GRUMA ANNUAL REPORT 2001

WHAT'S IN A WORD?

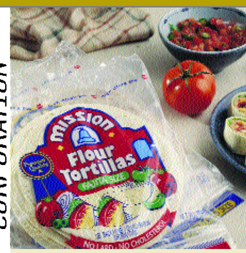
Our theme for this year's report, *Direction*, summarizes, in a word, GRUMA's renewed focus on its core businesses as well as its efforts to strengthen its profitability and fundamentals. The compass on the cover represents the trend in GRUMA's performance over the past two years as well as its future course.

CONTENTS

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.

INSIDE GRUMA

GRUMA's operational structure reflects its strategy to compete in markets with considerable potential for growth and profitability. Here we provide a brief overview of the company – its main subsidiaries, products, competitive position, and growth potential in the markets it serves.

Main divisions			GRUMA ownership	Subsidiaries/plants	P
GRUMA CORPORATION		U.S. and Europe	100%	Gruma Corporation owns 80% of Azteca Milling Co., which has five plants in the U.S.	
				Gruma Corporation owns Mission Foods, which has 13 plants in the U.S. and one in Europe.	
GIMSA		Mexico	83%	A holding company with 18 plants located throughout Mexico.	
MOLINERA DE MÉXICO		Mexico	60%	Nine production facilities located throughout Mexico.	
PRODISA		Mexico	100%	Two plants located in northern Mexico.	
GRUMA CENTRO AMÉRICA		Central America	100%	Nine plants located in Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica.	
VENEZUELA OPERATIONS		Venezuela	95%	MONACA owns 13 plants across the country.	
			50%	DEMASECA owns one plant in northern Venezuela.	

ants	Primary Products	Major Competitors	Competitive Position	Growth Potential
	More than 20 varieties of Maseca® corn flour sold to industrial and end users for producing tortilla and other food products.	Mostly divisions of large companies (e.g., Cargill, Minsa).	Largest producer and marketer of corn flour and tortillas in the U.S. Products have strong brand equity.	Through Gruma Corporation, GRUMA pursues the continuing growth in tortilla consumption by both Hispanics and non-Hispanics. GRUMA intends to develop the first nationwide tortilla brand.
	Mission™ and Guerrero® tortillas and tortilla chips sold to food-service customers and consumers.	Conagra, Tyson Foods, and Bimbo.		
	More than 40 varieties of Maseca corn flour, sold to industrial tortilla producers and through retailers for making homemade tortillas.	Corn flour producers (Minsa and Agroinsa) and thousands of producers of wet corn dough or *nixtamal* for tortilla production.	Largest producer and marketer of corn flour in Mexico. The Maseca brand enjoys wide recognition and is often synonymous with corn flour.	GIMSA's biggest opportunity is to see users of the traditional *nixtamal* method for tortilla production using the dry corn flour method. Still, roughly one of two tortillas is made using the *nixtamal* method.
	Wheat flour sold to bakeries, cookie and pasta manufacturers, and to consumers via retailers. Main brands: Reposada®, Poderosa®, Selecta®, and Diluvio®, among others.	Primarily Contri, Munsa, Tablex, and approximately 100 small local wheat flour manufacturers.	Mexico's largest wheat flour producer, seller, and distributor.	Because the wheat flour industry is highly fragmented, Molinera's strategy is to consolidate as the market leader.
	Misión® brand packaged tortillas sold through retailers to consumers.	In the tortilla industry, thousands of tortilla producers. In the packaged tortilla segment, Bimbo and others.	PRODISA is the second largest manufacturer in the packaged tortilla segment.	Mexico's tortilla industry is highly fragmented, and most producers have no brands. There is ample opportunity to develop and consolidate a nationwide brand of fresh and convenient tortillas.
	Maseca, MasaRica®, and Tortimasa® corn flour for industrial tortilla manufacturers, small tortilla producers, and retailers; TortiRica® tortillas, Tosty® snacks, Luisiana® rice, and La Cima® hearts of palm to consumers in Costa Rica.	Within the corn flour industry, the main competitors are Minsa in Guatemala, Del Comal in El Salvador, and Instamasa in Costa Rica.	Gruma Centro América is the absolute leader in the corn flour and tortilla industries in the region. Its main products enjoy much greater popularity than nearest competitors because its brands are well recognized by the Central American population.	The potential for Gruma Centro América's core products and processes is enormous considering the inefficiency of the traditional *nixtamal* method of tortilla production, which still represents around 90% of tortilla production.
	Corn flour and wheat flour for industrial, insititutional, and retail sale. Main corn flour brands: Juana® and Payara®; wheat flour: Robin Hood®.	Primary corn flour competitor is Polar. Main wheat flour competitor is Cargill.	Second-largest corn flour and largest wheat flour producer in Venezuela, whose products benefit from strong brand equity.	GRUMA's international experience will allow it to capitalize on market opportunities in Venezuela, a country whose population consumes many kinds of food products made from corn and wheat.
	Corn flour sold under the Demasa® brand.			

CORPORATE PROFILE

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 packaged tortillas, corn flour, and wheat flour. With leading brands in most of its markets, GRUMA operates primarily through seven subsidiaries located in Mexico, the United States, Central America, Venezuela, and Europe. Headquartered in Monterrey, Mexico, GRUMA has over 15,000 employees and 71 plants and, in 2001, had net sales of US$1.9 billion. For more information, visit www.gruma.com.

GRUMA'S BUSINESS STRATEGY IS TO

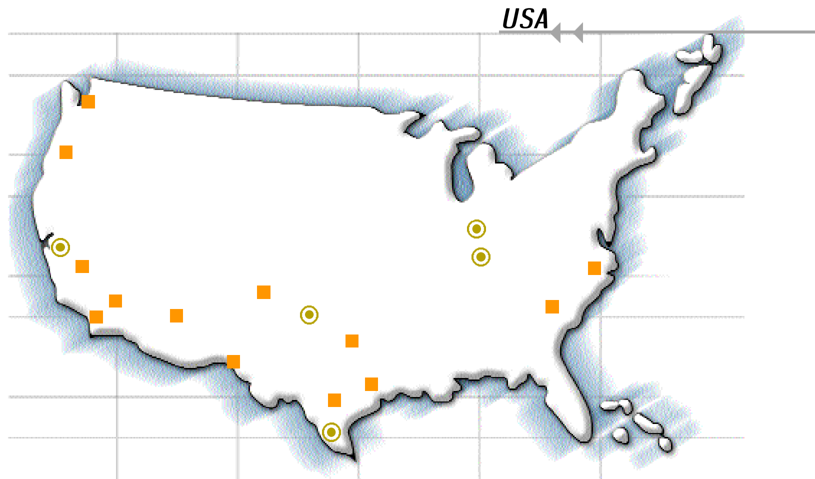
- Offer superior-quality products and services.
- Thoroughly understand and satisfy the needs of its customers and consumers.
- Continually enhance brand equity through efficient and effective marketing, distribution, and customer service efforts.
- Develop technology and market research that strengthen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

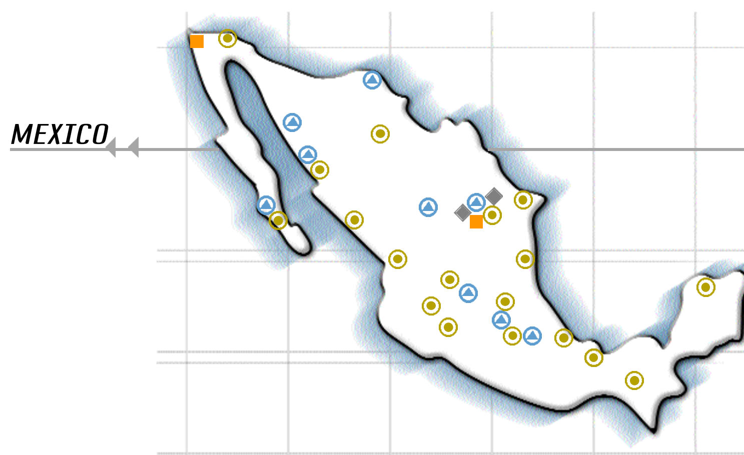
OUR WORLDWIDE OPERATIONS

GRUMA is a multinational company that competes successfully in many regions throughout the world and has a direct presence in nine countries. The international and multicultural expertise of its management provides a considerable competitive edge.

