138,260	120,966
Royalties	31,480	15,321
Guarantee reserves	21,300	91,845
Interest payable	7,900	2,720
Other accounts payable	39,746	22,992
	-----	-----
	Ps. 382,536	Ps. 361,514
	=====	=====

11. Long-term debt

The current portion of the long-term debt and short-term bank loans are comprised as follows:

	2002	2003
Current portion of the long-term debt for loans, payable in pesos at Libor plus 1.00% interest rate. The three month Libor rate as of December 31, 2002 was 1.38%	Ps. 11,177	Ps. --
Other bank loans in payable in US dollars with variable interest rates from 2.18% to 7.75% at December 31, 2003 and 2002, respectively	1,123,087	173,186
	-----	-----
	Ps. 1,134,264	Ps. 173,186
	=====	=====

Since most agreements establish variable interest rates (monthly, quarterly and semiannually) and there has been no significant variance with respect to the fixed interest rate on agreements, it is considered that the loans are recorded at fair value.

12. Employee retirement obligations

The employee benefit obligation relates to the pension plan that will cover the pension and seniority premiums due upon retirement. The amount resulting from the actuarial calculations prepared by external actuaries is being funded using the projected unit credit method. The amount of the pension liability is as follows:

	2002	2003
Projected benefit obligation (PBO)	Ps. 495,292	Ps. 552,981
Plan assets at fair value	274,023	293,204
	-----	-----
Unfunded projected benefit obligation	(221,269)	(259,777)
Unrecognized net transition obligation	(114,423)	(110,020)
Unrecognized variances in assumptions	390,834	341,198
	-----	-----
Net projected asset (liability)	Ps. 55,142	Ps. (28,599)
	=====	=====

As of December 31, 2002 and 2003, the amount of the accumulated benefit obligation (ABO) (equal to the PBO without projecting the salaries at the retirement date) exceeds the amount of current funds by Ps.170,373 and Ps.156,306 respectively, which was recognized as an additional liability under the heading of "Other long-term liabilities" as well as a deferred

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asset charge, net of the deferred income tax, of Ps.87,164 and Ps.81,658, respectively. As of December 31, 2002 and 2003, the amount of the additional liability exceeds the sum of the transition liability to be amortized plus the prior services and the modifications to the plan, for which excess was recorded in the account "adjustment of additional liability for employee retirement obligations" in stockholders' equity. The net periodic pension cost is as follows:

	2001	2002	2003
Service cost	Ps. 40,084	Ps. 27,033	Ps. 22,942
Amortization of transition assets	36,823	28,324	25,245
Amortization of variances in assumptions	(6,439)	(6,500)	(6,626)
Interest cost	31,799	24,382	21,018
	-----	-----	-----
	102,267	73,239	62,579
	-----	-----	-----
Less- Actual return on plan assets	(22,319)	(21,798)	(19,554)
Effect of reduction and anticipated extinguishments of employee retirement obligation	--	--	49,881
	-----	-----	-----
Net periodic cost	Ps. 79,948	Ps. 51,441	Ps. 92,906
	=====	=====	=====

The real rates used in calculations of the actuarial present value during 2001, 2002 and 2003 are as follows:

Funds rate yield	7%
Interest rate	5%
Salary increase rate	5.7%

The changes in the PBO for the pension liability are show below:

	2002	2003
Opening balance	Ps. 565,160	Ps. 495,292
Service cost	27,033	22,942
Financial cost	28,324	25,243
Actuarial gain (loss)	(125,225)	9,504
	-----	-----
Final balance	Ps. 495,292	Ps. 552,981
	=====	=====

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The changes in the net projected asset (liability) is as follows:

	2002	2003
Opening balance	Ps. 91,234	Ps. 55,142
Provision for the year	(51,441)	(92,906)
Contributions to the fund	23,244	--
Actuarial (loss) gain	(7,895)	9,165
	-----	-----
Final balance	Ps. 55,142	Ps. (28,599)
	=====	=====

The changes in the plan assets are shown below:

	2002	2003
Opening balance	Ps. 325,537	Ps. 274,023
Contributions to the fund	23,244	--
Actual return on plan assets	21,798	19,554
Special payments for the reduction of personnel	(50,507)	(51,483)
Actuarial (loss) gain	(46,049)	51,110
	-----	-----
Final balance	Ps. 274,023	Ps. 293,204
	=====	=====

The amortization period for unamortized items is as follows:

	Remaining Years	
	2002	2003
Transition liability	19	18

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Variances in assumptions 18 17

13. Stockholders' equity

In the General Ordinary Stockholders' Meeting held on July 3, 2001, the shareholders approved the payment of dividends of Ps.118,000 (Ps.105,145 at nominal value) on July 13, 2001, through a partial reduction of the account receivable from DESC.

In the General Annual Ordinary Stockholders' Meeting held on July 1, 2002, dividends of Ps.125,799 (at nominal value of Ps. 117,810) were declared and approved, paid in cash on July 23, 2002.

In the General Annual Ordinary Stockholders' Meeting held on October 23, 2002, dividends of Ps.73,693 (at nominal value of Ps. 70,000) were declared and approved, paid in cash on the same date.

In the General Ordinary Stockholders' Meeting held on June 15, 2002, the shareholders approved payment of dividends from the subsidiary Velcon, S.A. de C.V. Dividends were paid, in cash on the same date, from majority and minority stockholders' equity in the amounts of Ps.126,289 and Ps.121,085 respectively, (Ps.117,930 and Ps.113,070 at nominal value).

In the General Annual Ordinary Stockholders' Meeting held on April 9, 2003, dividends of Ps.35,829 (at nominal value of Ps.35,000) were declared and approved, paid in cash on the same date.

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As of December 31, 2002 and 2003, the capital stock is comprised as follows:

	Shares		Amount
Fixed			
Nominative Series "A" shares with a par value of one Mexican peso each, which may only be acquired by Mexican companies or individuals	25,500	Ps.	26
Nominative Series "B" shares with a par value of one Mexican peso each, which are of unrestricted subscription	24,500		24
Variable-			
Nominative Sub-series "A" shares with a par value of one Mexican peso each, which may only be acquired by Mexican companies or individuals	357,468,291		357,468
Nominative Sub-series "B" shares with a par value of one Mexican peso each, which are of unrestricted subscription	343,449,925		343,450
	700,968,216	Ps.	700,968

Stockholders' equity, except restated paid-in capital and tax retained earnings, will be subject to a tax at the rate in effect when the dividend is distributed. In 2003, the rate was 34% and will be reduced by one percentage point each year until reaching 32% in 2005. 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.

The annual net income of each Company is subject to the legal requirement that 5% thereof be transferred to a legal reserve each year, until the reserve equals 20% of capital stock. This reserve may not be distributed to stockholders' during the existence of the Company, except in the form of a stock dividend. At December 31, 2002 and 2003, the legal reserve of DESC AUTOMOTRIZ has a nominal value of Ps.126,143, respectively, and is included in retained earnings.

The balances of the stockholders' equity tax accounts as of December 31, are:

	2002		2003
Contributed capital account	Ps. 2,737,661	Ps.	2,846,346
Net tax income account	291,988		267,588

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Total	Ps. 3,029,649	Ps. 3,113,934
	=====	=====

14. Foreign currency balances and transactions

The Company valued its foreign currency assets and liabilities, represented mainly by US dollars, at the exchange rates effective at December 31, 2002 and 2003 of 10.3613 and 11.1998 Mexican pesos per US dollar, respectively, as the Company expects to use foreign currency assets to settle foreign currency liabilities.

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a The foreign currency position at the end of 2002 and 2003 consists of the following:

	US Dollars	
	2002	2003
Current assets	\$ 60,117	\$ 127,014
Current liabilities		
Interest free	58,563	54,230
Interest bearing	118,488	15,794
Long-term liability (interest bearing)	506	143,929
	177,557	213,953
Net monetary liability position in foreign currency	\$ 117,440	\$ 86,939

At January 23, 2004, date of the issuance of the consolidated financial statements, the unaudited foreign exchange position was similar to that at year-end, and the sale exchange rate was 10.8213 Mexican pesos per US dollar.

b Nonmonetary assets of foreign origin at December 31, 2001 and 2002 are as follows:

	2002	2003
Inventories	\$ 35,123	\$ 60,087
Machinery and equipment	282,117	248,252
	\$ 317,240	\$ 308,339

c During the years ended December 31, 2001, 2002 and 2003, the Company had the following significant transactions in foreign currency, which are recorded at the exchange rate as of the date the transaction took place. Foreign currency transactions, which include those executed in Mexico and denominated in US dollars, as well as those of foreign subsidiaries, are as follows:

	U.S. Dollars		
	2001	2002	2003
Direct export sales	\$ 444,618	\$ 293,798	\$ 321,994
Indirect export sales under agreement	119,234	181,728	105,356
Sales of foreign subsidiaries	67,255	49,962	47,410
	631,107	525,488	474,760
Less-			
Raw material purchases	(287,161)	(240,873)	(187,701)
Purchases and expenses of foreign subsidiaries	(45,002)	(29,281)	(36,354)
	\$ 298,944	\$ 255,334	\$ 250,705
Interest income	\$ 4,148	\$ 4,238	\$ 49

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Interest expense	(15,096)	(5,147)	(4,435)
	-----	-----	-----
Net	\$ (10,948)	\$ (909)	\$ (4,386)
	=====	=====	=====
Technical assistance	\$ (6,997)	\$ (3,132)	\$ (8,187)
	=====	=====	=====
Other expense, net	\$ (8,413)	\$ (2,412)	\$ (7,763)
	=====	=====	=====

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15. Balances and transactions with holding company and related parties

The Company had the following transactions with related parties, carried out in the ordinary course of business at market value.

	2001	2002	2003
Income-			
Sales	Ps. 473,294	Ps. 435,433	Ps. 1,165,824
	=====	=====	=====
Interest	Ps. 30,945	Ps. 33,048	Ps. 28,489
	=====	=====	=====
Rent	Ps. 1,496	Ps. 1,477	Ps. 1,490
	=====	=====	=====
Other	Ps. --	Ps. 5,073	Ps. 2,412
	=====	=====	=====
Expenses-			
Purchases	Ps. 643,781	Ps. 388,658	Ps. 255,366
	=====	=====	=====
Technical assistance	Ps. 25,605	Ps. 36,625	Ps. 30,486
	=====	=====	=====
Services	Ps. 59,492	Ps. 122,808	Ps. 172,693
	=====	=====	=====
Other	Ps. 23,364	Ps. 20,918	Ps. 34,839
	=====	=====	=====

Balances receivable and payable with related parties are as follows:

	2002	2003
Accounts receivable-		
Desc, S.A. de C.V. (parent company)	Ps. --	Ps. 972,458
Dana Corporation	21,643	--
GKN Automotive International GMBH	8,601	--
Other	292	--
	-----	-----
	Ps. 30,536	Ps. 972,458
	=====	=====
Accounts payable -		
Desc S.A. de C.V. (parent company)	Ps. 114,870	Ps. --
Desc Corporativo, S.A. de C.V. (formerly Promocion y Control, S.A. de C.V.)	10,241	--
Dana Corporation	--	40,844
Hayes Lemmerz International, Inc.	17,009	41,767
Glazner Spicer, S.A.	5,519	--
Delphi Energy	6,121	--
GKN & affiliated	9,072	2,619
Other	3,950	1,473
	-----	-----
	Ps. 166,782	Ps. 86,703
	=====	=====

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16. Long-term liability with Desc, S.A. de C.V. (parent company)

On December 23, 2003, DESC restructured approximately \$720 million, the majority of its financial liabilities. As part of the negotiated conditions, the Company and several of its subsidiaries became jointly and severally liable for and guarantors of such liabilities. The agreement

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designates certain fixed assets and the shares of the Company and certain other subsidiaries as guarantees.

Consequently, the Company and its subsidiaries are now subject to a series of obligations and restrictions, including limitations regarding fundamental changes, the sale of and investment in property, plant and equipment, lease transactions and the payment of dividends, among others. Similarly, at that date, the Company signed a debt assignment contract with DESC, through which it undertook to settle the liabilities of DESC under their original terms and conditions contracted with creditor banking institutions.

The main terms and conditions are:

Maturity		Thousands of US Dollars	Interest Rate
2004 (current portion)	Ps. 349,294	\$ 31,188	5.12%
	=====	=====	
Long-term			
2005	Ps. 126,278	\$ 11,275	4.16% to 5.17%
2006	378,801	33,822	4.16% to 5.17%
2007	378,801	33,822	4.16% to 5.17%
2008	378,801	33,822	4.16% to 5.17%
	-----	-----	
	Ps. 1,262,681	\$ 112,741	
	=====	=====	

17. Income taxes, tax on assets and employee statutory profit-sharing

The Company is subject to income taxes (ISR) and tax on assets (IMPAC). ISR is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated constant prices, and the deduction of purchases in place of cost of sales, which permit the deduction of current costs, and taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through the annual adjustment for inflation, which is similar to the result from monetary position. Until 2001, the income tax rate was 35%, with the obligation, through that date, to pay this tax each year at a rate of 30%, with the remainder payable upon distribution of earnings. This remainder is recorded as a short-term liability.

The tax rate was 35% in 2001 and 2002 and 34% in 2003 and will be reduced by one percentage point each year until reaching 32% in 2005. As well, in 2002, the deduction for employee statutory profit sharing (PTU) and the obligation to withhold taxes on dividends paid to individuals or foreign residents were eliminated.

IMPAC is calculated by applying 1.8% to the Company's asset position, as defined in the law, and is payable only to the extent that it exceeds ISR payable for the same period. If in any year IMPAC exceeds the ISR payable, the IMPAC payment for such excess may be reduced by the amount by which ISR exceeded IMPAC in the three preceding years and any required payment of IMPAC is creditable against the excess of ISR over IMPAC of the following ten years.

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As of December 31, 2003, certain subsidiary companies had tax loss carryforwards for ISR purposes and recoverable IMPAC, indexed through December 31, 2003, which will be further indexed for inflation through the year in which they are applied or recovered, as follows:

Maturity	Restated Tax Loss Carryforwards	Recoverable Asset Taxes
2004	Ps. 140,433	Ps. 5,060
2005	141,601	2,747
2006	1,045	7,560
2007	5,946	1,473
2008	102,067	7,870

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2009	40,493	27,572
2010	89,737	45,720
2011	459,591	49,657
2012	199,167	44,846
2013	356,082	36,845
	-----	-----
	Ps. 1,536,162	Ps. 229,350
	=====	=====

Income for employee profit sharing purposes excludes the annual inflationary adjustment and unrealized exchange gains or losses, and depreciation is based on historical rather than restated values. In accordance with the Mexican Income Tax Law, the Company files its income and asset taxes in the consolidated income and asset tax returns of DESC. Deferred income taxes - The tax effects of the temporary differences that generated deferred tax liabilities (assets), in accordance with Bulletin D-4, are the following:

	2002	2003
Property, plant and equipment	Ps. 1,130,357	Ps. 833,915
Inventories	351,925	333,566
Reserves	(41,132)	(83,745)
Tax loss carryforwards	(302,571)	(515,806)
Recoverable tax on assets	(214,865)	(229,350)
Other	26,530	(1,241)
Allowance for tax losses and recoverable asset taxes that may not be applied or recovered	123,802	202,638
	-----	-----
	Ps. 1,074,046	Ps. 539,977
	=====	=====

The favorable effect derived from the decrease in the income tax rate in 2002 and 2003 was Ps.74,502 and Ps.41,234, respectively, which was recorded as reduction to the provision for the year.

The reconciliation of the statutory and effective ISR rates expressed as a percentage of income before ISR and employee statutory profit-sharing is as follows:

	2001	2002	2003
Statutory rate	35.0%	35.0%	34.0%
Add (deduct) the effect of permanent differences.			
Non - deductible items	5.1%	16.6%	(339.8)%
Non-taxable income	0.3%	(15.1)%	424.3%
Allowance for tax loss carryforwards and recoverable asset tax	--	15.3%	278.4%
Income tax rate reduction effect	(7.5)%	(0.2)%	145.6%
Others	(4.8)%	5.9%	(118.5)%
	-----	-----	-----
Effective rate	28.1%	57.5%	424.1%
	=====	=====	=====

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18. Contingencies

At December 31, 2002, the subsidiary Hayes Wheels Acero, S.A. de C.V. and partner Hayes Lemmerz Int. were negotiating claims made by its customer Nissan Mexicana, S.A. de C.V. (NISSAN) regarding defective steel wheel rims. Accordingly, at that date, the Company recorded a provision of \$2.1 million to cover the payment proposed by the Company to settle this contingency.

During 2003, the Company and Hayes Lemmerz Int. reached an agreement with NISSAN to settle this contingency, whereby the Company agreed to pay \$7.0 million under an established payment plan. At December 31, 2003, the outstanding balance was recorded as a warranty liability of \$2.7 million,

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with the final expiration date in May 2004.

19. Discontinued operations

On June 30, 2002, the management of the Company decided to shut down the plants dedicated to the manufacture of spark plugs and automotive electrical parts. A summary of statements of income for the years ended of December 31, 2001, 2002 and 2003 is as follows:

	2001	2002	2003
Revenues from discontinued operations	Ps. 170,767	Ps. 69,045	Ps. --
Costs and expenses	180,597	95,386	8,728
Integral financing cost	2,045	2,908	3,292
Gain on sale of property	--	--	(72,638)
Other expenses (income)	12,368	73,243	(1,403)
Current and deferred income tax and employee statutory profit-sharing	(7,093)	(21,167)	30,591
	-----	-----	-----
Income (loss) from discontinued operations	Ps. (17,150)	Ps. (81,325)	Ps. 31,430
	=====	=====	=====

As of December 31, 2003, the Company is still in the process of selling a facility and certain machinery and equipment related to these discontinued operations. Such property is recorded at a carrying value less than the selling price.

20. Analysis of extraordinary items

	2001	2002	2003
Severance indemnities from restructuring	Ps. --	Ps. (62,848)	Ps. --
Less related income tax effect	--	21,211	--
	-----	-----	-----
	Ps. --	Ps. (40,637)	Ps. --
	=====	=====	=====

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21. Lease commitments

As of December 31, 2002 and 2003, the Company had operating lease for equipment commitments amounting to Ps. 308,865 and Ps.487,240, whose maturity dates are as follows:

	Maturity	2002	2003
2003		Ps. 46,750	Ps. --
2004		53,966	107,415
2005		67,010	110,521
2006		61,905	97,968
2007		16,536	46,158
2008		16,536	45,894
2009		46,162	45,894
2010		--	33,390
		-----	-----
		Ps. 308,865	Ps. 487,240
		=====	=====

22. Financial instruments

The Company and its subsidiaries entered into option contracts for risk coverage with Pemex Gas and Petroquimica Basica to hedge against the price volatility of natural gas for the period from January 2002 to December 2003.

The Company acquired insurance that covers the rise in market price of gas over a maximum price through the payment of a premium. The maximum price was \$8.705 US dollars per "MMBTU" (one million energy units) and the minimum price was 4.245 US dollars per "MMBTU". In the event the referred price exceeds the maximum price, a discount will be applied to the invoice; if it is below the minimum price, the invoice will be issued in the amount of the corresponding minimum price. Since this insurance policy represents

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a contractual obligation, which is guaranteed with the fixed price of gas at 4 US dollars per MMBTU, the Company records the corresponding effects in results upon consumption of the committed MMBTU'S amount, and has not recorded the potential effect of a gain or loss from settling the premium on the gas price at present value. As of December 31, 2002 and 2003, the net (loss) income recorded from this transaction was Ps. (12,210) and Ps.10,393, respectively.

23. Subsequent event

On January 15, 2004, Desc Automotriz, S.A. de C.V. concluded its joint investment with Hayes Lemmerz Int. (HLI). This was achieved by selling to HLI the aluminum plant assets and by acquiring 40% of the shares held by HLI for one dollar. Accordingly, Desc Automotriz, S.A. de C.V. now holds 100% of the shares of the steel wheel rim manufacturing company. At December 31, 2003, the Company adjusted the realizable value of the fixed assets of the aluminum plant based on the selling price to HLI, generating a charge to results of the year of Ps.114.2 million, net of taxes. In 2004, the dissolution of the aforementioned joint investment will be recorded as an item of stockholder's equity.

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24. New accounting principles

In May 2003, the Instituto Mexicano de Contadores Publicos ("IMCP") (Mexican Institute of Public Accountants) issued Bulletin C-12, "Financial Instruments of a Debt or Equity Nature or a Combination of Both" (C-12), whose application is mandatory for financial statements of periods beginning on or after January 1, 2004, although early adoption is encouraged. C-12 is the compilation of the standards issued by the IMCP with respect to the issue of debt or equity financial instruments, or a combination of both, and includes additional standards on the accounting recognition for these instruments. Consequently, C-12 indicates the basic differences between liabilities and stockholders' equity and establishes the rules for classifying and valuing the components of debt and equity of combined financial instruments in the initial recognition. Subsequent recognition and valuation of liabilities and stockholders' equity of the financial instruments is subject to the standards issued previously in the applicable bulletins. Since the Company has not issued financial instruments of a debt or equity nature, management believes this new accounting principle will not have significant effects on its financial situation and results of operations.

25. Differences between Mexican GAPP and US GAPP

The consolidated financial statements of the Company are prepared in accordance with MEX GAAP, which differs in certain significant respects from US GAAP. A reconciliation of the reported majority net income (loss), net stockholder's equity and comprehensive income to US GAAP is presented in Note 26. It should be noted that this reconciliation to US GAAP does not include the reversal of the restatement of the financial statements for inflation effects as required by Bulletin B-10, "Recognition of the Effects of Inflation in the Financial Information", of MEX GAAP. The application of this bulletin represents a comprehensive measure of the effects of price-level changes in the Mexican economy and, as such, is considered a more meaningful presentation than historical cost-based financial reporting in Mexican pesos for both Mexican and US accounting purposes.

The principal differences between MEX GAAP and US GAAP included in the reconciliation that affect the consolidated financial statements of the Company are described as follow:

- a. Restatement of Prior Year Financial Statements- As explained in Note 2 b) and 3 b), in accordance with Mexican GAAP, the financial statements for Mexican subsidiaries for prior years was restated using inflation factors, and for foreign subsidiaries and affiliated companies for prior years was restated using the inflation rate of the country in which the foreign subsidiary or affiliated company is located, then translated to Mexican pesos at the year-end exchange rate.

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Under US GAAP, the Company applies the regulations of the Securities and Exchange Commission of the United States of America ("SEC"), which require that prior year financial statements be restated in constant units of the reporting currency, in this case the Mexican peso, which requires the restatement of such prior year amounts using inflation factors.

Additionally, all other US GAAP adjustments for prior years have been restated based upon the SEC methodology.

- b. Classification differences - Certain items require a different classification in the balance sheet or income statement under US GAAP. These include the following:
- Under Mexican GAAP advances to suppliers are recorded as inventories. Under US GAAP, advances to suppliers are classified as prepaid expenses.
 - The impairment of goodwill and other long-lived assets, the gain or loss on the disposition of fixed assets, all severance indemnities, and employee profit sharing must be included in operating expenses under US GAAP.

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- c. Statement of Cash Flows - Under Mexican GAAP, the Company presents a consolidated statement of changes in financial position in accordance with Bulletin B-12, "Statement of Changes in Financial Position", which identifies the generation and application of resources by the differences between beginning and ending financial statement balances in constant Mexican pesos. Bulletin B-12 also requires that monetary and foreign exchange gains and losses be treated as cash items for the determination of resources generated by operations. In accordance with US GAAP the Company follows Statement of Financial Accounting Standards (SFAS) No. 95, "Statement of Cash Flows", excluding the effects of inflation. A cash flow statement in accordance with US GAAP is presented in Note 26e.
- d. Deferred Income Taxes and Employee Profit Sharing - The Company follows SFAS No. 109, "Accounting for Income Taxes", for US GAAP purposes, which differs from Mexican GAAP as follows:
- Under Mexican GAAP, deferred taxes are classified as non-current, while under US GAAP the classification is based on the classification of the related asset or liability.
 - Under Mexican GAAP the effects of inflation on the deferred tax balance generated by monetary items are recognized in the result on monetary position. Under US GAAP the deferred tax balance is classified as a nonmonetary item. As a result, the consolidated income statement differs with respect to the presentation of the gain (loss) on monetary position and deferred income tax provision.
 - Under Mexican GAAP, the change in statutory income tax rate approved early in 2002 was considered in the calculation of deferred taxes at December 31, 2001. Under US GAAP, a change in statutory tax rate may not be considered until the enactment date, which was January 1, 2002.
 - Under Mexican GAAP deferred employee profit sharing is calculated considering only those temporary differences that arise during the year and which are expected to turn around within a defined period, while under US GAAP the same liability method as used for deferred income taxes is applied. Also, for US GAAP purposes, employee profit sharing must be classified as an operating expense.

The differences in the restatement of imported machinery and equipment and the pension plan under Mexican GAAP have a different treatment than under US GAAP. As a consequence, the related deferred income tax presented under Mexican GAAP is different from the effect calculated

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under US GAAP.

The tax effect of temporary differences that generated deferred tax liabilities (assets) under SFAS No. 109 are as follows:

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Deferred income taxes -	2002	2003
Property, plant and equipment	Ps. 1,225,593	Ps. 882,216
Inventories	351,925	333,566
Reserves	(41,132)	(83,745)
Tax loss carryforwards	(302,571)	(515,806)
Recoverable asset taxes	(214,865)	(229,350)
Other	55,527	(25,539)
Add- Allowance for tax loss carryforwards and recoverable asset taxes that may not be applied or recovered	123,803	202,638
	-----	-----
	Ps. 1,198,280	Ps. 563,980
	=====	=====

Deferred employee profit sharing -	2002	2003
Property, plant and equipment	Ps. 290,689	Ps. 204,620
Inventories	100,588	103,312
Reserves	(8,703)	(19,858)
Unrealized exchange losses	(4,820)	(7,694)
Other	46,418	17,137
	-----	-----
	Ps. 424,172	Ps. 297,517
	=====	=====

- e. Cost of pension plans and other employee benefits - Under Mexican GAAP, the liabilities for employee benefits are determined using actuarial computations in accordance with Bulletin D-3, "Labor Obligations", which is substantially the same as US GAAP SFAS No. 87, "Employers' Accounting for Pensions". The Company has no post-retirement health care insurance or other benefit plans, other than the pension plans referred to in Note 12. Therefore, SFAS No. 106, "Employers' Accounting for Post-retirement Benefits other than Pensions", would have no effect on the Company's financial position. During 1992, the Company withdrew Ps.26,952 (at nominal value) from plan assets covering pension and seniority premiums for employees of certain subsidiaries, as the plans were overfunded. The amount of the withdrawal was recorded as income under MEX GAAP; however, for purposes of SFAS No. 87, the amount must be amortized over the average remaining working life of the employees, which is approximately 17 years.
- f. Minority interest - Under MEX GAAP, Bulletin B-8, minority interest in subsidiaries must be included as a component of stockholders' equity. Consequently, minority interest in the income of subsidiaries is not presented as an expense in the statement of income. Under US GAAP, minority interest in subsidiaries is presented below liabilities on the balance sheet, and is not part of stockholders' equity.
- g. Property, plant and equipment restatement - As explained in Note 3 e), the Company restates its fixed assets of foreign origin based on the internal rate of inflation of the country of origin and the fluctuation of the Mexican peso against the currency of the country of origin for the period. According to SEC regulations, these fixed assets would be restated using the NCPI.
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- h. Financial instruments - In accordance with MEX GAAP beginning in January 2001, Bulletin C-2 of the MEX GAAP became effective.

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Under US GAAP, SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities", became effective in 2001. This statement requires the recognition of all derivative financial instruments together with the hedge items as either assets or liabilities in the statement of financial position and the measurement of those instruments at fair value.

