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Investor Relations Office
MINISTRY OF FINANCE AND PUBLIC CREDIT

México., July 14, 2005.

THE FEDERAL GOVERNMENT COMPLETES THE PRE-FUNDING OF ALL THE EXTERNAL MARKET DEBT AMORTIZATIONS FOR 2006 AND 2007

Complete pre-funding of the external market debt amortizations for 2006 and 2007.

The Ministry of Finance informs that the Federal Government has obtained the resources in foreign currency needed to cover all the external market debt amortizations due in 2006 and 2007 through the purchase of 2,878 million USD from the international reserves held by Banco de México (Banxico).

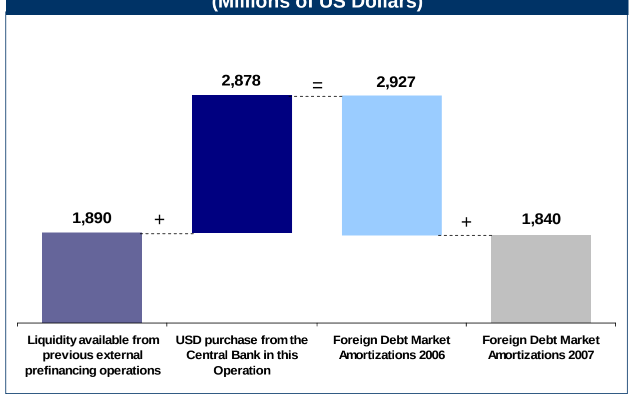
The resources for this operation come from the liquidity accumulated by the Federal Government in financing operations throughout the previous months.

Importance of the Operation

The purchase of 2,878 million USD from Banxico's international reserves, in addition to the liquidity provided by the external pre-financing operations previously announced, allowed the Federal Government to obtain the resources in foreign currency to cover all the external market debt amortizations programmed for the next two years, totaling 4,767 million USD.

In 2006 and 2007, amortizations to the Federal Government's external debt amount to around 2,927 and 1,840 million USD, respectively. In this regard, the pre-financing of such debt payments means that as a point of departure the Economic Program for those years will not need to consider the issuance of external market debt to refinance external market amortizations, notwithstanding Mexico's good international credit access.

Pre-funding of External Market Debt Payments 2006 and 2007 */
(Millions of US Dollars)



*/ The sum of the parts may not coincide with the total due to rounding.

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Advantages of the Operation

By completing this transaction, the following will be achieved:

a) **Pre-financing the obligations for 2006 and 2007.** This transaction, along with the pre-funding operations carried out in previous months, completes all the financing required to cover the amortizations of debt denominated in foreign currency throughout 2006 and 2007.

b) **Improve the composition of the Federal Government's debt.** This operation results in a more adequate external and internal debt mixture, diminishing the ratio of net liabilities denominated in foreign currency to total net liabilities. Accordingly, it is estimated that this ratio will decrease from 40% to 38%. In this regard, it should be pointed out that the Federal Government's total net debt is not reduced by this operation, as this is not a prepayment operation. A reduction of the stock of total net debt through prepayment is only possible through a budget surplus, which is not currently the case in Mexico.

c) **Reduction of the vulnerability of public finances to external shocks.** By strengthening the structure of the Federal Government's liabilities, this operation diminishes the sensitivity of the public debt's financial cost to changes in external interest rates and/or exchange rate fluctuations.

Final Comments

This operation is in accordance to the general debt management strategy, outlined in the National Program to Finance Development 2002-2006, which intends to reduce the share of external debt in the Federal Government total debt. It is also congruent with the external and domestic debt indebtedness ceilings approved by Congress for this year.

The Federal Government reiterates its commitment to strengthen the structure of the public debt portfolio. Therefore, whenever allowed by the economic and financial conditions, the Government will continue to carry out the necessary operations to insure the most favorable conditions for public debt in the medium and long-terms, maintaining a prudent risk level.