Primary Products

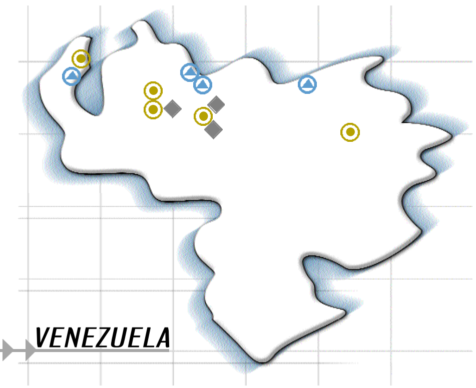
- Tortillas and tortilla chips
- Corn flour
- Wheat flour
- Other products

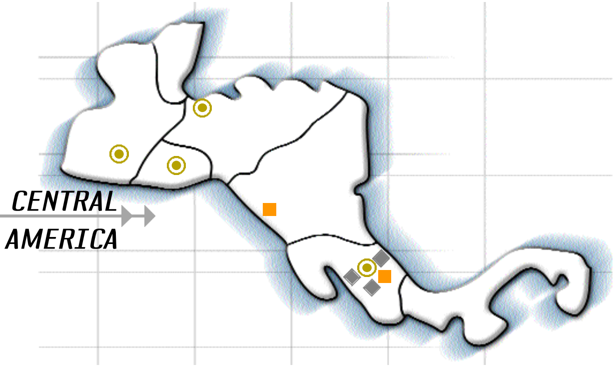


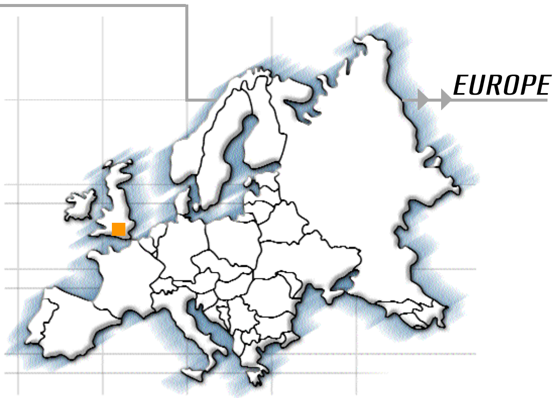


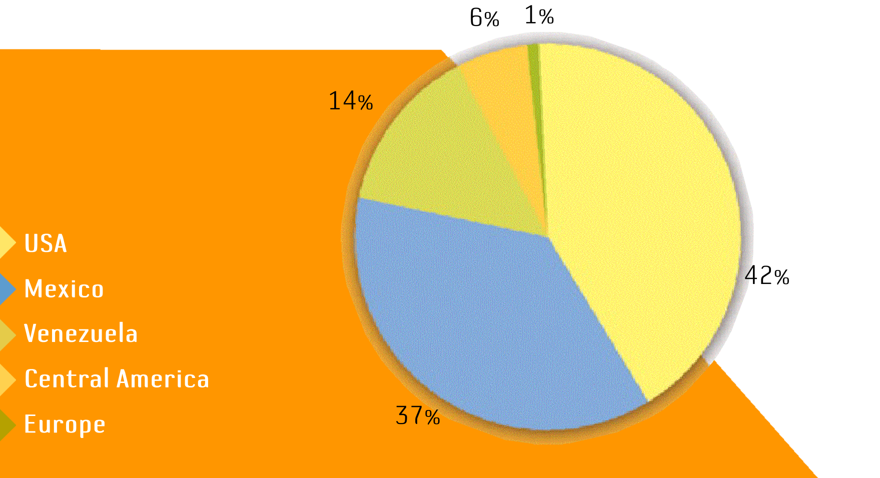
SALES BY REGION

GRUMA will seek opportunities only in those markets in which it can create long-term value. Operations outside Mexico now represent 63% of total net sales.


VENEZUELA


CENTRAL
AMERICA


EUROPE


6%
1%
14%
42%
37%
USA
Mexico
Venezuela
Central America
Europe

2001: A SNAPSHOT

CONSOLIDATED FINANCIAL HIGHLIGHTS

GRUMA, S.A. de C.V., and subsidiaries

(millions of constant pesos[1] as of December 31, 2001, except where indicated)

Income statement information	2001	2000	Var.
Sales volume[2]	3,443	3,483	(1%)
Net sales	17,820	18,274	(2%)
Operating income	919	817	13%
Operating margin	5.2%	4.5%	70 pb
EBITDA[3]	1,953[4]	1,604	22%
EBITDA margin	11.0%	8.8%	220 pb
Net income	493	415	19%
Net majority income	313	234	34%

Balance sheet information			
Cash and cash equivalents	389	123	216%
Total assets	20,615	21,825	(6%)
Debt[5]	6,579	7,144	(8%)
Total liabilities	9,159	10,008	(8%)
Total stockholders' equity	11,356	11,451	(1%)
Majority stockholders' equity	8,988	9,009	0%

Other information			
Millions of common shares outstanding	441.7	438.8	1%
Earnings per share[6]	0.72	0.54	34%
Book value per share[7]	5.4	5.6	(4%)
Investments	630	1,406	(55%)
Employees at year-end	15,585	17,208	(9%)

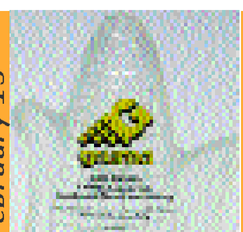
[1] All references herein to "peso" are to the Mexican peso. All references to "dollars" or to "US$" are to the U.S. dollar.
[2] Thousands of metric tons.
[3] EBITDA = operating income + other (income) expense + depreciation and amortization.
[4] Excludes the extraordinary items derived from the discontinuation of the bread operations.
[5] Measured in dollar terms, GRUMA reduced its debt by 3% to US$717 million.
[6] In pesos and based on weighted average of outstanding shares of common stock.
[7] In pesos and based on outstanding shares at year-end.

THE YEAR'S EVENTS

February 8

Gruma Corporation's Mission Foods opens an authentic tortilla factory at Disney's California Adventure™ park in Anaheim, California. To date, more than one million people have visited the factory.

February 15

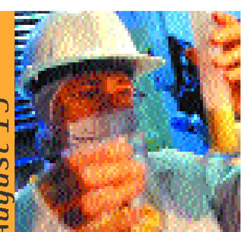


GRUMA obtains a three-year term syndicated loan for US$400 million, enabling it to refinance short- and medium-term debt, extend debt maturities, and reduce interest expense.

April 6

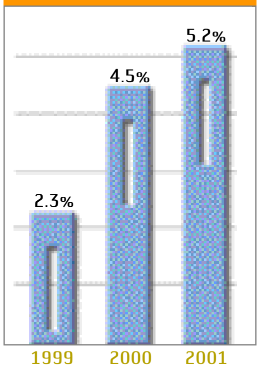
Gruma Corporation's plant in Coventry, England, achieves the highest technical accreditation from the British Retail Consortium.

August 15



In order to maintain the highest quality and safety standards in its products, Gruma Corporation completes the implementation, begun in March, of stricter testing protocols to identify genetically modified proteins in the raw materials it purchases.

