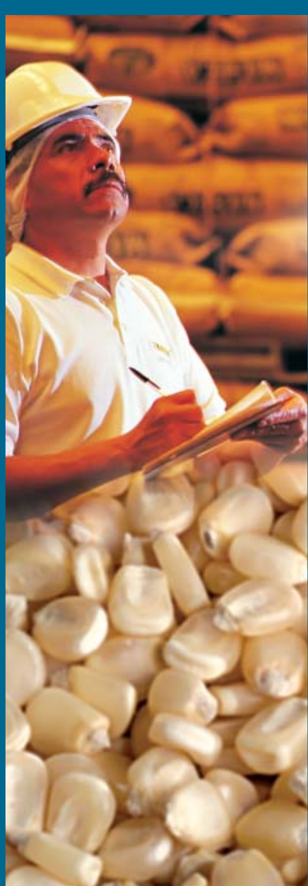
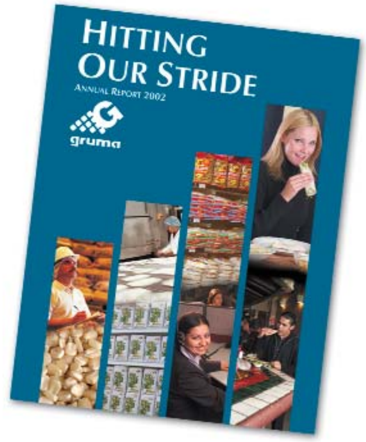
HITTING OUR STRIDE

ANNUAL REPORT 2002

gruma



For GRUMA, the year 2002 signifies the stabilization and strengthening of our business after several years of capital-intensive growth, restructuring and consolidation. Our financial profile continues to improve as we reduce debt, trim expenses and increase margins. With our fundamentals strongly in place and a renewed focus on growth in our core businesses, we are **hitting our stride.**



CONTENTS

Founded in 1949, GRUMA is the world's largest corn flour and tortilla producer. GRUMA is primarily engaged in the production, marketing, distribution, and sale of corn flour, packaged tortillas, and wheat flour. With leading brands in most of its markets, GRUMA operates primarily through subsidiaries located in Mexico, the United States, Central America, Venezuela, and Europe. Headquartered in Monterrey, Mexico, GRUMA has nearly 15,000 employees and 74 plants and, in 2002, had net sales over US$1.8 billion. For more information, visit www.gruma.com.

MISSION

GRUMA's mission is to produce dynamic and profitable long-term growth and to create maximum shareholder value by focusing primarily on its core businesses of tortillas, corn flour, and wheat flour.

GRUMA will carry out its mission through the most efficient manufacturing and marketing systems and unparalleled customer service.

BUSINESS STRATEGY

- Offer superior quality products and services.
- Thoroughly understand and satisfy the needs of our customers and consumers.
- Continually enhance brand equity through efficient and effective marketing, distribution and customer service efforts.
- Develop technology and market research that strengthen our competitive advantages.
- Participate only in markets in which we can create long-term value.

CONSOLIDATED FINANCIAL HIGHLIGHTS OF GRUMA, S.A. DE C.V. AND SUBSIDIARIES

(Millions of constant pesos[1] as of December 31, 2002, except where indicated)

INCOME STATEMENT INFORMATION	2002	2001	VARIATION
Sales volume[(2)]	3,433	3,415	1%
Net sales	19,174	18,916	1%
Operating income	1,492	976	53%
Operating margin	7.8%	5.2%	260pb
EBITDA[(3)]	2,480	2,062	20%
EBITDA margin	12.9%	10.9%	200pb
Net income	590	523	13%
Net majority income	393	332	18%
BALANCE SHEET INFORMATION			
Cash and cash equivalents	453	413	10%
Total assets	22,143	21,883	1%
Debt[(4)]	6,843	6,984	(2%)
Total liabilities	10,110	9,722	4%
Total stockholders' equity	12,033	12,054	(0%)
Majority stockholders' equity	9,448	9,540	(1%)
OTHER INFORMATION			
Millions of common shares outstanding	441.4	441.7	(0%)
Earnings per share[(5)]	0.88	0.77	15%
Book value per share[(6)]	21.4	21.6	(1%)
Investments	659	685	(4%)
Employees at year-end	14,887	15,585	(4%)

(1) All references herein to "peso" are to the Mexican peso. All references to "dollars" or to "US$" are to the U.S. dollar.

(2) Thousands of metric tons.

(3) EBITDA = operating income + depreciation and amortization affecting operating income.

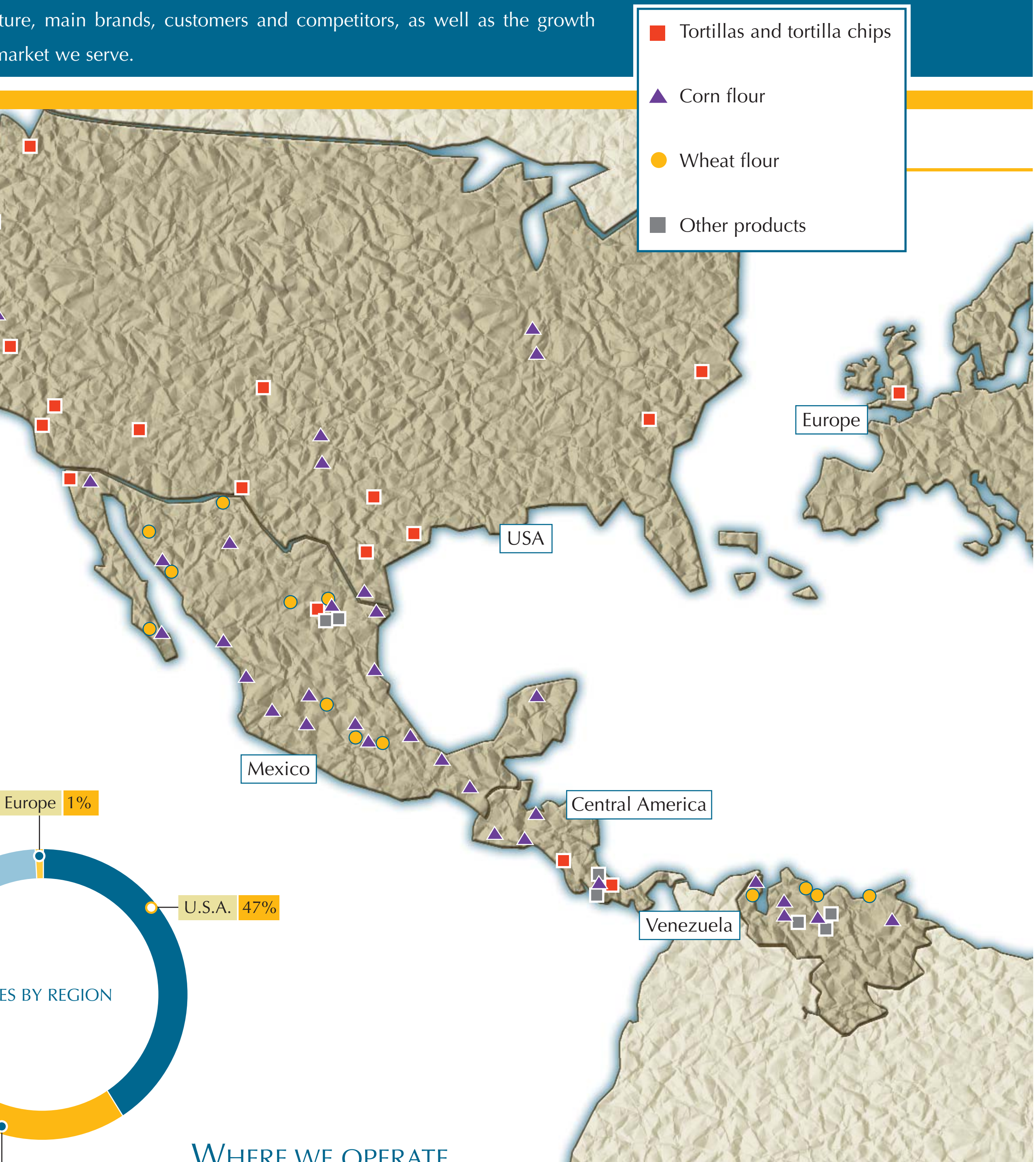
(4) Measured in dollar terms, GRUMA reduced its debt by 9% to US$ 656 million.

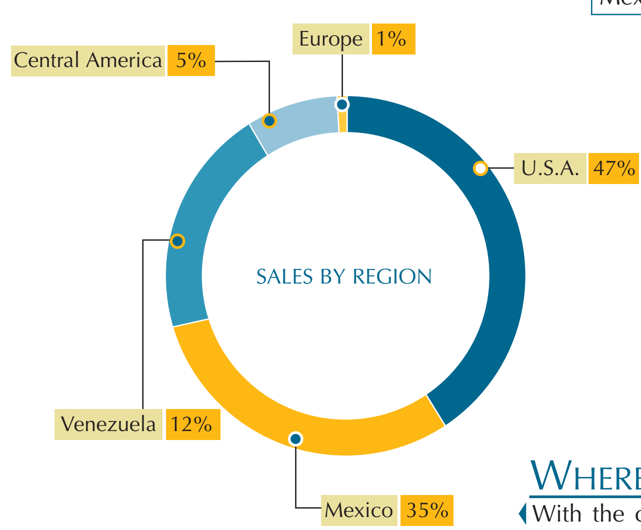
(5) In pesos and based on weighted average of outstanding shares of common stock.

(6) In pesos and based on outstanding shares at year-end.

GRUMA AT A GLANCE

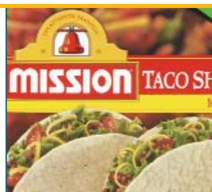
GRUMA's operating divisions are structured to ensure that it delivers the best quality and reliability to its customers and consumers. This overview provides a summary of GRUMA: its international presence, divisional structure, main brands, customers and competitors, as well as the growth potential we see in each market we serve.

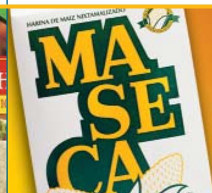




WHERE WE OPERATE

With the capability to deliver quality foods in the different regions and cultures in which it operates, GRUMA has successfully expanded into international markets. Today we have a direct presence in nine countries and 65% of total net sales are derived from our international operations. We will continue to expand the reach of our core businesses to those markets in which we can create long-term value.





	Gruma Corporation	Gimsa	Molinera de México	Prodisa	Gruma Centro América	Venezuela Operations
Overview	Through its Azteca Milling and Mission Foods divisions, Gruma Corporation is one of the **U.S.** market leaders in the corn flour and tortilla industries	**Mexico**'s number one corn flour producer with an estimated 73% market share	**Mexico**'s leading wheat flour producer	Second largest manufacturer of packaged tortillas in **Mexico**	**Central America**'s largest corn flour producer with an estimated 80% market share, and the leading tortilla and snack foods manufacturer	**Venezuela**'s second largest corn flour and wheat flour producer
Key brands	Maseca® corn flour, Mission™ and Guerrero® tortillas	Maseca® corn flour	Reposada®, Selecta® and Poderosa®	Misión® and TortiRicas® corn and wheat tortillas	Maseca®, MasaRica® and Tortimasa® corn flour; TortiRicas® tortillas; Tosty® snacks	Juana® corn flour; Robin Hood® wheat flour
Select customers	Wal-Mart, Taco Bell, Kroger, Tyson Foods, small tortilla producers	Small tortilla producers, Wal-Mart, Soriana, Casa Ley, Bimbo, Sabritas	Bakeries, Gamesa, Soriana, Diconsa, Wal-Mart	Soriana, Gigante, HEB, Calimax	CSU, Megasúper, Price Smart, small tortilla producers	Proal, Alimentos Súper S, Pastas La Especial, Central Madeirense
Major competitors	Cargill, Minsa, Conagra, Tyson Foods, Bimbo, hundreds of tortilla producers	Corn dough producers using traditional nixtamal method, Minsa, Agroinsa	Munsa, Millco, Contri, Trimex	Bimbo, fresh tortilla producers	Minsa, Del Comal, Instamasa, traditional tortilla producers	Polar, Cargill
Growth potential	Mexican food consumption is one of the fastest growing segments in the U.S. food market and is gaining widespread popularity; although still quite small, European and Asian sales are growing exponentially	With one out of every two tortillas produced in Mexico still being made using the traditional wet corn dough (nixtamal) method, rather than the dry corn flour method, this market presents a significant growth opportunity	This fragmented industry is undergoing consolidation, allowing us to capture a growing share of the market	Local producers lead this segment, providing an opportunity to develop a natiowide brand of fresh packaged tortillas	The majority of tortilla producers still use the nixtamal method, representing an even larger growth opportunity than in Mexico	We expect to expand market share through improved service and distribution, combined with new product introductions and line extensions






"Our success rests on the foundation we are laying today: a customer-focused strategy, selective participation in markets in which we can create long-term value, prudent financial management, and a permanent commitment to quality and excellence".

FELLOW SHAREHOLDERS

Roberto González Barrera
Chairman and
Chief Executive Officer

We are pleased to report that GRUMA's 2002 performance continues the company's upward trend begun in 2000. We consider this a significant achievement in a time of lower-than-expected global economic growth and market uncertainty. In the past year, the company has worked hard to increase profitability and strengthen its core businesses and has taken major strides toward achieving its market share and financial performance goals.

FOSTERING A BALANCED APPROACH

GRUMA's expertise and proprietary technology in making high-quality food products, especially corn flour and tortillas, have always been its primary strengths. Yet we are evolving into an organization that successfully balances unequalled product and manufacturing expertise with a strong customer focus. We are doing this by thoroughly understanding customers' needs and working to deliver the quality and consistency that today's consumer demands. This essential evolution will significantly affect our future growth.

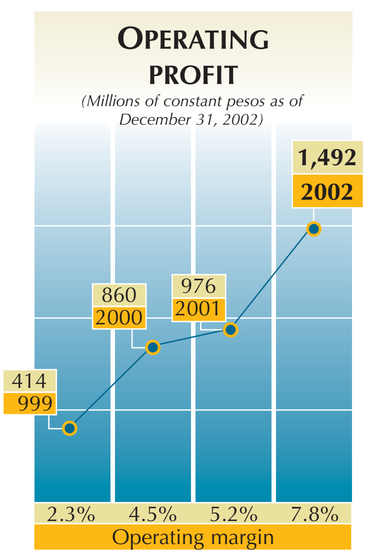
We are very proud of our brands' leading market positions and customer loyalty to our products. While we continue to cultivate these highly valued assets, we are also working to extend our reach into untapped segments and regions. We will accomplish this by being constantly alert to profitable growth opportunities around the world.

We will continue to cultivate a strong customer-service orientation while seeking ever higher efficiencies from our production processes. This balanced approach, combined with a prudent financial strategy, is already beginning to show its advantages and yield results.

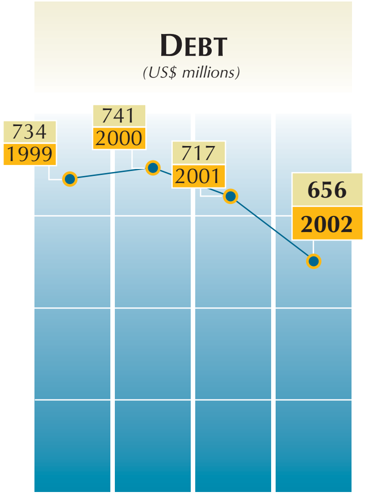
HIGHLIGHTS FROM THE YEAR

The effect of GRUMA's efforts on its financial results is evident. In 2002, operating income rose 53% as a result of higher net sales and lower operating expenses. Operating margin increased to 7.8% from 5.2% in 2001, while EBITDA rose 20%, from Ps 2,062 million to Ps 2,480 million. Our stronger cash flow enabled us to prepay certain obligations and reduce debt by 9% to US$656 million. These positive results indicate that our focused strategy is working.

In the U.S., Gruma Corporation, which contributes 48% of our consolidated sales, continued to grow: Net sales rose 5%, and operating income increased 33%. The sluggish economy notwithstanding, we have been working to satisfy growing demand for our products in geographically dispersed markets



GRUMA increased its operating profit because of its focus on profitability with moderate growth.



One of our priorities has been to reduce the company's debt level to improve our financial profile.

by adjusting our production and distribution systems. This restructuring has enabled us to deliver products more efficiently and profitably. And our European sales, while still a relatively small part of the business, grew over 53% during the year. If this market continues to prove attractive, we will allocate more resources in order to capitalize on the accelerated growth in demand for our products in Europe and the surrounding regions.

In Mexico, GIMSA, our corn flour division, achieved a 10.7% operating margin through a 3% decrease in operating expenses, which partially offset a 4% decline in total sales. Sales volume showed a positive trend throughout the year, with consecutive increases quarter by quarter.