The changes in the fair value of derivative financial instruments are recognized either in the results for the year or in the other components of comprehensive income if it is demonstrated through statistical effectiveness calculations that such instruments are closely related to the hedged items. Subsequently, upon maturity of the derivative instruments, the corresponding gain or loss is recognized in the results for the year.

Under Mexican GAAP, the financial instruments were classified and valued using the same valuation criteria applied to the underlying asset or liability, which are recognized in the income statement when the consumption or payment takes place.

- i. VELCON goodwill - In 2001, the Company increased its share ownership in VELCON, its subsidiary, at a cost above its book value. The resulting goodwill from this acquisition will be amortized over four years according to MEX GAAP. Under US GAAP, in accordance with SFAS No. 142, effective January 1, 2002 goodwill is no longer subject to amortization, but rather it is subject to periodic assessment for impairment by applying a fair-value-based test.
In connection with the transition provisions for adopting this standard, the Company performed a transitional impairment test during 2002 and 2003, and found no impairment.
In accordance with SFAS No. 142, for US GAAP purposes the Company discontinued the amortization of goodwill effective January 1, 2002. The financial statement impact was to reduce amortization expense and increase net income under US GAAP by Ps.16,520 and Ps.16,223, respectively, for the year ended December 31, 2002 and 2003.
- j. Capitalization of preoperating expenses - According to MEX GAAP, in 2001, certain subsidiaries capitalized preoperating expenses related to a new lines of products in the amounts of Ps.42,222. These expenses will be amortized over the term it takes for this business to be fully operational. According to US GAAP, these expenses should be reflected in results as required by Statement of Position (SOP) 98-5 "Recognition on the Costs of Start-Up Activities" issued by the American Institute of Certified Public Accountants (AICPA).
- k. Other pronouncements - Since the Company has a simple capital structure, SFAS No.128, "Earnings per Share", has no impact on the calculation of the approximate majority net income per share. Beginning in 1998, SFAS No.130, "Comprehensive Income", became effective, which requires presenting comprehensive income under US GAAP. Note 26 d) presents a reconciliation of majority net income under US GAAP to comprehensive income also under US GAAP, where the main reconciling item is the result from holding nonmonetary assets. Therefore, other accumulated comprehensive income is included in the balance sheet under cumulative effect of restatement.

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SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information" requires that the bases to report the financial information be the same as those used to internally evaluate the performance of the business segments. Since the Company operates as only one segment of auto parts, the consolidated figures provide a basis of evaluation and analysis as only one business segment for DESC, its holding company. Therefore, no additional disclosures are required to comply with this SFAS.

- l. Future Impact of Recently Issued Accounting Standards Not Yet in Effect-

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In Mexican GAAP:

Bulletin C-12, "Instrumentos Financieros con Caracteristicas de Pasivo, de Capital o de Ambos" ("Financial Instruments with Characteristics of Debt, Equity or Both") ("C-12") - In April 2003, the IMCP issued Bulletin C-12, whose application is mandatory for financial statements of periods beginning on or after January 1, 2004, although early application is encouraged. C-12 establishes the more significant differences between debt and equity, as the basis for the development of the criteria necessary to appropriately identify, classify and record, upon initial recognition, the debt and equity components, of compound financial instruments. The Company does not anticipate that this new standard will have a significant impact on its financial position or results of operations.

In US GAAP:

SFAS No 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS No. 149") - In April 2003 the FASB issued SFAS No. 149, which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. The changes in this statement improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. The new standard will be effective for contracts entered into or modified after June 30, 2003, except as stated below and for hedging relationships designated after June 30, 2003. In addition, except as stated below, all provisions of this statement should be early applied.

The provisions of this statement that relate to SFAS No. 133 implementation issues that have been effective for fiscal quarters that began prior to June 15, 2003, should continue to be applied in accordance with their respective effective dates. The Company does not anticipate that this new standard will have a significant impact on its financial position or results of operations.

FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46") - In January 2003, the FASB issued FIN 46. FIN 46 clarified the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements", to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 was effective immediately for all variable interests held by the Company in a variable interest entity created after January 31, 2003. For a variable interest held by the Company in a variable interest entity created before February 1, 2003, the Company will be required to apply the provisions of FIN 46 as of December 31, 2004. The Company does not currently have any variable interests in a variable interest entity.

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Unit, S.A. de C.V.y Subsidiarias

Notas a los estados financieros consolidados al 31 de diciembre de 1998, 1999 y 2000 Expresadas en miles de pesos (Ps.) de poder adquisitivo del 31 de diciembre de 2000 y miles de dolares americanos (\$)

26. Reconciliation of MEX GAAP to US GAAP

a. Reconciliation of majority net income (loss)-

	2001		2002
Majority net income (loss) under MEX GAAP	Ps. 374,611		Ps. (101,57)
US GAAP adjustments:			
Deferred income taxes under US GAAP	176,344		232,49
Deferred income taxes under MEX GAAP	(210,146)		(228,49)

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Deferred employee profit sharing under US GAAP	32,406	32,66
Additional depreciation of fixed assets of foreign origin restated through the NCPI method	(95,164)	(87,72)
Withdrawal of pension fund assets and amortization of gains under SFAS No. 87	1,609	1,52
Effects of inflationary accounting on the US GAAP adjustments	68,356	137,62
Effects of the US GAAP adjustments on the minority interest	5,338	(21,12)
Decapitalization of preoperating expenses	(3,715)	(16,00)
Effect from the difference in amortization of goodwill	(1,322)	16,52
Effect of adjustments under US GAAP by discontinued operations	4,319	57,95
	-----	-----
Net income (loss) under US GAAP	Ps. 352,642	Ps. 23,85
	=====	=====
Weighted average number of outstanding common shares (000)	700,968	700,96
	=====	=====
Net income (loss) per share under US GAAP	Ps. 0.5031	Ps. 0.034
	=====	=====

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b. Reconciliation of majority stockholders' equity -

	2001	2002
Majority stockholders equity under MEX GAAP	Ps. 3,735,765	Ps. 3,490,32
US GAAP adjustments:		
Deferred income taxes under US GAAP	(1,585,195)	(1,198,28
Deferred income taxes under MEX GAAP	1,263,773	1,074,04
Deferred employee profit sharing under US GAAP	(482,874)	(424,17
Adjustment for changes to the NCPI method used to restate machinery of foreign origin	777,198	287,95
Withdrawal of pension fund assets and amortization of under SFAS No. 87	(11,303)	(9,17
Effects of the US GAAP adjustments on the minority interest	22,715	87,75
Decapitalization of preoperating expenses	(38,979)	(32,19
VELCON goodwill	3,855	20,16
Effect of adjustments under US GAAP by discontinued operations	3,099	4,02
	-----	-----
Majority stockholders' equity under US GAAP	Ps. 3,688,054	Ps. 3,300,45
	=====	=====

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c. Changes in majority stockholders' equity under US GAAP-

	2001	2002
Majority Stockholders' equity at beginning of year	Ps. 3,451,923	Ps. 3,688,05
Net income (loss) under US GAAP	352,642	23,85
Result from holding nonmonetary assets	(75,105)	(124,80
Dividends declared and paid	(118,000)	(199,49
Adjustment of additional liability for employee retirement obligations	--	(87,16
Earned surplus from restructuring of subsidiary	76,594	-
	-----	-----
Majority stockholders' equity at end of year	Ps. 3,688,054	Ps. 3,300,45

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	2001	2002
d. Comprehensive income under US GAAP -		
Majority net income (loss) under US GAAP	Ps. 352,642	Ps. 23,85
Other comprehensive income (loss):		
Result from holding nonmonetary assets	(75,105)	(124,80
Adjustment of additional liability for employee retirement obligations	--	(87,16
Comprehensive income (loss) under US GAAP	Ps. 277,537	Ps. (188,10

	2001	2002
e. Cash flow statement in accordance with US GAAP		
Income from continuing operations under US GAAP	Ps. 369,792	Ps. 145,82
Income (loss) from discontinued operations	(17,150)	(81,32
Extraordinary item	--	(40,63
Cumulative effect of change in accounting principle	--	-
Consolidated net income (loss) for the year	352,642	23,85
Add (deduct)- Items which did not require (generate) resources-		
Depreciation and amortization	832,584	865,92
Goodwill amortization reversion	(1,322)	16,52
Exchange gain (loss)	(112,255)	188,76
Impairment of fixed asset	6,699	10,38
Allowance for doubtful accounts	2,857	(1,36
Change in accounting principle	--	-
Deferred income taxes	(208,750)	(235,76
Non-cash items from discontinued operations	1,493	(8,63
Inflationary effect	124,097	(162,76
Decapitalization of preoperating expenses	--	-
Net cost of employee benefits for the year	78,339	49,91
Change in working capital-		
Current assets	829,797	879,19
Current assets for restructuring of subsidiary	104,646	-
Current assets of discontinued operations	25,659	65,77
Accounts payable to related parties	(17,945)	141,40
Notes and accounts payable to suppliers and accrued liabilities	(182,688)	(191,48

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	2001	2002
Short-term liability from restructuring of subsidiary	(38,617)	-
Income taxes, asset taxes and employee profit sharing	175,409	(50,13
Current liabilities of discontinued operations	(31,286)	3,06

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Net resources generated by (used in) operating activities	1,941,357	1,594,66
<hr/>		
Financing activities:		
Variance in bank loans and current portion of long-term debt in real terms	(366,836)	(672,48
Variance in bank loans and current portion of long-term debt from restructuring of subsidiary	(148,418)	-
Decrease in bank loans and current portion of long-term debt due to restatement in constant Mexican pesos	(104,304)	(93,70
Repayments of long-term debt	(429,296)	(138,00
Decrease in long-term debt from restructuring of subsidiary	(37,944)	-
Monetary effect on long-term debt	(27,280)	(8,17
Due to Desc, S.A. de C.V. (parent company)	--	-
Dividends paid to majority stockholders	(118,000)	(199,49
Dividends paid to minority stockholders of subsidiaries	(402,094)	(121,08
Adjustment of additional liability for employee retirement obligations	--	(87,16
Adjustment to additional liability for employee retirement obligations minority interest	--	(13,05
Earned surplus from restructuring of a subsidiary	68,438	-
Decrease in minority interest from restructuring of subsidiary	(250,087)	-
Deferred income taxes	(214,846)	38,76
Deferred income taxes from restructuring of subsidiary	(94,661)	-
Financing activities of discontinued operations	(9,003)	(72
<hr/>		
Net resources (used in) generated by financing activities	(2,134,331)	(1,295,12
<hr/>		
Investing activities:		
Additions to property, plant and equipment	(333,104)	(806,04
Net book value of retirements of property, plant and equipment	200,867	169,36
Decrease in property, plant and equipment from restructuring of subsidiary	269,327	-
Decrease in employee retirement obligation intangible asset, liability net	--	157,48
Investing activities of discontinued operations	(2,243)	5,49
Other assets	(128,040)	101,71
Other assets from restructuring of subsidiary	11,431	-
<hr/>		
Net resources generated by (used in) investing activities	18,238	(371,97
<hr/>		
Net increase (decrease) in cash and temporary investments (Increase) decrease in cash and temporary investments of discontinued operations	(174,736)	(72,42
	32,534	8,02
<hr/>		
Cash and temporary investments at the beginning of the year	928,489	786,28
<hr/>		
Cash and temporary investments at the end of the year	Ps. 786,287	Ps. 721,88
<hr/>		
Supplemental cash flow disclosures:		
Income and asset taxes paid	Ps. 419,982	Ps. 421,08
Employee profit sharing paid	Ps. 104,638	Ps. 111,06
Interest paid	Ps. 177,519	Ps. 104,94

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Desc, S.A. de C.V. and Subsidiaries
Consolidated financial statements for
the years ended December 31, 2002 and 2003
and Independent Auditors' Report
Dated March 26, 2004

Desc, S. A. de C. V. and Subsidiaries
Independent auditors' report and consolidated financial statements 2002 and 2003

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Notes to consolidated financial statements	10

Independent Auditors' Report to the Board of Directors and Stockholders of
Desc, S.A. de C.V.:

We have audited the accompanying consolidated balance sheets of Desc, S.A de C.V. and subsidiaries (collectively referred to as the "Company") as of December 31, 2002, and 2003, and the related consolidated statements of income (loss), changes in stockholders' equity and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements of the Company for the year ended December 31, 2001, were audited by other auditors who expressed an unqualified opinion in their report dated March 12, 2002.

We did not audit the financial statements of the chemical and food segments, which statements reflect total assets constituting 42% of consolidated total assets as of December 31, 2002, and 2003, and total revenues constituting 53% and 54%, respectively, of consolidated total revenues for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of such other auditors. We conducted our audits in accordance with auditing standards generally accepted in Mexico (and in the United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

As mentioned in Notes 1b. and 11 to the accompanying consolidated financial statements, in December 2003 the Company satisfactorily concluded negotiations to restructure a significant portion of its short and long-term debt. As mentioned in Note 4a. to the accompanying consolidated financial statements, as of December 31, 2003 the Company early adopted the provisions of new Bulletin C-15, "Impairment of the Value of Long-lived Assets and their Disposal", which establishes that an impairment loss has occurred if the present value of estimated net future cash flows of a cash generating unit is less than the book value of long-lived assets, tangible or intangible. The effect in thousands of

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pesos derived from the application of this principle was the recognition of Ps.712,457 of impairment in the value of certain property, plant and equipment and Ps.898,891 of impairment in the value of the goodwill of certain subsidiaries. The charge to 2003 results was Ps.1,384,294, net of a reduction of Ps.227,054 in the related deferred income tax liability.

In our opinion, based on our audit and the reports of the other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of Desc, S.A. de C.V. and subsidiaries as of December 31, 2002, and 2003, and the results of their operations, changes in their stockholders' equity and changes in their financial position for the years then ended in conformity with accounting principles generally accepted in Mexico.

Our audits also comprehended the translation of the Mexican peso amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2a. The translation of the financial statement amounts into U.S. dollars and the translation of the financial statements into English have been made solely for the convenience of readers in the United States of America.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member firm of Deloitte Touche Tohmatsu

/s/ Luis Javier Fernandez Barragan

CPC Luis Javier Fernandez Barragan
March, 26, 2004

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Desc, S.A. de C.V. and Subsidiaries
Consolidated balance sheets
As of December 31, 2002 and 2003
Expressed in thousands of constant Mexican pesos (Ps.) and thousands of U.S. dollars (\$)

	2002	2003
Assets		
Current assets:		
Cash and cash equivalents	Ps. 2,501,563	Ps. 719,967
Notes and accounts receivable, net	3,825,351	4,270,341
Inventories, net	3,193,122	3,120,436
Prepaid expenses	56,777	78,212
Discontinued operations	102,009	8,346
	-----	-----
Total current assets	9,678,822	8,197,302
Land held for development and real estate projects	4,290,528	3,828,312
Trade receivables - long-term	-	1,048,481
Property, plant and equipment, net	13,684,423	11,813,121
Goodwill, net	1,381,563	594,673
Other assets, net	1,286,888	1,222,279
Discontinued operations	147,481	30,822
	-----	-----
Total	Ps. 30,469,705	Ps. 26,734,990
	=====	=====
Liabilities and stockholders' equity		
Current liabilities:		
Bank loans and current portion of long-term debt	Ps. 3,641,828	Ps. 440,553
Notes and accounts payable to suppliers	2,087,713	1,617,571
Income taxes and employee profit sharing	106,412	225,117

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Other payables and accrued liabilities	1,777,136	1,731,975
Discontinued operations	62,482	13,366
	-----	-----
Total current liabilities	7,675,571	4,028,642
Long-term debt	9,051,649	11,360,011
Deferred income taxes	1,339,115	880,749
Related parties - long-term	-	183,762
Other long-term liabilities	577,887	375,609
	-----	-----
Total liabilities	18,644,222	16,828,773

(Continued)

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Stockholders' equity:		
Capital stock	11,715,914	11,715,914
Paid-in surplus	1,170,390	1,170,390
Retained earnings	19,766,314	17,525,927
Reserve for repurchase of shares	996,847	996,847
Cumulative effect of initial recognition of deferred income taxes	(1,887,308)	(1,887,308)
Cumulative effect of restatement	(23,690,416)	(23,036,402)
Adjustment of additional employee retirement liability	(154,105)	(147,158)
	-----	-----
Majority stockholders' equity	7,917,636	6,338,210
Minority interest	3,907,847	3,568,007
	-----	-----
Total stockholders' equity	11,825,483	9,906,217
	-----	-----
Total	Ps. 30,469,705	Ps. 26,734,990
	=====	=====

(Concluded)

The accompanying notes are part of these consolidated financial statements.

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Desc, S.A. de C.V. and Subsidiaries
Consolidated statements of income (loss)
For the years ended December 31, 2001, 2002 and 2003
Expressed in thousands of constant Mexican pesos (Ps.) and thousands of U.S. dollars (\$), except per share information

	2001	2002
Net sales	Ps. 22,092,872	Ps. 20,360,380
Cost of sales	16,284,573	15,572,154
	-----	-----
Gross income	5,808,299	4,788,226
Operating expenses:		
Administrative	2,229,370	2,222,587
Selling	1,616,673	1,484,339
	-----	-----
	3,846,043	3,706,926
	-----	-----
Operating income	1,962,256	1,081,300
Other (expenses) income:		
Impairment of fixed assets	(101,205)	(50,988)
Depreciation of idle plant	(75,515)	(7,539)

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Amortization of goodwill	(85,418)	(79,992)
Goodwill write-off from Club Ecuestre Chiluca, S.A. de C.V.	-	-
Amortization of preoperating expenses and patents	(112,077)	(37,496)
Loss on sale of shares	(12,324)	(6,073)
Special item - severance payments	(250,708)	-
Income from the technology fund	37,016	29,114
Income (loss) on sale of assets	4,544	(27,494)
Recovery of taxes	13,991	51,434
Other, net	(39,199)	(6,272)
	-----	-----
	(620,895)	(135,306)
Integral financial result:		
Interest income	126,211	68,192
Interest expense	(1,076,283)	(865,104)
UDIS variation	(109,282)	(120,648)
Exchange gain (loss), net	336,046	(770,354)
Monetary position gain	374,976	414,082
	-----	-----
	348,332	(1,273,832)
	-----	-----
Income (loss) from continuing operations before provisions and equity in associated companies and unconsolidated subsidiaries.	993,029	(327,838)
	(Continued)	
	2001	2002
Provisions for:		
Current income taxes	478,682	226,099
Deferred income taxes	(572,760)	(83,141)
Employee profit sharing	159,161	108,788
	-----	-----
	65,083	251,726
Equity in associated companies and unconsolidated subsidiaries	(125,376)	(5,400)
	-----	-----
Income (loss) from continuing operations	802,570	(584,963)
Income (loss) form discontinued operations	(253,863)	(629,863)
Change in accounting principle	-	-
Extraordinary item	(309,998)	-
	-----	-----
Net consolidated income (loss) for the year	Ps. 238,709	Ps. (1,214,833)
	=====	=====
Allocation of consolidated net income:		
Majority stockholders' interest	Ps. 45,446	Ps. (1,084,541)
Minority stockholders' interest	193,263	(130,292)
	-----	-----
	Ps. 238,709	Ps. (1,214,833)
	=====	=====
Income (loss) per share:		
Income (loss) from continuing operations	Ps. 0.59	Ps. (0.43)
	=====	=====
Discontinued operations	Ps. (0.19)	Ps. (0.43)
	=====	=====
Change in accounting principle	Ps. -	Ps. -
	=====	=====
Extraordinary items	Ps. (0.23)	Ps. -
	=====	=====
Majority net income (loss)	Ps. 0.03	Ps. (0.79)
	=====	=====

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Weighted average shares outstanding (000's) 1,369,006 1,369,07
===== =====

(Concluded)

The accompanying notes are part of these consolidated financial statements.

Desc, S.A. de C.V. and Subsidiaries
 Consolidated statements of stockholders' equity
 For the years ended December 31, 2001, 2002 and 2003
 Expressed in thousands of constant Mexican pesos (Ps.) and thousands of U.S.
 dollars (\$)

	Number of shares	Capital Stock	
		Historical	Restatement
Balances, January 1, 2001	1,368,998,270	Ps. 17,797	Ps. 11,698,057
Increase in capital stock due to merger	81,106	1	59
Dividends declared	-	-	-
Decrease in minority interest due to restructuring and sales	-	-	-
Comprehensive income (loss)	-	-	-
	-----	-----	-----
Balances, December 31, 2001	1,369,079,376	17,798	11,698,116
Dividends declared	-	-	-
Comprehensive income (loss)	-	-	-
	-----	-----	-----
Balances, December 31, 2002	1,369,079,376	17,798	11,698,116
Purchase of minority shareholding interests	-	-	-
Comprehensive income (loss)	-	-	-
	-----	-----	-----
Balances, December 31, 2003	1,369,079,376	Ps. 17,798	Ps. 11,698,116
	=====	=====	=====
Balances, December 31, 2002	1,369,079,376	\$ 1,589	\$ 1,044,493
Purchase of minority shareholding interests	-	-	-
Comprehensive income (loss)	-	-	-
	-----	-----	-----
Balances, December 31, 2003	1,369,079,376	\$ 1,589	\$ 1,044,493
	=====	=====	=====

	Reserve for repurchase of shares	Cumulative effect of initial recognition of deferred income taxes	Cumulative effect of restatement	Adjustme of addition employe retireme liabilit
Balances, January 1, 2001	Ps. 996,847	Ps. (1,887,308)	Ps. (23,338,038)	Ps.
Increase in capital stock due to merger	-	-	-	-
Dividends declared	-	-	-	-
Decrease in minority interest due to restructuring and sales	-	-	-	-
Comprehensive income (loss)	-	-	(768,530)	-
	-----	-----	-----	-----
Balances, December 31, 2001	996,847	(1,887,308)	(24,106,568)	-
Dividends declared	-	-	-	-

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Comprehensive income (loss)	-	-	416,152	(154,1
Balances, December 31, 2002	996,847	(1,887,308)	(23,690,416)	(154,1
Purchase of minority shareholding interests	-	-	-	
Comprehensive income (loss)	-	-	654,014	6,9
Balances, December 31, 2003	Ps. 996,847	Ps. (1,887,308)	Ps. (23,036,402)	Ps. (147,1
Balances, December 31, 2002	\$ 89,006	\$ (168,513)	\$ (2,115,254)	\$ (13,7
Purchase of minority shareholding interests	-	-	-	
Comprehensive income (loss)	-	-	58,395	6
Balances, December 31, 2003	\$ 89,006	\$ (168,513)	\$ (2,056,859)	\$ (13,1

	Total Stockholders' equity
Balances, January 1, 2001	Ps. 15,766,127
Increase in capital stock due to merger	650
Dividends declared	(850,240)
Decrease in minority interest due to restructuring and sales	(652,094)
Comprehensive income (loss)	(1,079,123)
Balances, December 31, 2001	13,185,320
Dividends declared	(550,009)
Comprehensive income (loss)	(809,828)
Balances, December 31, 2002	11,825,483
Purchase of minority shareholding interests	(314,101)
Comprehensive income (loss)	(1,605,165)
Balances, December 31, 2003	Ps. 9,906,217
Balances, December 31, 2002	\$ 1,055,866
Purchase of minority shareholding interests	(28,405)
Comprehensive income (loss)	(143,322)
Balances, December 31, 2003	\$ 884,499

The accompanying notes are part of these consolidated financial statements.

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Desc, S.A. de C.V. and Subsidiaries
 Consolidated statements of changes in financial position
 For the years ended December 31, 2001, 2002 and 2003
 Expressed in thousands of constant Mexican pesos (Ps.) and thousands of U.S.
 dollars (\$)

2001

2002

Operating activities:

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Income (loss) from continuing operations	Ps. 802,570	Ps. (584,96)
Add (deduct)-Items which do not require (generate) resources-		
Depreciation and amortization	1,310,465	1,319,52
Depreciation of idle plant	75,517	7,53
Impairment of fixed assets	101,205	50,98
Capitalized integral financial cost	(5,838)	
Equity in associated companies and unconsolidated subsidiaries	125,376	5,40
Amortization and write-off of goodwill	85,418	79,99
Deferred income taxes	(572,760)	(83,14)
Non-cash items from discontinued operations	114,055	57,81
	-----	-----
	2,036,008	853,14
Changes in operating assets and liabilities-		
Notes and accounts receivable	1,147,934	(53,95)
Inventories	604,575	53,60
Prepaid expenses	24,718	20,86
Real estate assets available for sale	(19,610)	19,61
Decrease in current assets due to sale of assets of Industrias Resistol, S.A. de C.V.	-	
Current assets from discontinued operations	79,055	281,36
Notes and accounts payable to suppliers, other payables and accrued liabilities	71,941	(140,60)
Income taxes and employee profit sharing	196,350	(291,01)
Current liabilities from discontinued operations	(31,511)	(34,03)
	-----	-----
	2,073,452	(144,15)
	-----	-----
Discontinued operations	(253,863)	(629,86)
Change in accounting principle	-	
Extraordinary items	(309,998)	
	-----	-----
Net resources generated by (used in) operations	3,545,599	79,12
	-----	-----

(Continued)

	2001	2002
Financing activities:		
Proceeds from debt	(1,384,338)	4,852,72
Payments of debt	(508,058)	(2,654,64)
Effect of the variance on short-term bank loans, current portion of long-term debt and long-term debt	(558,659)	(598,23)
Related parties - long-term	-	
Other long-term liabilities	(231,462)	322,19
Deferred income taxes	(516,591)	252,28
Increase in capital stock due to merger	650	
Dividends paid	(228,323)	(440,46)
Dividends paid to minority interest	(402,055)	(121,07)
Adjustment of additional employee retirement liability	-	(154,10)
Decrease in minority stockholders' interest due to restructuring and sale	(652,094)	
	-----	-----
Net resources (used in) generated by financing activities	(4,480,930)	1,458,67
	-----	-----
Investing activities:		
Land acquisition	(7,154)	(3,14)
Cost of land sold	282,278	64,77
Investment in real estate projects	(761,902)	(405,75)
Cost of real estate projects sold	137,552	368,97

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Trade receivables - long-term	-	
Investments in shares	(260,854)	29,13
Cumulative effect of change in accounting policy of goodwill	-	
Sale of shares of subsidiaries	1,574,561	
Cash and cash equivalents of subsidiaries sold	(79,368)	
Purchase of minority shareholdings	-	
Acquisitions of property, plant and equipment	(785,151)	(1,117,41
Net book value of retirements of property, plant and equipment	666,375	262,44
Net book value of retirements of property, plant and equipment of Industrias Resistol, S.A. de C.V.	-	
Cumulative effect of change in accounting policy in property plant and equipment	-	
Net increase of investment properties		(28,34
Other assets	(94,961)	242,14
Investing activities of discontinued operations	3,718	66,46
	-----	-----
Net resources generated by (used in) investing activities	675,094	(520,71
	-----	-----
Net increase (decrease) in cash and cash equivalents	(260,237)	1,017,07
Net decrease in cash and cash equivalents from discontinued operations	(13,919)	(8,28
Cash and cash equivalents:		
Balance at beginning of year	1,766,929	1,492,77
	-----	-----
Balance at end of year	Ps. 1,492,773	Ps. 2,501,56
	=====	=====

(Concluded)

The accompanying notes are part of these consolidated financial statements.

Desc, S.A. de C.V. and Subsidiaries

Notes to consolidated financial statements

As of December 31, 2001, 2002 and 2003

Expressed in thousands of constant Mexican pesos (Ps.) and thousands of U.S.
dollars (\$)

1. Principal activities and significant events

Activities- Desc, S.A. de C.V. ("DESC") is the controlling stockholder of a group of companies engaged mainly in the manufacture and sale of autoparts, chemicals and food. It is also engaged in the acquisition, sale and development of real estate.