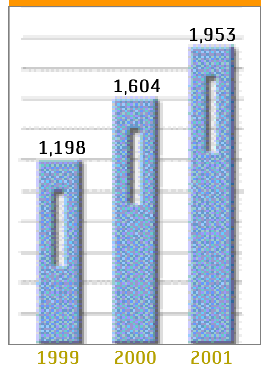
Operating Margin



The company's renewed focus on its business strategy contributed to the rise in operating margin in 2001.

EBITDA

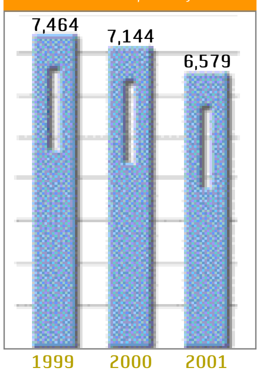
(millions of constant pesos as of December 31, 2001)



The upward trend in GRUMA's EBITDA reflects the company focus on profitability.

Debt

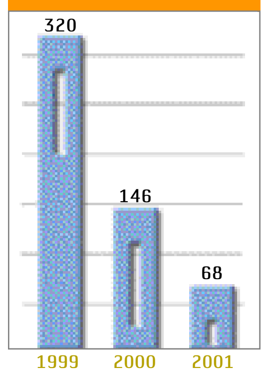
(millions of constant pesos as of December 31, 2001)



One of GRUMA's top priorities is to reduce debt and improve cash generation, which should enable it to return to investment-grade status.

Investments

(US$ millions)



The company is directing its investments mainly toward optimizing its already-built infrastructure.

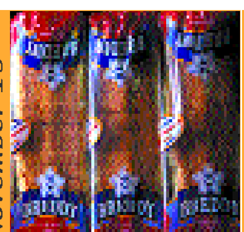
October 22

Gruma Corporation resumes production and sale of yellow corn products, subject to the strict internal controls implemented earlier in the year. By November 15, all five of Gruma Corporation's corn flour plants are producing yellow corn products.

November 13

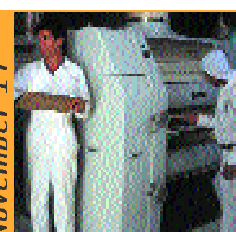
Gruma Corporation's United Kingdom operations achieve first-place standing in the national Food Excellence Awards.

November 15



As a result of its comprehensive portfolio review, GRUMA announces the divestiture of its bread operations located in Mexico, Costa Rica, and the United States.

November 17



Gruma's Venezuela operations reopen a plant for the purpose of producing flour for pasta, which reflects GRUMA's efforts to seek new opportunities for asset utilization.

December 7

Mexico's President Vicente Fox presents Harinera de Yucat n, S.A. de C.V., a subsidiary of GIMSA, with the National Quality Award for dedication to continuous improvement of its products, processes, and services.

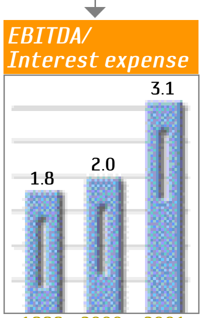
FELLOW STOCKHOLDERS:

In 2001, GRUMA made significant progress in focusing on its core businesses and strengthening profitability. A brief review of the past three years' events puts our advancement in context and helps to show where we're headed in the future.

In 1999, the deregulation of Mexico's tortilla industry, together with our strategic decision to continue the four-year US$800 million expansion program we began in 1997, negatively affected our results. However, that program prepared us to participate in markets with considerable growth potential.

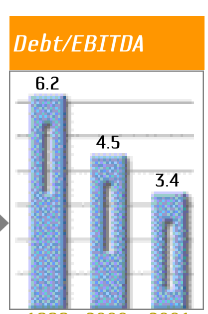
In 2000, we completed our expansion program at the beginning of the year and concentrated on increasing operating efficiencies and margins. We began efforts to restructure our debt profile and improve our debt ratios.

In 2001, we focused our business strategy on increasing profitability and cash generation, which strengthened our financial condition. Operating margin rose from 4.5% in 2000 to 5.2% in 2001, EBITDA increased 29% to Ps 2,069 million, and we lowered our debt from US$741 million to US$717 million. Consequently, interest coverage improved from 2.0 times in 2000 to 3.1 times in 2001; debt coverage improved as well, from 4.5 to 3.4 times. In short, we are continuing along the focused upward course we resumed in 2000.



Improvements in operating margin enabled GRUMA's interest coverage ratio to advance to 3.1 times in 2001.

Lower debt and higher operating profit improved debt coverage to 3.4 times.



We took two significant steps during the year that will help us further enhance our financial condition and profitability in the near future. In February, with the participation of twenty Mexican and international banks, we secured a three-year term syndicated loan for US$400 million. This loan enabled us to extend debt maturities and reduce interest expense, significantly improving our debt profile.

We also took a hard look at our business portfolio. We determined to divest unprofitable assets and completely focus our energies on our core businesses of corn flour, tortillas, and wheat flour. As a result, we discontinued the bread operations in Mexico and sold those in Costa Rica and the U.S.

Results of major subsidiaries

Gruma Corporation was the primary driver of the improvement in GRUMA's consolidated results. Sales volumes grew moderately despite the challenge of a recession in the U.S. and the company's withdrawal of yellow-corn products from the market due to the possible presence of the StarLink™ protein. Gruma Corporation's brand equity and more efficient supply-chain management were the main drivers of the 29% increase in operating income.

GIMSA was able to improve its operating margin even though sales volume and net sales decreased. The rise in GIMSA's operating margin to 11.3% was attributable to the fact that corn costs declined at a higher rate than did sales prices. Logistic efficiencies related to corn procurement also contributed to the better margin.

Molinera de México also contributed to our improved consolidated results. From an operating loss of Ps 41 million in 2000, the subsidiary reported operating income of Ps 13 million in 2001. Consequently, EBITDA increased almost four times to Ps 68 million. The improvement was driven primarily by better wheat inventory procurement and management, which resulted in a better ratio of wheat costs to wheat flour prices.

Our **Venezuela operations** faced a difficult economy in 2001. Lower net sales and a 31% decline in operating income resulted mainly from lower corn flour prices in a very competitive environment. Despite their less favorable results, the Venezuela operations have continued to be profitable due to rigorous programs designed to reduce costs and expenses. These initiatives continue to yield savings through reduced labor costs, better operating efficiencies, and raw material yields.

Gruma Centro Am rica posted an operating loss of Ps 7 million from a profit of Ps 28 million in 2000, mainly as a result of the bread operations. However, the company's divestiture of those operations in November 2001, together with the continuing improvement in its overall operations, should lead to better results in 2002.

We continue to increase efficiency and asset utilization in all of our operations and are working to keep capital expenditures to a minimum. These efforts will create greater value in coming years.

Prioritizing our business strategy

We have renewed our emphasis on several elements of our business strategy, which are also some of our greatest strengths:

Quality products. We are continually enhancing the quality of our products and processes through state-of-the-art technology. This year, our efforts were rewarded twice over: President Vicente Fox of Mexico presented our Harinera de Yucatán plant with the Premio Nacional de Calidad (National Quality Award), and our operations in the U.K. received first place in the national Food Excellence Awards sponsored by *Food Manufacture* magazine.

World-class customer service. Although our customer service is already the best in the industry, we want it on par with the most customer-focused companies in the world. Through rigorous customer-service programs in all subsidiaries, we are well on our way to achieving that goal.

Enhanced brand equity. We are building our already-strong brand equity through strategic brand positioning and greater understanding of customer and consumer needs. In 2001, our solid brands allowed us to stay competitive in most of the markets we serve.

Selective market participation. We are committed to participating only in those markets in which we can create long-term value. Any entry into a new market must meet strict valuation criteria and demonstrate significant profit potential.