To encourage further volume growth and to ensure that Maseca® remains the number one corn flour brand in Mexico, we've been working hard, through our customer-focused initiatives,

- Getting to know customers better through a channel sales differentiation strategy;
- Creating loyalty programs for high-volume buyers;
- Reducing customer costs by improving our own logistics and time to market; and
- Providing technical assistance and promoting the conversion from the nixtamal method to the modern corn flour method of tortilla production.

Our wheat flour division, Molinera de México, continues to deliver better results each year. When we entered the business in 1996, we sought to achieve nationwide coverage and improve the division's profitability as quickly as possible. Today, we are Mexico's largest wheat flour producer. During 2002, our net sales grew 11%. Operating income also increased during the year to Ps 18 million, 36% higher than in 2001, as a result of our efforts to consolidate and standardize operations.

The November 2001 discontinuation of Gruma Centro América's bread businesses had a positive impact on the company's 2002 cost structure. Although net sales fell 11% as a result of the divestiture, we turned an operating loss of Ps 8 million in 2001 into operating income of Ps 31 million in 2002. We were also able to increase our presence in the corn flour market, particularly in the wholesale channel.

Our Venezuela operations, MONACA and DEMASECA, faced the most serious circumstances of all of our markets, with a severe currency devaluation and its consequences. Despite the economic situation, the basic nature of our product portfolio helped to increase net sales 12% in both pesos and bolivar terms, and operating profit grew 58%, from Ps 153 million to Ps 241 million (Bs 20,500 million to Bs 32,400 million). The reason behind such a significant improvement was that the company formalized its corn purchases prior to the bolívar's devaluation. As a result, the company built low-priced inventories and was able to raise its corn flour prices commensurate with increases in inflation.

SETTING THE STAGE FOR FUTURE SUCCESS

By evolving into a market- and customer-focused organization, we are successfully adapting our corporate culture to thrive in today's market. At the same time, GRUMA is improving efficiency and asset utilization figures across the board and continues to strengthen its financial position.

Because of past investments, GRUMA has sufficient installed capacity in most subsidiaries today, with the exception of its U.S. division. Assuming a favorable geopolitical environment, we are confident that our continuing focus on improving profitability and achieving moderate but sustainable growth gives GRUMA a bright future indeed.

I want to take this opportunity to say that we are proud and honored to have the support of the nearly 15,000 employees who make GRUMA the company it is today. Our performance is a direct result of their dedication and innovation. I am grateful as well for the remarkable service of our board members, whose experience and knowledge are outstanding.

I also want to express my profound appreciation to our suppliers for their continued patronage and, as always, to our loyal customers and consumers, who value and prefer the quality of our products above all others. Finally, to the financial community and my fellow shareholders, a sincere thank you for your continued confidence in our company's success.

Chairman and Chief Executive Officer

A PERSPECTIVE ON GRUMA'S FINANCIAL STRATEGY

After a period of capital-intensive growth in the late 1990s, GRUMA's focus in the past three years has been on more moderate growth, in line with improving profitability measures and strengthening the company's financial condition. During this time, we've had three overriding priorities.

1º First, we began to take a critical look at our asset portfolio in 2001 with the intention of selling off non-core businesses – that is, operations in which we don't have a strong competitive advantage or a significant market position. Our business portfolio today is better balanced between mature, cash generating divisions such as Gimsa and Gruma Corporation, and units with strong growth potential, such as the European operations.

The fact that more than 65% of sales were derived outside of Mexico in 2002 demonstrates our international scope. That, combined with the nature of our products as staples in most of our markets, minimizes our exposure to specific factors such as exchange-rate fluctuations, inflation and political instability in any single country where we operate. We will continue to evaluate our assets and adjust GRUMA's business portfolio accordingly.

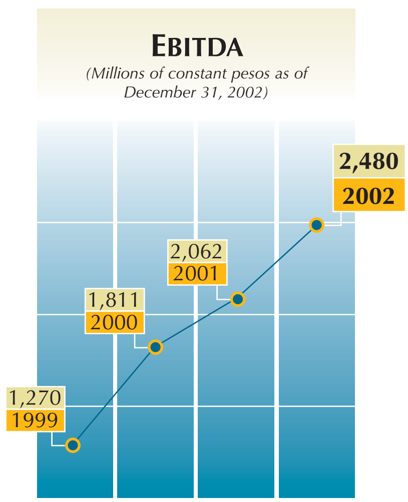
2º Second, we increased efficiency and productivity measures throughout the company, ensuring that our businesses continue to be among the lowest-cost, highest-quality producers. This is an ongoing process, one that extends from raw materials procurement to production, and from warehousing to sales and distribution. For example, we have been redeploying our production and distribution resources to maximize profitability, and cutting administrative expenses across the board by consolidating shared services and continuously leveraging our ERP systems to extract efficiencies from the supply chain.

As a result of these efforts, operating income has significantly improved, both on an absolute basis and as a percentage of sales. Consolidated operating margin has more than tripled since 1999, and in the last year alone increased from 5.2% to 7.8%. We are also generating more cash and optimizing working capital.

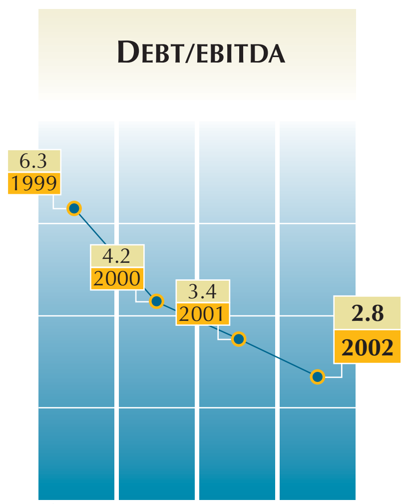
3º Our third priority continues to be strengthening our financial structure. As capex spending decreases and cash generation improves, we are trimming our obligations faster than anticipated. In 2002 we repaid US$56 million of debt, US$50 million of which was paid prior to its maturity, a reduction equivalent to 9% of our total indebtedness. This debt reduction, alongside EBITDA growth, will help us to restore investment-grade ratios and lower our future borrowing costs.

Today, our overall financial profile and debt ratios have improved markedly: debt-to-EBITDA for example, declined by nearly 60 basis points in 2002, from 3.4 times to 2.8 times, and interest coverage increased from 3.6 times to 4.9 times. These improvements strengthened our financial profile, which allowed us to secure a US$300 million syndicated loan in December 2002, lowering our funding costs and extending the maturity of our debt obligations.

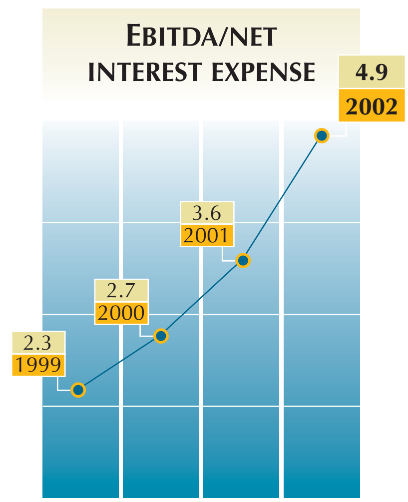
The work isn't over yet, but we are hitting our stride. As we look ahead to the future of GRUMA, there's a growing confidence in our ability to strengthen and grow the enterprise, and most importantly, confidence in the men and women in whose efforts GRUMA's success lies.



GRUMA increased EBITDA for the third year in a row, to reach Ps 2,480 million in 2002, or 12.9% of sales. This remarkable step is a result of our focus on core businesses and margin improvements.



Debt coverage continued improving in 2002, reaching 2.8x. As in previous years, lower debt and higher operating profit contributed to the improvement.



Higher cash generation, combined with lower debt and lower cost of capital, are clearly reflected in the interest coverage ratio trend. In 2002 the indicator improved to 4.9x, compared with 3.6x in 2001.

With his 30 years of commitment to GRUMA, Juan Quiroga was appointed chief of staff in February 2002, and is responsible for the finance, administrative, internal auditing, legal and procurement areas. From his current position, he shares his point of view regarding GRUMA's financial strategy and achievements to date.

HITTING OUR STRIDE THROUGH THREE PILLARS OF GRUMA'S STRATEGY

GRUMA´s focused strategy has steadily increased the company's cash generation and improved its financial profile. At the same time, customer relationships are stronger than ever, thanks to a revitalized service and sales approach that places our clients' needs at the forefront.

Our operating strategy rests on three fundamental principles:

- **Focusing on our core businesses**
- **Providing superior customer service**
- **Leveraging our key competencies**

Antonio Benavides, who joined GRUMA in 1990 and today holds the position of Divisional Sales Manager at Mission Foods, says that a main component of his work is doing everything possible to exceed the expectations of customers and consumers. Here he shows one of Gruma Corporation's most in-demand products in the U.S.

Focusing on our core businesses

Our core business is the production of tortillas, corn flour and wheat flour – dietary staples across the Americas.

We capitalize on our competitive positions in each region where we operate, using local management teams to identify growth opportunities. Our focus today is to:

Lead the growth of the expanding retail and food service tortilla markets in the United States, and capitalize on opportunities in international markets

Through its Mission Foods division, Gruma Corporation is one of the largest producers of tortillas in the United States with its Mission™ and Guerrero® brands. As growing consumption of Mexican-style foods by non-Hispanics in the United States has heightened demand for our products, we are working to increase market penetration, brand awareness and profitability.

Our key markets are retail – supermarkets, smaller independent stores and convenience stores – and food service customers such as national chain restaurants, food service distributors, schools and hospitals. We are a major supplier of tortillas to Taco Bell, for example.

Since opening our U.K. facility in 2000, sales have grown to more than US$18 million in 2002. In fact, European demand has grown so much that we received the 2002 English Exporter of the Year Award from Food from Britain, a marketing consultancy, and the bank HSBC. Our U.S. division also exports tortillas to multinational clients with operations in Asia, opening a large potential market for us.

Gruma Corporation constantly conducts focus group sessions to analyze and develop deeper understanding of consumers' tastes and preferences.

Employees of GRUMA's plant in United Kingdom proudly show the 2002 English Exporter of the Year award presented by Food from Britain and HSBC.

Encourage the transition from the traditional nixtamal tortilla production method to the modern dry corn flour method

The ancient nixtamal method of tortilla production, still widely used today, requires cooking corn in a limestone solution, milling the cooked corn, and creating dough from which tortillas are then shaped and made. With the dry corn flour method, which GRUMA pioneered more than 50 years ago, raw corn is cooked and milled directly into flour, to which tortilla producers and consumers simply add water in order to make tortilla dough. With this innovation, GRUMA has transformed an industry.

The advantages of the dry corn flour method include higher production yields, more uniform quality and longer shelf life, as well as lower consumption of water, electricity, fuel and labor than the traditional method. By encouraging the transition to the corn flour method, we believe GRUMA helps strengthen the business prospects of tortillerías throughout the region, and fosters greater self-reliance among rural consumers. To facilitate this transition, we are advertising and promoting the Maseca® brand, improving customer service and modernizing our manufacturing capacity and distribution networks in Mexico, the United States, Central America and Venezuela. We produce over 40 varieties of corn flour in our markets, suited for every customer need.

Our priority is our core businesses, which continue to offer huge growth potential

Extend our expertise into the wheat flour market

GRUMA entered the wheat milling market in Mexico in 1996 by acquiring several mills and brands, giving the company nationwide coverage and making GRUMA's Molinera de México the largest wheat flour producer in Mexico. Our customers include numerous conventional and supermarket in-store bakeries, Mexico's leading cookie and ice cream cone makers, and flour tortilla producers, among others. In a highly fragmented industry, we've succeeded in increasing our market share through bulk sales and a growing retail channel. We are also developing value-added products such as pre-mixes, allowing bakeries to increase their production efficiency and consolidate their purchasing with fewer vendors.

Our Venezuelan wheat flour business provides portfolio diversification in a market where corn and wheat flour are consumed equally. Since acquiring Monaca in 1999 we have strengthened our two-brand retail strategy, with Robin Hood® as the premium wheat flour and Flor de Trigo® as a flanker.

GRUMA increased company-wide wheat flour sales by nearly 6% in 2002.

GRUMA developed the world's most efficient tortilla production systems. Fully automated, each corn system can produce up to 1,200 tortillas per minute and each wheat system up to 400 tortillas per minute.

PROVIDING SUPERIOR CUSTOMER SERVICE

We have identified the ideal service model for each market segment we serve.

Carmen Gerez, from San Diego, California, is one of millions of housewives who find in GRUMA's products the quality she seeks for her family.

We know that, in order to keep growing, we must offer higher value-added services, together with discipline and a firm commitment to our customers.

Gruma Corporation competes on the basis of quality and service, and the division's earnings power has continued to grow as a result. At Azteca Milling, customer service begins before grain even enters the mills. We work together with corn growers to develop and monitor seed varieties and crop management procedures, to ensure that our corn flour meets our customers' processing needs in terms of variety, color, consistency and quality. We have customer service staff in each of our mills that respond to inquiries regarding usage, transactions, and account and order status. We also have highly specialized technical support teams that help customers optimize their profits by improving their own production processes and consulting on new product development.

Mission Foods completed a comprehensive consumer study in 2002, and as a result introduced a better-tasting tortilla that stays softer longer and has a more homemade taste. Mission™ sales increased accordingly. And to meet demand within fast-growing Mexican communities in the U.S., we extended distribution of Guerrero® products into areas like Georgia and North Carolina. We are also working with our institutional customers, such as food service companies and fast food chains, to supply the freshest goods in a more cost-effective manner.

In Mexico, **Gimsa** is leading the way with innovative customer service efforts. We've specialized our sales force by channel to provide customized pre-sales support to each segment. Our focus is on increasing service and therefore sales volume among our existing customers, and to target new profitable accounts.

For high-volume institutional customers we introduced loyalty programs, while we are working with tortillerías to improve their sales through better handling and use of corn flour. We anticipate they will increasingly choose corn flour over wet dough as their production method. Similarly, we are working with in-store tortillerías at supermarkets to improve production techniques and sales strategies. We also launched a well-received "tortillería school" program throughout Mexico, to train our sales people and customers.

Our businesses are geared towards one common outcome: ensuring the satisfaction and loyalty of our customers. Each employee in every division understands this fundamental principle.

Molinera de México is also adopting a segment sales strategy with a sales team that concentrates on key and national accounts. As we consolidate and standardize our mills and production facilities, we've redefined our value proposition to customers: to offer reliability, quality and competitive prices.

Our focus now is faster market response time, improved product consistency, and the development of customized products such as pre-mixes that will foster fuller integration with our customers. Going forward, we anticipate that potential synergies between Gimsa and Molinera de México could benefit our customers greatly.

Samuel del Río, from Monterrey, Nuevo León, is a Gimsa customer who counts on the company's support to help his business grow.

In **Central America** and **Venezuela**, where economic hardship has reduced consumer purchasing power, we improved distribution to supermarket chains and local convenience stores, making our goods available to a larger percentage of the population. In addition, our product managers repackaged some goods into smaller – and less expensive – sizes.

Throughout the company we've partnered with some of our largest customers to improve manufacturing and new product development processes. We have also strengthened relationships with smaller customers by providing financing and training for equipment that we've designed for them. We recognize that superior customer service builds value for GRUMA, and we will continue to invest in resources that support that vision.

Pedro Rodríguez, from Celaya, Guanajuato, is a Molinera de México customer who uses the new pre-mixes in his bakery to achieve better results.

LEVERAGING OUR KEY COMPETENCIES

The success of our core businesses relies on leveraging the skills and expertise that make us unique. These key competencies distinguish GRUMA in the market and help lay the foundation for long-term growth.

First and foremost, GRUMA excels at creating **brand equity**. The confidence and perception of value that customers have in GRUMA's brands elevate our products from basic staples to branded goods successfully competing in different markets. The extent to which Maseca® has become synonymous with corn flour in Mexico demonstrates our ability to create, manage, position and extend a brand. Today we are replicating that process throughout each of our markets.

Through decades of passion and commitment to **research and development**, our corn flour mills are the most efficient in the world, a formidable competitive advantage. Our ongoing investments in R&D focus on areas such as developing new and improved products and manufacturing equipment, and ensuring that we fulfill and exceed environmental regulatory standards. Our proprietary technology includes the manufacture of high-volume, energy-efficient corn and wheat tortilla production systems that can produce up to 1,200 corn tortillas and 400 wheat tortillas per minute. In 2002, we invested nearly US$3 million in research and development.

Rodrigo Lobeira is New Products Manager at the Central Laboratory in GRUMA's engineering and technology division. His efforts in R&D are helping the company to achieve better results through applied technology that improves products and processes.

We exploit R&D to improve the efficiency and automation of our production lines, ensuring GRUMA's continued **low-cost production**. Our technology and size offer us significant economies of scale, which we use to generate savings in grain procurement, production, transportation and warehousing. In 2002, for example, world grain shortages drove up the price of corn and wheat, our principal raw materials, but with our scale we were able to secure sufficient supply at reasonable cost.