Significant events-

- a. The economic slowdown recorded in the last few years had a significant impact in the United States of America and Mexico, with adverse consequences on the results of DESC, primarily in the automotive and chemical sectors. For this reason, during 2002 and 2003 DESC decided to reviewing its investment portfolio and realigning its operating structure to reflect market conditions. Therefore, during 2002 DESC decided to close the following non-strategic businesses: spark plugs and electric parts from the automotive sector, the natural pigments business in the chemicals sector, and in the food sector the hog raising operation in the Bajio region and the shrimp farming business, which was donated to the Instituto Tecnologico de Estudios Superiores de Monterrey; it also began a downsizing program which continued during 2003, during which period the group's work force was reduced by 15.1% (see Notes 17 and 18).
- b. In December 2003 the Company satisfactorily concluded the agreement with bank creditors to refinance syndicated loans and a significant part of the Company's short-term debt. The total amount of the restructured debt was approximately \$667,000 (\$445,700 and Ps.1,223,000 of long-term loans and \$112,000 of revolving credit and letters of credit), which represents around 63% of the Company's consolidated debt. The terms of the negotiation include maturity of the debt after

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five years and a grace period of 30 months as of January 2004 for payment of principal. The interest rates obtained for the dollar debt are LIBOR rate plus a variable interest margin, while the rate for the Mexican peso debt is TIIE (Interbank interest rate) plus a variable interest margin (see Note 11).

- c. Continuing with the programs mentioned in subsection a) above, the following resolutions were adopted at the Stockholders' Ordinary General and Special Meeting held on April 28, 2003:
- i. Merge DESC with Industrias Resistol, S.A. de C.V. with DESC surviving as the merged company. Such merger went into effect for accounting and tax purposes as of September 29, 2003, DESC sold basically all of the assets of the aforementioned subsidiary engaged in the manufacture and sale of adhesives and waterproofing materials as of September 30, 2003. As a result of such asset sale, the Company generated a loss of Ps.11,013 which is recorded in the statement of income (loss) under the heading "Other expenses".
 - ii. Merge DESC with Industrias Ruiz Galindo, S.A. de C.V., with DESC surviving as the merged company. Such merger went into effect for accounting and tax purposes as of May 1, 2003, for which reason as of this date Industrias Ruiz Galindo, S.A. de C.V. ceased to exist as a legal entity.

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2. Basis of presentation

- a. Convenience translation - U.S. dollar amounts shown in the financial statements have been included solely for the convenience of users and are translated at the exchange rate for December 31, 2003 of 11.1998 Mexican pesos per U.S. dollar. Such translation should not be interpreted as a representation that the Mexican peso amounts have been, could have been, or could in the future be, translated into U.S. dollars at this or any other exchange rate. The statements of income in US dollars generated monthly by the Company for local purposes are determined based on historical amounts for each month and are converted at the average exchange rates of the respective months, for which reason they differ from the accompanying consolidated statement of income (loss).
- b. Basis of consolidation- The accompanying consolidated financial statements include those of DESC and the subsidiaries in which there is stockholding and administrative control. All significant intercompany transactions and balances have been eliminated in the accompanying consolidated financial statements.

The Company's principal subsidiaries are:

	2002	2003
Automotive segment-		
Desc Automotriz, S.A. de C.V. and Subsidiaries	99.9%	99.9%
Chemical segment ("GIRSA")-		
Industrias Negromex, S.A. de C.V.	99.9%	99.9%
Paratec, S.A. de C.V.	99.9%	-
Industrias Resistol, S.A. de C.V.	99.9%	-
Quimir, S.A. de C.V.	99.9%	99.9%
Resirene, S.A. de C.V.	99.9%	99.9%
Rexcel, S.A. de C.V.	99.9%	99.9%
Nhumo, S.A. de C.V.	60%	60%
Dynasol Elastomeros, S.A. de C.V.	50.1%	50.1%
Food sector-		
Agroken, S.A. de C.V. and subsidiaries	99.9%	99.9%
Corfuerte, S.A. de C.V. and subsidiaries ("CORFUERTE")	77.6%	96.1%
Authentic Acquisition Corporation and Subsidiaries	81.3%	99.9%
Real estate segment ("DINE")-		

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Cantiles de Mita, S.A. de C.V.	96%	96%
Canada Santa Fe, S.A. de C.V.	73%	73%
Promociones Bosques, S.A. de C.V.	100%	100%
Inmobiliaria Dine, S.A. de C.V.	100%	100%
Club Ecuestre Chiluca, S.A. de C.V.	77.26%	-

To simplify the Company's administrative structure, DESC was merged with GIRSA and DINE on November 29, 2001 and April 25, 2002, respectively, with DESC surviving as the merged company. Additionally Club Ecuestre Chiluca, S.A. de C.V. and Paratec, S.A. de C.V. were merged into Cantiles de Mita, S.A. de C.V. and Industrias Negromex, S.A. de C.V. in June and September 2003, respectively.

The equity in net income (loss) and changes in stockholders' equity of those subsidiaries that were acquired or sold, has been included in the financial statements as of or up to the date on which the transactions took place and was restated in terms of the purchasing power of the Mexican peso as of December 31, 2003.

Investments in shares of associated companies and unconsolidated subsidiaries are recorded using the equity method based on the financial statements prepared using same accounting policies as the Company, and are included under the "Other assets" heading in the balance sheets.

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- c. Sale of certain assets of Industrias Resistol, S.A. de C.V. - As mentioned in Note 1c, on September 29, 2003 the merger of Industrias Resistol, S.A. de C.V. into DESC went into effect for accounting and tax purposes. On September 30, 2003 DESC sold basically all the assets of such subsidiary engaged in the manufacture and sale of adhesives and mortar proofing materials suspending its operations in such businesses. Consequently, the consolidated financial statements include the results of the subsidiary Industrias Resistol, S.A. de C.V. as of December 31, 2001 and 2002, and for the period from January 1 through September 30, 2003. Following is a summary of the condensed statements of income of such subsidiary for the aforementioned periods:

	2001	2002	2003
Net sales	Ps. 938,193	Ps. 916,097	Ps. 694
Cost of sales	(447,531)	(479,852)	(389)
Operating expenses	(246,094)	(268,414)	(183)
Integral result of financing	(108,069)	(111,259)	(73)
Other expenses	(43,223)	(101,387)	(89)
Income tax provision	30,920	23,306	(68)
	-----	-----	-----
Net income (loss)	Ps. 124,196	Ps. (21,509)	Ps. (110)
	=====	=====	=====

- d. Purchase of minority interests of CORFUERTE and AAC - As mentioned in Note 20, on November 11, 2003 the minority shareholders of the subsidiaries CORFUERTE and AAC formally notified their decision to exercise the sale option of their shares to DESC, which was formalized on January 29, 2004. Consequently, as of that date the shareholding of DESC in such subsidiaries increased from 77.6% to 96.1% and from 81.3% to 99.9%, respectively. The amount paid was \$14,311 (Ps.156,194) and is recorded as a liability in "Other payables and accrued liabilities".
- e. Conversion of financial statements of foreign subsidiaries- The financial statements of foreign subsidiaries, whose operation is not integrated into that of the Mexican companies (foreign entity), are restated using the national inflation index of the respective country and are converted to Mexican pesos at the exchange rate in effect at the end of the year. The financial statements in local currency of

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foreign companies whose operations are integrated with those of the Mexican companies are converted at the exchange rates in effect at the transaction closing or origin, depending on whether they are monetary or nonmonetary items, and are restated by using the Mexican National Consumer Price Index (NCPI). The conversion effects of the foreign entity are recorded in stockholders' equity in the "Cumulative restatement effect" account. Additionally, the conversion effects of the integrated transactions are recorded in results of the year in net comprehensive financing cost, within the "Monetary position gain" account. Such effects are not material.

- f. Comprehensive income (loss)- Comprehensive income (loss) is comprised of the net consolidated income for the period plus (less) any gains or losses that under specific accounting regulations are recorded directly in stockholders' equity, such as the gain or loss from holding nonmonetary assets. In 2001, 2002 and 2003 other comprehensive income is comprised of the gain or loss from holding nonmonetary assets and the effect of translation of foreign subsidiaries and, in 2002 and 2003, the adjustment of additional employee retirement liability.
- g. Reclassifications- Certain amounts in the consolidated financial statements at December 31, 2001 and 2002 have been reclassified in order to conform to the presentation of the consolidated financial statements at December 31, 2003.

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1. Summary of financial data by business segment

The presentation below sets forth certain financial information regarding the Company's industry segments. Intersegment transactions have been eliminated.

Total assets by industry are those assets that are used in the operations of each industry segment. Corporate assets are principally cash and long-term investments.

2001	Net Sales	Operating income	Net consolidated income (Loss)	Total assets	T liab
Automotive	Ps. 10,157,225	Ps. 1,144,371	Ps. 570,316	Ps. 10,230,142	Ps. 4
Chemicals	7,334,118	549,791	30,725	7,535,897	3
Food	3,693,349	174,927	(143,282)	5,920,482	1
Real estate	887,107	159,438	(48,583)	5,578,556	1
Corporate	21,073	(66,271)	(170,467)	950,479	5
	-----	-----	-----	-----	-----
	Ps. 22,092,872	Ps. 1,962,256	Ps. 238,709	Ps. 30,215,556	Ps. 17
	=====	=====	=====	=====	=====
2002					
Automotive	Ps. 8,731,810	Ps. 644,084	Ps. (43,445)	Ps. 9,550,708	Ps. 3
Chemicals	7,211,861	341,415	(228,835)	7,457,870	3
Food	3,581,989	102,380	(576,144)	5,379,833	1
Real estate	799,283	84,913	(38,193)	6,202,016	1
Corporate	35,437	(91,492)	(328,220)	1,879,278	10
	-----	-----	-----	-----	-----
	Ps. 20,360,380	Ps. 1,081,300	Ps. (1,214,837)	Ps. 30,469,705	Ps. 18
	=====	=====	=====	=====	=====
2003					
Automotive	Ps. 7,820,304	Ps. 226,670	Ps. (391,865)	Ps. 7,984,504	Ps. 1
Chemicals	7,868,456	202,924	(493,956)	6,942,505	3
Food	3,883,594	123,985	(1,059,688)	4,338,087	1
Real estate	1,968,953	412,329	(68,383)	6,124,230	1
Corporate	213,748	(123,444)	(390,018)	1,345,664	10
	-----	-----	-----	-----	-----
	Ps. 21,755,055	Ps. 842,464	Ps. (2,403,910)	Ps. 26,734,990	Ps. 16
	=====	=====	=====	=====	=====

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	Depreciation and amortization	Impairment of fixed assets	Interest expense	Interest income	Change i accountin principl
2001					
Automotive	Ps. 737,349	Ps. 6,699	Ps. 197,558	Ps. 61,309	Ps.
Chemicals	398,191	49,859	382,988	30,245	
Food	182,281	7,559	147,205	11,781	
Real estate	39,112	-	125,155	42,871	
Corporate	29,049	37,088	223,377	(19,995)	
	-----	-----	-----	-----	-----
	Ps. 1,385,982	Ps. 101,205	Ps. 1,076,283	Ps. 126,211	Ps.
	=====	=====	=====	=====	=====
2002					
Automotive	Ps. 738,041	Ps. 10,387	Ps. 84,585	Ps. 22,187	Ps.
Chemicals	357,598	32,294	134,176	9,085	
	173,306	8,307	53,474	6,721	
Food					
	23,407	-	99,932	15,660	
Real estate					
	34,716	-	492,937	14,539	
	-----	-----	-----	-----	-----
Corporate	Ps. 1,327,068	Ps. 50,988	Ps. 865,104	Ps. 68,192	Ps.
	=====	=====	=====	=====	=====
2003					
Automotive	Ps. 750,105	Ps. -	Ps. 56,498	Ps. 5,568	Ps. (482,2
Chemicals	354,575	-	135,380	10,782	(3,1
Food	79,968	14,097	33,726	6,533	(898,8
Real estate	438,223	-	74,920	2,873	
Corporate	86,623	43	775,548	16,380	
	-----	-----	-----	-----	-----
	Ps. 1,383,381	Ps. 14,140	Ps. 1,076,072	Ps. 42,136	Ps. (1,384,2
	=====	=====	=====	=====	=====

2. Significant accounting policies

The accounting policies followed by DESC and subsidiaries (the "Company") are in conformity with Mexican GAAP, which require management to make certain estimates and use certain assumptions to determine the valuation of some of the balances included in the financial statements and to make the disclosures required for inclusion therein.

Although actual results may differ from those estimates, management believes that the estimates and assumptions used were appropriate in the circumstances. The significant accounting policies followed by the Company are as follows:

- a. Adoption of accounting principles- The Company early adopted the provisions of new Bulletin C-15, "Impairment in the value of long-lived assets and their disposal" ("C-15"). C-15 establishes, among other issues, that in the presence of indicators of impairment of a long-lived asset in use, whether tangible or intangible, including goodwill, entities must determine the possible loss from impairment, unless they have evidence clearly demonstrating that such indicators are of a temporary nature. To calculate the loss from impairment requires the determination of the recovery value, now defined as the higher of the net selling price of a cash generating unit and its use value, which is the present value of future net cash flows, at an appropriate discount rates. In the provisions prior to C-15, net future cash flows referenced to the purchasing power in effect at the evaluation date were used, without requiring the discounting of such flows. The effect derived from the application of this new principle was the recognition of Ps.712,457 of impairment in the value of certain property, plant and equipment and Ps.898,891 of impairment in the value of the

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goodwill of certain subsidiaries. The charge to 2003 results was Ps.1,384,294, net of a reduction of Ps.227,054 in the related deferred income tax liability, presented in the statement of income under the heading "Change in accounting principle". Beginning January 2003, the Company adopted the provisions of the following Mexican bulletins:

- . Bulletin C-8, "Intangible Assets" (C-8), went into effect. This bulletin establishes that project development costs should be capitalized if they fulfill the criteria established for recognition as assets. Any preoperating costs incurred after the effective date of this Bulletin should be recorded as an expense, unless they meet certain criteria. The unamortized balance of capitalized preoperating costs under the former Bulletin C-8 will continue to be amortized. During the year ended December 31, 2003, there was no adverse effect derived from the application of new Bulletin C-8.
 - . Bulletin C-9, "Liabilities, Provisions, Contingent Assets and Liabilities and Commitments" (C-9), which establish additional guidelines clarifying the accounting for liabilities, provisions and contingent assets and liabilities, and establish new standards for the use of present value techniques to measure liabilities and accounting for the early settlement of obligations. During the year 2003, there was no adverse effect derived from the application of new Bulletin C-9.
 - . Bulletin E-1, "Agriculture" (E-1), which establishes the rules for valuing, presenting and disclosing biological assets and agricultural products, which includes the administration carried out by a related party with the respect to biological transformation of live animals or plants (biological assets) that are destined to be sold as an agricultural product or as a comprehensive part of a biological asset. Bulletin E-1 requires biological assets and agricultural products to be valued at their fair market value, less the estimated costs at the point of sale. Bulletin E-1 also states that when the fair market value cannot be determined in a reliable and objective manner, the aforementioned assets should be valued at production cost, less accumulated depreciation. Crop production in progress as of December 31, 2003 is valued at cost. The effects derived from the application of E-1 in the consolidated financial statements as of December 31, 2003 were not material.
- b. Recognition of the effects of inflation- The companies restate all of their financial statements in terms of the purchasing power of the Mexican peso as of the end of the latest period, thereby comprehensively recognizing the effects of inflation. The prior year amounts presented herein differ from those originally reported in terms of Mexican pesos of the respective year. Consequently, all financial statement amounts are comparable, both for the current and the prior year, because all are stated in terms of Mexican pesos of the same purchasing power.
- c. Temporary investments- Temporary investments are stated at the lower of acquisition cost plus accrued yields, or at market value, yields are recorded in the statement of income (loss).
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- d. Inventories and cost of sales- Inventories are originally recorded at their acquisition or manufacturing cost and restated to their specific net replacement cost without exceeding net realizable value. Substantially all subsidiaries compute cost of sales using the replacement cost at the time of sale.
- e. Land held for development and real estate projects- Undeveloped land represents land reserves that, together with developed land and ongoing and completed projects held for sale, are considered non-current inventories. They include acquisition, development and construction costs and are restated in U.S. dollars based on the slippage of the market exchange rate for the purpose of showing values in accordance with the current situation

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of the real estate market.

If the Mexican NCPI had been used to restate land held for development, developed land and real estate projects, their net value at December 31, 2002 and 2003 would have increased by Ps.873,621 and Ps.609,431, respectively, and the cost of land sold for the years ended December 31, 2001, 2002 and 2003 would have increased by Ps.143,681, Ps.121,277 and Ps.159,621, respectively.

The Company capitalizes the integral financing cost on debt used to finance real estate projects in progress, in addition to their construction and development costs. During 2001, 2002 and 2003, the Company did not have real estate projects whose integral financing cost was subject to capitalization.

- f. Property, plant and equipment- This item is recorded at acquisition cost and is restated by using NCPI factors. For foreign fixed assets, their acquisition cost is restated for inflation of the country of origin and the fluctuation of the Mexican peso against such currency is considered. If the restatement of all property, plant and equipment had been calculated using the NCPI, the net value of fixed assets as of December 31, 2002 and 2003 would have increased by Ps.1,905,377 and Ps.174,565, respectively, and the depreciation as for the years ended December 2001, 2002 and 2003 would have increased by Ps.212,913, Ps.210,416 and Ps.44,702, respectively. The companies capitalize the integral financing cost on debt used to finance construction in progress and the installation of equipment, until they are placed in service. During 2001 the integral financing cost capitalized was Ps.5,838. During 2002 and 2003, the Company did not have construction in progress whose net comprehensive financing cost was subject to capitalization. Depreciation of property, plant and equipment is calculated using the straight-line method applied to month-end balances based on the average restated value of the year deducted from a salvage value, which, depending on the heading, fluctuates between 5% and 10% of its restated value, and their estimated useful lives.
- g. Impairment of fixed assets- The amounts shown in the accompanying consolidated statements of income (loss) basically refer to the reduction in value of property and machinery of some productive facilities, in order to reflect their realizable value in accordance with the current situation of such businesses.
- h. Financial instruments - Financial assets and liabilities resulting from any type of financial instrument, except for investments in financial instruments held to maturity, are presented in the balance sheet at fair value. The effects of the valuation of a financial asset or liability are recognized in results of operations of the respective period. Investments in financial instruments held to maturity are valued at acquisition cost. The costs and yields of financial instruments are recognized in results of the period in which they occur.
- i. Derivative financial instruments - These instruments are traded only with authorized institutions and trading limits have been established for each institution. The Company does not carry out transactions with derivative financial instruments for the purpose of speculation.

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The derivative financial instruments currently used by the Company are primarily hedge contracts to reduce its exposure to exchange rate and interest rate fluctuations. Premiums paid are amortized over the term of the derivative financial instrument using the unpaid balance of the liability being hedged.

Derivative financial instruments identified as hedges are valued by applying the same valuation criteria used for the assets or liabilities hedged, and the effects of their valuation are recognized in results of operations, net of costs, expenses, or revenue from the assets or liabilities whose risks are being hedged. The financial assets or liabilities generated by these instruments are presented in

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- the balance sheet as a reduction of the liabilities or assets whose risks are being hedged.
- j. Goodwill- Up to 2003, the goodwill resulting from acquisitions made in excess of book value is restated by applying the NCPI amortized over periods ranging from five to 20 years, the terms over which the benefits from the investment will be realized. Due to the early adoption of new Bulletin C-15, goodwill is subject to the impairment of long-lived assets calculation.
 - k. Other assets - Costs incurred in the development phase that meet certain requirements and that the Company has determined will have future economic benefits are capitalized and amortized based on the straight-line method over five years. Those disbursements that do not meet such requirements are recorded in results of the period in which they are incurred. Intangible assets with indefinite lives are not amortized because they can be renewed at a reduced cost, however, their value is subject to impairment tests. Preoperating costs incurred after January 1, 2003, are recorded directly in results of the period in which they are incurred. Preoperating expenses incurred and capitalized up to December 31, 2002 are amortized using the straight-line method over five years.
 - l. Impairment of long-lived assets in use- The Company reviews the book value of long-lived assets in use tangible and intangible, in the presence of any indicator of impairment that might indicate that such book value might not be recoverable, considering the higher of the present value of future net cash flows or the net selling price, in the event of their eventual disposal. The impairment is recorded considering the amount by which the book value exceeds the higher of the aforementioned values.
 - m. Provisions - Provisions are recognized for obligations that result from a past event, that are probable to result in the use of economic resources and that can be reasonably estimated. Such provisions are recorded at net present values when the effect of the discount is significant.
 - n. Income tax, asset tax and employee profit sharing - Income tax (ISR) and employee statutory profit sharing (PTU) are recorded in results of the year in which they are incurred. Deferred income tax assets and liabilities are recognized for temporary differences resulting from comparing the book and tax values of assets and liabilities, plus any future benefits from tax loss carryforwards. Deferred income tax assets are reduced by any benefits that, in the opinion of management, will probably not be realized. Deferred PTU is derived from temporary differences between the book result and income for PTU purposes and is recognized only when it can be reasonably assumed that they will generate a liability or benefit, and there is no indication that this situation will change in such a way that the liabilities will not be paid or benefits will not be realized
The asset tax paid that is expected to be recoverable is recorded as an advance payment of income tax and is presented on the balance sheet with deferred ISR.
 - o. Employee retirement obligations- The liability from seniority premiums, pensions and retirement payments, which is similar to a pension, is recorded as accrued, and is calculated by independent actuaries based on the projected credit unit method, at real interest rates. Therefore, the liability is being recognized which, at present value, is expected to cover the obligation for these benefits at the estimated retirement date of all the Companies' employees. Severance payments are charged to results when they are determined to be payable.
 - p. Foreign currency balances and transactions - Foreign currency transactions are recorded at the applicable exchange rate in effect at

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the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Mexican pesos at the applicable exchange rate in effect at the balance sheet date. Exchange fluctuations are recorded as a component of net comprehensive financing cost (income) in the consolidated statements of income.

- q. Restated stockholders' equity- This item consists of monetary position result accumulated through the first restatement of the financial statements and the gain (loss) from holding monetary assets, because price levels increased above (below) inflation.
- r. Revenue recognition - Revenues of the subsidiaries of the autoparts, chemical and food sectors are recognized when the inventories are delivered or shipped to customers and customers assume responsibility for them.

The real estate sector recognizes the revenues and costs from sales of urbanized plots of land in results when the sales are formalized and the deposits securing the transaction are received. The individual assignment of the cost of the land and real estate project takes into consideration the relative selling price of the total project so as to maintain the same profit margin throughout the project.

Revenues and costs from real estate projects are recorded originally as a deferred credit for construction commitments and as real estate projects in process and are recognized in results based on the "percentage of completion" method. Therefore, revenue is matched with costs incurred to reach the stage of completion to terminate the project. If the latest estimated costs determined exceed the total revenues contracted, the respective provision is charged to results of the year.

- s. Integral financial result- This represents the net effect of interest earned and incurred, exchange gains and losses and monetary position gain or loss on, which is the result of maintaining monetary assets and liabilities whose real purchasing power is modified by the effects of inflation.
- t. Income per share- Basic income (loss) per ordinary share is calculated by dividing net income (loss) of majority stockholders by the weighted average number of shares outstanding during the year.

5. Cash and cash equivalents

	2002	2003
Cash	Ps. 436,715	Ps. 243,663
Restricted cash	-	16,400
Cash equivalents	1,748,116	459,904
Technology and trust funds to be used within three months	316,732	-
	-----	-----
	Ps. 2,501,563	Ps. 719,967
	=====	=====

As part of the sale of the assets of Industrias Resistol, S.A. de C.V., the Company received Ps.53,539 in cash with formal restrictions as to its availability, of which Ps.16,400 represents short-term restricted cash, and Ps.37,139 on a long term basis, recorded under the heading "Other assets". As of December 31, 2002 the technology and training funds held in trust, which would be exercised within three months during 2003 were classified as cash.

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6. Notes and accounts receivable

	2002	2003
Trade	Ps. 2,882,150	Ps. 3,492,644
Less- Allowance for doubtful accounts	(58,847)	(109,596)
	-----	-----

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	2,823,303	3,383,048
Other debtors	84,467	109,665
Recoverable taxes	301,969	412,578
Other receivables	615,612	365,050
	-----	-----
	Ps. 3,825,351	Ps. 4,270,341
	=====	=====

The movements of the allowance for bad debts are as follows:

	2002	2003
Balance at the beginning of the year	Ps. 56,080	Ps. 56,600
Provision for the year	15,377	68,306
Provision used in the year	(15,808)	(17,557)
Restatement of initial balance	3,198	2,247
	-----	-----
Balance at the end of the year	Ps. 58,847	Ps. 109,596
	=====	=====

During 2002 and 2003, certain subsidiaries sold commercial paper without recourse at an average financial cost of 9.23% and 9.08% for Mexican pesos, respectively, and 3.62% and 3.86% for U.S. dollars, respectively, and terms ranging between 4 and 89 days in 2002 and between 4 and 74 days in 2003, with two financial institutions. As of December 31, 2002 and 2003, the balances of commercial paper sold without recourse were Ps.520,883, and Ps.493,486, respectively (equivalent to \$46.5 and \$44.1 million, respectively).

Trade receivables - long-term - Certain real estate sector have long-term trade receivables in US dollars, which are recorded at present value at a 3% discount rate with the following maturities:

2005	Ps. 295,399
2006	311,312
2007 and thereafter	441,770

	Ps. 1,048,481
	=====

7. Inventories

	2002	2003
Finished goods and work-in-process	Ps. 1,978,504	Ps. 2,001,478
Raw materials, supplies and other	1,236,041	1,153,483
	-----	-----
	3,214,545	3,154,961
Less- Allowance for slow-moving items	(55,568)	(61,416)
	-----	-----
	3,158,977	3,093,545
Advances to suppliers	34,145	26,891
	-----	-----
	Ps. 3,193,122	Ps. 3,120,436
	=====	=====

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Movements in the reserve for obsolete and slow-moving inventories are as follows:

	2002	2003
Balance at the beginning of the year	Ps. 73,050	Ps. 53,447
Provision for the year	33,770	53,049
Provision used in the year	(52,428)	(47,201)
Restatement of the initial balance	1,176	2,121
	-----	-----
Balance at the end of the year	Ps. 55,568	Ps. 61,416
	=====	=====

8. Land held for development and real estate projects

	2002	2003
Land held for development	Ps. 982,148	Ps. 1,035,260
Real estate projects-in-progress	1,462,090	1,511,118

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Developed land	1,817,782	1,254,485
Advances to contractors	23,274	26,283
Other	5,237	1,166
	-----	-----
	Ps. 4,290,528	Ps. 3,828,312
	=====	=====

9. Property, plant and equipment

	2002	2003	Annual Depreciation Rate (%)
Buildings and installations	Ps. 6,121,907	Ps. 6,056,109	2 to 31.5
Machinery and equipment	17,110,130	16,758,770	3.8 to 31.8
Vehicles	283,735	413,807	9 to 33.3
Furniture and fixtures	427,064	402,681	10 to 30
Other	527,123	536,749	3.5 to 33
	-----	-----	
Accumulated depreciation	24,469,959 (12,908,484)	24,168,116 (13,845,357)	
	-----	-----	
Projects-in-progress	11,561,475	10,322,759	
Land	916,816 1,206,132	462,993 1,027,369	
	-----	-----	
	Ps. 13,684,423	Ps. 11,813,121	
	=====	=====	

Temporarily idle assets amount Ps.332,316 and Ps.66,800 in 2002 and 2003, respectively, and permanently idle assets Ps.198,378 and Ps.544,458 in 2002 and 2003, respectively.

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Certain subsidiaries entered into a machinery sale agreement (without obligation to repurchase) with a financial institution. On that date, a machinery lease agreement covering the same machinery was executed (see Note 19).