In addition, all future investments must meet the same strict valuation criteria for profitability and cash generation. Our lower capital expenditures in 2001 – US$68 million – demonstrate our commitment to this strategy.

Moving in the right direction

We are shaping a clear path for our future by zeroing in on these core competencies. And we will capitalize on them by continuing those efforts that have steadily improved results over the past two years, among them:

- Expanding profitable sales growth across all subsidiaries by building our brand equity, innovating our products and processes, and perfecting our service to customers and consumers;
- Making the most profitable use of the assets we already have;
- Increasing efficiency and reducing operating expenses through productivity and discipline; and
- Enhancing our debt profile with a view toward returning to our previous investment-grade status.

All of these measures have in common our most important objective: to ensure that our shareholders receive good value for their investment.

We understand not only our strengths but also our current challenges – to continue to build profitability and to make our stock attractive to investors. We believe we have the means to meet those challenges – a smart, prudent business strategy, experienced, committed management, and highly qualified, responsible employees.

We owe our progress this year to many people. I thank our customers and consumers for their patronage and our suppliers for their continuing support. I thank the members of the board and our employees, without whose dedication we would not be here. And I extend my sincere thanks to you, our shareholders, for your continuing trust and confidence in our ability to create long-term value and to build an increasingly profitable enterprise for all of us.

Roberto González Barrera
Chairman of the Board

PERSPECTIVE: A ROUNDTABLE DISCUSSION

Jaime Costa
President of GRUMA's Latin American operations

Some of GRUMA's top executives discuss the company's financial strength, business strategy, administration, and future direction.

Jaime Costa: We began 2001 with a strong sense of direction for the future and a clear idea of what we wanted to accomplish. We are very cognizant of **our primary goals: to be known as a world-class company and to be the absolute best in our industry**. We've made great strides in these regards. This year we took a hard look at our business portfolio and resolved to divest our unprofitable assets, as well as those that take management's attention away from GRUMA's core business of tortillas, corn flour, and wheat flour products. We took a significant step in that direction with the sale of the company's bread operations in Mexico and Costa Rica in November 2001 and the sale of the bread operations in the United States in February 2002.

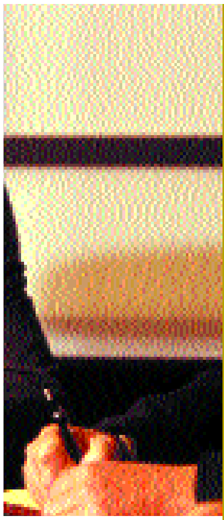
Juan Quiroga: I want to stress that **our portfolio review is an ongoing process**. We still have non-core assets that are currently under review for sale at a reasonable price. In addition, all future investment decisions will be made only after answering "yes" to one very important question: *Does this investment help us profitably build on and improve our core business?*

Ra l Cavazos: The portfolio review is just one element of a comprehensive effort to improve the company's financial position. At the beginning of 2001, we obtained a US$400 million syndicated credit facility with which we refinanced all of our short-term debt and some of our medium-term debt. With that loan, we were able to extend our debt maturities. We were also able to save on interest expense because the credit facility's interest rate is more competitive than those of prior loans. The sale of the bread business was also an important achievement in many regards, not the least of which is that it allowed us to apply the proceeds to reduce GRUMA's debt. By the end of 2001, we had achieved a great deal in terms of strengthening the company's debt profile and financial position – but we realize that we still have more to do.

Jaime Costa:With these achievements, we will be able to focus more intently on our core competencies: leadership in almost all of our markets, strong brand equity, superior-quality products and customer service, awareness of consumer needs, and state-of-the-art manufacturing technologies. We do not want to grow simply for growth's sake. We already have ample capacity in place in most of our subsidiaries and can grow naturally for several years without significant additional capital expenditures for capacity. For 2002, most of our capital expenditures will be allocated toward improving production processes and customer service and maintaining top-quality standards in all of our plants.

Ra l Cavazos: We still face several challenges, especially with regard to increasing the liquidity and value of our stock. As the company's performance steadily improves, we expect our stock to become attractive to investors, resulting in better liquidity and value. All of our efforts, from divesting nonperforming or non-core assets to strengthening our debt profile, are undertaken with these goals in mind.

Another challenge is to return to investment-grade status. **Our debt ratios steadily improved throughout 2001 and are continuing to move toward investment-grade levels**. We consider this a significant



Juan Quiroga
Chief of Staff

Ra l Cavazos
Chief Financial Officer

achievement, but we will continue to strive to reduce leverage, extend debt maturities, and increase interest coverage.

Jaime Costa: We believe that GRUMA's management has steered the company in the right direction and will continue to do so. We have the experience, depth, breadth of knowledge, and drive to help the company accomplish its long-term objectives: to bring customers and consumers the best possible corn flour, wheat flour, and tortilla products, **to grow profitably, and, ultimately, to build value for our shareholders.**

Juan Quiroga: Our steadily improving results over the past two years should alleviate concerns about management's accountability. The year 1999 was the most difficult in the company's history, corresponding to a sweeping transformation in Mexico's tortilla industry and our decision to continue our four-year expansion program, which was completed in early 2000. Since then, **we've made important changes to all of our operations,** from strengthening customer and consumer relationships to maximizing asset utilization, as well as streamlining and improving the efficiency of all of our business, production, and administrative processes. For example, corporate services has prescribed for all subsidiaries specific targets for efficiency and profitability, especially in terms of optimization of working capital, asset utilization, and administrative expenses. In addition, we have consolidated some of our shared services and achieved greater efficiencies in information technology and control and supply chain management systems. These efforts will enable us to achieve significant savings and greater profitability.

Jaime Costa: **We're more flexible and resilient than ever before,** and we are confident in our ability to meet any challenges that the future brings. Speaking of the future, we believe that GRUMA's industries will undergo some changes in the next several years, and we will be prepared to meet the accompanying challenges. In fact, we intend to be one of the primary drivers of change in the tortilla industry. Specifically, we will continue to work to effect the conversion to corn flour from the traditional *nixtamal* method of preparing tortillas. We believe that the greater efficiency, nutritional benefits, and environmental soundness of corn flour will eventually drive conversion and increase consumption of corn flour tortillas in Mexico. We also believe that changing demographics will see more people eating packaged tortillas in the United States, and we expect to see more and more people in Europe and other parts of the world using our products.

Ra l Cavazos: In short, we will continue to be the industry leader, **to experience profitable growth, and to bring greater value to our shareholders.**

WHERE WE ARE – WHERE WE'RE HEADED

PORTFOLIO REVIEW: DIRECTING RESOURCES TO OUR CORE BUSINESS

One of the primary elements of GRUMA's business strategy is to participate only in markets in which it can create long-term value.

GRUMA is intent on managing its business for long-term, profitable growth. A vital part of its business strategy is to build on its strong brand equity and maintain a leadership position in the markets it serves. To do so, GRUMA is concentrating on its core business of producing and selling tortillas, corn flour, and wheat flour.

Toward that end, management undertook in 2001 a comprehensive review of GRUMA's business portfolio, the goal being to divest all non-core and unproductive assets. A natural – and significant – result of the review was the company's decision to discontinue all of its bread operations.

- On November 15, 2001, GRUMA discontinued the Mexico bread operations and sold related production equipment.
- GRUMA sold the Costa Rica bread operations and related assets as of November 30, 2001.
- GRUMA sold its California bread operations in February 2002.

The company received a total of US$70 million in cash from these transactions, most of which was applied to reduce short-term debt, thus strengthening GRUMA's financial position. The divestiture will also increase operating margins and cash generation and will allow the company to better concentrate on its primary business.