GRUMA continues to generate greater **operating efficiencies**. As we consolidate the acquisitions made in past years, we are maximizing asset utilization by rebalancing production and distribution resources to use capacity most effectively. We continue to implement new functionality in our SAP enterprise resource planning software, which by simplifying decision-making, standardizing reporting and streamlining back-office processes, has allowed us to derive savings in multiple areas of the organization. And we are also consolidating duplicated functions by implementing shared service centers for several controllership and supply-chain management processes.

We have earned the trust and loyalty of our customers by ensuring **product quality**. From rigorous GMO-identification programs to ISO 9000:2000, ISO 14001 and American Institute of Baking certifications, we look for quality certification for our plants and products in every market in order to surpass international standards. Many of our customers conduct their own audits and we have been consistently recognized as a quality supplier.

But we are setting the bar even higher, proactively seeking continuous product testing and audits – using internal resources and with the support of third party firms. In 2002 for example, all

As a result of more than five decades of effort, Maseca® enjoys unparalleled brand recognition in its markets. Here pictured are Jaime Moya and Jesús Gallegos from the packaging department at Gimsa's plant in Guadalupe, Nuevo León.

of our mills at Azteca Milling received Non-StarLink Certification by Cert-ID, a multinational organization that provides third-party certification programs to food growers, processors, manufacturers and retailers. This certification confirms that all of the raw material we use and the products we provide to our customers – from seed stage to end consumption – is free of StarLink™, a genetically modified protein. And in the UK, Mission Foods was one of the first companies to be certified by tough new EFSIS standards, which guarantee quality production.

GRUMA has a significant leadership position in its key markets, as a result of the competitive advantages developed through more than 50 years of constant hard work.

GRUMA's ability to reach customers with our diverse product portfolio is the result of our expanding **market coverage**. We have an unmatched ability to serve tortillerías, bakeries, snack manufacturers and other institutional customers such as supermarket chains, fast food chains and wholesalers due to our size. Millions of people each day are served our products or purchase them directly. In Europe as well, Mission™ tortillas, wraps and chips are becoming more available every day, further extending our reach.

GRUMA's people are the heart of our organization and leveraging **human capital** provides an important competitive advantage. To foster the confidence, motivation and productivity of our employees, we encourage cultural exchanges for our executives to learn the best from each region's business practices. We have implemented a strong training and development program that supports the company's long-term objectives as well as employees' personal development and career planning goals, and we are creating leadership programs to train our next generations of management.

Today, our upgraded intranet helps reduce HR costs while improving internal communications and expediting transactions. We are also developing a technology platform to facilitate true knowledge transfer across regions, divisions and departmental functions.

Employees are the heart and soul of GRUMA's success. Hugo Pérez, an employee for 25 years in GRUMA's technology division, is presented an award by Roberto González, President and CEO, and Manuel Rubio, Senior Technology Officer.

OUR BOARD OF DIRECTORS

ROBERTO GONZÁLEZ BARRERA, 72
Chairman and chief executive officer. Elected April 1994 (shareholder, related[1]). GRUMA's founder, chairman, and CEO; shareholder and board president, Grupo Financiero Banorte, since 1992; founder and president, Patronato para el Fomento Educativo y Asistencial de Cerralvo.
Alternate: Jaime Costa Lavín.

G. ALLEN ANDREAS, 59
Elected September 1996 (shareholder, independent). Chairman and chief executive, Archer Daniels Midland Company (ADM); former United States Treasury Department attorney; director, A.C. Toepfer International, Agricore United; trustee, Economic Club of New York; member, The Trilateral Commission, The Bretton Woods Committee, International Council on Agriculture, Food and Trade; member, The Emergency Committee for American Trade, World Economic Forum, G100, The Business Roundtable, State of Colorado Bar, American Bar Association.
Alternate: David J. Smith.

ROBERTO GONZÁLEZ MORENO, 50
Elected April 1994 (shareholder, related).
Chairman and president, Corporación Noble and Noble Marketing International; former chief operating officer of GIMSA and GRUMA's former food division; former president, RGM Inc., Exportaciones El Parián (1983–1986).
Alternate: Juan A. Quiroga García.

CARLOS HANK RHON, 55
Elected April 1994 (related).
Chairman and chief executive officer, Grupo Hermes; chairman and principal shareholder, Grupo Financiero Interacciones; director, Grupo Tribasa, Grupo Financiero Banorte, Mercedes Benz México.
Alternate: Edgar Valverde Rubizewsky.

ROBERTO HERNÁNDEZ RAMÍREZ,61
Elected April 1994 (independent).
Chairman, Banco Nacional de México, Acciones y Valores de México; director, Televisa, Ingenieros Civiles Asociados, Grupo Modelo, among others; former chairman, Bolsa Mexicana de Valores (Mexican Stock Exchange), Universidad Iberoamericana, Mexican Banking Association.
Alternate: Esteban Malpica Fomperosa.

JUAN MANUEL LEY LÓPEZ, 70
Elected April 1994 (independent).
Chairman and chief executive officer, Grupo Ley; chairman, Sinaloa-Baja California Consultant Council of Grupo Financiero Banamex-Accival, National Association of Supermarket and Retail Stores, Latin American Association of Supermarkets; director, Grupo Financiero Banamex-Accival, Telmex.
Alternate: Francisco Villarreal Vizcaíno.

EDUARDO LIVAS CANTÚ, 60
Elected April 1994 (independent, 2).
Independent business consultant, advisor to GRUMA's chairman; former chief executive officer, GRUMA and GIMSA (1994–1999); joined GRUMA in 1972; director, Grupo Financiero Banorte.
Alternate: Alfredo Livas Cantú.

ROMÁN MARTÍNEZ MÉNDEZ, 65
Elected April 2002 (related, 2).
President of Internal Auditing, Grupo Financiero Banorte; former chief internal auditing officer and vice president of controllership and auditing for GRUMA; joined GRUMA in 1962; director, Unión de Crédito Monterrey, Operadora de Fondos de Inversión.
Alternate: Raúl Cavazos Morales.

PAUL B. MULHOLLEM, 53
Elected April 2002 (shareholder, independent). President and chief operating officer, Archer Daniels Midland Company (ADM); director, Agricore United, A.C. Toepfer International, Golden Peanut Company.
Alternate: Douglas J. Schmalz.

BERNARDO QUINTANA ISAAC, 61
Elected April 1995 (independent).
Chairman, Empresas ICA Sociedad Controladora; director, Telmex, CEMEX, Grupo Carso, among others; former executive vice president, ICA; former vice president, ICA Turismo y Desarrollo Urbano.
Alternate: Diego Quintana Kawage.

ALFONSO ROMO GARZA, 52
Elected April 1994 (independent).
Founder, chairman and chief executive officer, Savia and Séminis; chairman, ING Mexico Board; director, CEMEX, Nacional de Drogas, Grupo Comercial Chedraui, World Bank External Advisory Board for Latin America and the Caribbean, Donald Danforth Plant Science Center, among others.
Alternate: Adrián Rodríguez Macedo.

ADRIÁN SADA GONZÁLEZ, 57
Elected April 1994 (independent)
Chairman, Vitro; former president, administrative board of Grupo Financiero Serfin, (1992–1999); director, Alfa, Cydsa, Regio Empresas; member, Latin American Executive Board, University of Pennsylvania's Wharton School of Finance.
Alternate: Manuel Güemez de la Vega.

JAVIER VÉLEZ BAUTISTA, 45
Elected April 2002 (Independent, 2)
Business consultant; former chief of staff and chief financial officer of GRUMA; former chief financial and planning officer, Gruma Corporation; director, Grupo Financiero Banorte, Grupo Industrial Maseca.
Alternate: Sergio García Boulle.

Examiner
HUGO LARA SILVA
Secretary
SALVADOR VARGAS GUAJARDO

(1) Director classifications are defined in the Code of Best Corporate Practices promulgated by a committee formed by the Mexican Entrepreneur Coordinating Board (Consejo Coordinador Empresarial).
(2) Audit Committee member

CORPORATE OFFICERS

ROBERTO GONZÁLEZ BARRERA, 72

Chairman and chief executive officer. (See board listing for biographical information).

RAÚL CAVAZOS MORALES, 43

Chief financial officer. Began working for GRUMA's banking area in 1987. In 1991, he was appointed corporate finance manager and, in 1996, vice president of treasury. He was promoted to his current position in 2001. He holds a bachelor's degree in administration from the UANL.

JOSÉ DE LA PEÑA ANGELÍN, 53

Chief commercial officer. Joined GRUMA in September 2002. Previously he held various top management positions at Colgate-Palmolive and senior positions at Chrysler de México. He was president of the Mexico office of FCB Worldwide. He holds a B.S. in mechanical engineering from IPN (ESIME).

LEONEL GARZA RAMÍREZ, 53

Chief procurement officer. Joined GRUMA in 1975 as manager of quality and corn procurement. He was appointed vice president of corn procurement in 1991 and to his present position in 1999. He holds a B.S. in biochemistry from the ITESM and a master's degree in food microentomology from the University of Florida.

HOMERO HUERTA MORENO, 40

Chief administrative and internal auditing officer. Joined GRUMA in 1984 and has since then held several positions within GRUMA corporate services, Gruma Corporation and GRUMA's Venezuela Operations. He was appointed to his current position in February 2002. He holds a bachelor's degree in industrial engineering and a master of finance administration from the ITESM.

JUAN ANTONIO QUIROGA GARCÍA, 53

Chief of staff. Joined GRUMA in 1973 and served as vice president of internal control of Gruma Corporation from 1988 to 1998. In 1999, he became chief administrative and internal auditing officer. He was appointed to his current position in February 2002. Received his B.A. in accounting from the UANL.

MANUEL DE JESÚS RUBIO PORTILLA, 75

Senior technology officer. Since joining GRUMA in 1965 as senior technology officer, Mr. Rubio has developed 43 patents for GRUMA's processes and machinery for the corn flour and tortilla industry. He holds a B.S. and an M.S. in chemical engineering and a B.S. in mechanical engineering from Universidad de Oriente de Santiago de Cuba.

EDUARDO SASTRÉ DE LA RIVA, 51

Chief communications officer.
Mr. Sastré joined GRUMA in 1994 in his current position. He has held several leadership positions in his career, including president of Radio Central de México and vice president of Noticias MVS Comunicaciones. He holds a law degree from UNAM.

SALVADOR VARGAS GUAJARDO, 50

General counsel. Mr. Vargas joined GRUMA in 1996 as general counsel. Before joining GRUMA he held positions at Alfa, Protexa and Proeza, and was a partner in two law firms. He earned his Ph.D. in commercial law from the Universidad Complutense of Madrid, Spain, master of law degree in corporate and international law from the University of Illinois, and a master in comparative law from New York University.

OPERATING OFFICERS

HANS BUCHER CHÉVEZ, 64

President, Gruma Centro América. Mr. Bucher joined GRUMA in 1976 as general manager of DEMASA in Costa Rica and has since then held several senior positions within Gruma Centro América. Before joining GRUMA he was chief executive officer of Esso Chemical in Central America and marketing vice president at United Brands for Central and South America. He holds a B.S. in engineering and a master's degree in marketing from Rice University.

RAFAEL ÁNGEL GÁRATE MUÑOZ, 46

Chief operating officer, Molinera de México. Mr. Gárate joined GRUMA in January 2000 in his current position. Before joining GRUMA he held positions at Agroinsa, Conasupo, and Secretaría de Comercio y Fomento Industrial (the Mexican agency for commerce and industrial promotion), among others. He holds a B.A. in economics from the UANL.

ROBERTO GONZÁLEZ ALCALÁ, 39

Chief operating officer, GIMSA and Prodisa. Mr. González joined GRUMA in 1995 as president of the tortilla division in Costa Rica. In 1998, he was promoted to president of the corn flour division in Central America and in 1999 was appointed chief operating officer of Gruma Centro América. He assumed his present position in January 2002. He holds a B.A. in political science from the UNAM.

ENRIQUE ORJUELA RINCÓN, 53

Chief operating officer, Venezuela Operations. Mr. Orjuela joined GRUMA in 1999 in his current position. Before joining GRUMA he held positions at Coca-Cola, Kellogg, PepsiCo, and Quaker, among others. He holds a B.A. in administration from the Universidad de Bogotá and an M.B.A., emphasis in marketing, from St. Louis University.

JAIRO SENISE, 47

President and CEO, Gruma Corporation.
Mr. Senise joined GRUMA in August 2002, after six years with The Pillsbury Company/General Mills, where he held the positions of regional vice president and managing director of Europe and Eurasia, and regional vice president of Latin America/South Africa. Previously he held leadership positions at CPC International/Best Foods, S.C. Johnson, and Colgate-Palmolive. He holds an accounting degree, a law degree, and a postgraduate degree in business administration from CEAG/Luzwell, Brazil.

THE NUMBERS

"GRUMA´s consolidated cash generation, as well as its financial profile and debt ratios, continued improving in 2002"

Rocío Pérez
Financial Information Corporate Director

MANAGEMENT DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR 2002

(Millions of constant pesos[1] as of December 31, 2002)

SUMMARY AND FINANCIAL HIGHLIGHTS

GRUMA's 2002 financial performance improved significantly over 2001, marking the third year in a row that performance has improved over that of the previous year. The better results were due, in large part, to the company's continuing focus on profitability through increased efficiency and cost control measures and the implementation, in 2001, of strict criteria for capital investments. The company's ongoing efforts to improve its debt profile have also helped to strengthen financial results.

Despite adverse economic conditions in the markets in which it operates, GRUMA increased sales volume and, to a greater extent, operating income and operating margin. These improvements were mainly the result of significantly better performance in GRUMA's U.S. operations, the discontinuation of the bread operations, and, to a lesser extent, lower administrative expenses within the company's corporate offices.

MAJOR FINANCIAL INDICATORS

(Millions of constant pesos as of December 31, 2002)

	2002	2001	Change
Volume[1]	*3,433*	*3,415*	*1%*
Net sales	*19,174*	*18,916*	*1%*
Operating income	*1,492*	*976*	*53%*
Operating margin	*7.8%*	*5.2%*	*260 pb*
EBITDA[2]	*2,480*	*2,062*	*20%*
Net majority income	*393*	*332*	*18%*
Debt (US$)	*656*	*717*	*(9)%*

(1)Thousands of tons.
(2)EBITDA = Operating income + depreciation and amortization affecting operating income.

CONSOLIDATED RESULTS (2002 vs. 2001)

Net sales totaled Ps 19,174 million, representing a 1% increase, commensurate with volume growth of 1%. The increase resulted from higher sales volume in Gruma Corporation and Molinera de México and better pricing within the Venezuela Operations, all of which were offset by lower sales volume in GIMSA and lower volumes in Gruma Centro América and PRODISA due to the discontinuation of their bread operations. Sales from foreign operations constituted 65% of consolidated net sales.

Cost of sales as a percentage of net sales improved to 62.5% from 63.1%, resulting primarily from better performance in the Venezuela Operations. GRUMA benefited from having made the bulk of its corn purchases before industry-wide price increases followed the bolívar's devaluation, and by increasing its own corn flour prices throughout the year. To a lesser extent, Gruma Centro América's discontinuation of its bread operations also contributed to the consolidated improvement. In absolute terms, cost of sales increased 1%, commensurate with the increase in sales volume.

Selling, General, and Administrative Expenses (SG&A) as a percentage of net sales decreased to 29.7% from 31.8%. The decrease was driven mainly by better expense absorption and containment within Gruma Corporation and the Venezuela Operations and, to a greater extent, by the discontinuation of the bread operations. In absolute terms, SG&A declined 5% due in large part to the discontinuation of the bread operations and, to a lesser extent, lower administrative expenses within the company's corporate offices and lower expenses within GIMSA.

Operating income of Ps 1,492 million improved 53%, and operating margin increased to 7.8% from 5.2% due to:

Wheat tortillas,
Gruma Corporation

(1) All references herein to "peso" are to the Mexican peso. All references to "dollars" or "US$" are to the U.S. dollar.

- Higher sales volume and better expense absorption within Gruma Corporation,
- The discontinuation of the bread operations,
- The Venezuela Operations' better performance resulting from increased corn flour prices and from having purchased most of its corn before industry-wide price increases followed the bolívar's devaluation, and
- Lower administrative expenses within GRUMA's corporate offices.

EBITDA rose 20% to Ps 2,480 million.

Net comprehensive financing cost was Ps 611 million, Ps 314 million higher than in 2001 as a result of foreign exchange losses associated with the peso devaluation, which were partially offset by lower interest expenses related to reduced debt. The components of comprehensive financing cost, together with explanations of significant changes, are detailed below.

NET COMPREHENSIVE FINANCING COST
(Millions of constant pesos as of December 31, 2002)

Items	2002	2001	Change	Comments
Interest expense	*567*	*670*	*(104)*	*Lower debt and lower average interest rates.*
Interest income	*(58)*	*(93)*	*35*	*Lower average interest rates and lower cash balances.*
FX loss (gain)	*263*	*(100)*	*363*	*Peso devaluation in 2002 versus peso appreciation in 2001.*
Monetary position loss (gain)	*(161)*	*(180)*	*19*	*Lower net monetary liability position resulting mainly from reduced debt.*
Total	***611***	***297***	***314***	

Other expenses, net, resulted in income of Ps 121 million, Ps 51 million higher than in the previous year, mostly because of the sale of certain nonproductive assets.