Date of contract	Term	Amount	Leases payment	Interest rate
June 29, 2001	5 years	\$ 18.7 million	Quarterly	1.5%
December 19, 2002	7 years	\$ 11.0 million	Quarterly	3.7%
March 27, 2003	7 years	\$ 3.1 million	Quarterly	3.7%
August 19, 2003	7 years	\$ 21.2 million	Quarterly	3.4% to 3.7%

Investment properties as of December 31, 2002 and 2003 are comprised as follows:

	2002	2003
Buildings	Ps. 340,079	Ps. 217,500
Accumulated depreciation	(171,788)	(104,952)
Land	190,734	77,997
	-----	-----
	Ps. 359,025	Ps. 190,545
	=====	=====

The annual average rate of depreciation of buildings in 2002 and 2003 was 2.4%. As of December 31, 2003 the fair value of investment properties is Ps.209,658.

As of December 31, 2003, property, plant and equipment of certain subsidiaries are pledged against the Company's long-term bank debt (see Note 11).

10. Other payables, accrued liabilities and business reserves and contingencies

	2002	2003
Accounts and notes payable to contractors	Ps. 24,606	Ps. 36,365
Other debtors	322,317	366,110
Account payable to minority investors	--	156,194
Warranty reserves	38,213	91,845

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Business reserves and contingencies	438,359	92,125
Expense provisions	166,065	162,611
Advances from customers	14,465	56,291
Royalties and technical assistance	31,447	15,384
Dividends payable	208,328	2,013
Taxes payable	229,590	407,253
Interest payable	105,886	116,941
Other	197,830	228,843
	-----	-----
Ps. 1,777,136	Ps. 1,731,975	
	=====	=====

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Movements of the restructuring and contingencies reserve are as follows:

	2002	2003
Balance at the beginning of the year	Ps. 665,443	Ps. 421,621
Reserve for the year	108,741	100,961
Reserve used in the year	(373,756)	(447,195)
Restatement of the initial balance	37,931	16,738
	-----	-----
Balance at the end of the year	Ps. 438,359	Ps. 92,125
	=====	=====

- a. The Company recorded a restructuring reserve in the year ended December 31, 2001 which has been increased and used in accordance with the project for realigning its operating restructure. The balance as of December 31, 2003 will be exercised during 2004, for the termination of the project mentioned above and the definitive close of Bioquimex, S.A. de C.V. (natural pigments business)
 - b. On January 7, 2003, the Company's subsidiary Fenoquimia, S.A. de C.V. was notified of a new ancillary claim filed by Sales Nacionales, S.A. de C.V., in which the latter quantifies the aforementioned damages and monetary losses in the amount of Ps.159,804. Such claim was answered by Fenoquimia, S.A. de C.V.; however, on December 11, 2003, the Company reached an agreement with its counterparty to conclude this dispute, with a one-time payment of Ps.54,480 in cash and real estate assets, for which there was a provision recorded in prior years within the restructuring and contingencies reserve..
 - c. Certain subsidiaries are engaged in lawsuits as plaintiffs and defendants in the regular course of operations. These lawsuits always involve uncertainty, and some of them may result in adverse judgments for the companies. While it is impossible to determine the amount involved in pending lawsuits, management believes that based on the facts any resulting liability would not materially affect the financial position or results of operations of the companies.
11. Bank loans and long-term debt
Bank loans and long-term debt are as follows:

	Maturity	2002 Interest Rate	Amount	Maturity
Syndicated loan-				
DESC \$445.7 million	--	--	--	2006 to 2008
DESC Ps.1,223 million	--	--	--	2006 to 2008
DESC \$100 million	--	--	--	2006
DESC \$97.17 million	2005	LIBOR + 1.375	Ps. 1,046,778	--
DESC \$177.83 million	2007	LIBOR + 1.625	1,915,699	--

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DESC Ps.1,300 million	2007	TIIE + 0.9	1,351,610	--
Medium-term promissory notes-				
DESC 680,569 million UDIS	2006 and 2007	9% and 8.20%	2,282,519	2006 and 2007

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	Maturity	2002 Interest Rate	Amount	Maturity
International Finance Corporation-				
Chemical segment				
\$6.57 million	2003 to 2006	Variable	204,681	2004 to 2006
Chemical segment				
\$90 million	2003 to 2009	Variable and fixed	1,131,128	2004 to 2009
Loans-				
DESC \$15 million	2003 and 2004	3.85%	161,590	--
DESC \$35 million	2003 and 2004	3.75%	377,043	--
Secured bonds-				
DESC (formerly DINE)				
\$73 million	2007	8.75%	786,952	2007
Secured syndicated loans-				
Desc Automotriz \$4.23 million	2003	7.34%	45,527	--
Desc Automotriz \$0.5 million	2004	LIBOR + 1	16,159	2004
Other loans payable in-				
Mexican pesos	2003 to 2010	Variable	31,179	2004 to 2010
Foreign currency	2003 to 2010	Variable	362,995	2004 to 2010

			9,713,860	
Less- Current portion			662,211	

			Ps. 9,051,649	
			=====	

As of December 31, 2002 and 2003, the LIBOR rate was 1.38% and 1.46% respectively, and the Mexican Interbank rate (TIIE) was 8.45% and 7.9% respectively.

Long-term debt maturities as of December 2003 are as follows:

2005	Ps. 198,918
2006	4,469,882
2007	4,264,706
2008	2,258,496
2009 and thereafter	168,009

	Ps. 11,360,011
	=====

The current portions of long-term debt and short-term bank loans are as follows:

	2003	2002
Current portion of long-term debt	Ps. 662,211	Ps. 246,666
Other loans payable in-		
Foreign currency	2,979,617	193,887
	-----	-----
	Ps. 3,641,828	Ps. 440,553
	=====	=====

Debt refinancing- As mentioned in Note 1, during December 2003, an agreement was satisfactorily reached with the bank creditors to refinance the Company's syndicated loans and most of its short-term debt. The most

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important terms of the financial restructuring signed on December 23, 2003 are indicated below:

- a. Syndicated loan of \$445.7 million at the LIBOR interest rate plus a variable margin depending on the index obtained in the consolidated debt to operating profit financial ratio, less depreciation and amortization, which fluctuates between 1.625 and 4.000, with maturities between 2006 and 2008. As of December 31, 2003, the variable margin is 3.5. The interest will be payable on a monthly or quarterly basis.
- b. Syndicated loan of Ps.1,223 million, at an interest rate equal to TIIE plus a variable margin depending on the index obtained in the consolidated debt to operating profit financial ratio, less depreciation and amortizations, which fluctuates between 1.125 and 4.000, with maturities from 2006 to 2008, respectively. As of December 31, 2003 the variable margin determined is 3.5. The interest will be payable on a monthly basis.
- c. Credit of \$112 million, divided into two tranches, (i) \$100 million revolving credit, at the LIBOR interest at rate plus a variable margin depending on the index obtained in the consolidated debt to operating profit financial ratio, less depreciation and amortization, which fluctuates between 1.375 and 3.50, and (ii) \$12 million credit letters, both with maturity in 2006. As of December 31, 2003 the Company has applied dispositions against the tranche of \$100 million, and the variable interest margin determined is 3.0. The interest will be payable on a monthly or quarterly basis.
As part of the conditions negotiated, the operating subsidiaries and certain holding subsidiaries were considered jointly and severally liable and guarantors for the debt, and a package of concrete guarantees was created consisting of fixed assets, accounts receivable of the real estate sector and stock in certain subsidiaries.

The financing received establishes certain restrictions for the Company, with which the Company has complied. The most important restrictions are:

- Maintain the interest coverage ratio in excess of 2.25. At the close of 2003 the ratio is 2.91.
- Maintain the ratio of total debt of subsidiaries to consolidated debt below 0.20. At the close of 2003 the ratio is 0.11.
- Maintain the ratio of consolidated debt to operating profit, plus depreciation to amortization, at below 5.35 based on nominal pesos and U.S. dollars. At the close of 2003 the ratio is 4.96.
- Maintain the ratio of consolidated debt to total capitalization below 0.55. At the close of 2003 the ratio is 0.53.
- Certain restrictions on the establishment of new liens.
- Restriction on the sale and investments in assets, as well as lease transactions.
- Restriction on the sale of assets, except when performed at market value and the proceeds obtained are used to pay the debt.
- Certain restrictions applicable to dividend declarations.

Medium-term promissory notes- In October 1999 and July 2000, the Company issued medium-term promissory notes equivalent to 324,000,000 and 356,568,600 units of investment ("UDIS"), respectively. The UDI value as of December 31, 2003 was 3.352003, which is equal to Ps.1,086,049 and Ps.1,195,219, respectively. The issues bear quarterly interest of 9% and 8.20%, respectively, and mature in 2006 and 2007, respectively. There are no restrictions on the promissory notes.

International Finance Corporation- As a result of the merger between DESC and GIRSA, on December 14, 2001, a contract to transfer the debt was executed by the subsidiaries of the chemical sector of DESC and International Finance Corporation (IFC), through which GIRSA transferred to the subsidiaries of the chemical sector the loans obtained from IFC, as follows:

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- a. Loan of \$6.57 million executed between GIRSA and IFC subdivided into two (A and C) loans bearing semiannual interest at LIBOR plus 2.125. The repayment of loan A will have the following installment on February 15, 2004 and loan C in semiannual payments for two years as of the payment date of loan A.

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- b. Loan of \$90 million executed between GIRSA and IFC subdivided into two loans, generating interest at LIBOR plus 3.75 for the \$38.6 million loan and 10.35% for the \$51.4 million loan. Payments on such loans will be made in equal semiannual installments for six years beginning March 15, 2003.

The financing received establishes certain restrictions for GIRSA, with which the Company has complied. The most important restrictions are:

- Maintaining a liquidity ratio equal to or higher than 1.1.
- Limitations on the disposal of property, plant and equipment.
- Consolidated short-term debt shall not exceed 20% of the consolidated net sales of the immediately preceding year.

Issuance of secured bonds - On October 9, 1997, DINE issued long-term bonds guaranteed by DESC in international markets at 8.75% annual interest, with principal and interest due and payable on October 9, 2007. As a result of the merger between DESC and DINE, DESC acquired the obligations related to the issue of such bonds.

At December 31, 2003 the book value of the bonds issued by DINE is \$73 million and fair value \$70.8. million.

12. Related parties

Club Ecuestre Chiluca, S.A. de C.V., a 77.26% subsidiary of the Company, sold all of its territorial reserves for \$79.4 million. Prior to the sale of such reserves, the Company acquired the remaining 22.74% interest from minority shareholders (which in turn are the Company's main shareholders) at their commercial value, which will be paid on the same terms and conditions as the realization of the account receivable; i.e., four annual payments from December 2004 to 2007. Therefore, such balance is presented in the balance sheets as a long-term liability.

13. Employee retirement benefits

The liability for employee benefit obligations relates to the pension plan, which will cover the pension and seniority premiums due upon retirement of the Company's employees. The amount resulting from independent actuarial calculations using the projected unit credit method, is as follows:

	2002	2003	
Projected benefit obligation ("PBO")	Ps. 1,028,836	Ps. 1,063,475	
Plan assets	577,885	615,686	
	-----	-----	
	(450,951)	(447,889)	
Unrecognized transition liability	(303,849)	(279,753)	
Unrecognized variances in assumptions	824,288	659,718	
	-----	-----	
7			
Net projected benefit asset (liability)	Ps. 69,488	Ps. (67,924)	
	=====	=====	

As of December 31, 2002 and 2003, the amount of the accumulated benefit obligation ("ABO"), (equal to the PBO without projecting the wages to the retirement date) in certain subsidiaries, exceeds the amount of current funds by Ps.255,487 and Ps.252,649, respectively. Consequently, this amount was recognized as an additional liability under the heading of "Other long term liabilities" creating a deferred asset charge and the difference net of deferred income tax of Ps.154,105 and Ps.147,158, which was recorded in the "Adjustment to the additional liability for employee retirement obligations" account, within stockholders' equity, because as of December 31, 2002 and 2003, the amount of the additional liability exceeds the algebraic sum of the unrecognized transition liability, plus previous services rendered and plan modifications.

The subsidiaries have established irrevocable trust funds to cover accrued employee benefits. The contributions made in 2001 and 2002, based on actuarial computations, were Ps.143,207 and Ps.23,241, respectively. The Company follows the funding recommendations of its actuaries. At December 31, 2003 the balance of these funds is Ps.615,586, which consists of the Company's common stock shares and certain fixed-rate investments.

The number and series of common stock shares of the Company held by the trusts at December 31, 2003 were as follows:

Series A	32,917,520
Series B	2,381,315
Series C	20,147,735

The market value of the Company's shares held at December 31, 2003 was Ps.191,229. During 2003 the trusts sold 267,400 shares of the Company's stock.

The cost of employee benefits is as follows:

	2001	2002	2003
Service cost	Ps. 73,776	Ps. 59,055	Ps. 53,900
Financial cost	62,078	51,738	51,459
Amortization of transition liability	8,773	13,926	5,304
Amortization of variances in assumptions	34,907	26,406	22,449
	-----	-----	-----
	179,534	151,125	133,112
Effect of early personnel reduction	--	--	74,881
Less- Actual return on plan assets	45,607	41,413	31,485
	-----	-----	-----
Net result for the period	Ps. 133,927	Ps. 109,712	Ps. 176,508
	=====	=====	=====

Interest rates utilized in the actuarial calculations recommended by the Mexican Association of Consultant Actuaries for 2001, 2002 and 2003 were as follows:

Investment yield rate	7.0%
Interest rate	5.0%
Salary increase rate	1.5%

The changes in the projected benefit obligation are as follows:

	2002	2003
Opening balance	Ps. 1,101,629	Ps. 1,028,836
Service cost	59,055	53,900
Financial cost	51,738	51,459
Actuarial result	(183,586)	(70,720)
	-----	-----
Final balance	Ps. 1,028,836	Ps. 1,063,475
	=====	=====

The changes in the net projected asset (liability) were as follows:

	2002	2003
Opening balance	Ps. 156,479	Ps. 69,488
Provision for the year	(109,712)	(176,508)
Contributions to the fund	23,241	--
Payments for reduction of personnel	(77,404)	--
Actuarial gain	76,884	39,096
	-----	-----
Final balance	Ps. 69,488	Ps. (67,924)
	=====	=====

The changes in the fund were as follows:

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	2002	2003
Opening balance	Ps. 652,873	Ps. 577,885
Contributions to the fund	23,241	--
Yield on fund assets	41,413	31,485
Variation in the value of fund assets	(62,238)	6,216
Payments for reduction of personnel	(77,404)	--
	-----	-----
Final balance	Ps. 577,885	Ps. 615,586
	=====	=====

The amortization periods are as follows:

	Remaining Years
Transition liability	15 to 21
Variances in assumptions	16 to 28

14. Stockholders' equity

During a Stockholders' Ordinary and Extraordinary General Meeting held on April 28, 2003, the stockholders approved the following:

1. The merger of DESC and Industrias Resistol, S.A. de C.V., with DESC as the surviving company. Such merger became effective for accounting and tax purposes on September 29, 2003.
2. The merger of DESC and Industrias Ruiz Galindo, S.A. de C.V., with DESC as the surviving company. Such merger became effective for accounting and tax purposes on May 1, 2003; therefore, as of such date Industrias Ruiz Galindo, S.A. de C.V. ceased to exist as a legal entity

During a Stockholders' Ordinary and Extraordinary General Meeting held on April 25, 2002, the stockholders approved the following:

1. Payment of cash dividends of 29 Mexican cents for each of the outstanding shares, equivalent to Ps.397,033, whose restated amount is Ps.428,936, payable in four quarterly payments in July and October 2002 and January and April 2003.
2. Merger of DESC and DINE, with DESC as the surviving company. Such merger became effective for accounting and tax purposes on May 1, 2002; therefore, as of such date DINE ceased to exist as a legal entity.

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As of December 31, 2001, 2002, and 2003 capital stock is represented by:

	Number of Shares	Amount
Fixed portion-		
Nominative Series "A" shares (without withdrawal rights and which must represent at least 51% of voting stock)	587,479,900	Ps. 7,637
Variable portion-		
Nominative Series "B" shares (with withdrawal rights and which may not represent more than 49% of voting stock)	506,257,866	6,581
Series "C" shares (with voting restrictions)	275,341,610	3,580
	-----	-----
	1,369,079,376	Ps. 17,798
	=====	=====

Series "A" and "B" shares may only be acquired by Mexican citizens or Mexican entities with an exclusion clause for foreign investors. Series "C" shares may be freely subscribed.

This shareholding structure was modified on March 8, 2004, as indicated in Note 21.

Stockholders' equity, except restated paid-in capital and tax retained earnings, will be subject to a tax at the rate in effect when the dividend

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is distributed. In 2003, the rate was 34% and will be reduced by one percentage point each year until reaching 32% in 2005. 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.

The annual net income of each Company is subject to the legal requirement that 5% thereof be transferred to a legal reserve each year, until the reserve equals 20% of capital stock. This reserve may not be distributed to stockholders during the existence of the Company, except in the form of a stock dividend.

During the years ended 2001 and 2002 the Company distributed restated retained earnings of Ps.448,185 and Ps.428,936, respectively as dividends, reducing total equity to an amount lower than restated capital stock, which for accounting purposes represents a capital reduction.

The balances of the stockholders' equity tax accounts as of December 31 are:

	2002	2003
Contributed capital account	Ps. 9,105,963	Ps. 9,105,963
Net tax income account	4,394,401	4,190,160
	-----	-----
Total	Ps. 13,500,364	Ps. 13,296,123
	=====	=====

15. Transactions and balances in foreign currency

The Company valued its foreign currency assets and liabilities, represented mainly by U.S. dollars, at the exchange rates effective at December 31, 2002 and 2003 of 10.3613 and 11.1998 Mexican pesos per U.S. dollar, respectively, as the Company expects to use foreign currency assets to settle foreign currency liabilities.

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As of December 31, 2002 and 2003, monetary assets and liabilities denominated in foreign currency were as follows:

	2002	2003
Monetary assets		
Current	\$ 351,852	\$ 263,297
Long-Term	--	93,616
	-----	-----
	351,852	356,913
Current monetary liabilities-		
Interest-free	136,047	137,618
Interest-bearing	344,786	38,826
	-----	-----
	480,833	176,444
Long-term liabilities	521,120	716,223
	-----	-----
	1,001,953	892,667
	-----	-----
Net monetary liability position in foreign currency	\$ (650,101)	\$ (535,754)
	=====	=====

During the years ended December 31, 2001, 2002 and 2003, the Company had the following transactions in foreign currency, which were translated into Mexican pesos at the exchange rate in effect at the date of each transaction. Foreign currency transactions were as follows:

	2001	2002	2003
Direct export sales	\$ 706,150	\$ 597,601	\$ 595,227
Indirect export sales under agreement	119,234	181,728	141,973
Sales of foreign subsidiaries	132,640	122,710	123,271
	-----	-----	-----

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	958,024	902,039	860,471
Less-			
Purchases of inventories	(439,051)	(405,591)	(394,403)
Purchases and expenses of foreign subsidiaries	(92,770)	(104,281)	(102,690)
	-----	-----	-----
	(531,821)	(509,872)	(497,093)
	-----	-----	-----
	426,203	392,167	363,378
	-----	-----	-----
Interest earned	5,150	4,359	1,012
Less- Interest expense	(77,691)	(32,893)	(52,652)
	-----	-----	-----
	(72,541)	(28,534)	(51,640)
	-----	-----	-----
Technical assistance	(6,997)	(5,307)	(8,187)
	-----	-----	-----
Net	\$ 346,665	\$ 358,326	\$ 303,551
	=====	=====	=====

As of March 26, 2003, the unaudited foreign exchange position was similar to that at yearend, and the exchange rate was 11.0130 Mexican pesos per U.S. dollar.

16. Income and asset taxes and employee statutory profit sharing
The Company is subject to income taxes ("ISR") and tax on assets ("IMPAC"). ISR is computed by taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated constant prices and the deduction of purchases instead of cost of sales, which permit the deduction of current costs, and taxable income is increased or reduced on certain monetary assets and liabilities through the annual adjustment for inflation, which is similar to the monetary position result. ISR is calculated in terms of currency when the transactions occurred and not in terms of the currency at yearend. Up to 2001, the income tax rate was 35%, with the obligation to pay this tax each year at the 30% rate, with the remaining 5% payable when income is distributed.

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The tax rate was 35% in 2002 and 34% in 2003 and reduces by one percentage point each year until reaching 32% in 2005. The deduction for employee statutory profit-sharing ("PTU") and the obligation to withhold taxes on dividends paid to individuals or foreign residents were also eliminated. IMPAC is calculated by applying 1.8% to the Company's asset position, as defined in the law, and is payable only to the extent that it exceeds ISR payable for the same period. If in any year IMPAC exceeds the ISR payable, the IMPAC payment for such excess may be reduced by the amount by which ISR exceeded IMPAC in the three preceding years and any required payment of IMPAC can be credited against the excess of ISR over IMPAC during the next 10 years

Some subsidiaries in the agribusiness sector have authorization to pay income and asset taxes under a simplified scheme based on cash receipts and disbursements. Other subsidiaries have the right to a 50% reduction in their taxable income depending on their activities.

DESC is subject to ISR and IMPAC with its subsidiaries on a consolidated basis in the proportion in which the Company holds the voting stock of its subsidiaries at the balance sheet date. As of January 1, 2002, the proportion is calculated based on the average daily equity percentage that DESC holds of its subsidiaries during the year. The tax results of the subsidiaries are consolidated at 60% of such proportion. Estimated payments of ISR and IMPAC of both DESC and its subsidiaries are made as if the Company did not file a consolidated tax return.

Employee profit sharing has been determined based on the individual results of each operating company, rather than on a consolidated basis.

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Tax loss carryforwards and recoverable asset tax- As of December 31, 2003, the Company has tax loss carryforwards for income tax purposes and recoverable asset taxes, which will be indexed for inflation through the year applied or recovered, in the following restated amounts:

Maturity	Tax		Recoverable	
	Carryforwards	Loss	Asset Taxes	
2004	Ps.	315,781	Ps.	27,231
2005		196,277		21,289
2006		32,039		24,084
2007		98,881		22,713
2008		88,875		20,619
2009		144,859		50,850
2010		1,387,334		63,858
2011		669,858		72,864
2012		333,727		67,266
2013		1,072,752		141,161
		-----		-----
	Ps.	4,340,383	Ps.	511,935
		=====		=====

On December 12, 2003, the Company won the lawsuit involving the deduction of the loss from the sale of shares obtained in 2000, as an operating tax loss; consequently, as of that date such loss is presented within tax loss carryforwards.

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Deferred income taxes- The tax effects of the temporary differences that generated deferred tax liabilities (assets) are as follows:

	2002	2003
Property, plant and equipment	Ps. 1,865,513	Ps. 1,466,891
Inventories	539,177	400,042
Land held for development and real estate projects	677,907	659,391
Reserves and provisions	(186,313)	(147,103)
Tax loss carryforwards	(1,446,973)	(1,388,923)
Recoverable asset tax	(409,432)	(511,935)
Allowance for doubtful tax loss carryforwards and recoverable asset taxes	325,693	519,289
Other	(26,457)	(116,903)
	-----	-----
	Ps. 1,339,115	Ps. 880,749
	=====	=====

The reconciliation of the statutory and effective ISR rates expressed as a percentage of income before provisions, discontinued operations and extraordinary items is as follows:

	2001	2002	2003
Statutory rate	35.0%	35.0%	34.0%
Add (deduct) the effect of permanent differences-			
Nondeductible items	15.0%	(30.8%)	(26.2%)
Non-taxable income	(12.8%)	29.0%	20.2%
Monetary gain position	(8.7%)	63.4%	10.0%
Adjustment for inflation	10.6%	(81.1%)	(10.6%)
Income related to subsidiaries subject to the simplified tax system	1.8%		2.0%
Allowance for tax loss carryforwards and asset tax	--	(98.8%)	(21.8%)
Other	(31.4%)	39.7%	(14.6%)
	-----	-----	-----
Effective rate	(9.5%)	(43.6%)	(7.0%)
	=====	=====	=====

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17. Discontinued operations

As mentioned in Note 1, the Company decided to shut down the spark plugs and automotive electrical parts businesses of the autoparts segment, the natural pigments business in the chemicals sector, in the food sector the hog raising operation located in the Bajio region, and the shrimp business was disposed of by means of donation. A summary of the combined statements of income of the discontinued operations for the years ended December 31, 2001, 2002 and 2003 is as follows:

	2001	2002	2003
Revenues from discontinued operations	Ps. 588,732	Ps. 405,814	Ps. 124,771
Costs and expenses	717,309	948,433	153,225
Integral financial result	(11,560)	26,835	(1,364)
Other (income) expense	39,664	115,430	(107,372)
Current and deferred income tax and employee profit sharing	97,184	(55,016)	57,386
	-----	-----	-----
Net income (loss) from discontinued operations	Ps. (253,863)	Ps. (629,868)	Ps. 22,896
	=====	=====	=====

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18. Extraordinary item

The extraordinary item, net of the related income tax effects, represents a provision for restructuring expenses.

19. Lease commitments

As of December 31, 2002 and 2003, the Company had operating leases for equipment commitments equal to Ps.447,797 and Ps.623,875 whose maturity dates are as follows:

Maturity	2002	2003

2003	Ps. 108,195	Ps. --
2004	96,743	149,892
2005	82,626	142,943
2006	68,871	125,041
2007	23,386	68,938
2008	21,816	57,759
2009	46,160	45,894
2010	--	33,390
	-----	-----
	Ps. 447,797	Ps. 623,857
	=====	=====

Lease expenses recorded in the statements of income (loss) during 2001, 2002 and 2003 amounted Ps.42,853, Ps.30,673 and Ps.108,195 respectively.

20. Financial instruments

The Company has contracted exchange rate forwards and calls on U.S. dollar debts, fixing the exchange rate to hedge against exchange losses on U.S. dollar loans. The exchange result of the forward or call is recorded in the integral financing result, by offsetting the exchange result from the liability hedged, while the asset generated is deducted from the hedged liability. As of December 31, 2003 the Company has four contracts to buy and sell U.S. dollars for a total amount of \$2,141 maturing during 2004. The Company also has interest rate swaps to manage the interest rate risk on its variable interest debt. The Company has entered into interest rate swaps in which it pays amounts calculated based on fixed interest rates and receives amounts calculated based on variable interest rates. The difference between such amounts is recorded in the integral financing result, offsetting the effect of the variable interest rate on the hedged loans. The asset generated in the swap is deducted from the payable interest hedged.

Some of the Company's subsidiaries contracted forwards with Pemex Gas y Petroquimica Basica to protect themselves from natural gas price volatility

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for the period from January 2002 to December 2003.

The Company purchased insurance coverage against natural gas market prices increases above the maximum price it selected by paying a premium. The maximum price level was 8.705 U.S. dollars per million units of energy "MMBTU" and the minimum price was 4.245 U.S. dollars per "MMBTU". If the reference price exceeds the maximum price a discount will be included in its invoice, while if it is below the minimum price, the invoice will be issued for the respective minimum price. Given that the insurance contract represents a contractual obligation, guaranteed with the fixed gas price of 4.00 U.S. dollars per MMBTU, the Company records the respective effects in results as the MMBTU amounts committed are consumed, and it has not recorded the effect of the potential gain or loss if the gas price premium were settled at present value. At December 31, 2003, the net loss recorded for this transaction was Ps.10,393.

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The market value of the derivative contracts mentioned above is estimated based on quoted market prices to terminate the contracts at the reporting date. As of December 31, 2003 the market value of the financial instruments is Ps.47,405, and the net loss recorded during the year for the forwards, calls and swaps was Ps.124,928.

Sales options in the food sector- With regard to the 1998 acquisition of CORFUERTE and AAC, companies in the food sector, the Company executed contracts known as "puts" with its minority shareholders so that at a given date and amount, DESC would undertake to acquire the shareholding packages of such minority shareholders.