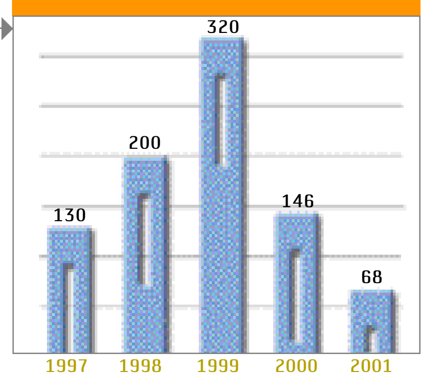
Because its portfolio contains other assets that are not directly related to its core business, GRUMA is offering to sell them in order to reduce distribution costs and direct management focus to the fundamentals. The company expects these businesses to generate positive market interest.

GRUMA is also seeking efficient ways to simplify its corporate structure in order to further streamline operations, consolidate administrative and financial functions, and capitalize on synergies inherent in its core operations. One of the ways in which the company is accomplishing this is by implementing shared services.

Management is committed to increasing cash generation, maintaining strict discipline in all future investments, reducing complexity and debt, and improving operating margins. With these strategic decisions, GRUMA expects to continue to strengthen its fundamentals and grow as a world-class business.

Discipline and wise capital investments in 2001 highlight the company's renewed focus on its core businesses. GRUMA's comprehensive capital expenditure program, begun in 1997, was completed in 2000, and the company is now focused on profitable growth by capitalizing on its present infrastructure.

Past Five Years' Capex
(US$ millions)



GREATER PRODUCTIVITY THROUGH EFFICIENCY AND MAXIMUM ASSET UTILIZATION

With its expansion program completed in 2000, GRUMA is now finding ways to maximize efficiency and available capacity.

Because most of GRUMA's growth in recent years has come through acquisition, a primary goal is to optimize the use of its assets by consolidating warehousing, transportation, and distribution functions, simplifying inventories, and putting idle capacity to work in the most efficient manner possible. Efforts to drive up margins and increase profitability in all subsidiaries reflect GRUMA's goal to make efficiency a top priority.

In the U.S., **Gruma Corporation** continually analyzes its supply chain network in order to maximize efficiencies and better serve customers. Gruma Corporation's strategic alliance with Penske Logistics LLC, which began in 1999 and was fully implemented in 2000, has improved the company's supply chain management system through route optimization and additional network design efficiencies. Through these efforts, Gruma Corporation realized, in dollar terms, an 8% reduction in its transportation costs per pound during 2001.

Gruma Corporation's SKU reduction program, begun in 2000 and currently exceeding goals, has resulted in a 44% reduction in SKUs, enabling the company to improve the overall efficiency of its operations, from production to distribution. Culling underperforming and non-core products is an ongoing process, and any proposal to introduce new products must undergo a rigorous approval process and show that it can meet specific financial and sales goals.

In Mexico, GRUMA is analyzing the possibility of lowering transportation costs by taking advantage of the different harvest cycles of corn and wheat and by using synergies between **GIMSA** and **Molinera de M xico** to keep warehouses utilized year-round. GRUMA is also considering the implementation of a plan to use a single warehousing and distribution network, with full shipping capacity, for all of its customers throughout the country, especially retail customers. Combining GIMSA's routes with those of Molinera de México increases distribution, reduces freight expense, and better serves customers and consumers in both subsidiaries.

In November 2001, GRUMA's **Venezuela operations** began producing, in a once-idle facility in Puerto Cabello, a type of wheat flour specifically for use in making pasta. The company estimates that this facility will operate at over 60% capacity and produce 25,000–30,000 pounds of pasta flour annually beginning in 2002.

The Venezuela operations also implemented a rigorous cost-reduction program designed to increase raw-material yields and to reduce labor costs and overhead. Through better control and monitoring, supported by information technology systems, this subsidiary has reduced avoidable product loss and has improved efficiencies in returns and grain procurement. Capitalizing on sales and distribution synergies between its wheat flour and corn flour businesses has further reduced costs.

Felipe Espinoza accesses data that link to quality, production, and inventory modules at MONACA's Maracaibo plant warehouse. Innovative information technology systems such as these help reduce production, procurement, and security costs.

GIMSA's inventory and warehousing strategies keep storage facilities utilized year-round.

Gruma Corporation's partnership with Penske helped to dramatically reduce transportation costs in 2001.

A WORLD-CLASS APPROACH TO CUSTOMER SERVICE

GRUMA is building on its legacy of superior-quality products and customer service by cultivating a customer-directed corporate environment.

Because GRUMA recognizes that excellent customer service is essential to building value, everything the company does – from production and technology to investment and promotion – is geared toward serving its customers and the consumers of its products. Employees from production workers to management are trained to keep their focus on the customer.

In Latin America, GRUMA employees interview customers to determine how well the company serves them and what areas need improvement. Although customers judge GRUMA's service, delivery, technical support, and product reliability superior to those of its competitors, the company continues to strive for improvement in all areas.

In the U.S., **Gruma Corporation** is targeting new applications for corn flour in an ever-expanding market. For example, it is working with institutional customers to introduce specialized flours that can be used to create healthier snack foods.

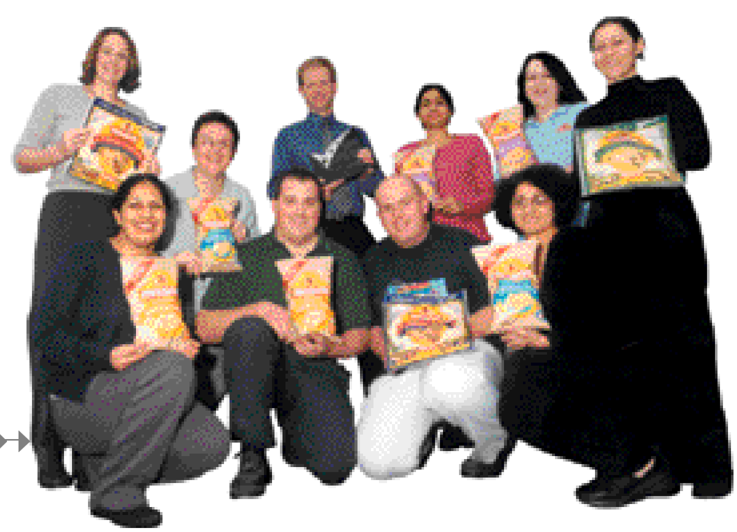
In November 2001, Gruma Corporation's U.K. operations achieved a first-place ranking in that country's national Food Excellence Awards. Judges based their decisions on the following factors: excellence in supply chain and customer relationship management, quality assurance and food safety, process innovation and environmental management, human resource development, and marketing support.

GIMSA offers incentives to encourage potential customers, such as small independent *tortillerías*, to convert to corn flour from the traditional cooked-corn *nixtamal* method. New, easy-to-use equipment designed specifically for small-volume users, financing, and individualized training are helping GIMSA tap into a significant potential market.

GIMSA also helps its *tortillería* customers improve sales by directing consumer promotions to heighten the desirability of their products and increase consumption, which, in turn, should increase corn flour sales. In 2002, the specialization of sales teams is expected to provide even better and more individualized service to different types of customers.

In the U.S. and Costa Rica, most consumed tortillas are packaged, compared to only about 3% of all tortillas consumed in Mexico. This presents a huge potential market for GRUMA's packaged tortillas.

After just over a year in operation, Gruma Corporation's U.K. operations receive the country's Food Excellence Award.



In the two years since GRUMA acquired MONACA, it has implemented focused strategies and controls that have increased – from 55% to as much as 90% – the percentage of SKUs it sells to customers on a regular basis. These subsidiaries have also restructured their sales forces by segmenting the market and positioning salespeople closer to their local areas, a strategy that has brought prompter, more personalized service to customers.

Part of **Molinera de M xico's** continuing integration of its acquisitions involved restructuring its entire sales system. In 2001, it consolidated redundant routes, which enabled it to lower distribution expenses and achieve greater efficiencies in geographical coverage. The restructuring also helped sales staff better serve customers by maintaining close contact with them.