Provisions for **income taxes and employee profit sharing** increased to Ps 574 million in 2002 from Ps 289 million in 2001, reflecting primarily

- Higher pre-tax income within Gruma Corporation resulting from better financial performance, and
- Higher deferred taxes in connection with changes in Mexico's income tax law.

GRUMA's share of net income in unconsolidated associated companies (Grupo Financiero Banorte ("Banorte")) was Ps 162 million, Ps 98 million more than in 2001, due to:

- The completion by mid-2002 of the amortization of deferred assets related to excess of cost of the acquisition over book value of Banorte (previously reported under this item), and
- Better results reported by Banorte.

GRUMA's total net income was Ps 590 million. Majority net income was Ps 393 million, 18% higher than in 2001, mainly because of higher operating income and lower interest expense, which were partially offset by foreign exchange losses and higher taxes.

RESULTS BY SUBSIDIARY

GRUMA CORPORATION

Gruma Corporation's sales volume grew 5%, which increase was driven by higher volumes in both the corn flour and tortilla businesses. The growth in sales volume was due, to some extent, to the fact that, in October 2001, the company resumed production of yellow-corn products after implementing a more rigorous program designed to identify genetically modified organisms in order to avoid its presence in corn supplies[2].

Corn flour volume increased 7% due to:

- Strong demand from new and existing U.S. customers manufacturing conventional products (tortillas and tortilla chips) as well as new products (snacks, bakery products, etc.),
- Improved retail sales coverage resulting from changes to the company's wholesaler and distributor network, and
- The recovery of exports due to the resumption of production and marketing of yellow corn products.

(2)The program was implemented following Gruma Corporation's voluntary recall of yellow corn products due to the possible presence of the StarLink™ protein. In 2002, the company began to recover some of the yellow corn business it lost as a result of the voluntary recall.

Tortilla sales volume increased 4% due mainly to:

- The resumption of production and marketing of yellow corn products,
- Increased sales to a major customer to whom Gruma Corporation is a preferred supplier (the customer increased purchases because of recent acquisitions),
- Increased exports, and
- New business relationships with two restaurant chains, which began during third quarter 2002.

Net sales increased 5%, reflecting the volume growth described above.

Cost of sales as a percentage of net sales decreased to 54.1% from 54.2% mainly as a result of better absorption of fixed costs related to higher sales volume. In absolute terms, cost of sales increased 5%, commensurate with the increase in sales volume.

SG&A as a percentage of net sales decreased to 37.3% from 39.0%, an improvement driven by volume growth. In absolute terms, SG&A increased 1% mainly as a result of:

- Higher variable distribution expenses in the tortilla business, and
- Higher promotional expenses in the corn flour business.

Operating income increased 33%, and operating margin rose to 8.6% from 6.8%.

GIMSA

Sales volume declined 4% due to:

- A 6% decline in one-kilogram consumer retail package sales. This segment was affected by lower sales to DICONSA (the Mexican government's social welfare and distribution program) because of budgetary constraints.
- A 3% decline in bulk sales resulting from GIMSA's ongoing effort to retain only those customers with low-risk credit profiles. The company is continuing to focus on improving sales to these customers and is providing incentives for them to increase the percentage of corn flour used in their raw-material mix.

Net sales were 4% lower, reflecting the decline in volume.

Cost of sales as a percentage of net sales increased to 70.4% from 69.9%, reflecting mainly

- Lower absorption of fixed costs in connection with lower sales volume, and
- Higher expenses associated with corn procurement due to:
  - Insufficient corn supplies in certain regions during fourth quarter 2002, and
  - The fact that GIMSA did not receive in 2002 the governmental support it received in 2001 for corn transportation and warehousing.

In absolute terms, cost of sales decreased 3% commensurate with the decline in sales volume.

SG&A as a percentage of net sales increased to 19.0% from 18.8% due to lower sales volume. In absolute terms, SG&A decreased 3% because of the consolidation of administrative positions at GIMSA's plants and lower freight expenses in connection with decreased sales to DICONSA.

Operating income decreased 9%, and operating margin declined to 10.7% from 11.3%.

VENEZUELA OPERATIONS

Total **volume** decreased 1%; which decrease was driven mainly by a 5% decline in wheat flour volume due primarily to:

- A temporary cessation of operations in December 2002, and
- To a lesser extent, lower per-capita consumption stemming from lower consumer purchasing power coupled with higher prices.

The decrease in wheat flour volume was partially offset by a 3% increase in corn flour volume related to private-label production.

Net sales increased 12%, reflecting significant price increases implemented throughout the year in order to offset the sizeable increases in the cost of grains.

Cost of sales as a percentage of net sales decreased to 71.1% from 72.4%. Despite strong increases in the cost of raw materials, the Venezuela Operations improved gross margin because it (1) had purchased most of its corn in advance of the industry-wide price increases that followed the bolívar's devaluation, and (2) increased its corn flour prices throughout the year. In absolute terms, cost of sales increased 10%, largely as a result of the aforementioned increases in raw material cost.

SG&A as a percentage of net sales decreased to 18.1% from 20.0% due to:

- Increased net sales,
- Significant reductions in promotional and advertising expenses,
- The fact that distribution expenses increased at a slower rate than did inflation, and
- To a lesser extent, headcount reduction.

In absolute terms, SG&A increased 1%.

Operating income increased 58%, and operating margin improved to 10.8% from 7.7%.

MOLINERA DE MÉXICO

The company's 10% increase in **volume** was driven mostly by higher bulk sales resulting from:

- Increased sales to industrial customers,
- Continuing initiatives designed to enhance sales to supermarket in-store bakeries, and
- The securing of additional supply contracts based on customer service and quality.

Net sales increased 11% because of the aforementioned 10% volume increase and, to a lesser extent, higher wheat flour prices in connection with higher wheat cost.

Cost of sales as a percentage of net sales increased to 80.0% from 79.8% due to a change in the sales mix favoring bulk presentation. In absolute terms, cost of sales increased 12% because of the increases in sales volume and wheat cost mentioned above.

SG&A as a percentage of net sales decreased to 18.9% from 19.4% as a result of higher net sales. In absolute terms, SG&A increased 8% due to higher selling expenses (especially in terms of freight) and initiatives to increase both supermarket sales and support for distributors.

Operating income grew 36%, and operating margin rose to 1.1% from 0.9%.

GRUMA CENTRO AMÉRICA (GCA)

As detailed below, GRUMA's discontinuation of its bread operations in November 2001 was the primary driver of the changes in GCA's results and helped to turn a Ps 8 million operating loss in 2001 into operating income of Ps 31 million in 2002.

Sales **volume** was 4% lower, the 2% increase in corn flour sales volume having been offset by the absence of bread volume resulting from the bread operations' discontinuation.

Net sales declined 11%, mainly because the company's bread products enjoyed a much higher price per ton than did corn flour.

Cost of sales as a percentage of net sales decreased to 64.5% from 65.4%, and cost of sales dropped 13% in absolute terms.

SG&A as a percentage of net sales decreased to 32.6% from 35.3% and, in absolute terms, decreased 18%.

Operating income was Ps 31 million compared with a Ps 8 million operating loss in 2001.

PRODISA

In general terms, the discontinuation of the bread operations significantly affected operating results and contributed to most of the reductions in volume, net sales (to Ps 187 million from Ps 401 million), cost of sales, and SG&A, as well as the reduction in operating losses to Ps 76 million from Ps 228 million.

OTHER AND ELIMINATIONS[3]

Operating loss of Ps 28 millions was 75% lower than in 2001, mostly because of lower administrative expenses within the company's corporate offices.

FINANCIAL CONDITION (December 2002 vs. December 2001)

BALANCE-SHEET HIGHLIGHTS

Total assets as of December 31, 2002, were Ps 22,143 million, Ps 260 million, or 1%, higher than in 2001, reflecting primarily

- Higher refundable taxes due to fiscal losses reported by GIMSA, and
- An increase in the investment in associated companies due to higher stockholders' equity reported by Banorte.

Total liabilities as of December 31, 2002, increased 4%, or Ps 388 million, to Ps 10,110 million as a result of higher trade accounts payable in connection with higher-priced corn purchases, especially in GIMSA and the Venezuela Operations.

Stockholders' equity as of December 31, 2002, totaled Ps 12,033 million, Ps 21 million lower than the balance as of December 31, 2001.

DEBT PROFILE

GRUMA continued to improve its debt profile throughout the year. At December 31, 2002, GRUMA's funded debt totaled US$656 million, representing a US$61 million, or 9%, reduction compared to debt funded as of December 31, 2001.

In December 2002, GRUMA obtained a three-year term syndicated loan for US$300 million at LIBOR plus a spread

(3)Other and Eliminations include corporate services, technology operations, and accounting eliminations.

ranging from 87.5 to 162.5 basis points, based on GRUMA's debt-to-EBITDA ratio. Total proceeds were used to refinance the remaining US$300 million portion of GRUMA's US$400 million syndicated loan due in February 2004. In addition, GRUMA used available revolving credit facilities at year end to prepay the US$50 million syndicated loan maturity due February 2003.

The new syndicated loan will be due in two tranches: US$50 million in December 2004 and US$250 million in December 2005. There is a committed revolving sub-limit of up to US$100 million, which will be reduced to US$75 million in December 2004. The committed revolving sub-limit will allow GRUMA the flexibility to reduce debt without penalty.

The new syndicated loan also allows the company to extend debt maturities and substantially improve its debt profile. GRUMA also expects to achieve interest-expense reductions because interest rates on the new syndicated loan are more competitive than were those on the previous syndicated loan.

SCHEDULE OF DEBT AMORTIZATIONS AS OF DECEMBER 31, 2002

(US$ in millions[1])

	ST	2004	2005	2006	2007...	Total
Syndicated loan	-	50	250	-	-	300
Yankee Bond	-	-	-	-	250	250
Private placement	1	1	1	1	14	18
Other	75	2	-	-	11	88
TOTAL	76	53	251	1	275	656

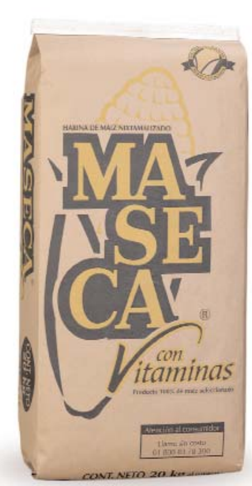
(1)Ninety-eight percent of GRUMA's debt is U.S.-dollar denominated.

GRUMA's indebtedness bears interest at both fixed and floating rates. At December 31, 2002, approximately 41% of the company's outstanding indebtedness bore interest at fixed rates and approximately 59% bore interest at floating rates, with almost all floating-rate indebtedness bearing interest based on LIBOR.

As of December 31, 2002, GRUMA had committed U.S.-dollar-denominated, long-term lines of credit totaling Ps 731 million (approximately US$70 million) available from banks in the United States, of which none had been drawn. As of that date, GRUMA had uncommitted short-term lines of credit totaling Ps 3,085 million (approximately US$296 million) available from Mexican and international banks, of which GRUMA had drawn Ps 778 million. Long-term uncommitted revolving lines of credit totaling Ps 1,232 million (approximately US$118 million) from Mexican banks were available to GRUMA, of which none had been drawn as of December 31, 2002.

GRUMA continues to execute its financial strategy to reduce its cost of capital by, among others things, improving financial ratios by significantly increasing cash generation, reducing debt, and maintaining its remaining debt at longer maturities and competitive interest rates. GRUMA continued to improve its leverage and interest coverage ratios throughout 2002 and is committed to returning its debt rating to investment-grade status in the future.

Corn flour, 20 kg. bag, Gimsa



DEBT RATIOS

	2002	2001
Debt/EBITDA[1]	2.8	3.4
EBITDA/Net Interest Expense	4.9	3.6

(1)EBITDA = operating income + depreciation and amortization affecting operating income.

FINANCIAL HIGHLIGHTS CONSOLIDATED AND BY SUBSIDIARY

GRUMA, S.A. de C.V. and Subsidiaries
(Millions of constant pesos as of December 31, 2002)

		2002		2001		Var.
CONSOLIDATED	*Sales volume[1]*	3,433		3,415		1%
	Net sales	19,174	100.0%	18,916	100.0%	1%
	Gross profit	7,182	37.5%	6,987	36.9%	3%
	Operating income	1,492	7.8%	976	5.2%	53%
	EBITDA[2]	2,480	12.9%	2,062	10.9%	20%
GRUMA CORPORATION	*Sales volume[1]*	899		856		5%
Corn flour and tortillas	*Net sales*	9,276	100.0%	8,822	100.0%	5%
	Gross profit	4,261	45.9%	4,039	45.8%	5%
	Operating income	797	8.6%	599	6.8%	33%
	EBITDA[2]	1,279	13.8%	1,154	13.1%	11%
GIMSA	*Sales volume[1]*	1,386		1,436		(4%)
Corn flour	*Net sales*	4,763	100.0%	4,947	100.0%	(4%)
	Gross profit	1,411	29.6%	1,490	30.1%	(5%)
	Operating income	507	10.7%	558	11.3%	(9%)
	EBITDA[2]	766	16.1%	820	16.6%	(7%)
VENEZUELA OPERATIONS	*Sales volume[1]*	454		458		(1%)
Corn flour, wheat flour and other	*Net sales*	2,231	100.0%	1,996	100.0%	12%
	Gross profit	645	28.9%	551	27.6%	17%
	Operating income	241	10.8%	153	7.7%	58%
	EBITDA[2]	306	13.7%	209	10.5%	46%
MOLINERA DE MÉXICO	*Sales volume[1]*	536		489		10%
Wheat flour	*Net sales*	1,721	100.0%	1,547	100.0%	11%
	Gross profit	343	20.0%	313	20.2%	10%
	Operating income	18	1.1%	13	0.9%	36%
	EBITDA[2]	81	4.7%	73	4.7%	11%
GRUMA CENTRO AMÉRICA	*Sales volume[1]*	143		149		(4%)
Corn flour, tortillas and other	*Net sales*	1,051	100.0%	1,185	100.0%	(11%)
	Gross profit	373	35.5%	410	34.6%	(9%)
	Operating income	31	3.0%	(8)	(0.7%)	489%
	EBITDA[2]	93	8.9%	83	7.0%	12%
PRODISA	*Sales volume[1]*	15		28		(44%)
Packaged tortillas and bread[3]	*Net sales*	187	100.0%	401	100.0%	(53%)
	Gross profit	58	31.3%	133	33.2%	(56%)
	Operating income	(76)	(40.4%)	(228)	(56.8%)	67%
	EBITDA[2]	(18)	(9.4%)	(143)	(35.8%)	88%
OTHER & ELIMINATIONS	*Net sales*	(53)		17		
	Gross profit	91		51		
	Operating income	(28)		(112)		
	EBITDA[2]	(28)		(135)		

(1)Thousands of metric tons. (2)EBITDA = operating income + depreciation and amortization affecting operating income.
(3)The bread operations were discontinued in November, 2001.