On November 11, 2003, the minority shareholders of CORFUERTE and AAC formally notified their decision to exercise their put options to DESC, which was formalized on January 29, 2004. Accordingly, as of the date, the shareholding percentage of DESC in such subsidiaries increased from 77.6% to 96.1% and from 81.3% to 99.9%, respectively. The amount paid was \$14,311 (Ps.156,194) and is recorded in the consolidated balance sheets as a liability under the heading of "Other payables and accrued liabilities".

21. Subsequent events

Resolutions adopted at stockholders' meetings- At a Stockholders' Special Meeting and a Stockholders' Ordinary and Extraordinary Meeting held on March 8, 2004, the following resolutions were adopted:

- a. The mandatory conversion of the totality of the Series "C" shares into Series "B" shares, and the cancellation of the inscription of the Series "C" shares in the National Securities Registry. This agreement went into effect on March 16, 2004. As of that date, the American Depositary Shares (ADS), which are registered with the Securities and Exchange Commission (SEC), and are traded in the New York Stock Exchange, Inc. (NYSE), will represent 20 Series "B" shares.
- b. The voluntary conversion of the Series "A" shares into Series "B" shares and the voluntary conversion of Series "B" shares into Series "A" shares, by those shareholders who so request. The Series "A" shares have not been and will not be registered under the 1933 Securities Act, or under any other applicable law in jurisdictions other than Mexico. Consequently, the voluntary conversion will be offered only in Mexico and the US shareholders of DESC will not be able to participate.
- c. The amendments to the corporate bylaws of DESC, which include the elimination of the restrictions on foreigners holding Series "B" shares.
- d. Proposal to perform a capital stock increase in the amount of Ps.2,738 million (\$248 million), through the issuance of 912,719,584 new ordinary shares at a subscription price of three pesos per share.

With regard to the proposed capital increase, DESC entered into a Share Subscription Collaboration Agreement with Inversora Bursatil, S.A. de C.V. Casa de Bolsa, Grupo Financiero Inbursa ("Inbursa"). Such agreement establishes that, if the shareholders do not exercise their entire right of

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first refusal regarding the shares subject to the increase, DESC will be obligated to offer, and Inbursa will be obligated to subscribe, subject to certain conditions, for itself or on account of third parties, up to the equivalent of Ps.2,000 million, in unsubscribed shares at the same price of three pesos per share. The rights of first refusal to such subscription will be offered only in Mexico.

Close of operations of Fenoquimia, S.A. de C.V. - On February 17, 2004, the Company decided to begin closing down the operation of Fenoquimia, S. A. de C. V., which is engaged in the production and sale of phenol.

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The condensed financial position Fenoquimia, S. A. de C. V. as of December 31, 2002 and 2003, and the results of its operations for the years ended December 31, 2001, 2002 and 2003, are shown below:

	2002	2003	
Current assets	Ps. 5,156	Ps. 34,217	
Property, plant and equipment	38,433	36,436	
Other assets	42,869	46,782	
	-----	-----	
	86,458	117,435	
Current liabilities	316,465	384,429	
Long-term debt	16,150	15,533	
	-----	-----	
	332,615	399,962	
	-----	-----	
Net	Ps. (246,157)	Ps. (282,527)	
	=====	=====	
	2001	2002	2003
Net sales	Ps. 313,277	Ps. 91,454	Ps. 109,447
Cost of sales	(431,489)	(129,623)	(83,656)
Operating expenses	(50,216)	(15,812)	(10,014)
Net comprehensive financing cost	(4,822)	(29,374)	(30,039)
Other revenues and expenses- Net	(102,898)	(10,944)	(66,459)
Income tax	(4,804)	7,735	8,001
	-----	-----	-----
Net loss	Ps. (280,952)	Ps. (86,564)	Ps. (172,720)
	=====	=====	=====

Joint investment with Hayes Lemmerz, Int. - On January 15, 2004 Desc Automotriz, S.A. de C.V. concluded its joint investment with Hayes Lemmerz, Int. ("HLI"). To do this, the assets of the aluminum wheel rim plant were sold to HLI and 40% of the shares owned by HLI, were acquired for \$1.00, so that now Desc Automotriz, S.A. de C.V. owns 100% of the shares of the Company that manufactures steel wheel rims. As of December 31, 2003, the Company adjusted the net realizable value of the fixed assets of the aluminum plant, which generated a charge to results for the year of Ps.114,200, net of taxes. In 2004 the dissolution of the joint investment will be recorded as an item of stockholders' equity.

22. New accounting principles

In May 2003, the IMCP issued Bulletin C-12, "Financial Instruments of a Debt or Equity Nature or a Combination of Both" (C-12), whose application is mandatory for financial statements of periods beginning on or after January 1, 2004, although early adoption is encouraged. C-12 is the compilation of the standards issued by the IMCP with respect to the issue of debt or equity financial instruments, or a combination of both, and includes additional standards on the accounting recognition for these instruments. Consequently, C-12 indicates the basic differences between liabilities and stockholders' equity and establishes the rules for classifying and valuing the components of debt and equity of combined financial instruments in the initial recognition. Subsequent recognition and valuation of liabilities and stockholders' equity of the financial instruments is subject to the standards issued previously in the applicable bulletins. The Company believes that the effects of adopting this new

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accounting principle will not have significant effects on its consolidated financial position and results of operations.

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Item 4

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DESC ANNOUNCES FIRST QUARTER 2004 RESULTS

\Mexico City, April 27, 2004 - Desc, S.A. de C.V. (NYSE: DES; BMV: DESC) announced today its results for the first quarter ended March 31, 2004 (1Q04). All figures were prepared according to generally accepted accounting principles in Mexico.

Highlights

- . Sales and exports were 3.1% and 7.6% higher, respectively, when compared to 1Q03.
- . Operating income was 12.4% higher than in 1Q03.
- . Desc successfully concluded a capital increase for approximately US \$248 million.
- . The funds generated by the capital increase will be used to reduce the Company's debt.

DESC, S.A. DE C.V. and SUBSIDIARIES

Table 1. Consolidated Figures
(Figures in millions of constant Pesos (Ps.) and U.S. dollars (US\$))
Desc, S.A. de C.V. and Subsidiaries

	1Q04	1Q03	1Q04 vs. 1Q03	4Q03	1Q04 vs. 4Q03
Sales (Ps.)/3/	5,357	5,343	0.2%	5,322	0.7%
Sales (US\$)/1/	486	471	3.1%	466	4.3%
Exports (US\$)/2/	232	216	7.6%	216	7.5%
Operating Income (Ps.)/3/	247	227	8.9%	17	NA
Operating Income (US\$)/1/	22	20	12.4%	2	NA
Operating Margin	4.6%	4.2%		0.3%	
EBITDA/4/ (Ps.)/3/	564	576	-2.0%	371	52.1%
EBITDA/4/ (US\$)/1/	51	51	1.0%	32	57.7%
Net Majority Income (Ps.)/3/	-117	-337	-65.4%	-1,671	-93.0%
Net Majority Income (US\$)/1/	-11	-30	-65.2%	-146	-92.8%

/1/ Figures in U.S. dollars for sales, operating income, EBITDA and net income are calculated using monthly figures in current pesos divided by the average monthly exchange rate.

/2/ All export figures are based on real sales invoiced in U.S. dollars.

/3/ All figures in this report are expressed in constant pesos as of March 31, 2004.

/4/ "EBITDA" as used in this Press Release is Operating Income (Loss) plus the sum of Depreciation and Amortization (these under Mexican GAAP), and is presented because we believe that this term provides useful information regarding our debt service ability and other internal financial analysis. "EBITDA" should not be considered in isolation or as a substitute for our consolidated income statements or other financial statements prepared in accordance with Mexican GAAP or as a measure of profitability or liquidity.

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* Please refer to the end of this release to the Non-GAAP Financial Reconciliation Schedule.

First Quarter 2004 Results

Sales

During 1Q04 total sales in dollars increased 3.1% compared to 1Q03, from US\$471 million to US\$486 million, primarily due to higher revenue from the Automotive, Food and Real Estate Sectors.

GRAPH 1 - NET SALES 1Q04

Sector	New Sales 1Q04(%)
Autoparts	41%
Chemical	35%
Food	19%
Real Estate	5%

The Automotive Sector registered a 10.2% recovery in dollar sales when compared to 1Q03 due to higher requirements from the Tractor Project, higher part sales in the gear business for BMW North America, higher export sales volumes in the transmission business and the integration of new products in the domestic parts market.

In the Food Sector, sales volume increased 10.7% in the domestic market when compared to 1Q03. This resulted from higher sales in practically all our product lines, primarily "Del Fuerte" brand tomato paste, "Zuko" brand powdered beverage mix and "Blason" brand coffee, as well as higher export sales to the U.S. and the increase in sales in the pork business due to higher prices. In the Real Estate Sector, sales reached US\$27 million mainly due to sales in the North C building project, within the Arcos Bosques development, and the Punta Mita project.

Exports

Total exports for the first quarter of 2004 reached US\$232 million, which represented an increase of 7.6% when compared to 1Q03. This result was primarily due to the increase in export sales of the Automotive and Food Sectors, which were 14.5% and 5.9% higher, respectively, when compared to 1Q03.

Operating Income

Consolidated operating income in dollars was US\$22 million in 1Q04, which represent an increase of 12.4% with respect to 1Q03. This result is attributable to the improvements in the Automotive and Food Sectors.

EBITDA

Consolidated EBITDA in dollars reached US\$51 million in 1Q04, an increase of 1.0% compared to 1Q03. This result is attributed to the improvements in the Automotive and Food Sectors.

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First Quarter 2004 Results

However, after divesting the aluminum wheel and adhesive and waterproofing

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material businesses, EBITDA was US\$48 million in 1Q03, therefore the increase is actually 6.25%.

Taxes

During the quarter, US\$8.7 million was provisioned for income tax, asset tax and employee profit sharing, which was below the US\$1.5 million reported in 1Q03. In addition, US\$3.2 million in deferred taxes was reported.

Debt Structure

In 1Q04 the Company registered a net debt decrease of US\$3 million when compared to 4Q03 reaching US\$987 million, mainly due to the depreciation of the Mexican peso against the dollar, which partially offset the US\$11 million payment realized to International Finance Corporation during the period.

Table 2. Debt Breakdown

(Figures in millions of U.S. dollars)

	Dec-31-02	Mar-31-03	Jun-30-03	Sep-30-03	Dec-31-03	Mar-31-04
Cash	232	103	82	117	62	61
Total Debt	1,178	1,082	1,069	1,084	1,052	1,048
Net Debt	946	979	987	967	990	987
Interest Coverage	2.8x	2.6x	2.45x	2.7x	2.9x	2.9x
Leverage Ratio*	4.8x	4.9x	4.8x	5.5x	4.9x	4.9x

*Total debt - Cash + US \$50 million / EBITDA last 12 months.

As of 4Q03, the way of calculating the leverage ratio changed, and in order for all the figures to be comparable, all previous quarters were recalculated.

At the close of 1Q04, the debt mix was 69% dollar-denominated, 11% peso-denominated and 20% in UDIS. The maturity profile at the close of 1Q04 was 97% long-term and 3% short-term. The average cost of debt on March 31, 2004 was 5.58% for dollar-denominated debt and 8.72% for peso-denominated debt.

Desc successfully concludes capital increase

On April 20, 2004, Desc announced that it had successfully completed the capital increase approved at the Annual Ordinary and Extraordinary Shareholders Meeting held on March 8.

100% of the 912,719,584 ordinary shares were subscribed and issued for this capital increase, equivalent to Ps. 2,738,158,752. The funds generated by the capital increase will be used during 2Q04 to reduce the Company's debt.

Upon expiration of the rights offering, 502,544,745 shares or 55% of the total shares issued were subscribed, and the actions taken by the shareholders show their commitment with the future of the Company.

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First Quarter 2004 Results

Subsequent to and in accordance with the Stock Subscription Cooperation Agreement with Inversora Bursatil, S.A. de C.V. Casa de Bolsa, 410,174,839 shares were placed which corresponded to the number of shares unsubscribed in the rights offering. Therefore, due to the response from shareholders in the rights offering, only Ps. 1,230 million of the Ps. 2,000 million established in this Agreement with Inbursa were utilized.

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Results by Sector

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automotriz

Automotive Sector

Table 3 shows the figures obtained in the Automotive Sector.

Table 3. Automotive Sector Results

(Figures in millions of constant pesos (Ps.) and U.S. dollars (US\$))
Automotive Sector

	1Q04	1Q03	1Q04 vs. 1Q03	4Q03	1Q04 vs. 4Q03
Sales (Ps.)	2,176	2,029	7.2%	2,018	7.8%
Sales (US\$)	197	179	10.2%	177	11.7%
Exports (US\$)	133	117	14.5%	118	13.5%
Operating Income (Ps.)	141	121	16.4%	63	123.1%
Operating Income (US\$)	13	11	20.0%	6	132.0%
Operating Margin	6.5%	6.0%		3.1%	
EBITDA/1/ (Ps.)	319	313	1.7%	252	26.2%
EBITDA (US\$)	29	28	5.1%	22	30.9%

/1/ All EBITDA figures used in this report are calculated as Operating Income (Loss) plus the sum of Depreciation and Amortization (according to Mexican GAAP). This information is included since it is useful for our credit contracts. EBITDA should not substitute income or cash flow in our Consolidated Income Statement or any other Financial Statement prepared according to Mexican GAAP.
* Please refer to the end of this release to the Non GAAP Financial Reconciliation Schedule.

During the first quarter of 2004 sales and operating income in dollars increased by 10.2% and 20%, respectively, compared to the first quarter of 2003 due to:

- a) Higher requirements from the Tractor Project in the forge, cardan shaft and axle businesses whose application is in light trucks and SUVs.
- b) Higher part sales in the gear business to BMW North America for the X5 platform.
- c) Increase in the export sales volume of the transmission business.
- d) Integration of new products in the domestic parts business.

These factors helped offset:

- a) Lower sales in the constant velocity joint business due to lower production by VW in Mexico.
- b) The decline in sales in the valve lifters business in the export market.

During the quarter increases were registered in the prices of raw materials which were offset by new contracts, additional volumes and plans for reduction of costs, thereby achieving results above those obtained in 4Q03, with operating income 132% higher and EBITDA 30.9% higher. Additionally, the Company is working on plans for productivity, the replacement of suppliers and the passing on of increases to clients so that the impact is distributed along the chain.

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First Quarter 2004 Results

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In recent weeks the price of steel has increased significantly. Nevertheless, this did not significantly affect the Automotive Sector during 1Q04. Export sales were US\$133 million, 14.5% higher than the first quarter of 2003, in-line with the expansion in demand, primarily in the US market.

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First Quarter 2004 Results

Average capacity utilization during the first quarter was 63%, an increase of 10.5% compared to 1Q03. Sales per employee reached US\$113 thousand, above the US\$111 thousand reported in the first quarter of 2003, thanks to the combined effect of the increase in sales and the lay-off of 663 employees.

The Tractor I and II Project, which consist of the production and sale of parts for axles, semiaxles and output-shafts for Dana, increased its sales by over 100% when compared to 1Q03, to US\$29 million due to the successful conclusion of the project.

The US \$4.5 million investment in assets were allocated to the following projects:

1. Gears - Enco (US \$1.6 million)
2. Tractor I and II Project (US\$0.70 million)
3. Pistons (US\$0.40 million)
4. Constant Velocity Joints (US\$0.19 million)
5. Other minor projects (US\$1.61 million)

The divestitures completed during the quarter reached US\$15.7 million, primarily in the aluminum wheel business.

Other Events

Divestiture of the Aluminum Wheel Business

On January 16, 2004, Desc announced the sale of assets in the aluminum wheel business to Hayes Lemmerz International, Inc. and the simultaneous purchase of their stake in Hayes Wheels Acero, S.A. de C.V. Through this transaction, the association with Hayes Lemmerz International, Inc. was concluded.

Awards

During February, 6 companies in the Autoparts Sector were presented the following award by Nissan:

- | | |
|-----------------------|-----------------------------------|
| .. Velcon | "The Most Improvement Award" |
| .. Pensa y Etrac | "Zero Defects" & "Quality Master" |
| .. Morestana y Tremec | "Zero Defects" |
| .. Cardanes | "Quality Master" |

These awards represent our commitment to maintain a leading position as suppliers of autoparts at th international level, as well as a commitment to our clients for quality, efficiency and technology.

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Chemical Sector

Table 4 shows the figures obtained in the Chemical Sector.

[LOGO]

Table 4. Chemical Sector Results

(Figures in millions of constant pesos (Ps.) and U.S. dollars (US\$))
Chemical Sector

	1Q04	1Q03	1Q04 vs. 1Q03	4Q03	1Q04 vs. 4Q03
Sales (Ps.)	1,866	2,122	-12.1%	1,879	-0.7%
Sales (US\$)	169	187	-9.5%	164	2.9%
Exports (US\$)	71	73	-2.8%	73	-2.9%
Operating Income (Ps.)	32	42	-23.1%	55	-41.0%
Operating Income (US\$)	3	4	-20.5%	5	-38.8%
Operating Margin	1.7%	2.0%		2.9%	
EBITDA (Ps.)/1/	112	138	-18.7%	138	-18.8%
EBITDA (US\$)/1/	10	12	-16.3%	12	-15.8%

1 "EBITDA" as used in this Press Release is Operating Income (Loss) plus the sum of Depreciation and Amortization (these under Mexican GAAP), and is presented because we believe that this term provides useful information regarding our debt service ability and other internal financial analysis. "EBITDA" should not be considered in isolation or as a substitute for our consolidated income statements or other financial statements prepared in accordance with Mexican GAAP or as a measure of profitability or liquidity.

*Please refer to the end of this release to the Non-GAAP Financial Reconciliation Schedule.

Given that the adhesives and waterproofing business, which generated sales of US\$19.3 million in 1Q03, is no longer a part of Desc, the results that stand out during 1Q04 include the sales growth in the carbon black, rubber solution and acrylics businesses, mainly due to the recovery experienced in these markets in Mexico and the U.S.

These factors helped offset:

- The decline in sales of synthetic rubber as a result of the strength of the Euro against the dollar and the increased level of competition in the European market by both local producers as well as Asian producers.
- The decline in sales in the phosphate business due to the adverse effect of over-stocked levels at some clients, a situation which occurred at the end of 2003.
- Lower sales in the polystyrene business where there was lower volume compared to the previous year due to lower demand associated with the decline in economic activity, which continues to be observed in

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Mexico, and oversupply conditions stemming from international producers.

These operations reached average production levels above 90% of installed capacity.

The behavior of monomer prices was highly linked to the behavior of oil and equivalents; the price of butadiene monomer, the main raw material for producing synthetic rubber, has remained flat for 10 months without any important changes while styrene and acrylonitrile monomers have suffered significant increases compared to what was seen in 2003. In addition, the supply has been affected by higher demand and operating problems at the most important suppliers in the world. While a low supply level is expected in 2Q04, the Company is guaranteed a continuous supply without contingencies by its contractors.

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First Quarter 2004 Results

The sales prices at the beginning of 2004 were greatly pressured by the global economic situation and the continuing presence of competition, offering very low prices, in our markets, resulting in the oversupply at a global level, which we expect will begin to level out in the immediate future. Additionally, the unexpected increase in monomer prices during the first part of the year and the resistance of our clients to absorb these differences, great affected the operating margin of many of our businesses, thus creating a significant lag in the transfer of these increases the markets. However, prices have reached historical highs, which is why we expect them to decline in the medium term. Since the adhesive and waterproofing material business no longer forms part of the Company, the adopted measures in terms of savings and costs and expenses, as well as the achievement of higher productivity levels, have allowed operating income and EBITDA for the quarter to reach levels equivalent to those of the same period of the previous year, which was even reached with lower sales volumes.

Investment in fixed assets reached US\$2.7 million, of which the majority was allocated towards meeting future demand in the elastomer sector as well as maintenance measures in the phosphate plants.

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First Quarter 2004 Results

Food Sector

Table 5 shows the figures obtained in the Food Sector.

[LOGO]

Table 5. Food Sector Figures

(Figures in millions of constant pesos (Ps.) and U.S. dollars (US\$))
Food Sector

	1Q04	1Q03	1Q04 vs. 1Q03	4Q03	1Q04 vs. 4Q03
Sales (Ps.)	1,017	949	7.2%	1,079	-5.8%
Sales (US\$)	92	83	10.7%	95	-2.4%
Exports (US\$)	27	26	5.9%	25	10.2%
Operating Income (Ps.)	57	10	484.1%	49	17.1%
Operating Income (US\$)	5	1	509.8%	4	21.2%
Operating Margin	5.7%	1.0%		4.6%	

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EBITDA (Ps.)/1/	95	50	88.7%	103	-8.0%
EBITDA (US\$)/1/	9	4	95.7%	9	-4.5%

1 "EBITDA" as used in this Press Release is Operating Income (Loss) plus the sum of Depreciation and Amortization (these under Mexican GAAP), and is presented because we believe that this term provides useful information regarding our debt service ability and other internal financial analysis. "EBITDA" should not be considered in isolation or as a substitute for our consolidated income statements or other financial statements prepared in accordance with Mexican GAAP or as a measure of profitability or liquidity. *Please refer to the end of this release to the Non-GAAP Financial Reconciliation Schedule.

Branded Products

During 1Q04 sales increased 10.7% in the domestic market compared to 1Q03, due to higher sales in practically all our product lines, primarily "Del Fuerte" brand tomato paste, "Zuko" brand powdered beverage mix and coffee "Blason", as well as higher export sales to our affiliate in the U.S. The increase in the U.S. market is due mainly to the foodservice segment.

The operating results had significant increases due to the improved utilization of the plants and the correction of problems in the U.S. plant operations, as well as the use of fresh tomatoes instead of tomato paste, which has generated an improvement in costs and in the operating margin.

Another relevant factor was the acquisition of 40% of the shares of the companies that make up Grupo Nair, which focus on the fishing and canning of tuna, whereby the ownership of Grupo Corfuerte in Nair is 100%. Through this, Desc expects to obtain greater economies of scale and synergies throughout the group.

On November 11, 2003, the minority partner in the branded products business formally notified the Company that they would exercise their put option to sell their shares. As a result, the Company paid US\$12.3 million and US\$2 million for 18.6% of Corfuerte and of ASF, respectively, on January 30, 2004. Consequently, Desc increased its shareholder stake to 96.1% in Corfuerte and 99.9% in ASF.

Pork Business

Pork prices have demonstrated a favorable trend during 1Q04, increasing over 4Q03. On the other hand, the price of the main raw materials, such as grain and soy paste, have also increased during the period. The increases in sales and margins was mainly derived from the price level realized.

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First Quarter 2004 Results

The sales volume for the quarter suffered a decline of 16.3% when compared to the same period of the previous year due to the effects of the closing of three Bajio locations.

The capacity utilization rate remains 100% in the southeast region given the strong demand levels.

Capex for the quarter reached US\$0.11 million, allocated to farm equipment and infrastructure.

Investment in fixed assets during the quarter reached US\$0.21 millions and was allocated to to farm equipment and infrastructure.

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Sales prices in Mexico improved when compared to the previous year to Ps. 19.98 per Kg., which represents an increase of 26.5%.

The following table provides the operating margins of the branded products and pork businesses:

Table 6. Food Sector - Relevant Figures

	1Q04	1Q03	1Q04 vs. 1Q03
Branded Products			
Sales (millions of US\$)	57	53	7.2%
Operating Margin	1.9%	1.0%	
Pork Business			
Sales (millions of US\$)	35	30	16.4%
Operating Margin	11.50%	1.20%	

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First Quarter 2004 Results

Real Estate Sector

[LOGO]

Following are the results for the real estate sector for the first quarter of 2004:

Table 7. Real Estate Sector Figures

(Figures in millions of constant pesos (Ps.) and U.S. dollars (US\$))
Real Estate Sector

	1Q04	1Q03	1Q04 vs. 1Q03	4Q03	1Q04 vs. 4Q03
Sales (Ps.)	292	243	20.2%	179	63.6%
Sales (US\$)	27	21	24.3%	16	69.4%
Operating Income (Ps.)	41	60	-31.5%	-102	NA
Operating Income (US\$)	4	5	-28.8%	-9	NA
Operating Margin	14.2%	24.7%		-57.4%	
EBITDA (Ps.)/1/	47	67	-29.9%	-83	NA
EBITDA (US\$)/1/	4	6	-27.2%	-7	NA

1 "EBITDA" as used in this Press Release is Operating Income (Loss) plus the sum of Depreciation and Amortization (these under Mexican GAAP), and is presented because we believe that this term provides useful information regarding our debt service ability and other internal financial analysis. "EBITDA" should not be considered in isolation or as a substitute for our consolidated income statements or other financial statements prepared in accordance with Mexican GAAP or as a measure of profitability or liquidity.

*Please refer to the end of this release to the Non-GAP Financial Reconciliation Schedule.

Sales in 1Q04 reached US\$27 million, a 24.3% increase when compared to the sales for 1Q03, primarily due to the increase in sales of the North C Building project, within the Arcos Bosques development, and the Punta Mita project. Sales within the Punta Mita project represented 64%, while the North C building within the Arcos Bosques development represented 22%, the Bosques de Santa Fe project 9%, and the remaining 5% was related to the sale of commercial lots and

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finished inventory.

During the period, operating income reached US\$4 million, which was US\$1 million below the figure obtained in 1Q03, mainly as a result of an increase in the selling expenses of the North C Building within the Arcos Bosques development, where 2,829 m2 was sold during the quarter, thereby achieving the sale of 69% of available space. During the quarter, the construction of the building was completed within budget and the Company invested US\$1.7 million in this project.

In Bosques de Santa Fe, the exclusive residential development in western Mexico City, 4 residential lots were sold. With these, the sale of 89% of the residential lots and 57% of apartment units have closed. The construction of the club house continues according to schedule and within budget and is expected to be inaugurated in October 2004. Investment in this project reached US\$2.7 million during 1Q04.

Lastly, at Punta Mita, the tourist development located at Bahia de Banderas in the state of Nayarit, the sale of 5 beachfront lots, 3 golf course lots and 3 villas were completed. The commercialization and urbanization of the remaining residential beachfront and golf course lots and the villas under construction continues. Investment in this project reached US \$1.4 million during 1Q04.

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First Quarter 2004 Results

 .. Financial Tables Follow ..

	FINANCIAL INDICATORS				
	1Q04	4Q03	3Q03	2Q03	1Q03
Interest Coverage	2.93x	2.9x	2.7x	2.45x	2.6x
Short-term debt	3%	3%	29%	27%	23%
Long-term debt	97%	97%	71%	73%	77%
Peso-denominated debt	31%	30%	30%	32%	31%
Dollar-denominated debt	69%	70%	70%	68%	69%

 SHARES OUTSTANDING

Series "A" Shares	587,479,900	42.90%
Series "B" Shares	781,599,476	57.10%
Total	1,369,079,376	100.00%

The shares outstanding correspond to March 31, 2004. However, due to the approval of the capital increase as well as the voluntary share conversion, these figures have changed.