In Latin America, promotions directed to the consumer highlight the nutritional benefits of tortillas made with corn flour over those made from cooked corn.

GRUMA is also exploring ways to better serve its customers through various e-business initiatives. The implementation of these initiatives involves the integration of the company's business processes, organizational structure, and information technology systems.

In 2002, the company will upgrade SAP R/3®, its operations management software, to MySAP™, which will allow for the implementation during the next few years of such initiatives as enterprise portals, e-procurement, customer relationship and supply chain management, business intelligence, and mobile sales.

BRAND EQUITY: ONE OF OUR GREATEST STRENGTHS

Strong brand equity is one of GRUMA's primary intangible assets. Its subsidiaries maintain leadership positions in the markets they serve, and they continue to analyze their major brands and work to improve perceptions of value and confidence in their products.

In the U.S., **Gruma Corporation** is focusing on its two core brands, Mission™ and Guerrero®. By continuing to build Mission into a strong national brand and Guerrero into a strong Hispanic flanker brand, the company expects to grow its markets, brand awareness, and profitability.

The popularity of **GIMSA**'s flagship brand, Maseca® corn flour, allows the company to enjoy a leadership position in the market. In fact, in Mexico, "Maseca" is synonymous with "corn flour." A strong brand such as Maseca also enables the company to enhance sales of its specialty corn flour products, such as Super 50®, which allows for increased tortilla production by requiring smaller amounts of flour per tortilla.

Concentration on a few national brands of superior quality, supported by diligent customer service, boosts brand equity and, in turn, sales of GRUMA's products.

Customers of GRUMA's **Venezuela operations** provide valuable input into the product review and improvement process. The company solicits customer opinions and makes changes based, in part, on those perceptions.

GIMSA's nationwide advertising campaign for its Maseca brand corn flour, launched in July 2001 and expected to run through 2002, conveys the message that "Everything tastes better with Maseca."

Ángel Álvarez, a production manager at GIMSA's Molinos Azteca de Chalco plant located in Teotihuacan, instructs employees in safety and quality measures.

Ruben Pérez, safety and quality analyst, and Rogelio Ramos, systems and production chief, take an AIB training seminar.

EMPLOYEE DEVELOPMENT: FOSTERING COORDINATION, COMMUNICATION, AND TEAMWORK

GRUMA's focus on training, developing, and rewarding talented people is at the heart of its progress.

GRUMA knows that its people are its most important asset. To encourage employee motivation and best efforts, it has continued to incorporate its management development and variable compensation program, SIED (Sistema Integral de Evaluación de Desempeño), throughout the company. GRUMA evaluates performance based on clearly communicated global objectives as well as the employee's personal goals, and then determines compensation based on both the employee's performance and the company's cash generation.

This program has already generated positive results. Employees feel they have a stake in the company and are motivated to work smarter, with profitability in mind. Communication is enhanced. There is reinforced emphasis on total quality processes. And financial results are improving.

GRUMA also invests in a wide variety of training and incentive programs, from safety and best practices instruction for production employees to frontline leadership training for management. Training is ongoing throughout the company, and employee feedback fosters strategy development and new methods of problem solving.

Believing that teamwork enhances innovation and productivity, **Gruma Corporation** created the *Juntos Podemos* (Together We Can) award to celebrate individuals or teams that best exhibit the *Juntos Podemos* attitude. Nominees receive cash prizes and a chance to win an all-expense-paid trip for four to Disney's California Adventure™ park, home to an authentic Mission tortilla factory. In addition, improvement teams work together in weekly meetings to solve problems, reduce downtime, and improve quality, efficiency, and safety.

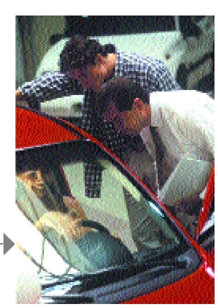
At the managerial and supervisory level, Gruma Corporation is implementing *Leading into Tomorrow* seminars to improve communication between hourly and supervisory employees. The company also offers hourly employees interdepartmental, safety, and technical training and instruction on best manufacturing practices.

GRUMA's **Venezuela operations** involve employees in most company decision-making processes – from downsizing to compensation – by encouraging them to discuss their ideas and concerns at monthly meetings. Since acquiring MONACA in 1999, GRUMA has brought employee compensation into competitive ranges across the board. It also implemented the company-wide bonus program that includes, in addition to financial compensation, company cars for management and a "savings box" retirement program for all employees, in which GRUMA matches (within prescribed limits) employee contributions.

In **Molinera de M xico**, employees in the production area take ongoing training courses in best manufacturing practices, which have allowed it to maintain the highest standards of cleanliness and product quality. In addition, in 2001, Molinera, **GIMSA**, and **PRODISA** offered executives *Leadership Plus* seminars, which provided specialized training, depending on the executive's area of expertise, in work planning and control, human resources development, team leadership, decision-making analysis, leadership and interpretation, and empowerment and administrative control.

These initiatives send a clear message to GRUMA's employees: They are valued, their opinions matter, and they are a crucial part of the company's ability to keep moving forward and realize benefits for its shareholders, suppliers, employees, customers, and consumers.

Employees of GRUMA's Venezuela operations can obtain low-interest loans against their savings box, a significant benefit because consumer loans are often difficult to obtain through local banks.



QUALITY: OUR MARK OF DISTINCTION

GRUMA's award-winning company standards are the result of continuous training and employee commitment to the quality, consistency, and safety of its products.

GRUMA has responded to a tighter global economy and a more competitive marketplace by focusing on what it does best – delivering products of the highest quality to its customers and consumers. The result has been steady sales overall despite a slower economy in some of its largest markets.

Gruma Corporation's most critical challenge in 2001 was to maintain sales despite its voluntary recall, in October 2000, of its yellow corn products to ensure product safety. Concern over the possible presence of StarLink™, a genetically modified protein, in its yellow corn supplies prompted the company's decision to make only white corn products. Following this decision, Gruma Corporation initiated a rigorous GMO identification program, enhancing already-strict company-wide testing protocols and requiring raw material and storage suppliers to certify their products and facilities.

As a result of these intensive efforts, in October 2001, Gruma Corporation again began making yellow corn products. The company expects to gradually return to previous sales levels in yellow corn products. It also expects that future volume growth will help offset the higher costs related to its newly implemented testing programs.

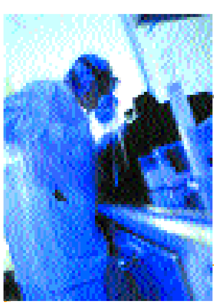
The highest possible production standards and nationally standardized product formulas and sensory evaluation ("eyeballing" the product) have enabled Gruma Corporation to improve product freshness. These efforts have also paid off in industry recognition: In 2001, all but one of Gruma Corporation's tortilla plants achieved the Superior rating – the highest rating possible – from the AIB audit team, and the other received the next highest, or Excellent, rating. In addition, the company is working to achieve certification for all corn flour plants under ISO 9000:2000 standards by December 2002.

On December 7, 2001, Vicente Fox, Mexico's President, presented to Harinera de Yucatán, S.A. de C.V., a subsidiary of **GIMSA**, the Premio Nacional de Calidad (National Quality Award) for its outstanding quality improvement efforts. The plant received this award because its management, processes, and employee development and customer service programs are directed to knowing, understanding, and satisfying customer needs and preferences.

In 2001, GRUMA's **Venezuela operations** implemented the company's "5Ss" quality program, which promotes discipline, cleanliness, and order in its facilities. Some of its objectives are to develop a culture of continuous improvement, promote employee safety and job satisfaction, and support the AIB program. In addition, in conjunction with the integration of MONACA, GRUMA began implementing AIB and ISO 9000:2000 standards in all of its Venezuela plants.