Eleven years financial summary

GRUMA, S.A. de C.V. and Subsidiaries
(Millions of constant pesos as of December 31, 2002)

Income Statement Information	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	Compounded annual growth 92-2002
Net sales	19,174	18,916	19,251	17,943	16,961	16,309	19,608	14,832	12,489	12,755	11,871	4.9%
Gross profit	7,182	6,987	6,978	6,124	6,192	5,571	6,238	5,455	4,444	4,595	4,139	5.7%
Operating income	1,492	976	860	414	1,270	1,163	1,604	1,074	1,071	1,504	1,095	3.1%
Operating margin	7.8%	5.2%	4.5%	2.3%	7.5%	7.1%	8.2%	7.2%	8.6%	11.8%	9.2%	
Comprehensive financing cost (income)	611	297	506	229	315	(22)	(1,051)	(1,890)	190	278	277	8.2%
Other (income) expense	(121)	(69)	(38)	184	299	134	(51)	91	67	107	53	
Taxes and profit sharing	574	289	22	290	(63)	256	620	310	85	283	104	18.6%
Net income	590	523	437	(204)	805	882	2,091	2,334	876	1,690	722	-2.0%
Net majority income	393	332	246	(324)	514	547	1,673	2,061	623	1,248	566	-3.6%

Balance Sheet Information	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	Compounded annual growth 92-2002
Cash and cash equivalents	453	413	130	445	409	2,393	1,846	289	840	1,116	235	6.8%
Trade accounts receivable	2,300	2,222	2,281	2,336	1,845	1,273	1,148	1,128	1,170	971	892	9.9%
Other accounts receivable	739	535	751	657	593	568	530	263	633	479	420	5.8%
Inventories	2,543	2,497	2,580	3,029	2,787	2,373	2,344	1,952	2,392	2,431	2,440	0.4%
Current assets	6,148	5,809	5,850	6,669	5,815	6,812	6,035	3,900	5,248	5,228	4,188	3.9%
Property, plant, and equipment, net	12,582	12,607	13,268	13,144	11,516	10,514	10,031	9,744	9,992	6,899	5,727	8.2%
Total assets	22,143	21,883	23,107	24,078	21,146	20,582	18,999	16,328	18,220	14,454	12,169	6.2%
Short-term debt	791	356	1,352	350	244	174	528	871	1,800	1,240	969	-2.0%
Long-term debt	6,053	6,628	6,174	7,663	6,556	5,674	4,046	6,675	6,325	4,600	4,506	3.0%
Total debt	6,843	6,984	7,526	8,013	6,800	5,848	4,573	7,546	8,125	5,841	5,475	2.3%
Other liabilities	3,267	2,738	3,132	2,431	1,919	1,983	2,113	1,854	1,726	1,662	1,272	9.9%
Total liabilities	10,110	9,722	10,658	10,444	8,719	7,831	6,687	9,399	9,851	7,503	6,746	4.1%
Total stockholders' equity	12,033	12,054	12,063	13,305	12,428	12,752	12,312	6,929	8,369	6,951	5,423	8.3%
Majority interest	9,448	9,540	9,491	10,360	9,485	9,811	9,662	5,062	6,423	5,234	4,438	7.8%
Minority interest	2,585	2,514	2,573	2,946	2,942	2,940	2,651	1,867	1,945	1,718	984	10.1%

Share and Other Financial Information	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Millions of outstanding shares	441.4	441.7	438.8	436.5	353.2	349.3	343.1	248.4	246.0	218.4	218.3
Earnings per share[1]	0.9	0.8	0.6	(0.9)	1.4	1.5	5.5	7.3	2.2	4.8	2.4
Book value per share[2]	21.4	21.6	21.6	23.7	26.9	28.1	28.2	20.4	26.1	24.0	20.3
Depreciation and amortization affecting operating income	988	1,086	951	856	716	713	738	578	342	443	346
EBITDA[3]	2,480	2,062	1,811	1,270	1,986	1,876	2,342	1,652	1,413	1,947	1,441
EBITDA margin	12.9%	10.9%	9.4%	7.1%	11.7%	11.5%	11.9%	11.1%	11.3%	15.3%	12.1%
Current assets/current liabilities	1.8	2.2	1.5	2.6	3.0	4.2	2.9	1.5	1.6	2.0	1.9
Total liabilities/ stockholders' equity	0.8	0.8	0.9	0.8	0.7	0.6	0.5	1.4	1.2	1.1	1.2
Debt/(debt + stockholders' equity)	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.5	0.5	0.5	0.5
Debt/EBITDA	2.8	3.4	4.2	6.3	3.4	3.1	2.0	4.6	5.8	3.0	3.8
EBITDA/net interest expense	4.9	3.6	2.7	2.3	8.8	14.5	5.5	1.9	3.7	3.0	2.3

(1) In pesos and based on weighted average of outstanding shares of common stock.
(2) In pesos and based on outstanding shares at year-end.
(3) EBITDA = operating income + depreciation and amortization affecting operating income.

AUDIT COMMITTEE REPORT

March 27, 2003

As required by article 14 Bis 3 of the Mexican Securities Law and article Sixteen of the Company's By-Laws, and on behalf of the Audit Committee, I hereby inform you of our activities undertaken in the period starting April 2002 and ending March 2003. In the execution of our duties we have adhered to the recommendations contained in the Code of Best Corporate Practices, and the applicable U.S. laws and regulations. Likewise, the statutory auditor of the Company was summoned in under terms of the Mexican Securities Law, and he assisted in all the meetings of the Committee.

During the aforementioned period, we performed the following activities:

1. Three international accounting firms were invited to present their proposals for auditing the Company for the year 2002, and after an exhaustive analysis, we recommended to the Board of Directors to continue engaging the services of the firm PricewaterhouseCoopers, S.C.
2. In our interviews and meetings of the Audit Committee with the Independent Auditors, we verified that the Independent Auditors complied with the independence and rotation of supervisory personnel requirements. We also reviewed with them and with the Company's Administration, their comments on the internal control they developed as part of their duties, and the procedures and scope of their audit, for the fiscal years of 2002 and 2001.
3. We reviewed together with the Administration and the Independent Auditors the Form 20-F for the fiscal year 2001, which was filed with the Securities and Exchange Commission (SEC), complete and on time.
4. We reviewed the quarterly financial information of the Company corresponding to the fiscal year of 2002, in which we did not detect any irregularities, thus we approved its presentation to the Board of Directors and its publication.
5. We reviewed the Company's audited financial statements as of December 31, 2002, the report of the auditors, and the accounting principles used in their preparation. After having reviewed the comments from the Independent Auditors with the Auditors, as well as with the Company's Administration, we recommended their approval to the Board of Directors, in order for the report to be brought to the consideration of the Shareholders' Meeting.
6. We reviewed the organizational structure, the working plans, and the quarterly reports of functions performed by the Internal Auditing Department of the Company, and formalized the establishment of the Internal Control Committees in the corporate area, as well as in each of the Company's subsidiaries. Likewise, the reports of the review of the observations found were brought before us, and we did not find any relevant issues for comment.
7. The Committee was promptly informed by the Administration and the Independent Auditors of related party transactions and extraordinary, relevant transactions, and we do not have any observations or comments on those matters.
8. A report from the Company's Legal Department on the legal status of the Company was requested and evaluated. This report included corporate documentation, governmental authorizations, litigation, environmental issues, and control mechanisms implemented to comply with all the laws applicable to the Company and its subsidiaries. We did not have any significant observations, and we recommended following the observations made in the report.
9. We recommended an evaluation of the internal control system of the Company, and such recommendations are currently in the process of being implemented.
10. Currently, the Administration is in the process of implementing a direct communication channel between officers and employees with the Audit Committee.

Eduardo Livas J.

Dr. Eduardo Livas Cantú

Chairman of the Audit Committee

MANAGEMENT´S RESPONSIBILITY

The management of GRUMA, S.A. de C.V., has prepared and is responsible for the integrity of the consolidated financial statements and related information contained in this annual report. The financial statements, which include some amounts based on judgment, have been prepared in conformity with generally accepted accounting principles, which have been consistently applied.

The company maintains an effective internal control structure supported by comprehensive systems and control procedures, a program of selecting and training qualified staff, and written policies that are communicated to all personnel through appropriate channels. Management believes that these controls provide reasonable assurance to shareholders, the financial community, and other interested parties that transactions are executed in accordance with management authorization, that accounting records are reliable as a basis for the preparation of the consolidated financial statements, and that assets are safeguarded from loss or unauthorized use. An important element of the control environment is an ongoing internal audit program.

PricewaterhouseCoopers, S.C., independent accountants, have audited the consolidated financial statements as described in their report. The report expresses an independent opinion on the fairness of management's presentation of the company's financial statements and, in so doing, provides an objective assessment of the manner in which management executes its responsibility for fairness and accuracy in financial reporting.

Roberto González Barrera
Chairman and CEO

Juan Quiroga
Chief of staff

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., March 20, 2003

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

We have audited the consolidated balance sheets of Gruma, S.A. de C.V. and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income, of changes in stockholders' equity and of 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.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. 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 were prepared in accordance with generally accepted accounting principles. 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.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Gruma, S.A. de C.V. and subsidiaries at December 31, 2002 and 2001, and the results of their operations, the changes in their stockholders' equity and the changes in their financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PricewaterhouseCoopers

C.P. Carlos Arreola Enríquez

CONSOLIDATED BALANCE SHEETS

GRUMA, S.A. de C.V. and Subsidiaries, as of December 31, 2002 and 2001
(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2002)
(Notes 1 and 2)

ASSETS		2002		2001
Current:				
Cash	Ps.	188,310	Ps.	253,896
Cash equivalents (Note 2–F and 11)		264,399		158,698
Notes and accounts receivable, net (Note 3)		2,758,948		2,528,300
Refundable taxes (Note 3)		279,192		228,969
Inventories (Note 4)		2,543,391		2,496,640
Prepaid expenses		113,414		143,000
Total current assets		6,147,654		5,809,503
Investment in common stock of associated companies (Note 5)		1,359,197		1,228,823
Property, plant and equipment, net (Note 6)		12,582,178		12,606,574
Intangible assets, net (Note 7)		864,137		954,830
Excess of cost over book value of subsidiaries acquired, net		923,092		956,680
Other assets (Note 8)		267,029		326,693
Total assets	**Ps.**	**22,143,287**	**Ps.**	**21,883,103**

LIABILITIES				
Current:				
Bank loans (Note 9)	Ps.	778,365	Ps.	343,884
Current portion of long-term debt (Note 9)		12,183		11,769
Trade accounts payable		1,129,163		863,468
Accrued liabilities and other accounts payable		1,411,856		1,397,745
Income taxes payable		4,319		33,620
Employees' statutory profit sharing payable		13,090		15,606
Total current liabilities		3,348,976		2,666,092
Long-term debt (Note 9)		6,052,935		6,628,044
Deferred income taxes (Note 14)		624,841		326,675
Deferred employees' statutory profit sharing (Note 14)		47,930		51,619
Other liabilities		35,581		49,560
Total long-term liabilities		6,761,287		7,055,898
Total liabilities		10,110,263		9,721,990
Excess of book value over cost of subsidiaries acquired, net		-		107,165
Contingencies and commitments (Note 11)				

STOCKHOLDERS´ EQUITY				
Majority interest (Note 12):				
Common stock		4,209,347		4,237,321
Restatement of common stock		6,088,566		6,086,845
		10,297,913		10,324,166
Additional paid-in capital		3,138,695		3,157,526
		13,436,608		13,481,692
Deficit from restatement		(11,077,100)		(10,954,926)
Cumulative effect of a change in an accounting principle for deferred income taxes and employees' statutory profit sharing		(185,474)		(185,474)
Retained earnings (Note 12-C):				
Prior years		7,492,019		7,235,163
Net income for the year		393,192		331,989
Foreign currency translation adjustments (Note 12-E)		(610,800)		(368,078)
Total majority interest		9,448,445		9,540,366
Minority interest		2,584,579		2,513,582
Total stockholders' equity		**12,033,024**		**12,053,948**
	Ps.	**22,143,287**	**Ps.**	**21,883,103**

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

Consolidated statements of income

GRUMA, S.A. de C.V. and Subsidiaries, for the years ended December 31, 2002 and 2001
(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2002, except per share amounts)
(Notes 1 and 2)

	2002	2001
Net sales	Ps. 19,174,407	Ps. 18,916,122
Cost of sales	(11,992,006)	(11,928,760)
Gross profit	7,182,401	6,987,362
Selling, administrative and general expenses	(5,690,119)	(6,011,588)
Operating income	1,492,282	975,774
Comprehensive financing cost, net:		
Interest expense	(566,649)	(670,183)
Interest income	57,678	93,029
Monetary position gain, net	160,937	179,849
Foreign exchange gain (loss), net (Note 15-A)	(263,095)	99,964
	(611,129)	(297,341)
Other income, net (Note 13)	120,520	69,407
Income before income taxes, employees' statutory profit sharing, equity in earnings of associated companies and minority interest	1,001,673	747,840
Income taxes (Note 14):		
Current	(288,330)	(184,049)
Deferred	(272,902)	(91,716)
	(561,232)	(275,765)
Employees' statutory profit sharing (Note 14):		
Current	(13,101)	(14,343)
Deferred	163	1,353
	(12,938)	(12,990)
Income before equity in earnings of associated companies and minority interest	427,503	459,085
Equity in earnings of associated companies, net	162,017	64,021
Income before minority interest	589,520	523,106
Minority interest	(196,328)	(191,117)
Majority net income for the year	Ps. 393,192	Ps. 331,989
Earnings per share (pesos)	Ps. 0.88	Ps. 0.77
Weighted average shares outstanding (thousands)	446,202	433,235

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER´S EQUITY

GRUMA, S.A. de C.V. and Subsidiaries, for the years ended December 31, 2002 and 2001
(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2002, except number of shares)
(Notes 1 and 2)

	Common stock (Note 12-A)				
	Number of shares (thousands)	Amount	Additional paid-in capital	Deficit from restatement	Cumulative effect of deferred income taxes and employees' statutory profit sharing
Balances at December 31, 2000	***438,776***	***Ps. 10,359,653***	***Ps. 3,114,321***	***Ps. (10,979,226)***	***Ps. (185,474)***
Appropriation of prior year net income					
Minority interest dividends					
Net purchases and sales of Company's common stock	*2,949*	*37,690*	*14,589*		
Executive stock purchase plan		*(73,177)*	*41,348*		
Operations of own shares			*(12,732)*		
	2,949	*(35,487)*	*43,205*		
Comprehensive income (loss):					
Recognition of inflation effects for the year				*24,300*	
Foreign currency translation adjustments					
Net income for the year					
Comprehensive income for the year				*24,300*	
Balances at December 31, 2001	***441,725***	***10,324,166***	***3,157,526***	***(10,954,926)***	***(185,474)***
Appropriation of prior year net income					
Minority interest dividends					
Net purchases and sales of Company's common stock	*(323)*	*(15,844)*	*(4,762)*		
Executive stock purchase plan		*(10,409)*	*(14,069)*		
Operation of own shares					
	(323)	*(26,253)*	*(18,831)*		
Comprehensive income (loss):					
Recognition of inflation effects for the year				*(122,174)*	
Foreign currency translation adjustments					
Net income for the year					
Comprehensive income for the year				*(122,174)*	
Balances at December 31, 2002	***441,402***	***Ps. 10,297,913***	***Ps. 3,138,695***	***Ps. (11,077,100)***	***Ps. (185,474)***

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

Retained earnings (Note 12-C)		Foreign currency translation adjustments (Note 12-E)	Total majority interest	Minority interest	Total stockholders´ equity
Prior years	Net income for the year				
Ps. 6,788,729	**Ps. 248,208**	**Ps. 206,776**	**Ps. 9,552,987**	**Ps. 2,592,439**	**Ps. 12,145,426**
248,208	*(248,208)*		-	-	-
			-	*(277,627)*	*(277,627)*
(43,819)			*8,460*	-	*8,460*
-			*(31,829)*	-	*(31,829)*
(41,151)			*(53,883)*	-	*(53,883)*
163,238	*(248,208)*		*(77,252)*	*(277,627)*	*(354,879)*
283,196			*307,496*	*7,653*	*315,149*
		(574,854)	*(574,854)*	-	*(574,854)*
	331,989		*331,989*	*191,117*	*523,106*
283,196	*331,989*	*(574,854)*	*64,631*	*198,770*	*263,401*
7,235,163	**331,989**	**(368,078)**	**9,540,366**	**2,513,582**	**12,053,948**
331,989	*(331,989)*		-		-
			-	*(94,826)*	*(94,826)*
(55,555)			*(76,161)*	-	*(76,161)*
			(24,478)	-	*(24,478)*
13,354			*13,354*	-	*13,354*
289,788	*(331,989)*		*(87,285)*	*(94,826)*	*(182,111)*
(32,932)			*(155,106)*	*(30,505)*	*(185,611)*
		(242,722)	*(242,722)*	-	*(242,722)*
	393,192		*393,192*	*196,328*	*589,520*
(32,932)	*393,192*	*(242,722)*	*(4,636)*	*165,823*	*161,187*
Ps. 7,492,019	**Ps. 393,192**	**Ps. (610,800)**	**Ps. 9,448,445**	**Ps. 2,584,579**	**Ps. 12,033,024**

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

GRUMA, S.A. de C.V. and Subsidiaries, for the years ended December 31, 2002 and 2001
(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2002)
(Notes 1 and 2)

		2002		2001
Operating activities:				
Majority net income for the year	Ps.	393,192	Ps.	331,989
Minority interest		196,328		191,117
Consolidated net income		589,520		523,106
Adjustments to reconcile net income to net resources provided by operating activities:				
Depreciation and amortization		986,851		828,287
Equity in earnings of associated companies, net		(162,017)		(64,021)
Deferred income taxes and employees' statutory profit sharing		272,739		90,364
Net loss from shut-down of bread operations		-		199,314
Seniority premiums		8,948		7,120
		1,696,041		1,584,170
Changes in working capital:				
Restricted cash		1,367		4,009
Accounts and notes receivable, net		(389,800)		228,077
Inventories		(298,046)		(37,348)
Prepaid expenses		26,751		14,357
Trade accounts payable		344,145		(340,572)
Accrued liabilities and other accounts payable		37,549		43,740
Income taxes and employees' statutory profit sharing payable		(27,972)		43,969
		(306,006)		(43,768)
Net resources provided by operating activities		1,390,035		1,540,402
Financing activities:				
Proceeds from bank loans and long-term debt		1,559,025		2,648,103
Repayment of bank loans and long-term debt		(2,124,848)		(3,190,460)
Net purchases and sales of Company's common stock		(87,285)		(77,252)
Dividends paid by subsidiary to minority stockholders		(94,826)		(277,627)
Other		(61,762)		(86,917)
Net resources used in financing activities		(809,696)		(984,153)
Investing activities:				
Purchases of property, plant and equipment		(556,477)		(690,214)
Proceeds from the shut-down of bread operations		-		536,808
Excess of book value over shares acquisition cost of subsidiaries acquired		(12,487)		5,108
Deferred assets		(48,573)		(78,955)
Investment in common stock		53,272		(2,205)
Other		25,408		(40,933)
Net resources used in investing activities		(538,857)		(270,391)
Net increase in cash and cash equivalents		41,482		285,858
Cash and cash equivalents at beginning of year		409,849		123,991
Cash and cash equivalents at end of year	Ps.	451,331	Ps.	409,849

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

GRUMA, S.A. de C.V. and Subsidiaries, for the years ended December 31, 2002 and 2001
(Expressed in thousands of Mexican pesos of constant purchasing power of December 31, 2002, except where otherwise indicated)

1. ENTITY AND NATURE OF BUSINESS

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

The political and economic conflicts in Venezuela, where our operations represented 12% of our sales, represent a risk factor of which effects cannot be trustfully measured or estimated. During the last months, the opponents of the Venezuelan government have appealed to different types of manifestations and protests which ended in a general strike that started on December 2, 2002 and concluded in an effective way on February 3, 2003. Nevertheless, the manifestations and protests have continued. On February 5, 2003, the government decreed an exchange control for foreign payments and fixed the exchange rate to 1,600 Venezuelan bolivars per American dollar. Additionally on February 11, 2003, the government established price controls for leading consumer products including corn flour and wheat flour. In Venezuela's present situation, the companies less affected have been those related to food and agricultural industry, especially for basic products which include our subsidiaries in this country.[1]

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Mexico.

A) BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Gruma, S.A. de C.V. and all of its subsidiaries. All significant intercompany balances and transactions have been eliminated from the consolidated financial statements.

The principal subsidiaries included in the consolidation are the following:

	% ownership 2002 and 2001
Gruma Corporation and subsidiaries	*100.00*
Grupo Industrial Maseca, S.A. de C.V. and subsidiaries	*83.18*
(1) Molinos Nacionales, C.A.	*95.00*
(1) Derivados de Maíz Seleccionado, Demaseca, C.A.	*50.00*
Molinera de México, S.A. de C.V. and subsidiaries	*60.00*
Gruma Centro América, S.A. and subsidiaries	*100.00*
Productos y Distribuidora Azteca, S.A. de C.V. and subsidiaries	*100.00*
Investigación de Tecnología Avanzada, S.A. de C.V. and subsidiaries	*100.00*
Asesoría de Empresas, S.A. de C.V.	*100.00*
Transporte Aéreo Técnico Ejecutivo, S.A. de C.V.	*100.00*
Inmobiliaria Residencial San Pedro, S.A. de C.V. and subsidiaries	*100.00*

Tortilla strips, Gruma Corporation

B) USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, and reported amounts of revenues, costs and expenses for the reporting years. Actual results could differ from those estimates.

C) FOREIGN CURRENCY TRANSLATION

Financial statements of foreign subsidiaries have been restated to recognize the effects of inflation and translated to Mexican pesos of constant purchasing power as of December 31, 2002, as follows:

- Financial statements are restated to year-end constant local currencies following the provisions of Bulletin B-10, applying the General Consumer Price Index ("GCPI") of the foreign country, which reflects the change in purchasing power of the local currency in which the subsidiary operates.
- Assets, liabilities, income and expenses are translated to Mexican pesos applying the exchange rate in effect at each period end. Stockholders' equity balances are translated by applying the exchange rates in effect at the dates in which the contributions were made and the income was generated. The effects of translation are recognized as a component of equity entitled "Foreign Currency Translation Adjustments" (Note 12-E).

D) RECOGNITION OF THE EFFECTS OF INFLATION

The consolidated financial statements have been restated to recognize the effects of inflation and are expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2002, determined as follows:

- For comparability purposes, the financial statements as of and for the year ended December 31, 2001 have been restated by utilizing a weighted average restatement factor, which considers the relative total sales contribution by country for that year and the corresponding inflation and exchange rate fluctuations during that year.
- The consolidated statements of income and of stockholders' equity for the year ended December 31, 2002 were restated applying GCPI factors from the country in which the subsidiary operates and applied to periods in which the transactions occurred and year-end.
- The consolidated statements of changes in financial position present, in Mexican pesos of constant purchasing power, the resources provided by or used in operating, financing and investing activities.
- The factors used to recognize the effects of inflation were the following:

Year	Mexican national consumer price index	Weighted average restatement factor
2002	*5.70%*	*6.15%*
2001	*4.46%*	*0.41%*

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

- Restatement of non-monetary assets.
  Inventory and cost of sales are restated using the estimated replacement cost method. As set forth in Note 2-I, property, plant and equipment, net, is restated using the National Consumer Price Index ("NCPI") factors, except for machinery and equipment of foreign origin which are restated on the basis of a specific index composed of the GCPI factor from the country of origin, to the related foreign currency amounts, and then translated to Mexican pesos using the year-end exchange rate.
- Restatement of common stock, additional paid-in capital and retained earnings.
  This restatement reflects the amounts necessary to maintain the stockholder's investment at the original purchasing power amounts, and it is determined by applying NCPI factors from the dates on which capital stock and additional paid-in capital were contributed and earnings were generated or losses incurred, and is included within the related stockholders' equity captions.
- Deficit from restatement.
  Deficit from restatement primarily represents the difference between the replacement cost values of non-monetary assets or specific index restatement of machinery and equipment of foreign origin, as described above, and the historical cost of those assets restated for inflation, as measured by NCPI and GCPI factors for foreign subsidiaries.
- Monetary position gain (loss).
  Monetary position gain (loss) represents the inflationary effect, measured by NCPI and GCPI factors, on the net balance of monetary assets and liabilities at the beginning of each month as expressed in local currency. The monetary gain recognized on the net monetary position of foreign subsidiaries is based on the inflation rate of the respective country, as measured by the relevant GCPI factor, prior to the translation to Mexican pesos.

E) FOREIGN CURRENCY TRANSACTIONS

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

F) CASH EQUIVALENTS

All highly liquid investments with maturities of less than a year from the closing date of the financial statements are considered to be cash equivalents and are stated at cost, which approximates market value. At December 31, 2002 cash equivalents include liquid investments in shares quoted in the Mexican Stock Exchange for an amount of Ps.192,151. At the date of issuance of these financial statements, those shares were carried out with cash.

G) INVENTORIES AND COST OF SALES

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

H) INVESTMENT IN COMMON STOCK

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

I) PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment are restated utilizing NCPI factors, except for machinery and equipment of foreign origin which are restated on the basis of a specific index composed of the GCPI from the foreign country and the change in value of the Mexican peso against the foreign currency.

Depreciation expense is computed based on the net book value less salvage value, using the straight-line method over the estimated useful lives of the assets. Useful lives of the assets are as follows:

	Years
Buildings	*30 - 50*
Machinery and equipment	*3 - 27*

Maintenance and repairs are expensed as incurred. Costs of major replacements and improvements are capitalized. Comprehensive financing cost, including interest expense, foreign currency exchange fluctuations, and monetary position gain of the related debt for major construction projects, are capitalized as part of the assets during the construction period. When assets are retired, sold or otherwise disposed of, the restated value and accumulated depreciation are removed from the appropriate accounts and any resulting gain or loss is included in "Other income, net".

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

J) INTANGIBLE ASSETS, NET

Intangible assets are restated using NCPI factors. Amortization expense is computed on the restated values using the straight-line method, over a period of 5 to 20 years.

Expenses incurred during stages dedicated to the beginning of industrial and commercial operations are capitalized as pre-operating expenses. This capitalization stage concludes when the project begins its commercial activities. Pre-operating expenses are restated using the NCPI factor and amortized using the straight-line method over a period not to exceed 12 years.

The excess of cost over book value and the excess of book value over cost of subsidiaries and associated companies acquired are restated using the NCPI factors. Amortization expense is computed based on the restated values using the straight-line method, over a period not to exceed 5 and 20 years for the excess of book value over cost and for the excess of cost over book value, respectively.

Debt issuance costs are capitalized and amortized over the term of the related debt.

K) SENIORITY PREMIUM PLANS AND INDEMNITIES

Seniority premiums to which Mexican employees are entitled after 15 years of service are charged to income as determined by annual actuarial valuations. Indemnities to which Mexican employees may be entitled in the case of dismissal or death, under certain circumstances established by Mexican Labor Law, are expensed when they become payable.

L) FINANCIAL INSTRUMENTS

The derivative financial instruments held for hedging purposes are recognized using the same valuation criteria for the assets and liabilities being hedged. The cost of the financial instrument is recognized in income using the straight-line method during the contract term.

The derivative financial instruments held for purposes other than hedging are recognized at their fair value. The difference between the initial and year end fair value of the derivative assets and liabilities is recognized in income, except for those financial instruments related with the Company's own shares, which are registered as a component of equity.

M) REVENUE RECOGNITION

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

N) INCOME TAXES AND EMPLOYEES' STATUTORY PROFIT SHARING

Income taxes and employees' statutory profit sharing are recorded based on the comprehensive asset and liability method for all temporary differences arising between the carrying values for financial reporting and tax values of assets and liabilities at the date of the financial statements.

O) EARNINGS PER SHARE

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

P) COMPREHENSIVE INCOME (LOSS)

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

3. NOTES AND ACCOUNTS RECEIVABLE, NET, AND REFUNDABLE TAXES

Notes and accounts receivable, net, comprised the following as of December 31:

	2002	2001
Trade accounts receivable	Ps. 2,392,542	Ps. 2,331,921
Allowance for doubtful accounts	(92,984)	(109,425)
	2,299,558	2,222,496
Related parties (Note 18)	108,267	147,940
Account receivable for disposed subsidiaries	146,000	-
Employees	26,358	26,580
Notes receivable, net	7,454	7,245
Other debtors	171,311	124,039
	Ps. 2,758,948	Ps. 2,528,300

Refundable taxes comprised the following as of December 31:

	2002	2001
Production and services tax	Ps. 84,182	Ps. 129,294
Value-added tax	101,119	80,157
Income tax	93,891	18,398
Other	-	1,120
	Ps. 279,192	Ps. 228,969

4. INVENTORIES

Inventories consisted of the following as of December 31:

	2002	2001
Raw materials, mainly corn and wheat	Ps. 1,949,368	Ps. 1,982,350
Finished products	206,757	222,933
Materials and spare parts	261,143	217,156
Production in process	54,120	36,527
Advances to suppliers	8,858	31,268
Inventory in transit	63,145	6,406
	Ps. 2,543,391	Ps. 2,496,640

Taco shells,
Gruma Corporation

5. INVESTMENT IN COMMON STOCK OF ASSOCIATED COMPANIES

Investments in common stock of associated companies primarily consist of the investment in common stock of Grupo Financiero Banorte, S.A. de C.V. and subsidiaries ("GFNorte") and Harinera de Monterrey, S.A. de C.V. which produces wheat flour and related products in Mexico.

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

	2002	2001	Ownership
GFNorte:			
Book value	*Ps. 1,242,254*	*Ps. 1,067,554*	*11%*
Excess of cost over book value, net	-	*51,704*	
	1,242,254	*1,119,258*	
Harinera de Monterrey, S.A. de C.V	*116,943*	*109,565*	*40%*
	Ps. 1,359,197	*Ps. 1,228,823*	

6. PROPERTY, PLANT AND EQUIPMENT, NET

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

	2002	2001
Land	*Ps. 1,012,362*	*Ps. 959,212*
Buildings	*3,951,894*	*4,323,250*
Machinery and equipment	*13,226,467*	*12,991,753*
Construction in progress	*324,614*	*172,376*
Software for internal use	*607,122*	*583,433*
Leasehold improvements	*205,458*	*230,285*
Other	*32,758*	*19,776*
	19,360,675	*19,280,085*
Accumulated depreciation and amortization	*(6,778,497)*	*(6,673,511)*
	Ps. 12,582,178	*Ps. 12,606,574*

For the years ended December 31, 2002 and 2001, depreciation expense amounted to Ps.924,467 and Ps.958,726, respectively.

As of December 31, 2002, property, plant and equipment include temporarily idled assets with a carrying value of approximately Ps.570,155, resulting from the temporary shut-down of the productive operation of various plants in Mexico, Central America and Venezuela. The Company's management has the intention to use these assets in the short-term. For the years ended December 31, 2002 and 2001 the Company recognized an idle assets impairment loss of Ps.56,675 and Ps.14,861, respectively.

7. INTANGIBLE ASSETS, NET

Intangible assets, net, comprised the following as of December 31:

	2002	2001
Covenants not to compete	*Ps. 745,877*	*Ps. 769,275*
Pre-operating expenses	*86,071*	*70,225*
Debt issuance costs	*216,165*	*201,910*
Patents and trade names	*163,153*	*174,707*
Research on new projects	*62,677*	*75,171*
Other	*51,318*	*55,317*
	1,325,261	*1,346,605*
Accumulated amortization	*(461,124)*	*(391,775)*
	Ps. 864,137	*Ps. 954,830*

Expenditures for research are expensed as incurred and expenditures for development are expensed when they are not qualified as intangible assets. Expenditures for research and development amounted to Ps.9,243 and Ps.21,388 for the years ended December 31, 2002 and 2001, respectively. The amortization of pre-operating expenses charged to income for the years ended December 31, 2002 and 2001 amounted to Ps.8,158 and Ps.34,703, respectively. Additionally, during 2001 the Company wrote-off certain capitalized pre-operating expenses of Ps.326,265, which were recognized in other income, net (Note 13), related to the shut-down of the bread manufacturing operation.

Corn tortillas,
Gruma Corporation

8. OTHER ASSETS

Other assets as of December 31 consisted of the following:

	2002	2001
Trust funds for research and development of technology	*Ps. 213,728*	*Ps. 222,380*
Long-term notes receivable	*9,218*	*49,916*
Club memberships	*20,269*	*25,214*
Guarantee deposits	*14,104*	*18,929*
Refundable taxes	*9,710*	*10,254*
	Ps. 267,029	*Ps. 326,693*

9. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

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

	2002	2001
Syndicated loan denominated in U.S. dollars, maturing in December 2004 and 2005, bearing interest at an annual rate of LIBOR plus 1.00% to 1.625%, payable monthly or quarterly (at December 31, LIBOR plus 1.375%)	*Ps. 3,132,000*	*Ps. 3,893,582*
Senior unsecured notes in U.S. dollars, maturing in October 2007, and bearing interest at an annual rate of 7.625%, payable semiannually	*2,610,000*	*2,433,489*
Loans in U.S. dollars, bearing interest at annual rates from 3.80% to 7.96%, payable quarterly, and due in annual payments from 2003 through 2009	*323,126*	*312,742*
Loans in Venezuelan bolivars payable in 2003 and bearing interest at variable annual rates from 23% to 27% at December 31, 2002	*120,167*	*295,204*
Loans in U.S. dollar due in 2003, bearing annual interest at the LIBOR rate plus 1.25% to 2.5%, payable monthly	*658,190*	*48,680*
	6,843,483	*6,983,697*
Short-term bank loans	*(778,365)*	*(343,884)*
Current portion of long-term debt	*(12,183)*	*(11,769)*
Long-term debt	*Ps. 6,052,935*	*Ps. 6,628,044*

Short-term bank loans in U.S. dollars bear interests at an average rate of 2.77% as of December 31, 2002. Short-term bank loans in Venezuelan bolivars bear interest at an average rate of 25.67% and 16.75% as of December 31, 2002 and 2001, respectively.

The Company has credit line agreements for U.S.$70 million (Ps.730,800), all of which were available as of December 31, 2002. These credit line agreements require the payment of an annual commitment fee of 0.035% to 0.15% on the unused amounts.

Various credit agreements contain covenants requiring the Company to maintain certain financial ratios. The Company's ability to pay dividends is restricted upon the failure to maintain such financial ratios. At December 31, 2002, the Company was in compliance with these covenants.

At December 31, 2002, the annual maturities of long-term debt outstanding were as follows:

Year	Amount
2004	*Ps. 548,989*
2005	*2,623,908*
2006	*15,039*
2007	*2,736,264*
2008 and thereafter	*128,735*
	Ps. 6,052,935

The Company has entered into an interest rate swap agreement covering a portion of its long-term debt maturing in October 2007, see Note 17.

10. SENIORITY PREMIUMS AND SAVINGS PLAN

Seniority premium cost and other employee retirement benefits are determined by independent actuaries and are principally based on the employees' years of service, age, and salaries. The Company has established trust funds to meet these obligations.

Seniority premiums balance amounted to Ps.31,773 and Ps.30,516 as of December 31, 2002 and 2001, respectively, and it is included in other liabilities.