To reconcile all Non-GAAP items the following tables, which include Depreciation and Amortization figures, are provided:

Non GAAP Reconciliation Schedule Tables

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Desc, S.A. de C.V. and Subsidiarias
 Figures in millions of constant pesos (Ps.) and U.S. dollars (US\$)

	1Q04	1Q03	1Q04 vs 1Q03	4Q03	1Q04 vs. 4Q03
Operating Profit/ (Loss) pesos	247	227	8.9%	17	NA
Operating Profit US\$	22	20	12.4%	2	NA
Depreciation and Amortization pesos	317	349	-9.0%	354	-10.5%
Depreciation y Amortization US\$	29	31	-6.5%	30	-7.3%
EBITDA pesos	564	576	-2.0%	371	52.1%
EBITDA US\$	51	51	1.0%	32	57.7%

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First Quarter 2004 Results

Automotive Sector
 (Figures in millions of constant pesos (Ps.) and U.S. dollars (US\$))

	1Q04	1Q03	1Q04 vs 1Q03	4Q03	1Q04 vs. 4Q03
Operating Profit/ (Loss) (Ps.)	141	121	16.4%	63	123.1%
Operating Profit (US\$)	13	11	20.0%	6	132.0%
Depreciation and Amortization (Ps.)	178	193	-7.7%	189	-6.1%
Depreciation y Amortization (US\$)	16	17	-4.4%	16	-2.7%
EBITDA (Ps.)	319	313	1.7%	252	26.2%
EBITDA (US\$)	29	28	5.1%	22	30.9%

Chemical Sector
 (Figures in millions of constant pesos (Ps.) and U.S. dollars (US\$))

	1Q04	1Q03	1Q04 vs 1Q03	4Q03	1Q04 vs. 4Q03
Operating Profit/ (Loss) (Ps.)	32	42	-23.1%	55	-41.0%
Operating Profit (US\$)	3	4	-20.5%	5	-38.8%
Depreciation and Amortization (Ps.)	80	96	-16.8%	84	-4.3%
Depreciation y Amortization (US\$)	7	8	-14.4%	7	-0.8%
EBITDA (Ps.)	112	138	-18.7%	138	-18.8%
EBITDA (US\$)	10	12	-16.3%	12	-15.8%

Food Sector
 (Figures in millions of constant pesos (Ps.) and U.S. dollars (US\$))

	1Q04	1Q03	1Q04 vs 1Q03	4Q03	1Q04 vs. 4Q03
Operating Profit/ (Loss) (Ps.)	57	10	484.1%	49	17.1%
Operating Profit (US\$)	5	1	509.8%	4	21.2%
Depreciation and Amortization (Ps.)	38	40	-7.1%	54	-30.6%
Depreciation and Amortization (US\$)	4	3	3.5%	5	-27.7%
EBITDA (Ps.)	95	50	88.7%	103	-8.0%
EBITDA (US\$)	9	4	95.7%	9	-4.5%

Real Estate Sector
 (Figures in millions of constant pesos (Ps.) and U.S. dollars (US\$))

	1Q04	1Q03	1Q04 vs 1Q03	4Q03	1Q04 vs. 4Q03
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Operating Profit/ (Loss) (Ps.)	41	60	-31.5%	-102	NA
Operating Profit (US\$)	4	5	-28.8%	-9	NA
Depreciation and Amortization (Ps.)	6	7	-14.5%	19	-72.7%
Depreciation and Amortization (US\$)	0	1	-12.1%	2	-71.7%
EBITDA (Ps.)	47	67	-29.9%	-83	NA
EBITDA (US\$)	4	6	-27.2%	-7	NA

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First Quarter 2004 Results

Desc, S.A. de C.V. and Subsidiaries
Consolidated Balance Sheet
(In millions of constant pesos as of March 31, 2004)

	2004	2003	%
Assets			
Current Assets:			
Cash and Short Term Investments	687	1,153	-40.4%
Account and Documents Receivable	6,230	5,152	20.9%
Inventories and Other Assets	2,995	2,964	1.0%
Total Current Assets	9,912	9,269	6.9%
Land held for development and real estate projects	3,978	4,614	-13.8%
Fixed Assets	11,522	13,969	-17.5%
Other Assets	1,530	2,742	-44.2%
Total Assets	26,942	30,594	-11.9%
Liabilities			
Current Liabilities:			
Banks Loans	400	2,820	-85.8%
Suppliers	1,831	2,051	-10.8%
Taxes to be paid	245	834	-70.6%
Other Liabilities	1,908	1,586	20.3%
Total Current Liabilities	4,384	7,291	-39.9%
Long-Term Debt	11,350	9,248	22.7%
Deferred taxes	893	1,317	-32.2%
Other	681	605	12.6%
Total Liabilities	17,308	18,461	-6.2%
Stockholders' Equity			
Capital Stock	18	18	0.0%
Paid-in Surplus	1,170	1,170	0.0%
Retained Earnings and Capital Reserve	18,316	18,792	-2.5%
Other	-13,406	-11,883	12.8%
Total Majority Interest	6,098	8,097	-24.7%
Minority Interest	3,536	4,036	-12.4%
Total Stockholders' Equity	9,634	12,133	-20.6%
Total Liabilities and Stockholders' Equity	26,942	30,594	-11.9%

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First Quarter 2004 Results

Desc, S.A. de C.V. and Subsidiaries
Consolidated Income Statement
(In millions of constant pesos as of March 31, 2004)

	1Q04	1Q03	%
Net Sales	5,356	5,343	0.2%

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Cost of Sales	4,289	4,191	2.3%
Gross Profit	1,067	1,152	-7.3%
Operating Expenses:			
Administrative and Selling Expenses	820	925	-11.3%
Operating Income	247	227	8.9%
Interest Expense	202	210	-3.7%
Interest Income	(5)	(12)	-53.2%
Exchange Gain (loss), net	37	290	-87.1%
Gain on Monetary Position	(138)	(78)	76.8%
Others	40	41	-3.1%
Comprehensive Financial Result	136	451	-69.8%
Other Extraordinary Income or Expenses	39	10	284.3%
Income before Provisions	72	(234)	NA
Provisions for:			
Income and Asset Tax	69	91	-24.3%
Employee Profit Sharing	27	23	15.2%
Deferred Income Taxes	36	(19)	NA
Total Taxes	132	96	37.1%
Net Consolidated Income	(60)	(330)	-81.8%
Minority Interest	56	7	774.8%
Other Non-consolidated	0	0	
Majority Net Income	(116)	(337)	-65.4%
Net Income per Share (last 12 months)		(1.67)	(1.12)
Number of shares outstanding: (in millions of shares)	1,369	1,369	
EBITDA	564	576	-2.0%

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First Quarter 2004 Results

	1Q04	Acum. 2003	4Q03	3Q03	2Q03	1Q03
Sales (US\$)						
Consolidated	486	1,975	466	488	550	471
Automotive Sector	197	709	177	177	176	179
Chemical Sector	169	714	165	183	179	187
Food Sector	92	352	95	89	85	83
Real Estate Sector	27	180	16	36	107	21
Exports (US\$)						
Consolidated	232	860	215	217	212	216
Automotive Sector	133	475	117	121	120	117
Chemical Sector	71	282	74	69	66	73
Food Sector	27	104	25	27	26	26
Operating Income (US\$)						
Consolidated	22	77	2	13	42	20
Automotive Sector	13	20	5	0	4	11
Chemical Sector	3	18	4	5	5	4
Food Sector	5	11	4	4	2	1
Real Estate Sector	4	38	-9	9	33	5
Operating Margin						
Consolidated	4.6%	3.9%	0.3%	2.8%	7.7%	4.2%
Automotive Sector	6.5%	2.9%	3.1%	0.1%	2.3%	6.0%
Chemical Sector	1.7%	2.6%	2.9%	2.7%	2.9%	2.0%
Food Sector	5.7%	3.2%	4.6%	4.1%	2.8%	1.0%
Real Estate Sector	14.2%	21.1%	-57.3%	24.9%	30.5%	24.7%
EBITDA (US\$)						
Consolidated	51	202	32	45	74	51
Automotive Sector	29	88	22	17	21	28
Chemical Sector	10	50	12	13	13	12

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Food Sector	9	27	8	8	6	5
Real Estate Sector	4	42	-7	10	33	6

This press release contains "forward-looking statements" (within the meaning of the Private Securities Litigation Reform Act of 1995) that reflect the current views of Desc's management with respect to future events. The words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project," and "should" and similar expressions generally are intended to identify forward-looking statements. These statements are subject to risks, uncertainties and changes in circumstances. Actual results may differ materially from present expectations as a result of many factors, including, but not limited to, changes in global and domestic political, economic, business, competitive, market and regulatory factors, the cyclical nature of the autoparts and chemicals industries and other factors which are described under the heading "Risk Factors" in Desc's most recent Annual Report on Form 20-F filed with the Securities and Exchange Commission. Desc does not assume any obligation to update these forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made.

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Item 5

CONSOLIDATED BALANCE SHEET
AT MARCH 31 OF 2004 AND 2003
(Thousands of Pesos)

REF S	CONCEPTS	FIRST QUARTER OF PRESENT FINANCIAL YEAR		FIRST QUARTER
		Amount	%	FINANCIAL Amount
1	TOTAL ASSETS	26,942,326	100%	30,594,429
2	CURRENT ASSETS	8,885,212	33%	9,268,670
3	CASH AND SHORT-TERM INVESTMENTS	686,862	3%	1,153,144
4	ACCOUNTS AND DOCUMENTS RECEIVABLE (NET)	4,322,251	16%	3,512,624
5	OTHER ACCOUNTS AND DOCUMENTS RECEIVABLE	806,570	3%	1,639,196
6	INVENTORIES	3,021,568	11%	2,963,706
7	OTHER CURRENT ASSETS	47,961	0%	0
8	LONG-TERM	5,005,174	19%	4,613,951
9	ACCOUNTS AND DOCUMENTS RECEIVABLE (NET)	1,101,944	4%	0
10	INVESTMENT IN SHARES OF SUBSIDIARIES AND NON-CONSOLIDATED ASSOCIATED	183,695	1%	114,196
11	OTHER INVESTMENTS	3,719,535	14%	4,499,755
12	PROPERTY, PLANT AND EQUIPMENT	11,522,435	43%	13,968,968
13	PROPERTY	6,325,435	23%	7,234,675
14	MACHINERY AND INDUSTRIAL EQUIPMENT (NET)	15,671,898	58%	17,142,200
15	OTHER EQUIPMENT	3,136,517	12%	2,112,658
16	ACCUMULATED DEPRECIATION	13,991,371	52%	13,528,247
17	CONSTRUCTION IN PROGRESS	379,956	1%	1,007,682
18	DEFERRED ASSETS (NET)	507,062	2%	1,622,252
19	OTHER ASSETS	1,022,443	4%	1,120,588
20	TOTAL LIABILITIES	17,308,405	100%	18,461,416
21	CURRENT LIABILITIES	4,384,066	25%	7,290,591
22	SUPPLIERS	1,830,680	11%	2,051,437
23	BANK LOANS	400,099	2%	2,820,287
24	STOCK MARKET LOANS	0	0%	0
25	TAXES TO BE PAID	245,398	1%	834,191
26	OTHER CURRENT LIABILITIES	1,907,889	11%	1,584,677
27	LONG-TERM LIABILITIES	11,350,116	66%	9,247,561

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28	BANK LOANS	9,030,393	52%	6,932,974
29	STOCK MARKET LOANS	2,319,723	13%	2,314,587
30	OTHER LOANS	0	0%	0
31	DEFERRED LOANS	892,639	5%	1,316,583
32	OTHER LIABILITIES	681,584	4%	606,680
33	CONSOLIDATED STOCK HOLDERS' EQUITY	9,633,921	100%	12,133,013
34	MINORITY INTEREST	3,536,131	37%	4,035,587
35	MAJORITY INTEREST	6,097,790	63%	8,097,426
36	CONTRIBUTED CAPITAL	13,101,416	136%	13,127,465
37	PAID-IN CAPITAL STOCK (NOMINAL)	17,798	0%	17,798
38	RESTATEMENT OF PAID-IN CAPITAL STOCK	11,913,228	124%	11,939,277
39	PREMIUM ON SALES OF SHARES	1,170,390	12%	1,170,390
40	CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES			
41	CAPITAL INCREASE (DECREASE)	-7,003,626	-73%	-5,030,039
42	RETAINED EARNINGS AND CAPITAL RESERVE	17,525,927	182%	18,227,286
43	REPURCHASE FUND OF SHARES	907,079	9%	907,079
44	EXCESS (SHORTFALL) IN RESTATEMENT OF HOLDER'S EQUITY	-25,320,079	-263%	-23,827,227
45	NET INCOME FOR THE YEAR	-116,553	-1%	-337,177

CONSOLIDATED BALANCE SHEET
BREAKDOWN OF MAIN CONCEPTS
(Thousands of Pesos)

REF S	CONCEPTS	FIRST QUARTER OF PRESENT FINANCIAL YEAR		FIRST QUAR PREVIOUS FINA
		Amount	%	
3	CASH AND SHORT-TERM INVESTMENTS	686,862	100%	1,153,144
46	CASH	211,424	31%	408,259
47	SHORT-TERM INVESTMENTS	475,438	69%	744,885
18	DEFERRED ASSETS (NET)	507,062	100%	1,622,252
48	AMORTIZED OR REDEEMED EXPENSES		0%	
49	GOODWILL	507,062	100%	1,622,252
50	DEFERRED TAXES		0%	
51	OTHERS		0%	
21	CURRENT LIABILITIES	4,384,066	100%	7,290,592
52	FOREIGN CURRENCY LIABILITIES	1,737,933	40%	4,103,022
53	MEXICAN PESOS LIABILITIES	2,646,133	60%	3,187,570
24	STOCK MARKET LOANS	0	100%	0
54	COMMERCIAL PAPER		0%	0
55	CURRENT MATURITIES OF MEDIUM TERM NOTES		0%	0
56	CURRENT MATURITIES OF BONDS		0%	0
26	OTHER CURRENT LIABILITIES	1,907,889	100%	1,584,677
57	OTHER CURRENT LIABILITIES WITH COST		0%	
58	OTHER CURRENT LIABILITIES WITHOUT COST	1,907,889	100%	1,584,677
27	LONG-TERM LIABILITIES	11,350,116	100%	9,247,561
59	FOREIGN CURRENCY LIABILITIES	7,760,575	68%	5,552,317
60	MEXICAN PESOS LIABILITIES	3,589,541	32%	3,695,244
29	STOCK MARKET LOANS	2,319,723	100%	2,314,587
61	BONDS		0%	
62	MEDIUM TERM NOTES	2,319,723	100%	2,314,587
30	OTHER LOANS	0	100%	0
63	OTHER LOANS WITH COST		0%	0
64	OTHER LOANS WITHOUT COST		0%	0
31	DEFERRED LOANS	892,639	100%	1,316,583
65	NEGATIVE GOODWILL		0%	
66	DEFERRED TAXES	892,639	100%	1,316,583
67	OTHERS		0%	
32	OTHER LIABILITIES	681,584	100%	606,680

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68	RESERVES		0%	
69	OTHERS LIABILITIES	681,584	100%	606,680
44	EXCESS (SHORTFALL) IN RESTATEMENT OF STOCK HOLDERS' EQUITY	-25,320,079	100%	-23,827,227
70	ACCUMULATED INCOME DUE TO MONETARY POSITION		0%	
71	INCOME FROM NON-MONETARY POSITION ASSETS	-25,320,079	100%	-23,827,227

CONSOLIDATED BALANCE SHEET
OTHER CONCEPTS
(Thousands of Pesos)

REF S	CONCEPTS	FIRST QUARTER OF PRESENT FINANCIAL YEAR Amount		FIRST QUARTER OF PREVIOUS FINANCIAL YEAR Amount
72	WORKING CAPITAL	4,501,146		1,978,078
73	PENSIONS FUND AND SENIORITY PREMIUMS	416,251		599,820
74	EXECUTIVES (*)	0		0
75	EMPLOYERS (*)	4,384		5,787
76	WORKERS (*)	9,789		10,336
77	CIRCULATION SHARES (*)	1,369,073,376		1,369,079,376
78	REPURCHASED SHARES (*)	0		0

(*) THESE FIGURES ARE EXPRESSED IN UNITS

CONSOLIDATED INCOME STATEMENT
FROM JANUARY 1ST TO MARCH 31 OF 2004 AND 2003
(Thousands of Pesos)

REF R	CONCEPTS	FIRST QUARTER OF PRESENT FINANCIAL YEAR Amount	%	FIRST QUARTER FINANCIAL YEAR Amount
1	NET SALES	5,356,630	100%	5,343,349
2	COST OF SALES	4,289,160	80%	4,191,477
3	GROSS INCOME	1,067,470	20%	1,151,872
4	OPERATING EXPENSES	819,999	15%	924,555
5	OPERATING INCOME	247,471	5%	227,317
6	TOTAL FINANCING COST	136,007	3%	451,590
7	INCOME AFTER FINANCING COST	111,464	2%	-224,273
8	OTHER FINANCIAL OPERATIONS	39,118	1%	10,179
9	INCOME BEFORE TAXES AND WORKERS' PROFIT SHARING	72,346	1%	-234,452
10	RESERVE FOR TAXES AND WORKERS' PROFIT SHARING	132,087	2%	96,312
11	NET INCOME AFTER TAXES AND WORKERS' PROFIT SHARING	-59,741	-1%	-330,764
12	SHARE IN NET INCOME OF SUBSIDIARIES AND NON-CONSOLIDATED ASSOCIATES	-426	0%	0
13	CONSOLIDATED NET INCOME OF CONTINUOUS	-60,167	-1%	-330,764
14	INCOME OF DISCONTINUOUS OPERATIONS	282	0%	0
15	CONSOLIDATED NET INCOME BEFORE EXTRAORDINARY ITEMS	-60,449	-1%	-330,764
16	EXTRAORDINARY ITEMS NET EXPENSES (INCOME)	0	0%	0
17	NET EFFECT AT THE BEGINNING OF THE YEAR BY CHANGES IN ACCOUNTING PRINCIPLES		0%	
18	NET CONSOLIDATED INCOME	-60,449	-1%	-330,764
19	NET INCOME OF MINORITY INTEREST	56,104	1%	6,413

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20 NET INCOME OF MAJORITY INTEREST -116,553 -2% -337,177

CONSOLIDATED INCOME STATEMENT
BREAKDOWN OF MAIN CONCEPTS
(Thousands of Pesos)

REF R	CONCEPTS	FIRST QUARTER OF PRESENT FINANCIAL YEAR		FIRST QUARTER OF PREVIOUS FINANCIAL YEAR
		Amount	%	Amount
1	NET SALES	5,356,630	100%	5,343,349
21	DOMESTIC	2,799,096	52%	2,898,339
22	FOREIGN	2,557,534	48%	2,445,010
23	TRANSLATED INTO DOLLARS (***)	232,087	4%	215,682
6	TOTAL FINANCING COST	136,007	100%	451,590
24	INTEREST PAID	242,214	178%	251,191
25	EXCHANGE LOSSES	-305	0%	245,073
26	INTEREST EARNED	5,439	4%	11,626
27	EXCHANGE PROFITS	0	0%	0
28	GAIN DUE TO MONETARY POSITION	-138,278	-102%	-78,192
29	LOSS IN UDI'S ACTUALIZATION	37,815	16%	45,144
29	PROFIT IN UDI'S ACTUALIZATION	0	0%	0
8	OTHER FINANCIAL OPERATIONS	39,118	100%	10,179
29	OTHER NET EXPENSES (INCOME) NET	39,118	100%	10,179
30	(PROFIT) LOSS ON SALE OF OWN SHARES	0	0%	0
31	(PROFIT) LOSS ON SALE OF SHORT-TERM INVESTMENTS	0	0%	0
10	RESERVE FOR TAXES AND WORKERS' PROFIT SHARING	132,087	100%	96,312
32	INCOME TAX	69,178	52%	91,836
33	DEFERRED INCOME TAX	35,911	27%	-18,951
34	WORKERS' PROFIT SHARING	26,998	20%	23,427
35	DEFERRED WORKERS' PROFIT SHARING	0	0%	0

CONSOLIDATED INCOME STATEMENT
OTHER CONCEPTS
(Thousands of Pesos)

REF R	CONCEPTS	FIRST QUARTER OF PRESENT FINANCIAL YEAR	FIRST QUARTER OF PREVIOUS FINANCIAL YEAR
		Amount	Amount
36	TOTAL SALES	5,553,383	5,623,451
37	NET INCOME OF THE YEAR	0	0
38	NET SALES (**)	22,112,551	20,924,751
39	OPERATION INCOME (**)	875,963	935,357
40	NET INCOME OF MAJORITY INTEREST (**)	-2,286,450	-1,648,013
41	NET CONSOLIDATED INCOME (**)	-2,171,463	-1,824,474

(**) THE INFORMATION IS BASED ON THE LAST TWELVE MONTHS

CONSOLIDATED INCOME STATEMENT
FROM JANUARY 1st TO MARCH 31th OF 2004 AND 2003
(Thousands of Pesos)

REF R	CONCEPTS	FIRST QUARTER OF PRESENT FINANCIAL YEAR	FIRST QUARTER OF PREVIOUS FINANCIAL YEAR
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		Amount	%	Amount
1	NET SALES	5,356,630	100%	5,343,349
2	COST OF SALES	4,289,160	80%	4,191,477
3	GROSS INCOME	1,067,470	20%	1,151,872
4	OPERATING EXPENSES	819,999	15%	924,555
5	OPERATING INCOME	247,471	5%	227,317
6	TOTAL FINANCING COST	136,007	3%	451,590
7	INCOME AFTER FINANCING COST	111,464	2%	-224,273
8	OTHER FINANCIAL OPERATIONS	39,118	1%	10,179
9	INCOME BEFORE TAXES AND WORKERS' PROFIT SHARING	72,346	1%	-234,452
10	RESERVE FOR TAXES AND WORKERS' PROFIT SHARING	132,087	2%	96,312
11	NET INCOME AFTER TAXES AND WORKERS' PROFIT SHARING	-59,741	-1%	-330,764
12	SHARE IN NET INCOME OF SUBSIDIARIES AND NON-CONSOLIDATED ASSOCIATES	(426)	0%	0
13	CONSOLIDATED NET INCOME OF CONTINUOUS	-60,167	-1%	-330,764
14	INCOME OF DISCONTINUOUS OPERATIONS	282	0%	0
15	CONSOLIDATED NET INCOME BEFORE EXTRAORDINARY ITEMS	-60,449	-1%	-330,764
16	EXTRAORDINARY ITEMS NET EXPENSES (INCOME)	0	0%	0
17	NET EFFECT AT THE BEGINNING OF THE YEAR BY CHANGES IN ACCOUNTING PRINCIPLES	--	0%	0
18	NET CONSOLIDATED INCOME	-60,449	-1%	-330,764
19	NET INCOME OF MINORITY INTEREST	56,104	1%	6,413
20	NET INCOME OF MAJORITY INTEREST	-116,553	-2%	-337,177

CONSOLIDATED INCOME STATEMENT
BREAKDOWN OF MAIN CONCEPTS
(Thousands of Pesos)

REF R	CONCEPTS	TRIMESTER PRESENT FINANCIAL YEAR		TRIMESTER P FINANCIA
		Amount	%	Amount
1	NET SALES	5,356,630	100%	5,343,349
21	DOMESTIC	2,799,096	52%	2,898,339
22	FOREIGN	2,557,534	48%	2,445,010
23	TRANSLATED INTO DOLLARS (***)	232,087	4%	215,632
6	TOTAL FINANCING COST	136,007	100%	451,590
24	INTEREST PAID	242,214	178%	251,191
25	EXCHANGE LOSSES	-305	0%	245,073
26	INTEREST EARNED	5,439	4%	11,626
27	EXCHANGE PROFITS	0	0%	0
28	GAIN DUE TO MONETARY POSITION	-138,278	-102%	-78,192
29	LOSS IN UDI'S ACTUALIZATION	37,815	28%	45,144
	PROFIT IN UDI'S ACTUALIZATION	0	0%	0
8	OTHER FINANCIAL OPERATIONS	39,118	100%	10,179
29	OTHER NET EXPENSES (INCOME) NET	39,118	100%	10,179
30	(PROFIT) LOSS ON SALE OF OWN SHARES	0	0%	0
31	(PROFIT) LOSS ON SALE OF SHORT-TERM INVESTMENTS	0	0%	0
10	RESERVE FOR TAXES AND WORKERS' PROFIT SHARING	132,087	100%	96,312
32	INCOME TAX	69,178	52%	91,836
33	DEFERRED INCOME TAX	35,911	27%	-18,951
34	WORKERS' PROFIT SHARING	26,998	20%	23,427
35	DEFERRED WORKERS' PROFIT SHARING	0	0%	0

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CONSOLIDATED CASH FLOW STATEMENT FROM JANUARY 1ST TO MARCH 31 OF 2003 AND 2002 (Thousands of Pesos)

REF C	CONCEPTS	FIRST QUARTER OF PRESENT FINANCIAL YEAR Amount	FIRST QUARTER OF PREVIOUS FINANCIAL YEAR Amount
1	CONSOLIDATED NET INCOME	-60,449	-330,764
2	+(-) ITEMS ADDED TO INCOME WHICH DO NOT REQUIRE USING CASH	219,470	348,195
3	CASH FLOW FROM NET INCOME OF THE YEAR	159,021	17,431
4	CASH FLOW FROM CHANGE IN WORKING CAPITAL	-84,655	-375,570
5	CASH GENERATED (USED) IN OPERATING ACTIVITIES	74,366	-358,139
6	CASH FLOW FROM EXTERNAL FINANCING	-235,194	-825,271
7	CASH FLOW FROM INTERNAL FINANCING	0	0
8	CASH FLOW GENERATED (USED) BY FINANCING	-235,194	-825,271
9	CASH FLOW GENERATED (USED) IN INVESTMENT ACTIVITIES	116,448	-204,351
10	NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	-44,380	-1,387,762
11	CASH AND SHORT-TERM INVESTMENTS AT THE BEGINNING OF PERIOD	731,242	2,540,905
12	CASH AND SHORT-TERM INVESTMENTS AT THE END OF PERIOD	686,862	1,153,144

CONSOLIDATED CASH FLOW STATEMENT BREAKDOWN OF MAIN CONCEPTS (Thousands of Pesos)

REF C	CONCEPTS	FIRST QUARTER OF PRESENT FINANCIAL YEAR Amount	FIRST QUARTER OF PREVIOUS FINANCIAL YEAR Amount
2	+ (-) ITEMS ADDED TO INCOME WHICH DO NOT REQUIRE	219,470	348,195
13	DEPRECIATION AND AMORTIZATION FOR THE YEAR	316,700	348,195
14	+ (-) NET INCREASE (DECREASE) IN PENSIONS FUND AND SENIORITY PREMIUMS		
15	+ (-) NET LOSS (PROFIT) IN MONEY EXCHANGE		
16	+ (-) NET LOSS (PROFIT) IN ASSETS AND LIABILITIES ACTUALIZATION		
17	+ (-) OTHER ITEMS	-97,230	0
4	CASH FLOW FROM CHANGE IN WORKING CAPITAL	-84,655	-375,570
18	+ (-) DECREASE (INCREASE) IN ACCOUNT RECEIVABLE	-923,251	-876,248
19	+ (-) DECREASE (INCREASE) IN INVENTORIES	194,289	228,349
20	+ (-) DECREASE (INCREASE) IN OTHER ACCOUNT RECEIVABLE	201,725	108,339
21	+ (-) INCREASE (DECREASE) IN SUPPLIER ACCOUNT	187,771	-155,671
22	+ (-) INCREASE (DECREASE) IN OTHER LIABILITIES	254,811	319,661
6	CASH FLOW FROM EXTERNAL FINANCING	-235,194	-825,271
23	+ SHORT-TERM BANK AND STOCK MARKET FINANCING	-47,355	-877,130
24	+ LONG-TERM BANK AND STOCK MARKET FINANCING	-187,839	51,858
25	+ DIVIDEND RECEIVED		

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26	+ OTHER FINANCING		0
27	(-) BANK FINANCING AMORTIZATION		
28	(-) STOCK MARKET AMORTIZATION		
29	(-) OTHER FINANCING AMORTIZATION		
7	CASH FLOW FROM INTERNAL FINANCING	0	0
30	+ (-) INCREASE (DECREASE) IN CAPITAL STOCKS		
31	(-) DIVIDENDS PAID	0	0
32	+ PREMIUM ON SALE OF SHARES		
33	+ CONTRIBUTION FOR FUTURE CAPITAL INCREASES		
9	CASH FLOW GENERATED (UTILIZED) IN INVESTMENT ACTIVITIES	116,448	-204,351
34	+ (-) DECREASE (INCREASE) IN STOCK INVESTMENTS OF A PERMANENT NATURE	-108,864	
35	(-) ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT	-81,340	-182,497
36	(-) INCREASE IN CONSTRUCTIONS IN PROGRESS	116,622	-69,608
37	+ SALE OF OTHER PERMANENT INVESTMENTS	0	0
38	+ SALE OF TANGIBLE FIXED ASSETS	190,030	47,754
39	+ (-) OTHER ITEMS		0