Also in 2001, three of **Molinera de M xico**'s mills received an Excellent certification in food safety from the AIB and began a training program for Quality System Evaluation in order to achieve certification for all plants next year.

GRUMA understands its crucial role as a steward of the environment. It continuously works to develop cleaner production, emissions, and waste disposal systems. Its environmental quality programs are dedicated to regular monitoring and to ensuring more than mere compliance with local, state, and national environmental rules and regulations. This commitment is demonstrated by the fact that five of GIMSA's plants are ISO 14001 certified.



Chad Speicher, a quality assurance supervisor at Gruma Corporation's Evansville, Indiana, Plant, is one of many technicians the company employs to ensure that its products meet the highest possible standards of quality and safety.

For the fourth year in a row, the Harinera de Yucatán plant has been a finalist in the National Quality Award competition. This year Roberto González Barrera, GRUMA's chairman, and José Sosa, a packaging operator at Harinera de Yucatán, accepted the award on behalf of the plant.

BOARD OF DIRECTORS

ROBERTO GONZÁLEZ BARRERA, 71

chairman of the board
elected April 1994
(shareholder, related)[1]
GRUMA's founder and chairman; shareholder and board president, Grupo Financiero Banorte, since 1992; founder and president, Patronato al Fomento Educativo y Asistencial de Cerralvo, a regional development institution; participant, other social and cultural development organizations.

G. ALLEN ANDREAS, 58

elected September 1996
(shareholder, independent)
Chairman and CEO, Archer Daniels Midland Company (ADM); former CFO, ADM European Operations; former vice president and counsel to ADM executive committee; former United States Treasury Department attorney; supervisory board member, A.C. Toepfer International Group; member, The Trilateral Commission, International Council on Agriculture, Food and Trade, among others; member, State of Colorado Bar, American Bar Association.

ROBERTO GONZÁLEZ MORENO, 49

elected April 1994
(shareholder, related)
Chairman and president, Corporación Noble, Noble Marketing International; director of operations and director, GRUMA's former Food Division; former president, RGM, Exportaciones El Parián.

CRAIG L. HAMLIN, 56

elected September 1996
(shareholder, independent)
Director, United Grain Growers; former senior vice president and corporate group vice president, ADM; former president, ADM Milling Co.

CARLOS HANK RHON, 54

elected April 1994
(related)
Chairman and CEO, Grupo Hermes; chairman and principal shareholder, Grupo Financiero Interacciones; director, Grupo Tribasa, Grupo Financiero Banorte, Mercedes Benz México.

ROBERTO HERNÁNDEZ RAMÍREZ, 60

elected April 1994
(independent)
Chairman, Banco Nacional de México, Acciones y Valores de México (Accival), seven mutual investment funds managed by Accival; director, Grupo Televisa, Grupo ICA, Grupo Modelo, Müenchener de México; former chairman, Bolsa Mexicana de Valores (Mexican Stock Exchange), Universidad Iberoamericana, Mexican Banking Association.

JUAN MANUEL LEY LÓPEZ, 69

elected April 1994
(independent)
Chairman and CEO, Grupo Ley; CEO, Casa Ley; chairman, Sinaloa-Baja California Consultant Council, National Association of Supermarket and Retail Stores; director, Grupo Financiero Banamex-Accival.

EDUARDO LIVAS CANTÚ, 59

elected April 1994
(independent)
Joined GRUMA in 1972; former CEO, GRUMA and GIMSA (1994–1999); director, Grupo Financiero Banorte; advisor to GRUMA's chairman; consultant to other companies on financial and strategic issues, succession planning, mergers and acquisitions.

BERNARDO QUINTANA ISAAC, 60

elected April 1995
(independent)
Chairman, Grupo ICA; director, TELMEX and CEMEX, among others; former executive vice president and vice president, Tourist and Urban Development Division for Grupo ICA.

ALFONSO ROMO GARZA, 51

elected April 1994
(independent)
Founder, chairman, and CEO of Savia; chairman, ING-Comercial América; member, World Bank External Advisory Board for Latin America and the Caribbean; director, Donald Danforth Plant Science Center and several national and international companies.

ADRIÁN SADA GONZÁLEZ, 57

elected April 1994
(independent)
Chairman, Vitro; former president, administrative board of Grupo Financiero Serfin, (1992–1999); director, Grupo Alfa, Grupo CYDSA, Regio Empresas; Latin American Executive Board member, University of Pennsylvania's Wharton School of Finance.

ALTERNATE DIRECTORS

JOSÉ FRANCISCO CASTELLÓ SAENZ
JAIME COSTA LAVÍN
JUAN DIEZ-CANEDO RUIZ
JOSÉ MARÍA GONZÁLEZ LORDA
ROMÁN MARTÍNEZ MÉNDEZ
JUAN ANTONIO QUIROGA GARCÍA
OTHÓN RUIZ MONTEMAYOR
EDGAR VALVERDE RUBIZEWSKY
JAVIER VÉLEZ BAUTISTA

SECRETARY OF THE BOARD

SALVADOR VARGAS GUAJARDO

EXAMINER

HUGO LARA SILVA

[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).

CORPORATE OFFICERS

JUAN ANTONIO QUIROGA GARCÍA, 52

chief of staff

Mr. Quiroga 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 officer. He was appointed to his new position in February 2002. Mr. Quiroga received his B.A. in accounting from the Universidad Autónoma de Nuevo León.

RAÚL CAVAZOS MORALES, 42

chief financial officer

Mr. Cavazos began working for GRUMA's banking relationship 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 Universidad Autónoma de Nuevo León.

HOMERO HUERTA MORENO, 39

chief administrative officer

Mr. Huerta joined GRUMA in 1984 and since then has held several positions within Gruma Corporation and GRUMA corporate services, including controllership, audit, operations control, quality, and information technology areas. In October 1999, he joined GRUMA's Venezuela operations and became vice president of finance and administration in October 2000. 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 Instituto Tecnológico y de Estudios Superiores de Monterrey.

MANUEL DE JESÚS RUBIO PORTILLA, 74

senior technology officer

Since Mr. Rubio joined GRUMA in 1965 as senior technology officer, he has developed 43 patents for GRUMA processes as well as 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.

SALVADOR VARGAS GUAJARDO, 49

general counsel

Mr. Vargas joined GRUMA in 1996 as general counsel. Before joining GRUMA he held positions at Grupo 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 degrees in corporate and international law from the University of Illinois, and a master in comparative law from New York University.

LEONEL GARZA RAMÍREZ, 52

chief procurement officer

Mr. Garza joined GRUMA in 1975 as manager of quality and corn procurement. He left the company in 1981 and, upon rejoining in 1991, was appointed vice president of corn procurement. He was appointed to his present position in 1999. He holds a B.S. in biochemistry from the Instituto Tecnológico y de Estudios Superiores de Monterrey and a master's degree in food microentomology from the University of Florida.

OPERATING OFFICERS

JAIME COSTA LAVÍN, 48

president, Latin American operations

Mr. Costa joined GRUMA as president of the company's Latin American operations in July 2000. He previously held positions as president of Coca-Cola Femsa, Industrias LALA, and, most recently, Allied Domecq. He holds an M.A. in marketing and management from the Instituto Panamericano de Alta Dirección de Empresas (IPADE) and a B.A. in business administration from the Universidad Iberoamericana.

ROBERTO GONZÁLEZ ALCALÁ, 38

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 he was appointed chief operating officer of Gruma Centro América. He assumed his current position in January 2002. He holds a B.A. in political science from the Universidad Nacional Autónoma de México.

ENRIQUE ORJUELA RINCÓN, 52

chief operating officer, Venezuela operations

Mr. Orjuela joined GRUMA in 1999 as chief operating officer of GRUMA's Venezuela operations. 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 Saint Louis University in Saint Louis, Missouri.