The components of the net seniority premium cost for the years ended December 31, were the following:

	2002	2001
Service cost	*Ps. 2,854*	*Ps. 2,802*
Interest cost	*807*	*739*
Expected return on plan assets	*(1,509)*	*(1,759)*
Curtailment (gain) loss	*(311)*	*199*
Settlement loss	*-*	*252*
Net amortization	*1,181*	*1,209*
Net cost for the year	*Ps. 3,022*	*Ps. 3,442*

As of December 31 the status of the plan was as follows:

		2002		2001
Actuarial present value of benefit obligations:				
Vested benefit obligation	*Ps.*	*(8,821)*	*Ps.*	*(8,117)*
Non-vested benefit obligation		*(8,195)*		*(7,916)*
		(17,016)		*(16,033)*
Excess of projected benefit obligation over accumulated benefit obligation		*(6,441)*		*(6,269)*
Projected benefit obligation		*(23,457)*		*(22,302)*
Plan assets at fair value (trust funds)		*16,839*		*17,372*
Shortfall of plan assets over projected benefit obligation		*(6,618)*		*(4,930)*
Unrecognized amounts to be amortized over 17 years:				
Cumulative net gain		*2,293*		*1,513*
Net transition liability		*(398)*		*(204)*
Prior service cost		*(204)*		*(304)*
Adjustment required to recognize minimum liability		*(1,308)*		*(1,198)*
Seniority premium liability	*Ps.*	*(6,235)*	*Ps.*	*(5,123)*

For the years ended December 31, 2002 and 2001, the changes in projected benefit obligation and plan assets are summarized as follows:

		2002		2001
Projected benefit obligation at beginning of year	*Ps.*	*22,302*	*Ps.*	*18,096*
Effect of inflation on beginning balance		*(659)*		*318*
Service cost		*2,854*		*2,802*
Interest cost		*807*		*739*
Benefits paid		*(2,702)*		*263*
Actuarial loss		*855*		*85*
Projected benefit obligation at end of year	*Ps.*	*23,457*	*Ps.*	*22,303*

		2002		2001
Fair value of plan assets at beginning of year	*Ps.*	*17,372*	*Ps.*	*15,038*
Effect of inflation on beginning balance		*(73)*		*312*
Actual return on plan assets		*1,509*		*1,759*
Benefits paid		*(1,969)*		*263*
Fair value of plan assets at end of year	*Ps.*	*16,839*	*Ps.*	*17,372*

Significant assumptions (weighted average rates, net of expected inflation) used in determining the seniority premium cost were as follows:

	2002	2001
Discount rate	*3.5%*	*4.0%*
Rate of increase in future compensation levels	*1.5%*	*2.0%*
Expected long-term rate of return on plan assets	*4.0%*	*5.0%*
Inflation rate	*5.5%*	*6.0%*

In the United States, the Company has a savings and investment plan that incorporates voluntary employee 401(K) contributions with Company contributions. For the years ended December 31, 2002 and 2001, total expenses related to this plan were U.S.$2,324 (Ps.24,263) and U.S.$2,212 (Ps.23,093), respectively.

In Venezuela, the Company records a liability for seniority premiums and indemnities for dismissal established by the local Labor Law, which amounted to Ps.14,070 and Ps.16,939 as of December 31, 2002 and 2001, respectively.

In Central America, the labor legislation of Costa Rica, Nicaragua, El Salvador, Honduras and Guatemala establishes that the accumulated payments to which workers may be entitled, based on the years of services, can be paid in the case of death, retirement or dismissal. The Company records a liability of 10% over salaries paid, which amounted to Ps.11,468 and Ps.8,454 as of December 31, 2002 and 2001, respectively.

11. COMMITMENTS AND CONTINGENCIES

A) CONTINGENCIES

The Mexican tax authorities have made certain observations to asset tax declarations for the years 1995 and 1996, which amounted to Ps.500,082 including the related surcharges and penalties. The resolution of these matters is not expected to have a material adverse effect on the Company's consolidated financial position or results of operations.

In September 2000, the Company learned that some products made with yellow corn flour manufactured by the Company were found to contain traces of Starlink DNA, indicating that the products may have contained Starlink. Starlink is a genetically modified organism approved by U.S. government agencies for animal feed, but not for human consumption. Shortly thereafter, the Company voluntarily recalled all of their yellow corn products and ceased manufacturing products made with yellow corn.

During the voluntary product recall, the Company incurred significant costs primarily related to raw material and finished goods inventories on hand that will not be sold for human consumption, return of yellow corn products sold to customers for credit or replacement with white corn products, unusable packaging material, laboratory testing fees and other legal and consulting fees. During 2001 the Company reached and collected settlements from third parties for costs incurred during the voluntary product recall with approximately Ps.64,419 (U.S.$6,618) allocated to lost sales and margins. This amount is recorded in other income, net (Note 13).

As a result of possible Starlink contamination, a number of lawsuits by consumers and customers have been filed against the Company and other defendants in which the plaintiffs are claiming damages from buying yellow corn products that are suspected to have contained Starlink. These lawsuits had been solved without any cost for the Company. Likewise, the Company is involved in lawsuits filed by one of the principal restaurant chains in the United States and certain franchisees which alleged sales loss as a result of Starlink contamination. At present, there is no financial effect on the financial position and results of operations. Additionally, the Company's insurance will handle the defense of the case.

The Company is involved in lawsuits for supposed monopolistic practices. The resolution of these matters is not expected to have a material adverse effect on the Company's consolidated financial position or results of operations.

The Company is also involved in a number of claims arising in the ordinary course of business which have not been finally adjudicated. The resolution of these matters is not expected to have a material adverse effect on the Company's consolidated financial position or results of operations.

B) COMMITMENTS

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

As of December 31, 2002, the Company is leasing certain equipment under long-term operating lease agreements expiring through 2011. Future minimum lease payments under such leases amount to approximately U.S.$114,328 (Ps.1,193,584), as follows:

	U.S. dollars (thousands)					
Year		Facilities		Equipment		Total
2003	*US$*	*8,290*	*US$*	*24,550*	*US$*	*32,840*
2004		*6,750*		*18,867*		*25,617*
2005		*5,826*		*12,974*		*18,800*
2006		*5,068*		*6,147*		*11,215*
2007		*4,582*		*5,635*		*10,217*
2008 and thereafter		*7,710*		*7,929*		*15,639*
	US$	*38,226*	*US$*	*76,102*	*US$*	*114,328*
	Ps.	*399,079*	*Ps.*	*794,505*	*Ps.*	*1,193,584*

Rental expense was approximately Ps.366,705 and Ps.377,379 for the years ended December 31, 2002 and 2001, respectively.

Corn flour 4.4 lbs. bag, Gruma Corporation

At December 31, 2002, the Company had various outstanding commitments in the United States to purchase commodities and raw materials for approximately U.S.$70,371 (Ps.734,673), which will be delivered during 2003.

As of December 31, 2002, the Company had outstanding commitments to purchase machinery and equipment amounting to approximately U.S.1,136 (Ps.11,860).

As of December 31, 2002 and 2001, restricted cash of Ps.1,378 and Ps.2,745, respectively, included undisbursed proceeds from the issuance of tax-exempt industrial development revenue bonds in the United States amounting to Ps.1,211 (U.S.$116) and Ps.1,284 (U.S.$123) which are available to pay interest expense on outstanding balances on these bonds.

12. STOCKHOLDERS' EQUITY

A) COMMON STOCK

At December 31, 2002, Gruma's outstanding common stock consisted of 441,402,386 shares of Series "B", with no par value, fully subscribed and paid, which can only be withdrawn with stockholders' approval, and 11,147,566 authorized shares held in Treasury. At December 31, 2001, the Company's outstanding common stock consisted of 441,725,086 shares and 10,824,866 shares held in Treasury.

B) EXECUTIVE STOCK PURCHASE PLAN

Gruma S.A. de C.V. has established through an irrevocable grantor trust an "Executive Stock Purchase Plan". The shares were granted to executives, and such executives had the right to receive dividends during the six year term after joining the plan.

During 2002 the Company decided to cancel the plan through the payment of these shares at market price in effect when the transaction took place.

C) RETAINED EARNINGS

In accordance with Mexican Corporate Law, the legal reserve must be increased annually by 5 % of annual net profits until it reaches 20 % of the fully paid capital stock amount.

A 53.85% tax is payable by the Company if dividends are paid from earnings that have not been subject to Mexican income tax. The applicable tax may be credited against income tax the Company is subject to in the following three fiscal years. Effective January 1, 2002, dividends paid by the Company from net tax income account are not subject to any tax.

D) PURCHASE OF COMMON STOCK

The Stockholders' Meeting approved a Ps.650,000 reserve to repurchase the Company's own shares. The total amount of repurchased shares cannot exceed either the reserve amount or 5% of total equity. As of December 31, 2002, the Company has repurchased 11,147,566 of its own shares with a market value of Ps.112,590.

The Company has entered into several agreements involving its own shares, as follows:

- In 2002, the Company has entered into an Equity Swap agreement with a financial institution to sell 2,300,000 own shares for a total amount of U.S.$2,590. On the maturing date, the Company is subject to pay a financial cost at the LIBOR rate plus 3.2% on the contractual amount. The agreement matures in August 2003 when the Company has the option to repurchase the shares at U.S.$1.126071 per share or pay or receive the difference between the agreed price and the market price.
- During 2002, the Company entered into Call Option agreements with a European financial institution selling 13,900,000 of its own shares for a total amount of U.S.$13,244, maturing in January and December 2003. On the maturity date, the Company has the right to repurchase its own shares at a nominal value.

E) FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

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

		2002		2001
Foreign currency translation at beginning of year	*Ps.*	*(368,078)*	*Ps.*	*215,113*
Effect of the year of translating net investment in foreign subsidiaries		*311,650*		*(723,920)*
Exchange differences arising from foreign currency liabilities accounted for as a hedge of the Company's net investments in foreign subsidiaries, net of tax		*(554,372)*		*140,729*
	Ps.	*(610,800)*	*Ps.*	*(368,078)*

F) INFLATION EFFECTS

As of December 31, 2002, the majority stockholders' equity comprised the following:

	Nominal	Restatement	Total
Common stock	*Ps. 4,209,347*	*Ps. 6,088,566*	*Ps. 10,297,913*
Additional paid-in capital	*1,216,020*	*1,922,675*	*3,138,695*
Deficit from restatement	*-*	*(11,077,100)*	*(11,077,100)*
Cumulative effect of a change in an accounting principle for deferred income taxes and employees' statutory profit sharing	*(175,471)*	*(10,003)*	*(185,474)*
Retained earnings from prior years	*2,455,720*	*5,036,299*	*7,492,019*
Net income for the year	*394,482*	*(1,290)*	*393,192*
Foreign currency translation adjustments	*(610,800)*	*-*	*(610,800)*
	Ps. 7,489,298	*Ps. 1,959,147*	*Ps. 9,448,445*

G) TAX VALUES OF COMMON STOCK AND RETAINED EARNINGS

As of December 31, 2002, tax amounts of common stock and retained earnings were Ps.8,578,412 and Ps.1,429,235, respectively.

13. OTHER INCOME, NET

Other income, net, is comprised of the following:

	2002	2001
Disposal of subsidiaries	*Ps. 130,627*	*Ps. -*
Amortization of excess of cost over book value and excess of book value over cost, net	*132,698*	*323,002*
Amortization of other deferred assets	*(90,909)*	*(75,622)*
Carrying value of idle impairment loss assets (Note 6)	*(56,675)*	*(14,861)*
Write-off of pre-operating expenses not related with shut-down of the bread manufacturing operation and other	*-*	*(21,979)*
Net loss from the shut-down of the bread operations	*-*	*(199,315)*
Voluntary product recall settlements (Note 11)	*-*	*64,419*
Other	*4,779*	*(6,237)*
	Ps. 120,520	*Ps. 69,407*

During 2001, the Company determined that the carrying value of certain goodwill was impaired and it was reduced by Ps.21,979.

The net loss from shut-down of the bread operations includes in 2001 a provision of approximately Ps.34,274 for estimated employee termination benefits, fixed asset and other asset impairment losses and other expenses.

Corn flour1 kg. bag, Gimsa

14. INCOME TAXES, ASSET TAX AND EMPLOYEES' STATUTORY PROFIT SHARING

A) INCOME TAX AND ASSET TAX

Gruma files a consolidated income tax return for Mexican income tax purposes, consolidating taxable income and losses of Gruma and its controlled Mexican subsidiaries. Filing a consolidated tax return had the effect of reducing income tax expense for the years ended December 31, 2002 and 2001 by Ps.52,897 and Ps.86,324, respectively, as compared to filing a tax return on an unconsolidated basis. Tax regulations limit the income tax consolidation to 60% of the ownership interest of controlled Mexican subsidiaries.

In accordance with the applicable tax law, Mexican corporations must pay the higher of either income tax or asset tax (1.8%). Asset tax is determined on the average value of substantially all of the Company's

Mexican assets less certain liabilities. Payments of asset tax are recoverable against the excess of income tax over asset tax of the three prior years and the ten subsequent years.

For the years ended December 31, 2002 and 2001, asset tax amounted to Ps.159,501 and Ps.125,132, respectively.

B) RECONCILIATION OF FINANCIAL AND TAXABLE INCOME

For the years ended December 31, 2002 and 2001, the reconciliation between the effective income tax amounts and the statutory income tax amounts is summarized as follows:

	2002	2001
Statutory federal income tax (35%)	Ps. 350,586	Ps. 261,745
Foreign income tax differences	(89,037)	(80,520)
Effect of disposal subsidiaries	248,128	-
Foreign dividends	144,843	168,319
Effect due to change in income tax rate	(26,684)	-
Restatement of corn cost	(2,774)	(3,491)
Financing cost, net, and other income statement effects related to inflation	(48,434)	15,093
Amortization of excess of cost over book value and excess of book value over cost, net	(26,460)	(76,766)
Non-deductible expenses and non-taxable incomes	5,702	(28,153)
Restatement of tax loss carryforwards	(33,657)	(236,580)
Losses of Mexican subsidiaries which cannot be utilized for income tax consolidation	38,319	261,363
Other	700	(5,245)
Effective income tax rate (37% in 2002)	Ps. 561,232	Ps. 275,765

As a result of the amendments to the Income Tax Law approved on January 1, 2002, beginning in 2003, the income tax rate of 35% will be reduced annually to a nominal rate of 32% in 2005.

According to Bulletin D-4, "Accounting Treatment of Income Tax, Asset Tax and Employees' Statutory Profit Sharing", deferred income taxes should be determined using the statutory tax rate effective when the deferred tax assets and liabilities will be recovered or settled.

The modification of the tax rate mentioned above, reduced the net deferred tax liability by Ps.26,684 and resulted in a benefit to income for the same amount.

At December 31, 2002 and 2001, the tax effects of main differences that give rise to significant portions of the deferred tax assets and liabilities, are as follows:

	(Assets) Liabilities	
	2002	2001
Deferred tax assets:		
Accrued liabilities	Ps. (109,430)	Ps. (108,073)
Net operating loss carryforwards and other tax credits	(970,223)	(789,205)
Recoverable asset tax	(345,155)	(656,669)
Intangible asset resulting from intercompany operation	(186,480)	(299,029)
Other	(185,917)	(87,697)
	(1,797,205)	(1,940,673)
Deferred tax liabilities:		
Property, plant and equipment, net	1,818,743	1,660,297
Inventories	395,470	378,078
Intangible assets and other	5,652	37,467
Investment in partnership and equity method investee	202,181	191,506
	2,422,046	2,267,348
Net deferred tax liability	Ps. 624,841	Ps. 326,675

Wheat flour 1 kg. bag, Molinera de México

At December 31, 2002, the Company had loss carryforwards valuation allowances for foreign subsidiaries of Ps.45,111 and at December 31, 2001 for Mexican subsidiaries of Ps.104,866 and Ps.56,385 for foreign subsidiaries. In management's opinion, the realization of these asset tax and tax loss carryforwards is less likely than not because of the dependency on the generation of sufficient taxable income at the subsidiary level.

Additionally, the Company has a deferred liability of Ps.47,930 and Ps.51,619, respectively, relating to employees' statutory profit sharing.

C) TAX LOSS CARRYFORWARDS AND RECOVERABLE ASSET TAX

At December 31, 2002, in Mexico the Company has tax loss carryforwards of approximately Ps.2,056,630 available to offset its taxable income in subsequent years, and asset tax available to offset the excess of income tax over asset tax in future years, as shown below:

Expiration Year	Tax loss carryforwards	Recoverable asset tax
2010	*Ps. -*	*Ps. 137,262*
2012	*2,056,630*	*159,501*
	Ps. 2,056,630	*Ps. 296,763*

At December 31, 2002, certain Company's foreign subsidiaries have tax loss carryforwards of approximately Ps.28,789 (1,044,342 million Costa Rican colons) which will expire in 2003 to 2004; and Ps.154,901 (20,820 million bolivars) which will expire in 2003.

D) EMPLOYEES' STATUTORY PROFIT SHARING

In Mexico, employees' statutory profit sharing is determined for each subsidiary on an unconsolidated basis, applying 10% of taxable income determined on a basis similar to income tax, except that the employees' statutory profit sharing does not consider inflation effects (inflationary component), depreciation expense is based on the historical cost, and a foreign exchange gain or loss is recognized when a monetary asset or liability is contractually due.