RATIOS
CONSOLIDATED

REF P	CONCEPTS	FIRST QUARTER OF PRESENT FINANCIAL YEAR		FIRST QUAR PREVIOUS FI YEAR
	YIELD			
1	NET INCOME TO NET SALES	-1.13	%	-6.19
2	NET INCOME TO STOCK HOLDERS' EQUITY (**)	-37.5	%	-20.35
3	NET INCOME TO TOTAL ASSETS (**)	-8.06	%	-5.96
4	CASH DIVIDENDS TO PREVIOUS YEAR NET INCOME	0	%	0
5	INCOME DUE TO MONETARY POSITION TO NET INCOME	-228.75	%	-23.64
	ACTIVITY			
6	NET SALES TO NET ASSETS (**)	0.82	times	0.68
7	NET SALES TO FIXED ASSETS (**)	1.92	times	1.5
8	INVENTORIES ROTATION (**)	2.77	times	5.19
9	ACCOUNTS RECEIVABLE IN DAYS OF SALES	63	days	51
10	PAID INTEREST TO TOTAL LIABILITIES WITH COST (**)	6.6	%	6.39
	LEVERAGE			
11	TOTAL LIABILITIES TO TOTAL ASSETS	64.24	%	60.34
12	TOTAL LIABILITIES TO STOCK HOLDERS' EQUITY	1.8	times	1.52
13	FOREIGN CURRENCY LIABILITIES TO TOTAL LIABILITIES	5488	%	52.3
14	LONG-TERM LIABILITIES TO FIXED ASSETS	98.5	%	66.2
15	OPERATING INCOME TO INTEREST PAID	1.02	times	0.9
16	NET SALES TO TOTAL LIABILITIES (**)	1.28	times	1.13
	LIQUIDITY			
17	CURRENT ASSETS TO CURRENT LIABILITIES	2.03	times	1.27
18	CURRENT ASSETS LESS INVENTORY TO CURRENT LIABILITIES	1.34	times	0.86
19	CURRENTS ASSETS TO TOTAL LIABILITIES	0.51	times	0.5
20	AVAILABLE ASSETS TO CURRENT LIABILITIES	15.67	%	15.82
	CASH FLOW			
21	CASH FLOW FROM NET INCOME TO NET SALES	2.97	%	0.33
22	CASH FLOW FROM CHANGES IN WORKING CAPITAL TO NET SALES	-1.58	%	-7.03
23	CASH GENERATED (USED) IN OPERATING TO INTEREST PAID	0.31	times	-1.43

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24	EXTERNAL FINANCING TO CASH GENERATED (USED) IN FINANCING	100	%	100
25	INTERNAL FINANCING TO CASH GENERATED (USED) IN FINANCING	0	%	0
26	ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT TO CASH GENERATED (USED) IN INVESTMENT ACTIVITIES	-69.85	%	65.94

(**) THESE RATIOS ARE BASED ON DATA FROM THE LAST TWELVE MONTHS

DATA PER SHARE

REF D	CONCEPTS	FIRST QUARTER OF PRESENT FINANCIAL YEAR Amount	FIRST QUAR PREVIOUS FINA Amount
1	BASIC PROFIT PER ORDINARY SHARE (**)	-1.67	-1.12
2	BASIC PROFIT PER PREFERENT SHARE (**)	0	0
3	DILUTED PROFIT PER ORDINARY SHARE (**)	0	0
4	CONTINUOUS OPERATING PROFIT PER COMMON SHARE (**)	0	0
5	EFFECT OF DISCONTINUOUS OPERATING ON CONTINUOUS OPERATING PROFIT PER SHARE (**)	\$ 0.00	\$ 0.00
6	EFFECT OF EXTRAORDINARY PROFIT AND LOSS ON CONTINUOUS OPERATING PROFIT PER SHARE (**)	0	0
7	EFFECT BY CHANGES IN ACCOUNTING POLICIES ON CONTINUOUS OPERATING PROFIT PER SHARE (**)	0	0
8	CARRYING VALUE PER SHARE	4.45	5.67
9	CASH DIVIDEND ACCUMULATED PER SHARE	0	0
10	DIVIDEND IN SHARES PER SHARE	0	0
11	MARKET PRICE TO CARRYING VALUE	3.84	3.66
12	MARKET PRICE TO BASIC PROFIT PER ORDINARY SHARE (**)	0	0
13	MARKET PRICE TO BASIC PROFIT PER PREFERRED SHARE (**)	0	0

(**) TO CALCULATE THE DATA PER SHARE USE THE NET INCOME FOR THE LAST TWELVE MONTHS

Annex 1: [Press Release Announcing First Quarter Results*]
[*Filed as an Exhibit with the Form 6-K to which this document is included]

Annex 2: Auditor Notes

ANNEX 2

PRINCIPAL ACCOUNTING POLICIES

THE ACCOUNTING POLICIES FOLLOWED BY THE COMPANY ARE IN CONFORMITY WITH MEXICAN GAAP, WHICH REQUIRE MANAGEMENT TO MAKE CERTAIN ESTIMATES AND USE CERTAIN ASSUMPTIONS TO DETERMINE THE VALUATION OF SOME OF THE BALANCES INCLUDED IN THE FINANCIAL STATEMENTS AND TO MAKE THE DISCLOSURES REQUIRED FOR INCLUSION THEREIN. ALTHOUGH ACTUAL RESULTS MAY DIFFER FROM THOSE ESTIMATES, MANAGEMENT BELIEVES THAT THE ESTIMATES AND ASSUMPTIONS USED WERE APPROPRIATE IN THE CIRCUMSTANCES.

THE SIGNIFICANT ACCOUNTING POLICIES FOLLOWED BY THE COMPANY ARE AS FOLLOWS:

NEW ACCOUNTING POLICIES - IN JANUARY 2003, THE NEW BULLETIN C-9 "LIABILITIES, PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS" WENT INTO EFFECT, WHICH ESTABLISH ADDITIONAL GUIDELINES CLARIFYING THE ACCOUNTING FOR LIABILITIES, PROVISIONS AND CONTINGENT ASSETS AND LIABILITIES, AND ESTABLISH NEW STANDARDS

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FOR THE USE OF PRESENT VALUE TECHNIQUES TO MEASURE LIABILITIES AND ACCOUNTING FOR THE EARLY SETTLEMENT OF OBLIGATIONS.

IN JANUARY 2003, THE NEW BULLETIN C-8 "INTANGIBLE ASSETS" WENT INTO EFFECT. THIS BULLETIN ESTABLISHES THAT PROJECT DEVELOPMENT COSTS SHOULD BE CAPITALIZED IF THEY FULFILL THE CRITERIA ESTABLISHED FOR RECOGNITION ASSETS. ANY PREOPERATING COSTS INCURRED AFTER THE EFFECTIVE DATE OF THIS BULLETIN SHOULD BE RECORDED AS AN EXPENSE, UNLESS THEY MEET CERTAIN CRITERIA. THE UNAMORTIZED BALANCE OF CAPITALIZED PREOPERATING COSTS UNDER THE FORMER BULLETIN C-8 WILL CONTINUE TO BE AMORTIZED.

IN MARCH 2003, BULLETIN C-15 "IMPAIRMENT OF LONG-LIVED ASSETS AND THEIR RELATED DISPOSAL" WAS ISSUED, WHICH MUST BE APPLIED TO FINANCIAL STATEMENTS FOR PERIODS BEGINNING JANUARY 1, 2004. ALTHOUGH EARLY APPLICATION IS ENCOURAGED, THIS BULLETIN HAS BEEN APPLIED BY THE COMPANY SINCE 2003. BULLETIN C-15 ESTABLISHES, AMONG OTHER THINGS, NEW RULES FOR THE CALCULATION AND RECOGNITION OF LOSSES FROM IMPAIRMENT AND THEIR REVERSAL AND, PRIOR TO THE PRESENCE OF INDICIA OF THE DETERIORATION OF LONG-LIVED ASSETS, INTANGIBLE OR TANGIBLE ASSETS, INCLUDING GOODWILL. COMPANIES MUST TEST FOR IMPAIRMENT UNLESS THERE IS CONCLUSIVE EVIDENCE THAT THE INDICATORS OF IMPAIRMENT ARE TEMPORARY.

IN DECEMBER 2002, THE NEW BULLETIN E-1 "AGRICULTURE" WENT INTO EFFECT, WHICH IS COMPULSORY FOR FISCAL YEARS BEGINNING ON OR AFTER JANUARY 1, 2003. BULLETIN E-1 ESTABLISHES THE RULES FOR VALUING, PRESENTING AND DISCLOSING BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCTS, WHICH INCLUDES THE ADMINISTRATION CARRIED OUT BY A RELATED PARTY WITH RESPECT TO BIOLOGICAL TRANSFORMATION OF LIVE ANIMALS OR PLANTS (BIOLOGICAL ASSETS) THAT ARE INTENDED TO BE SOLD AS AN AGRICULTURAL PRODUCT OR AS A COMPREHENSIVE PART OF A BIOLOGICAL ASSET. BULLETIN E-1 REQUIRES BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCTS TO BE VALUED AT THEIR FAIR MARKET VALUE, LESS THE ESTIMATED COSTS AT THE POINT OF SALE. BULLETIN E-1 ALSO STATES THAT WHEN THE FAIR MARKET VALUE CANNOT BE DETERMINED IN A RELIABLE AND OBJECTIVE MANNER, THE AFOREMENTIONED ASSETS SHOULD BE VALUED AT PRODUCTION COST, LESS ACCUMULATED DEPRECIATION.

IN 2001, THE NEW BULLETIN C-2 "FINANCIAL INSTRUMENTS", WENT INTO EFFECT. THIS BULLETIN ESTABLISHES THE METHODOLOGY FOR VALUING AND RECORDING FINANCIAL INSTRUMENTS, AND REQUIRES RECOGNITION OF ALL EFFECTS OF THE FINANCIAL INSTRUMENTS CONTRACTED ON THE BALANCE SHEET AS EITHER ASSETS OR LIABILITIES, UNDER NET COMPREHENSIVE FINANCIAL RESULT. THE FINANCIAL INSTRUMENTS THAT HAVE BEEN DESIGNATED AND EFFECTIVELY FUNCTION AS HEDGING OF ASSETS AND LIABILITIES OR FUTURE TRANSACTIONS WILL AFFECT THE ASSETS, LIABILITIES OR THE RESPECTIVE TRANSACTIONS WHEN THEY ARE REALIZED, SETTLED OR TAKE PLACE, RESPECTIVELY.

AS OF 2001, INTERNATIONAL ACCOUNTING STANDARD 40, "INVESTMENT PROPERTIES," ENTERED INTO EFFECT ON A SUPPLEMENTAL BASIS, ESTABLISHING VALUATION CRITERIA FOR PROPERTIES WHOSE PURPOSE IS TO GENERATE PROFITS OR INCREASE VALUE OR BOTH. PURSUANT TO CIRCULAR 55 ISSUED BY THE MEXICAN INSTITUTE OF PUBLIC ACCOUNTANTS, THE VALUATION MODEL APPLICABLE TO MEXICO IS THE COST MODEL, WHICH ESTABLISHES THAT SUCH PROPERTIES MUST BE VALUED AT ACQUISITION AND/OR CONSTRUCTION COST AND ARE RESTATED BY APPLYING THE NPCI, LESS THE RESPECTIVE ACCUMULATED DEPRECIATION.

BEGINNING JANUARY 2000, THE COMPANY ADOPTED THE PROVISIONS OF NEW BULLETIN D-4, "ACCOUNTING FOR INCOME AND ASSET TAXES AND EMPLOYEE PROFIT SHARING". THE EFFECT OF THE ADOPTION WAS TO RECOGNIZE, AN INITIAL LONG-TERM LIABILITY FOR DEFERRED INCOME TAXES AFFECTING STOCKHOLDERS' EQUITY UNDER "CUMULATIVE EFFECT OF INITIAL RECOGNITION OF DEFERRED INCOME TAXES".

AS A RESULT OF THE IMPLEMENTATION OF THE ADOPTION OF BULLETIN D-4 MENTIONED

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ABOVE, THE COMPANY CHANGED ITS METHOD FOR RECORDING THE EFFECT FROM TAX CONSOLIDATION. UNTIL 1999, IT WAS RECORDED IN THE YEAR IN WHICH THE RESPECTIVE ANNUAL CONSOLIDATED TAX RETURN WAS FILED. BEGINNING IN 2000, THIS BENEFIT IS RECORDED IN RESULTS OF THE YEAR IN WHICH THE BENEFIT IS GENERATED.

BASIS OF CONSOLIDATION - THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS INCLUDE THOSE OF DESC AND THE SUBSIDIARIES IN WHICH THERE IS STOCKHOLDING AND ADMINISTRATIVE CONTROL. ALL SIGNIFICANT INTERCOMPANY TRANSACTIONS AND BALANCES HAVE BEEN ELIMINATED IN THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS.

THE EQUITY IN NET INCOME (LOSS) AND CHANGES IN STOCKHOLDERS' EQUITY OF THOSE SUBSIDIARIES THAT WERE ACQUIRED OR SOLD, HAS BEEN INCLUDED IN THE FINANCIAL STATEMENTS AS OF OR UP TO THE DATE ON WHICH THE TRANSACTIONS TOOK PLACE AND WAS RESTATED IN TERMS OF THE PURCHASING POWER AS OF THE END OF THE LATEST PERIOD.

INVESTMENTS IN SHARES OF ASSOCIATED COMPANIES AND UNCONSOLIDATED SUBSIDIARIES ARE RECORDED USING THE EQUITY METHOD.

TRANSLATION OF FINANCIAL STATEMENTS OF SUBSIDIARIES - THE FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES, WHOSE OPERATIONS ARE NOT AN INTEGRAL PART OF THE MEXICAN COMPANIES ("FOREIGN ENTITIES"), ARE RESTATED FOR THE INFLATION RATE OF THE RESPECTIVE FOREIGN COUNTRY AND ARE TRANSLATED INTO MEXICAN PESOS AT THE EXCHANGE RATE IN EFFECT AT THE END OF THE YEAR. THE FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES, WHOSE OPERATIONS ARE AN INTEGRAL PART OF THE MEXICAN COMPANIES ("INTEGRATED FOREIGN OPERATIONS"), ARE TRANSLATED USING YEAR-END EXCHANGE RATES FOR MONETARY ITEMS AND HISTORICAL EXCHANGE RATES FOR NONMONETARY ITEMS, AND THE TRANSLATED FINANCIAL STATEMENTS ARE THEN RESTATED USING THE NATIONAL CONSUMER PRICE INDEX (NCPI) OF MEXICO. THE EFFECTS OF TRANSLATING FOREIGN ENTITIES ARE RECORDED DIRECTLY IN STOCKHOLDERS' EQUITY IN THE "CUMULATIVE EFFECT OF RESTATEMENT" ACCOUNT. THE EFFECTS OF TRANSLATING INTEGRATED FOREIGN OPERATIONS ARE INCLUDED IN THE "INTEGRAL FINANCING RESULT" OF THE YEAR IN THE "MONETARY POSITION GAIN" ACCOUNT. SUCH EFFECTS ARE NOT SIGNIFICANT.

3

RECOGNITION OF THE EFFECTS OF INFLATION - THE COMPANIES RESTATE ALL OF THEIR FINANCIAL STATEMENTS IN TERMS OF THE PURCHASING POWER OF THE MEXICAN PESO AS OF THE END OF THE LATEST PERIOD, THEREBY COMPREHENSIVELY RECOGNIZING THE EFFECTS OF INFLATION. THE PRIOR YEAR AMOUNTS PRESENTED HEREIN DIFFER FROM THOSE ORIGINALLY REPORTED IN TERMS OF MEXICAN PESOS OF THE RESPECTIVE YEAR. CONSEQUENTLY, ALL FINANCIAL STATEMENT AMOUNTS ARE COMPARABLE, BOTH FOR THE CURRENT AND THE PRIOR YEAR, BECAUSE ALL ARE STATED IN TERMS OF MEXICAN PESOS OF THE SAME PURCHASING POWER.

CASH EQUIVALENTS - INVESTMENTS IN MARKETABLE SECURITIES CONSIST MAINLY OF ACCEPTANCES, BANK PROMISSORY NOTES, AND PAPER ISSUED BY THE MEXICAN AND UNITED STATES OF AMERICA GOVERNMENTS, AT MARKET VALUE (COST PLUS ACCRUED INTEREST).

INVENTORIES AND COST OF SALES - INVENTORIES ARE ORIGINALLY RECORDED AT THEIR ACQUISITION OR MANUFACTURING COST AND RESTATED TO THEIR SPECIFIC NET REPLACEMENT COST WITHOUT EXCEEDING NET REALIZABLE VALUE. SUBSTANTIALLY ALL SUBSIDIARIES COMPUTE COST OF SALES USING THE REPLACEMENT COST AT THE TIME OF SALE.

LAND HELD FOR DEVELOPMENT AND REAL ESTATE PROJECTS - UNDEVELOPED LAND REPRESENTS LAND RESERVES THAT, TOGETHER WITH DEVELOPED LAND AND ONGOING AND COMPLETED PROJECTS, ARE CONSIDERED NON-CURRENT INVENTORIES, SINCE THEY ARE HELD FOR SALE. THEY INCLUDE ACQUISITION, DEVELOPMENT AND CONSTRUCTION COSTS AND ARE RESTATED IN U.S. DOLLARS BASED ON THE SLIPPAGE OF THE MARKET EXCHANGE RATE FOR THE PURPOSE OF SHOWING VALUES IN ACCORDANCE WITH THE CURRENT SITUATION OF THE REAL ESTATE MARKET.

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THE COMPANY CAPITALIZES THE NET COMPREHENSIVE FINANCING COST ON DEBT USED TO FINANCE REAL ESTATE PROJECTS IN PROGRESS, IN ADDITION TO THEIR CONSTRUCTION AND DEVELOPMENT COSTS.

INVESTMENT IN SHARES - INVESTMENT IN SHARES HAS BEEN RECORDED USING THE EQUITY METHOD, BASED ON THE FINANCIAL STATEMENTS PREPARED ON THE SAME BASIS AS THOSE OF THE COMPANY, AND IS PRESENTED UNDER OTHER ASSETS IN THE BALANCE SHEET.

PROPERTY, PLANT AND EQUIPMENT - THIS ITEMS IS RECORDED AT ACQUISITION COST AND IS RESTATED BY USING NCPI FACTORS. FOR FOREIGN FIXED ASSETS, THEIR ACQUISITION COST IS RESTATED FOR INFLATION OF THE COUNTRY OF ORIGIN AND THE FLUCTUATION OF THE MEXICAN PESO AGAINST SUCH CURRENCY IS CONSIDERED.

4

DEPRECIATION IS CALCULATED BY THE STRAIGHT-LINE METHOD BASED ON THE REMAINING USEFUL LIVES OF THE ASSETS.

THE COMPANIES CAPITALIZE THE NET COMPREHENSIVE FINANCING COST ON DEBT USED TO FINANCE CONSTRUCTION IN PROGRESS AND THE INSTALLATION OF EQUIPMENT, UNTIL THEY ARE PLACED IN SERVICE.

IMPAIRMENT OF FIXED ASSETS - THE AMOUNTS SHOWN IN THE ACCOMPANYING CONSOLIDATED STATEMENTS OF INCOME BASICALLY REFER TO THE REDUCTION IN VALUE OF PROPERTY AND EQUIPMENT OF SOME PRODUCTION FACILITIES, IN ORDER TO REFLECT THEIR REALIZABLE VALUE IN ACCORDANCE WITH THE CURRENT SITUATION OF SUCH BUSINESSES.

GOODWILL - THE GOODWILL RESULTING FROM ACQUISITIONS MADE IN EXCESS OF BOOK VALUE IS AMORTIZED OVER PERIODS RANGING FROM FIVE TO 20 YEARS, THE TERMS OVER WHICH THE BENEFITS FROM THE INVESTMENT WILL BE REALIZED.

FINANCIAL INSTRUMENTS - FINANCIAL ASSETS AND LIABILITIES RESULTING FROM ANY TYPE OF FINANCIAL INSTRUMENT, EXCEPT FOR INVESTMENTS IN FINANCIAL INSTRUMENTS HELD TO MATURITY, ARE PRESENTED IN THE BALANCE SHEET AT FAIR VALUE. THE EFFECTS OF THE VALUATION OF A FINANCIAL ASSET OR LIABILITY ARE RECOGNIZED IN RESULTS OF OPERATIONS OF THE RESPECTIVE PERIOD. INVESTMENTS IN FINANCIAL INSTRUMENTS HELD TO MATURITY ARE VALUED AT ACQUISITION COST. THE COSTS AND YIELDS OF FINANCIAL INSTRUMENTS ARE RECOGNIZED IN RESULTS OF THE PERIOD IN WHICH THEY OCCUR.

DERIVATE FINANCIAL INSTRUMENTS - THE INTERNAL CONTROL SYSTEM ESTABLISHED BY THE COMPANY INCLUDES POLICIES AND PROCEDURES TO MANAGE ITS EXPOSURE TO FLUCTUATIONS IN FOREIGN CURRENCY EXCHANGE RATES USING DERIVATIVE FINANCIAL INSTRUMENTS. THESE INSTRUMENTS ARE TRADED ONLY WITH AUTHORIZED INSTITUTIONS AND READING LIMITS HAVE BEEN ESTABLISHED FOR EACH INSTITUTION. THE COMPANY DOES NOT CARRY OUT TRANSACTIONS WITH DERIVATIVE FINANCIAL INSTRUMENTS FOR THE PURPOSE OF SPECULATION.

THE DERIVATIVE FINANCIAL INSTRUMENTS CURRENTLY USED BY THE COMPANY ARE PRIMARILY HEDGE CONTRACTS TO REDUCE ITS EXPOSURE TO EXCHANGE RATE FLUCTUATIONS. PREMIUMS PAID ARE AMORTIZED OVER THE TERM OF THE DERIVATIVE FINANCIAL INSTRUMENT USING THE UNPAID BALANCE OF THE LIABILITY BEING HEDGED.

5

DERIVATIVE FINANCIAL INSTRUMENTS IDENTIFIED AS HEDGES ARE VALUED BY APPLYING THE SAME VALUATION CRITERIA USED FOR THE ASSETS OR LIABILITIES HEDGED, AND THE EFFECTS OF THEIR VALUATION ARE RECOGNIZED IN RESULTS OF OPERATIONS, NET OF COSTS, EXPENSES, OR REVENUE FROM THE ASSETS OR LIABILITIES WHOSE RISKS ARE BEING HEDGED. THE FINANCIAL ASSETS OR LIABILITIES GENERATED BY THESE INSTRUMENTS ARE

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PRESENTED IN THE BALANCE SHEET AS A REDUCTION OF THE LIABILITIES OR ASSETS WHOSE RISKS ARE BEING HEDGED.

INCOME TAX, ASSET TAX AND EMPLOYEE PROFIT SHARING - INCOME TAX (ISR) AND EMPLOYEE STATUTORY PROFIT-SHARING (PTU) ARE RECORDED IN RESULTS OF THE YEAR IN WHICH THEY ARE INCURRED. DEFERRED INCOME TAX ASSETS AND LIABILITIES ARE RECOGNIZED FOR TEMPORARY DIFFERENCES RESULTING FROM COMPARING THE BOOK AND TAX VALUES OF ASSETS AND LIABILITIES, PLUS ANY FUTURE BENEFITS FROM TAX LOSS CARRYFORWARDS DEFERRED INCOME TAX ASSETS ARE REDUCES BY ANY BENEFITS THAT, IN THE OPINION OF MANAGEMENT, WILL PROBABLY NOT BE REALIZED. DEFERRED PTU IS DERIVED FROM TEMPORARY DIFFERENCES BETWEEN THE BOOK RESULT AND INCOME FOR PTU PURPOSES AND IS RECOGNIZED ONLY WHEN IT CAN BE REASONABLY ASSUMED THAT THEY WILL GENERATE A LIABILITY OR BENEFIT, AND THERE IS NO INDICATION THAT THIS SITUATION WILL CHANGE IN SUCH A WAY THAT THE LIABILITIES WILL NOT BE PAID OR BENEFITS WILL NOT BE REALIZED.

THE ASSET TAX PAID THAT IS EXPECTED TO BE RECOVERABLE IS RECORDED AS AN ADVANCE PAYMENT OF INCOME TAX AND IS PRESENTED ON THE BALANCE SHEET WITH DEFERRED ISR.

EMPLOYEE RETIREMENT OBLIGATIONS - THE LIABILITY FROM SENIORITY PREMIUMS, PENSIONS AND RETIREMENT PAYMENTS, WHICH IS SIMILAR TO A PENSION, IS RECORDED AS ACCRUED, AND IS CALCULATED BY INDEPENDENT ACTUARIES BASED ON THE PROJECTED CREDIT UNIT METHOD, AT REAL INTEREST RATES. THEREFORE, THE LIABILITY IS BEING RECOGNIZED WHICH, AT PRESENT VALUE, IS EXPECTED TO COVER THE OBLIGATION FOR THESE BENEFITS AT THE ESTIMATED RETIREMENT DATE OF ALL THE COMPANIES' EMPLOYEES. SEVERANCE PAYMENTS ARE CHARGED TO RESULTS WHEN THEY ARE DETERMINED TO BE PAYABLE.

RESTATE STOCKHOLDERS' EQUITY - THIS ITEM CONSISTS OF MONETARY POSITION RESULT ACCUMULATED THROUGH THE FIRST RESTATEMENT OF THE FINANCIAL STATEMENTS AND THE GAIN (LOSS) FROM HOLDING MONETARY ASSETS, BECAUSE PRICE LEVELS INCREASED ABOVE (BELOW) INFLATION.

6

REVENUE RECOGNITION - REVENUES OF THE SUBSIDIARIES OF THE AUTOPARTS, CHEMICAL AND FOOD SECTORS ARE RECOGNIZED WHEN THE INVENTORIES ARE DELIVERED OR SHIPPED TO CUSTOMERS AND CUSTOMERS ASSUME RESPONSIBILITY FOR THEM.

THE REAL ESTATE SECTOR RECOGNIZES THE REVENUES AND COSTS FROM SALES OF URBANIZED PLOTS OF LAND IN RESULTS WHEN THE SALES ARE FORMALIZED AND THE DEPOSITS SECURING THE TRANSACTION ARE RECEIVED. THE INDIVIDUAL ASSIGNMENT OF THE COST OF THE LAND AND REAL ESTATE PROJECT TAKES INTO CONSIDERATION THE RELATIVE SELLING PRICE OF THE TOTAL PROJECT SO AS TO MAINTAIN THE SAME PROFIT MARGIN THROUGHOUT THE PROJECT.

REVENUES AND COSTS FROM REAL ESTATE PROJECTS ARE RECORDED ORIGINALLY AS A DEFERRED CREDIT FOR CONSTRUCTION COMMITMENTS AND AS REAL ESTATE PROJECTS IN PROCESS, AND ARE RECOGNIZED IN RESULTS BASED ON THE "PERCENTAGE OF COMPLETION" METHOD. THEREFORE, REVENUE IS MATCHED WITH COSTS INCURRED TO REACH THE STAGE OF COMPLETION TO TERMINATE THE PROJECT. IF THE LAST ESTIMATED COSTS DETERMINED EXCEED THE TOTAL REVENUES CONTRACTED, THE RESPECTIVE PROVISION IS CHARGED TO RESULTS OF THE YEAR.