15. FOREIGN CURRENCY

A) EXCHANGE DIFFERENCES

For the years ended December 31, 2002, and 2001, the effects of exchange rate fluctuations on the Company's monetary assets and liabilities were recognized as follows:

	2002	2001
Exchange differences arising from foreign currency liabilities accounted for as a hedge of the Company's net investment in foreign subsidiaries recorded directly to stockholders' equity as an effect of foreign currency translation adjustments	*Ps. (554,372)*	*Ps. 140,729*
Exchange differences arising from foreign currency transactions credited (charged) to income	*(263,095)*	*99,964*
	Ps. (817,467)	*Ps. 240,693*

B) FOREIGN CURRENCY POSITION

As of December 31, 2001 and 2000, monetary assets and liabilities held or payable in U.S. dollars are summarized below:

	Thousands of U.S. dollars 2002	Thousands of U.S. dollars 2001
By companies located in Mexico:		
Assets:		
Current	*U.S.$ 33,204*	*U.S.$ 13,989*
Non-current	*11*	*-*
Liabilities:		
Current	*(71,342)*	*(2,873)*
Long-term	*(550,000)*	*(650,000)*
	U.S.$ (588,127)	*U.S.$ (638,884)*
	2002	2001
By foreign companies:		
Assets:		
Current	*U.S.$ 146,594*	*U.S.$ 152,046*
Non-current	*1,059*	*10,340*
Liabilities:		
Current	*(199,654)*	*(206,423)*
Long-term	*(88,785)*	*(61,269)*
	U.S.$ (140,786)	*U.S.$ (105,306)*

At December 31, 2002 and 2001, the exchange rates used to translate U.S. dollar assets and liabilities were Ps.10.44 and Ps.9.17, respectively. On March 20, 2003, date of issuance of these financial statements, the exchange rate for the U.S. dollar was Ps.10.86.

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

	Thousands of U.S. dollars 2002	Thousands of U.S. dollars 2001
Corn purchases and other inventories	*U.S.$ 147,927*	*U.S.$ 104,117*
Interest expense	*43,278*	*52,162*
Equipment purchases	*404*	*88*
Services	*321*	*194*
	U.S.$ 191,930	*U.S.$ 156,561*

Non-monetary assets of foreign origin, which are restated on the basis of the GCPI from the foreign country of origin, are summarized as follows:

	2002		2001	
	Foreign currency (thousands)	Year-end exchange rate	Foreign currency (thousands)	Year-end exchange rate
U.S. dollars	*574,686*	*10.44*	*582,524*	*9.17*
Swiss francs	*23,008*	*7.55*	*26,266*	*5.52*
Deutsche marks	*24,786*	*5.60*	*32,668*	*4.18*
Italian liras	*2,432,856*	*0.0057*	*3,227,844*	*0.0042*
Spanish pesetas	*554,205*	*0.0659*	*704,904*	*0.0491*
Venezuelan bolivars	*256,511,893*	*0.0074*	*173,599,434*	*0.0121*
Costa Rican colons	*35,464,477*	*0.0276*	*32,082,560*	*0.0268*

16. SEGMENT INFORMATION

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

The Company's reportable segments are as follows:

- Corn flour and packaged tortilla division (United States of America) – manufactures and distributes over 20 varieties of corn flour that are used mainly to produce and distribute different types of tortillas and tortilla chip products in the United States and Europe through MASECA for corn flour and MISSION and GUERRERO for tortillas, its principal brands.
- Corn flour division (Mexico) – engaged principally in the production, distribution and sale of corn flour in Mexico under MASECA brand. Corn flour produced by this division is used mainly in the preparation of tortillas and other related products.
- Corn flour, wheat flour and other products (Venezuela) – engaged mainly in producing and distributing corn and wheat flour, used principally for industrial and human consumption.
- Packaged tortilla division (Mexico) – produces and distributes tortillas.
- Wheat flour division (Mexico) – engaged in the production and marketing of wheat flour.
- Corn flour and other products (Central America) – manufactures corn flour, tortillas and snacks and cultivates and sells hearts of palm.
- "Other" division – this segment represents the technology and equipment division which are in Mexico and conducts research and development regarding flour and tortilla manufacturing equipment, produces machinery for corn flour and tortilla production and is engaged in the construction of the Company's corn flour manufacturing facilities.
- The "Other reconciling items" line includes the corporate expenses and the elimination of inter-business unit transactions.

During 2001, the Company decided to terminate the bread operations in Mexico and Central America.

All intersegment sales prices are market based. The Company evaluates performance based on operating income of the respective business units.

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

Segment information as of and for the year ended December 31, 2002:

Segment	Net sales to external customers	Inter-segment net sales	Operating income (loss)	Depreciation and amortization
Corn flour and packaged tortilla division (United States)	*Ps. 9,275,753*	*Ps. -*	*Ps. 797,161*	*Ps. 482,153*
Corn flour division (Mexico)	*4,733,609*	*29,112*	*507,416*	*258,317*
Corn flour, wheat flour and other products (Venezuela)	*2,230,666*	*-*	*241,360*	*64,395*
Packaged tortilla (Mexico)	*148,572*	*38,343*	*(75,603)*	*58,079*
Wheat flour (Mexico)	*1,716,293*	*4,435*	*18,308*	*63,133*
Corn flour and other products (Central America)	*1,051,011*	*-*	*31,371*	*62,047*
Other	*1,582*	*292,004*	*(45,804)*	*7,952*
Other reconciling items	*16,921*	*(363,894)*	*18,073*	*(9,225)*
Total	*Ps. 19,174,407*	*Ps. -*	*Ps. 1,492,282*	*Ps. 986,851*

Segment	Total assets	Total liabilities	Expenditures for long-lived assets
Corn flour and packaged tortilla division (United States)	*Ps. 7,705,921*	*Ps. 2,285,650*	*Ps. 490,962*
Corn flour division (Mexico)	*7,023,987*	*1,480,801*	*30,012*
Corn flour, wheat flour and other products (Venezuela)	*2,341,766*	*680,011*	*(72,966)*
Packaged tortilla (Mexico)	*532,720*	*74,878*	*(240,165)*
Wheat flour (Mexico)	*2,008,733*	*262,535*	*35,781*
Corn flour and other products (Central America)	*1,128,969*	*353,871*	*7,163*
Other	*381,241*	*82,824*	*7,081*
Other reconciling items	*1,019,950*	*4,889,693*	*298,609*
Total	*Ps. 22,143,287*	*Ps. 10,110,263*	*Ps. 556,477*

Segment information as of and for the year ended December 31, 2001:

Segment	Net sales to external customers	Inter-segment net sales	Operating income (loss)	Depreciation and amortization
Corn flour and packaged tortilla division (United States)	*Ps. 8,822,479*	*Ps. -*	*Ps. 599,439*	*Ps. 555,028*
Corn flour division (Mexico)	*4,911,339*	*35,428*	*558,288*	*261,459*
Corn flour, wheat flour and other products (Venezuela)	*1,995,782*	*-*	*152,818*	*56,646*
Packaged tortilla (Mexico)	*366,944*	*34,137*	*(227,993)*	*84,559*
Wheat flour (Mexico)	*1,519,717*	*27,597*	*13,473*	*59,801*
Corn flour and other products (Central America)	*1,185,319*	*-*	*(8,052)*	*91,496*
Other	*97,074*	*358,506*	*(13,566)*	*8,593*
Other reconciling items	*17,468*	*(455,668)*	*(98,633)*	*(289,295)*
Total	*Ps. 18,916,122*	*Ps. -*	*Ps. 975,774*	*Ps. 828,287*

Segment	Total assets	Total liabilities	Expenditures for long-lived assets
Corn flour and packaged tortilla division (United States)	*Ps. 7,531,177*	*Ps. 2,077,903*	*Ps. 439,808*
Corn flour division (Mexico)	*6,747,015*	*1,398,030*	*3,740*
Corn flour, wheat flour and other products (Venezuela)	*2,058,503*	*655,806*	*59,393*
Packaged tortilla (Mexico)	*743,778*	*98,359*	*24,526*
Wheat flour (Mexico)	*1,926,449*	*207,101*	*18,508*
Corn flour and other products (Central America)	*1,161,343*	*172,127*	*85,270*
Other	*518,062*	*83,252*	*(14,200)*
Other reconciling items	*1,196,776*	*5,029,412*	*73,169*
Total	*Ps. 21,883,103*	*Ps. 9,721,990*	*Ps. 690,214*

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

Other reconciling items	2002	2001
Corporate expenses	*Ps. (34,226)*	*Ps. (113,090)*
Elimination of inter-business unit transactions	*52,299*	*14,457*
Total	*Ps. 18,073*	*Ps. (98,633)*

Corn tortillas,
Gruma Centro América

Additionally a summary of information by geographic segments is as follows:

		2002	%		2001	%
NET SALES:						
United States	Ps.	9,275,753	48	Ps.	8,822,479	47
Mexico		6,616,977	35		6,912,542	36
Venezuela		2,230,666	12		1,995,782	11
Central America		1,051,011	5		1,185,319	6
	Ps.	19,174,407	100	Ps.	18,916,122	100
IDENTIFIABLE ASSETS:						
United States	Ps.	7,705,921	35	Ps.	7,531,177	35
Mexico		10,966,631	49		11,132,080	51
Venezuela		2,341,766	11		2,058,503	9
Central America		1,128,969	5		1,161,343	5
	Ps.	22,143,287	100	Ps.	21,883,103	100
CAPITAL EXPENDITURES:						
United States	Ps.	490,962	88	Ps.	439,808	64
Mexico		131,318	24		105,743	15
Venezuela		(72,966)	(13)		59,393	9
Central America		7,163	1		85,270	12
	Ps.	556,477	100	Ps.	690,214	100

17. FINANCIAL INSTRUMENTS

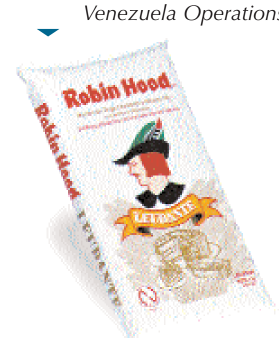
A) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The estimated fair value of the Company's long-term debt and derivative financial instruments is as follows:

	Carrying amount	Fair value
At December 31, 2002:		
Liabilities: Senior unsecured notes in U.S. dollars bearing interest at annual rate of 7.625%	Ps. 2,610,000	Ps. 2,518,650
Equity Swap	27,039	23,230
Call Option	138,263	140,390
At December 31, 2001:		
Liabilities: Senior unsecured notes in U.S. dollars bearing interest at annual rate of 7.625%	Ps. 2,433,489	Ps. 2,372,895
Equity Swap	56,041	76,375
Call Option	67,067	66,630

Wheat flour,
Venezuela Operations



Fair values were determined as follows:

- The fair value of debt is estimated based on quoted market prices for similar issues or on current rates available to the Company for debt of the same maturity and similar terms.

- The fair value of the equity swap and the call option is estimated based on quoted market prices of the share and on the agreement terms.
- The interest rate swap had a reasonable value based on market prices.
- The carrying value of the remainder of the long-term debt was similar to its fair value.

B) HEDGES

In Mexico, the Company has entered into futures contracts to minimize the risk in price fluctuations of corn and gas. These contracts are short-term and do not exceed the maximum production requirements for a one-year period. The effect of these contracts was recognized in income when they were settled and was not significant. As of December 31, 2002 the Company has an open hedge contract amounting to U.S.$99,000 which matures in February 2003.

The Company uses derivative financial instruments such as interest rate swaps to hedge its long term debt which matures in 2007 and bears interest at an annual rate of 7.625%. This hedge considers the risk created by changes in the market value conferred to interest rate fluctuations, converting the debt from a fixed rate (7.625%) to a variable rate (LIBOR plus 2.035%). Additionally, the Company entered into an agreement to receive a fixed interest rate of 5.1525% through 2004 and 5.485% from 2004 through 2007 and to pay LIBOR rate.

C) CONCENTRATION OF CREDIT RISK

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

18. RELATED PARTY TRANSACTIONS

The Company owns an 11.1070% interest in GFNorte, a Mexican financial institution. In the normal course of business, the Company obtains long-term financing from GFNorte and other subsidiaries of that institution at market rates and terms. The highest outstanding loan amount in dollars has been U.S.$13 million at an average interest rate of 3.36%. The interest paid to GFNorte's subsidiaries for the years ended December 31, 2002 and 2001 were Ps.73 and Ps.5,519, respectively.

As of December 31, 2002 and 2001, the Company made loans to its controlling shareholders, bearing interests at market rates. As of December 31, 2002 and 2001, accounts receivable from these transactions totaled Ps.108,267 and Ps.147,940, respectively.

During 2002 and 2001, the Company had accounts payable to a shareholder included in trade accounts payable for Ps.79,620 and Ps.108,913, respectively. Additionally, during 2002 and 2001, the Company purchased inventory ingredients from a shareholder, amounting to U.S.$84 million (Ps.873,577) and U.S.$90 million (Ps.829,639), respectively.

19. RECENT ACCOUNTING PRONOUNCEMENTS

In November 2001, the Mexican Institute of Public Accountants issued Bulletin C-9, "Liabilities, Provisions, Contingent Assets and Liabilities and Commitments", which supersedes existing Bulletin C-9, "Liabilities" and Bulletin C-12 "Contingencies and Commitments". This Bulletin is effective as of January 1, 2003, but earlier adoption is encouraged. This Statement contains the guidelines relating to valuation, recording and disclosure of liabilities, provisions, contingent assets and liabilities and disclosure of commitments. This Statement establishes among other issues, detailed presentation or provisions, use of present value, the consideration of future events to estimate provisions, accounting treatment for probable reimbursement and changes in the value estimated for provisions. It also contains the accounting treatment for redemption of debt. The Company's management considers that the adoption of this Bulletin will not have a significant effect in its financial statements.

In addition, in December 2001, the Mexican Institute of Public Accountants issued Bulletin C-8, "Intangible Assets" which defines intangible assets as rights or privileges acquired that will generate a future economic benefit. Additionally, Bulletin C-8 establishes guidelines on the accounting for deferred research and development costs and pre-operating costs. It also establishes provisions for the amortization of intangible assets. The provisions of Bulletin C-8 are effective as of January 1, 2003, although early adoption is encouraged. The Company's management considers that the adoption of this Bulletin will not have a significant effect in its financial statements.

AMERICAN INSTITUTE OF BANKING (AIB)	A nonprofit organization devoted to education and research in the science of baking, bakery management, equipment, ingredients, cereals, nutrition, food safety and hygiene, occupational safety, and maintenance engineering.
CORN FLOUR	Dry corn product with a long shelf life, which can be easily made into corn dough by adding water.
CORN FLOUR METHOD	Modern method of preparing tortillas from corn flour, which offers advantages over the traditional nixtamal method such as higher yields, lower costs, and uniform quality, among others.
EUROPEAN FOOD SAFETY INSPECTION SERVICE (EFSIS)	A third party independent inspection service that provides retailers, manufacturers and caterers with expert inspection of their operations and suppliers to ensure the highest standards are maintained.
ERP	Enterprise resource planning software that links multiple aspects of an organization's business functions into one IT platform; GRUMA uses SAP as its ERP vendor.
GMO	Genetically modified organism.
ISO 9000:2000	The most recent group of standards promulgated by the International Standards Organization for the safety and quality of company products and processes.
ISO 14001	International standard that specifies a process for controlling and improving a company's environmental performance.
PACKAGED TORTILLA	A category/segment of the tortilla market in which the product is distributed and sold cold, packaged, and branded.
SAP	Trademarked computer software that links all business processes into one integrated system.
TORTILLA	Circle-shaped food product made of corn, corn flour, or wheat flour, often used as a wrapping for foods or as a meal accompaniment.
TORTILLERÍA	Generally a small, family-owned-and-operated shop in which tortillas are made using wet corn dough and/or corn flour and sold warm. There are an estimated 45,000 tortillerías located in Mexico.
TRADITIONAL OR NIXTAMAL METHOD	Tortilla-making process based on wet corn dough.
WET CORN DOUGH	Corn boiled in a limestone solution and then milled to a dough for the preparation of tortillas.

We know that every day around the world more consumers are enjoying Mexican foods. Wheat and corn tortillas are appreciated for their great taste and incredible versatility.

In Mexico, Gimsa launched its advertising campaign in the second half of 2002 named "Los mexicanos somos hijos del maíz" (We Mexicans are children of corn) to support Maseca® corn flour marketing. The results have been strong.

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Exchange listings

Bolsa Mexicana de Valores (BMV): GRUMAB

New York Stock Exchange (NYSE): GMK[1]

(1) Each ADR represents four ordinary shares

Depositary bank

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Depositary Receipts Department
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Investor Relations information can be accessed through our World Wide Web home page, **www.gruma.com**. There, you can find a detailed description of our company, as well as the latest financial information.

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