INTEGRAL FINANCIAL RESULT - THIS REPRESENTS THE NET EFFECT OF INTEREST EARNED AND INCURRED, EXCHANGE GAINS AND LOSSES AND MONETARY POSITION GAIN OR LOSS ON, WHICH IS THE RESULT OF MAINTAINING MONETARY ASSETS AND LIABILITIES WHOSE REAL PURCHASING POWER IS MODIFIED BY THE EFFECTS OF INFLATION.

FOREIGN CURRENCY TRANSACTIONS ARE RECORDED AT THE EFFECTIVE EXCHANGE RATE AT THE DATE THE TRANSACTIONS ARE CARRIED OUT AND FOREIGN CURRENCY ASSETS AND

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LIABILITIES ARE ADJUSTED TO THE EXCHANGE RATE EFFECTIVE AT YEAR-END.

INCOME PER SHARE - BASIC INCOME (LOSS) PER ORDINARY SHARE IS CALCULATED BY DIVIDING CONSOLIDATED NET INCOME (LOSS) OF MAJORITY STOCKHOLDERS BY THE WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING DURING THE YEAR.

COMPREHENSIVE INCOME (LOSS) - COMPREHENSIVE INCOME (LOSS) IS COMPRISED OF THE NET CONSOLIDATED INCOME FOR THE PERIOD PLUS (LESS) ANY GAINS OR LOSSES THAT UNDER SPECIFIC ACCOUNTING REGULATIONS ARE RECORDED DIRECTLY IN STOCKHOLDERS' EQUITY, SUCH AS THE GAIN OR LOSS FROM HOLDING NONMONETARY ASSETS.

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STOCK EXCHANGE CODE:DESC

QUARTER:1

YEAR: 2004

Annex 3 SHARE OWNERSHIP

COMPANY NAME	MAIN ACTIVITIES	NUMBER OF SHARES	OWNERSHIP
SUBSIDIARIES			
BOSQUES DE LAS LOMAS, S.A. DE C.V.	Real Estate Sector	34,051,500	100.00
OPERADORA NAYARIT, S.A. DE C.V.	Real Estate Sector	49	78.00
PROMOCIONES BOSQUES, S.A. DE C.V.	Real Estate Sector	100,402,106	100.00
CORPORATIVO DINE, S.A. DE C.V.	Real Estate Sector	2,344,119,922	100.00
HOLDING DICOMEX, S.A. DE C.V.	Real Estate Sector	70,870,000	50.00
TURISTICA AKKO, S.A. DE C.V.	Real Estate Sector	9,998	100.00
BOSQUES DE SANTA FE, S.A. DE C.V.	Real Estate Sector	1,361	98.00
CANA DE SANTA FE, S.A. DE C.V.	Real Estate Sector	202,939,999	73.00
INMOBILIARIA DINE, S.A. DE C.V.	Real Estate Sector	36,710,199	100.00
CANTILES DE MITA	Real Estate Sector	115,003,237	95.90
CLUB DE GOLF PUNTA MITA, S.A. DE C.V.	Real Estate Sector	12,410,869	87.69
DESC AUTOMOTRIZ, S.A. DE C.V.	Autoparts Sector	700,968,215	100.00
CORFUERTE, S.A. DE C.V.	Food Sector	872,193,685	95.90
AGROKEN, S.A. DE C.V.	Food Sector	703,480,668	100.00
AUTHENTIC SPECIALITY FOODS	Food Sector	316,004	99.93
AGROBIOS CORPORATIVO	Food Sector	550,000	100.00
CID CENTRO DE INVESTIGACION Y DESARROLLO	Chemicals Sector	190,386,960	100.00
DIRECCION IRSA, S.A. DE C.V.	Chemicals Sector	4,201,800	100.00
FENOQUIMIA, S.A. DE C.V.	Chemicals Sector	5,000,000	100.00
FORESTACIONES OPERATIVAS DE MEXICO, S.A.	Chemicals Sector	31,658	100.00
GIRSA CORPORATIVO, S.A. DE C.V.	Chemicals Sector	41,510,000	100.00
GIRSA CONCENTRADORA, S.A. DE C.V.	Chemicals Sector	615,124,721	100.00
H2ORIZONTES, S.A. DE C.V.	Chemicals Sector	50,000	100.00
QUIMIR, S.A. DE C.V.	Chemicals Sector	1,930,987	100.00
RESIRENE, S.A. DE C.V.	Chemicals Sector	236,058,979	100.00
TECNO INDUSTRIA RF, S.A. DE C.V.	Chemicals Sector	10,675,000	100.00
REXCEL, S.A. DE C.V.	Chemicals Sector	1,001,000	100.00
INDUSTRIAS NEGROMEX, S.A. DE C.V.	Chemicals Sector	585,833,830	99.99
DYNASOL ELASTOMEROS, S.A. (ESPANA)	Chemicals Sector	1	50.00
DYNASOL GESTION, S.A.	Chemicals Sector	1	50.00
DYNASOL, L.L.C.	Chemicals Sector	1	50.00
PARATEC ELASTOMERS, L.L.C.	Chemicals Sector	1	100.00
PLASTIGLAS DE MEXICO, S.A. DE C.V.	Chemicals Sector	200,778,201	95.00
AEROPYCSA, S.A. DE C.V.	Chemicals Sector	458,329,279	100.00
CORPORATIVO ARCOS, S.A. DE C.V.	Chemicals Sector	260,524,996	100.00

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DESC CORPORATIVO, S.A. DE C.V.	Service Company	266,253,830	100.00
BIG SOFT, S.A. DE C.V.	Service Company	8,612,508	100.00
PACIFIC INTERNATIONAL AIRWAYS, S.A. DE C.V.	Service Company	244,498	100.00
SERVICIOS CORPORATIVOS ARCOS, S.A. DE C.V.	Service Company	449	100.00
BIOQUIMEX	Service Company	419,841,899	100.00
OTHER SUBSIDIARIES+A78 (4)	Service Companies	1	100.00
Associates			
1. Others			
SERVICES		1	0
Other Permanent Investments			
Total			

STOCK EXCHANGE CODE:DESC

QUARTER: 1

YEAR: 2004

Annex 5

CREDITS BREAKDOWN
(Thousands of Pesos)

Credit Type / Institution	Amortization Date	Rate of Interest	Amortization of Credits National Entities				
			Time Inter				
			Denominated in Pesos				
			Until 1 Year	More Than 1 Year	Current Year	Until 1 Year	Until 2 Years
			LT	ST	LP		
WITH WARRANTY							
DEUTSCHE BANK	15-Oct-07	8.75000					
Financial Institutions							
IFC	15-Feb-06	3.30000	0	0	0	0	0
IFC	15-Sep-09	4.90000	0	0	0	0	0
IFC	15-Sep-09	10.35000	0	0	0	0	0
DEG	28-Dec-06	4.12500	0	0	0	0	0
CITIBANK NA (SIND)	23-Jun-06	4.14630	0	0	0	0	0
CITIBANK NA (SIND)	23-Dec-08	4.64630	0	0	0	0	0
BBVA BANCOMER (SIND)	23-Dec-08	8.71110	0	1,222,553	0	0	0
Various Suppliers	31-Dec-10	8.40000	0	0	0	0	0
BANCO SANTANDER MEXICANO	31-Jan-07	10.02350	3,261	6,513	0	0	0
INBURSA	31-Aug-04	12.54000	15,000	0	0	0	0
INBURSA	28-Feb-07	12.90000	5,000	30,000	0	0	0
BANCO SANTANDER MEXICANO	31-Jan-07	7.79670	1,038	1,892	0	0	0
BANAMEX-CITIBANK	16-May-08	8.06140	1,550	8,860	0	0	0
COMERICA BANK	26-Apr-04	2.62000	0	0	0	0	0
COMERICA BANK	9-Apr-04	3.21880	0	0	0	0	0
COMERICA BANK	21-Dec-04	3.21880	0	0	0	0	0
COMERICA BANK	20-Apr-04	3.21880	0	0	0	0	0
COMERICA BANK	7-May-04	3.21880	0	0	0	0	0
COMERICA BANK	18-May-04	3.21880	0	0	0	0	0
COMERICA BANK	9-Apr-04	3.21880	0	0	0	0	0
COMERICA BANK	20-Apr-04	3.21880	0	0	0	0	0
TOTAL BANKS			25,849	1,269,818	0	0	0

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Credit Type / Institution	Amortization of Credits in Foreign Currency with foreign entities (Thousands of \$)					
	Time Interval					
	Current Year	Until 1 Year	Until 2 Years	Until 3 Years	Until 4 Years	Until 5 Years
	ST		LP			
WITH WARRANTY						
DEUTSCHE BANK					818,924	0
Financial Institutions						
IFC	8,007	8,007	16,015			
IFC	36,033	36,033	72,066	72,066	72,066	108,099
IFC	48,044	48,044	96,088	96,088	96,088	144,132
DEG	3,487	583	2,346	1,763	0	0
CITIBANK NA (SIND)	0	0	0	1,121,030	0	0
CITIBANK NA (SIND)	0	0	0	1,665,660	1,665,660	1,665,660
BBVA BANCOMER (SIND)	0	0	0	0	0	0
Various Suppliers	4,683	0	8,002	7,149	7,878	23,795
BANCO SANTANDER MEXICANO	0	0	0	0	0	0
INBURSA	0	0	0	0	0	0
INBURSA	0	0	0	0	0	0
BANCO SANTANDER MEXICANO	0	0	0	0	0	0
BANAMEX-CITIBANK	0	0	0	0	0	0
COMERICA BANK	56,052	0	0	0	0	0
COMERICA BANK	4,088	0	0	0	0	0
COMERICA BANK	89,682	0	0	0	0	0
COMERICA BANK	1,432	0	0	0	0	0
COMERICA BANK	10,284	0	0	0	0	0
COMERICA BANK	5,470	0	0	0	0	0
COMERICA BANK	9,567	0	0	0	0	0
COMERICA BANK	4,754	0	0	0	0	0
TOTAL BANKS	281,583	92,667	194,517	2,963,756	2,660,616	1,941,686

LISTED IN THE MEXICAN STOCK EXCHANGE	Amortization Date	Rate of Interest	Amortization of Credits Denominated in Pesos National Entities				
			Time Interval				
			Until 1 Year	More Than 1 Year	Current Year	Until 1 Year	Until 2 Years
UNSECURED DEBT							
UDIBONOS	10/21/2006	9.00	0	1,104,356	0	0	0
UDIBONOS	7/13/2007	8.20	0	1,215,367	0	0	0
			0	2,319,723	0	0	0
TOTAL STOCK EXCHANGE							
SUPPLIERS			806,907	0	0	0	0

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OTHERS			0	0	0	0
TOTAL SUPPLIERS	806,907		0	0	0	0
OTHERS	1,567,979		0	0	0	0
OTHER CURRENT LIABILITIES AND OTHER CREDITS	2,400,735	3,589,541	0	0	0	0

LISTED IN THE MEXICAN STOCK EXCHANGE	Amortization of Credits in Foreign Currency with foreign entities (Thousands of \$)					
	Time Interval					
	Current Year	Until 1 Year	Until 2 Years	Until 3 Years	Until 4 Years	Until 5 Years
UNSECURED DEBT						
UDIBONOS	0	0	0	0	0	0
UDIBONOS	0	0	0	0	0	0
	0	0	0	0	0	0
TOTAL STOCK EXCHANGE						
SUPPLIERS	0	1,023,773	0	0	0	0
OTHERS	0	0	0	0	0	0
TOTAL SUPPLIERS	0	1,023,773	0	0	0	0
OTHERS	0	339,910	0	0	0	0
OTHER CURRENT LIABILITIES AND OTHER CREDITS	281,583	1,456,350	194,517	2,963,756	2,660,616	1,941,686

STOCK EXCHANGE CODE:DESC

QUARTER: 1

YEAR: 2004

Annex 6

MONETARY POSITION IN FOREIGN EXCHANGE
(Thousands of Pesos)

TRADE BALANCE	DOLLARS (1)		OTHER CURRENCIES		TOTAL THOUSANDS OF PESOS
	THOUSANDS OF DOLLARS	THOUSANDS OF PESOS	THOUSANDS OF DOLLARS	THOUSANDS OF PESOS	
TOTAL ASSETS	353,792	3,966,117	0	0	3,966,117
LIABILITIES POSITION	871,174	9,766,121	0	0	9,766,121
SHORT TERM LIABILITIES POSITION	155,030	1,737,933	0	0	1,737,933
LONG TERM LIABILITIES POSITION	716,144	8,028,188	0	0	8,028,188
NET BALANCE	-517,382	-5,800,004	0	0	-5,800,004

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PLANT OR CENTER	ECONOMIC ACTIVITY
EJES TRACTIVOS, S.A. DE C.V.	REAR AXLES ASSEMBLY (PIECES)
EJES TRACTIVOS, S.A. DE C.V.	REAR AXLES TRACTOR LINE (PIECES)
PISTONES MORESA, S.A. DE C.V. (SALTILLO)	PISTONS (PIECES)
PISTONES MORESA, S.A. DE C.V. (CELAYA)	PISTONS (PIECES)
MORESTANA, S.A. DE C.V.	TAPPETS (PIECES)
PISTONES MORESA, S.A. DE C.V.	PISTON PINS (PIECES)
ENGRANES CONICOS, S.A. DE C.V.	GEARS (SETS)
PRODUCTOS ESTAMPADOS DE MEXICO, S.A. DE C.V.	STAMPED (A) (STROKES)
VELCON, S.A. DE C.V.	CONSTANT VELOCITY JOINTS (PIECES)
TRANSMISIONES TSP, S.A DE C.V.	TRANSMISSIONS (MEDIUM & HEAVY TRANSMISSIONS)
TREMEC, S.A. DE C.V.	TRANSMISSIONS (LIGHT TRANSMISSIONS)
TREMEC, S.A. DE C.V.	TRANSMISSIONS (HEAVY DUTTY COMPONENTS)
CARDANES, S.A. DE C.V.	PROPELLER SHAFTS ASSEMBLY (PIECES)
CARDANES, S.A. DE C.V.	PROPELLER SHAFTS TRACTOR LINE (PIECES)
HAYES WHEELS ACERO, S.A. DE C.V.	STEEL WHEELS (PIECES)
AUTOMETALES, S.A. DE .CV.	IRON FOUNDRY (TONS)
TF VICTOR, S.A. DE C.V.	GASKETS, SEALS, MOTOR PARTS (PIECES)
FORJAS SPICER, S.A. DE C.V.	PRECISION FORGES (TONS)
1 COATZACOALCOS, VER.	POLYSTYRENE (TONS)
2 XICOHTZINGO, TLAX.	POLYSTYRENE (TONS)
3 ALTAMIRA, TAMPS. (DYNASOL)	SYNTHETIC RUBBER (TONS)
4 ALTAMIRA, TAMPS. (INSA)	SYNTHETIC RUBBER (TONS)
5 ALTAMIRA, TAMPS. (PARATEC)	SYNTHETIC RUBBER (TONS)
6 COATZACOALCOS, VER.	PHOSPHATE (TONS)
7 TULTITLAN, EDO. MEX.	PHOSPHATE (TONS)
8 LECHERIA, EDO. MEX.	PHOSPHATE (TONS)
9 ALTAMIRA, TAMPS.	CARBON BLACK (TONS)
10 OCOYOACAC, EDO. MEX.	ACRYLIC SHEET (TONS)
11 SAN LUIS POTOSI. S.L.P.	ACRYLIC SHEET (TONS)
12 LERMA, EDO. MEX.	MELAMINE LAMINATES (K M2)
13 ZITACUARO, MICH.	PARTICLE BOARD (K M3)
14 LECHERIA, EDO. MEX.	ORTHOPHOSPHATE (TONS)

MEXICAN STOCK EXCHANGE

SIFIC / ICS

STOCK EXCHANGE CODE:DESC

QUARTER: 1

YEAR: 2004

PLANTS, COMMERCE CENTERS OR DISTRIBUTION CENTERS

ANNEX 9

PLANT OR CENTER	ECONOMIC ACTIVITY	PLANT CAPACITY (1)	UTILIZATION
1 MERIDA	MILL (ton/month)	25,000	
2 IRAPUATO	MILL (ton/month)	12,000	
3 PENINSULA	HOG (thousands)	35	
4 MERIDA	SLAUGHTER HOUSE	222	
5 PENJAMO	SLAUGHTER HOUSE	125	
7 MOCHIS (SANTA ROSA)	FRESH TOMATO PROCESSING (TONS/DAY IN 100 DAYS)	3,000	
8	TOMATO PRODUCTS IN TETRABRIK CONTAINER (MILLION OF CASES)	6	
	TOMATO PASTE (TONS IN 100 DAYS)	44,500	
MOCHIS (LA CORONA)	CANNED VEGETABLES (TONS)	72,567	

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	CANNED VEGETABLES (MILLIONS OF CASES)	7
9 MAZATLAN	TUNA (thousands boxes)	2,500
OAXACA	COFEE (TONS/MONTH)	212
10 ROSEMEAD, CALIFORNIA	SALSA & CANNED VEGETABLES (thousands lb)	166,226

MEXICAN STOCK EXCHANGE
 SIFIC / ICS
 STOCK EXCHANGE CODE:DESC QUARTER: 1 YEAR: 2004

MAIN RAW MATERIALS
 ANNEX 10

DOMESTIC	MAIN SUPPLIERS	FOREIGN	MAIN SUPPLIERS
1 LAMINATE	HYLSA, S. A. DE C.V.	STEEL	MC STEEL
2 STEEL	INDUSTRIAS CH, S. A.	STEEL	MITSUBISHI
3 ALUMINUM	NACOBRE	LAMINATE	NISHO OWAI
4 COLOR PAINTS	P.P.G. INDUSTRIAS DE MEXICO , S. A. DE C.V.	STEEL	TOTH INDUSTRIES
5 LAMINATE	AHMSA	AUTOMOTIVE PARTS	DANA CO.
6 COLOR PAINTS	DUPONT DE MEXICO	FORGE	GSB FORJA
7 RODAMIENTOS	KOYO DE MEXICO	LAMINATE	DAEWOO CORP.
8 RODAMIENTOS	TIMKEM	ALUMINUM	REYNOLDS METAL
9 LAMINATE	GENERAL MOTORS	RODAMIENTOS	THE TIMKEN CO.
10		FORGE	THYSSEN PRECISION F
11			
12			
13 STYRENE	PEMEX	STYRENE	STERLING, MITSUI
14 BUTADIEN		BUTADIEN	SHELL, POLIMERI EUR
15			BP CHEMICAL, EQUIST
16 METHANOL	PEMEX	METHANOL	SABIC, REPSOL QUIMI
17 TOLUEN	PEMEX		CELANESE, PETROCEL
18			
19 NATURAL GAS	PEMEX		
20 PHOSPHORIC ACID MERCANTILE	RHODIA MEXICANA		
21 PHOSPHORIC ACID (TECHNICAL)	RHODIA MEXICANA		
22		ACETOCYANOHIRINE	BP CHEMICAL
23			
24 FRESH JALAPENO	OWN PRODUCTION & FRESH MARKET (VARIOUS)		
25 FRESH TOMATO	OWN PRODUCTION & FRESH MARKET (VARIOUS)		
26 FRESH TOMATILLO	OWN PRODUCTION & FRESH MARKET (VARIOUS)		
27 TETRABRIK CONTAINER	TETRAPAK		
28 METALLIC CAN	GRUPO ZAPATA		
29 METALLIC CAN	ZAPATA ENVASES		
30 CORN OIL	ARANCIA CORN PRODUCTS		
31 SHIPPING CARTON	CELULOSA Y CORRUGADOS		
32 SHIPPING CARTON	EMPAQUE DE CARTON TITAN		
33		TOMATO PASTE	MORNING STAR
34		REYNOLD'S ITEMS	REYNOLDS
35 VARIOUS			
36 METALLIC CAN	ENVASES DE SINALOA		
37 DIESEL	PEMEX		
38		VEGETABLES	RIO FARMS

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39			VEGETABLES	WOOLF ENTERPRISES
40			PACKAGING MATERIAL	
			- GLASS	OWENS BROCKWAY
41			PACKAGING MATERIAL	
			- CANS	PECHINEY PLASTIC
42 HOG GENETIC	PIC			
			GRAIN	CARGILL

MEXICAN STOCK EXCHANGE
SIFIC / ICS
STOCK EXCHANGE CODE:DESC QUARTER: 1 YEAR: 2004

Annex 11

SALES DISTRIBUTION BY PRODUCT
DOMESTIC SALES

MAIN PRODUCTS	Total Production		SALES		MARKET SHARES (%)	MAIN	
	VOLUME	AMOUNT	VOLUME	AMOUNT		TRADEMARKS	CUSTOMERS
AUTOPARTS SECTOR		0	0	705,239			
CHEMICAL SECTOR		0	0	1,081,410			
FOOD SECTOR		0	0	714,428			
REAL ESTATE SECTOR		0	0	292,226			
COMPANIES OF OTHER SERVICES		0	0	5,793			
TOTAL				2,799,096			

SALES DISTRIBUTION BY PRODUCT
FOREIGN SALES

MAIN PRODUCTS	Total Production		SALES		MARKET SHARES (%)	MAIN	
	VOLUME	AMOUNT	VOLUME	AMOUNT		TRADEMARKS	CUSTOMERS
AUTOPARTS SECTOR		0	0	1,470,319			
CHEMICAL SECTOR		0	0	784,758			
FOOD SECTOR		0	0	302,457			
TOTAL				2,557,534			

STOCK EXCHANGE CODE:DESC QUARTER: 1 YEAR: 2004

COMPOSITION OF THE PAID SOCIAL CAPITAL STOCK
CHARACTERISTICS OF THE SHARES

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Series	Nominal Value	Valid Coupon	Number of Shares				Capital Stock (Thousands of Pesos)	
			Fixed Portion	Variable Portion	Mexican	Unrestricted	Fixed	Variable
A	0.01300	20	766,462,085				766,462,085	9,964
B	0.01300	20		602,617,291			602,617,291	
Total			766,462,085	602,617,291	0		1,369,079,376	9,964

TOTAL NUMBER OF SHARES REPRESENTING THE PAID-IN CAPITAL STOCK ON THE DATE THE INFORMATION IS SENT: 1,369,079,376

SHARES PROPORTION BY:

CPO'S:
 UNITS:
 ADRS'S:
 GDRS'S:
 ADS'S:
 GDS'S:

General Data of the Issuer:

Corporate Name: Desc, S.A. de C.V.
 Address: Paseo de los Tamarindos 400-B
 City: Bosques de las Lomas
 Zip Code: 5120
 State: Mexico, D.F.
 Telephone: 52-61-80-00
 Fax: 52-61-80-98
 E-Mail: eloy.vega@desc.com.mx
 Internet Address: www.desc.com.mx

Fiscal Data of the Issuer:

RFC of Company: DES9405182F1
 Domicile: Paseo de los Tamarindos 400-B
 City: Bosques de las Lomas
 Zip Code: 5120
 State: Mexico, D.F.

Responsibility for Payments:

Name: Lic. Jorge Francisco Padilla Ezeta
 Address: Paseo de los Tamarindos 400-B
 City: Bosques de las Lomas
 Zip Code: 5120
 State: Mexico, D.F.
 Telephone: 52-61-80-00
 Fax: 52-61-80-98
 E-Mail: jorge.padilla@desc.com.mx

Data with respect to officers:

Mexican Stock

Exchange equivalent: Chairman of the Board of Directors
 Title at company: Chairman and Chief Executive Officer
 Name: Mr. Fernando Senderos Mestre
 Address: Paseo de los Tamarindos 400-B
 City: Bosques de las Lomas
 Zip Code: 5120

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State: Mexico, D.F.
Telephone: 52-61-80-00
Fax: 52-61-80-98
Mexican Stock
Exchange equivalent: General Manager
Title at company: Chief Executive Corporate Area
Name: Ing. Juan Marco Gutierrez Wanless
Address: Paseo de los Tamarindos 400-B
City: Bosques de las Lomas
Zip Code: 5120
State: Mexico, D.F.
Telephone: 52-61-80-00
Fax: 52-61-80-98
E-Mail: juan.gwanless@desc.com.mx

Mexican Stock
Exchange equivalent: Chief Financial Officer
Title at company: Director of Finance
Name: Lic. Arturo D'Acosta Ruiz
Address: Paseo de los Tamarindos 400-B
City: Bosques de las Lomas
Zip Code: 5120
State: Mexico, D.F.
Telephone: 52-61-80-00
Fax: 52-61-80-98
E-Mail: arturo.dacosta@desc.com.mx

Mexican Stock
Exchange equivalent: Officer in Charge of Sending
Quarterly Financial Information
Title at company: Corporate Manager of Financial Information
Name: Lic. Jorge Francisco Padilla Ezeta
Address: Paseo de los Tamarindos 400-B
City: Bosques de las Lomas
Zip Code: 5120
State: Mexico, D.F.
Telephone: 52-61-80-00
Fax: 52-61-80-98
E-Mail: jorge.padilla@desc.com.mx

Mexican Stock
Exchange equivalent: Alternate Officer in Charge of Sending
Quarterly Financial Information
Title at company: Corporate Comptroller
Name: Lic. Eduardo Philibert Garza
Address: Paseo de los Tamarindos 400-B
City: Bosques de las Lomas
Zip Code: 5120
State: Mexico, D.F.
Telephone: 52-61-80-00
Fax: 52-61-80-96
E-Mail: eduardo.philibert@desc.com.mx

Mexican Stock
Exchange equivalent: Officer Responsible for Legal Affairs
Title at company: General Counsel
Name: Lic. Ramon Estrada Rivera
Address: Paseo de los Tamarindos 400-B
City: Bosques de las Lomas
Zip Code: 5120
State: Mexico, D.F.
Telephone: 52-61-80-00
Fax: 52-61-80-97
E-Mail: ramon.estrada@desc.com.mx
Mexican Stock

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Exchange equivalent: Secretary of the Board of Directors
Title at company: Secretary of the Board of Directors
Name: C.P. Ernesto Vega Velasco

Address: Bosque de Ciruelos No. 130 Room 1203
City: Bosques de las Lomas
Zip Code: 11700
State: Mexico, D.F.
Telephone: 52-61-80-00
Fax: 52-61-80-60
E-Mail: ernesto.vega@desc.com.mx

Mexican Stock
Exchange equivalent: Officer in Charge of Providing
Information to Investors
Title at company: Corporate Manager of Financial Information
Name: Lic. Jorge Francisco Padilla Ezeta
Address: Paseo de los Tamarindos 400-B
City: Bosques de las Lomas
Zip Code: 5120
State: Mexico, D.F.
Telephone: 52-61-80-00
Fax: 52-61-80-97
E-Mail: jorge.padilla@desc.com.mx

Mexican Stock
Exchange equivalent: Officer Authorized to Send
Information via Emisnet
Title at company: Chief Financial Officer
Name: Lic. Arturo D'Acosta Ruiz
Address: Paseo de los Tamarindos 400-B
City: Bosques de las Lomas
Zip Code: 5120
State: Mexico, D.F.
Telephone: 52-61-80-00
Fax: 52-61-80-98
E-Mail: arturo.dacosta@desc.com.mx

Mexican Stock
Exchange equivalent: Officer Authorized to Send Relevant
Events via Emisnet
Title at company: Secretary of the Board of Directors
Name: C.P. Ernesto Vega Velasco
Address: Bosque de Ciruelos No. 130 Room 1203
City: Bosques de las Lomas
Zip Code: 11700
State: Mexico, D.F.
Telephone: 52-61-80-00
Fax: 52-61-80-60
E-Mail: ernesto.vega@desc.com.mx

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Desc, S.A. de C.V.

(Registrant)

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Date: April 29, 2004

By /s/ Arturo D'Acosta Ruiz

(Signature)

Name: Arturo D'Acosta Ruiz

Title: Chief Financial Officer