RAFAEL ÁNGEL GÁRATE MUÑOZ, 45

chief operating officer, Molinera de México

Mr. Gárate joined GRUMA in 2000 as chief operating officer of Molinera de México. Before joining GRUMA, he held positions at the Secretaría de Comercio y Fomento Industrial (the Mexican agency for commerce and industrial promotion), CONASUPO, and Agroinsa, among others. He holds a B.A. in economics from the Universidad Autónoma de Nuevo León.

WILLY BALMA ALFARO, 48

chief operating officer, Gruma Centro América

Mr. Balma joined the Central America operations in Costa Rica in 1981 as marketing manager of the snacks division. He left the company in 1984 and rejoined in 1993 as franchise manager for the tortilla business in Costa Rica. From 1996 to 2000, he served as vice president of sales at GRUMA's corn flour operations in the U.S. and was appointed to his current position in January 2002. He earned a B.A in business administration from the Universidad de Costa Rica and an M.B.A from Instituto Centroamericano de Enseñanza.

THE NUMBERS:

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR 2001

(Peso[1] amounts are stated in constant terms as of December 31, 2001)

SUMMARY AND FINANCIAL HIGHLIGHTS

GRUMA's financial performance in 2001 improved significantly over that of 2000 as a result of the company's focus on profitability and operating efficiency.

Despite adverse economic conditions in the markets in which it operates, the company increased operating income and operating margin mainly as a result of the significantly better performance of its U.S. operations.

GRUMA's continuing focus on improving productivity ratios and its intensified efforts to build on core competencies led it to conduct a comprehensive review of its business structure and portfolio throughout the year. As the initial, direct result of its portfolio review, in November 2001 GRUMA (1) discontinued its bread operations in Mexico and sold the accompanying production equipment, and (2) sold its bread operations in Costa Rica. In February 2002, GRUMA discontinued its bread operations in the United States and sold the equipment related thereto. GRUMA will continue to review its structure and business portfolio with a view toward implementing additional measures to improve profitability and operating efficiencies.

Major Financial Indicators

(millions of constant pesos as of December 31, 2001)

	2001	2000	Change
Volume[1]	3,443	3,483	(1%)
Net sales	17,820	18,274	(2%)
Operating income	919	817	13%
Operating margin	5.2%	4.5%	70 bp
EBITDA[2]	1,953[3]	1,604	22%
Net majority income	313	234	34%
Debt	6,579	7,144	(8%)

1 Thousands of tons.
2 EBITDA = operating income + other (income) expense + depreciation and amortization.
3 Excludes the extraordinary items derived from the discontinuation of the bread operations.

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

CONSOLIDATED RESULTS OF OPERATIONS

Net sales of Ps 17,820 million were 2% lower as a result of a 1% decrease in sales volumes, lower selling prices resulting from lower corn and wheat costs, and the appreciation of the peso. Revenues were especially affected by lower sales volume and lower selling prices in GIMSA and, to a lesser extent, lower selling prices in the Venezuela operations. Sales from foreign operations were 63% of consolidated net sales.

As a percentage of net sales, **cost of sales** improved to 63.1% from 63.8%, primarily as a result of better performance in most subsidiaries, Gruma Corporation in particular and, to a lesser extent, GIMSA and Molinera de México. On a consolidated basis, the main drivers of the improvement were the company's brand equity, which allowed it to implement price increases, and efficiencies in transportation, warehousing logistics, and grain procurement.

Gross profit of Ps 6,583 million was comparable to that of 2000. Gross margin increased to 36.9% from 36.2% in the previous year.

Selling, General, and Administrative Expenses (SG&A) were 2% lower than in 2000. The primary drivers of the decrease were Gruma Corporation (mainly because of the peso appreciation) and, to a lesser extent, PRODISA, whose comprehensive restructuring plan throughout 2001 yielded favorable results. Expressed as a percentage of net sales, SG&A remained flat at 31.8%.

GRUMA's **operating income** of Ps 919 million improved 13%, and operating margin increased to 5.2% from 4.5%. Gruma Corporation's operating profit, which increased 29%, was the main driver of this improvement. To a lesser extent, PRODISA and Molinera de México also contributed to the consolidated increase.

Excluding the extraordinary items derived from the discontinuation of the bread operations, EBITDA rose 22% to Ps 1,953 million.

Net comprehensive financing cost was Ps 280 million, Ps 201 million lower than in 2000, due primarily to lower interest expense and foreign exchange gain. The comprehensive financing cost components, together with explanations of significant changes, are detailed below.

Net Comprehensive Financing Cost

(millions of constant pesos as of December 31, 2001)

Items	*2001*	*2000*	*Change*	*Comments*
Interest expense	631	793	(161)	Lower average interest rates (140 bps, from 7.9% to 6.5%) and, to a lesser extent, the peso appreciation effect
Interest income	(88)	(148)	60	Lower average interest rates
FX loss (gain)	(94)	58	(152)	Peso appreciation in 2001 versus depreciation in 2000
Monetary position loss (gain)	(169)	(222)	53	Lower inflation rates in all countries in which GRUMA has operations and lower net monetary liability position, which partially resulted from the impact of the peso appreciation on dollar-denominated accounts
Total	**280**	**481**	**(201)**	

Other expenses, net, resulted in income of Ps 65 million, Ps 29 million higher than in the previous year, mostly as a result of a lower amortization of excess cost over book value.

The significant increase in provisions for **income taxes and employee profit sharing** of Ps 272 million in 2001, versus Ps 21 million in 2000, is primarily a reflection of

- Extraordinary tax income in 2000 related to the implementation of Bulletin D-4 ("Accounting Treatment of Income Tax, Asset Tax and Employees Profit Sharing"), and
- To a lesser extent, higher income tax provisions in Gruma Corporation, derived mostly from
  - Better financial performance, and
  - A lower rate in 2000 due to the recognition of net operating losses associated with entities merged into Gruma Corporation at the end of 1999. Such entities were the "Other Foreign Subsidiaries" previously reported under "Other and Eliminations."

GRUMA's share of net income from unconsolidated **associated companies** represents a profit of Ps 60 million, 6% lower than in 2000.

GRUMA's total net income was Ps 493 million. Net majority income was Ps 313 million, 34% higher than in 2000, mainly because of lower interest expense, foreign exchange gains, and higher operating income. These increases were partially offset, primarily by higher taxes.

RESULTS BY SUBSIDIARY

Gruma Corporation

Gruma Corporation experienced **sales volume** growth of 2% – this despite its decision in late 2000 to cease production of yellow corn products to ensure product safety.[2]

The 2% volume increase was primarily the result of a 7% increase in corn flour volume due, in part, to better retail sales coverage achieved by means of an improved wholesaler and distributor network. To a lesser extent, the ongoing conversion of U.S. tortilla manufacturers to corn flour also drove corn flour sales volumes as Gruma Corporation continues to promote the use of corn flour over the traditional cooked-corn *nixtamal* method.

Tortilla sales volume declined 1% due mainly to lower volumes of yellow corn tortillas and tortilla chips as a consequence of the aforementioned decision to cease production of yellow corn products.

With the implementation of a more rigorous program designed to identify genetically modified proteins in corn supplies, the company re-entered the market with yellow corn products in early November 2001. Gruma Corporation expects to eventually recover most of the yellow corn business it lost as a result of the StarLink™ issue.

Net sales declined 1% due to the appreciation of the peso. Measured in dollar terms, however, revenue grew 4% and outpaced the year's 2% volume growth due to the following factors:

- The implementation of price increases on selected tortilla products beginning mid-April,
- A change in the product mix to higher-priced products (e.g., wheat tortillas), and
- A general price increase, implemented in July, across selected markets in the corn flour retail segment.

Cost of sales as a percentage of net sales improved to 54.2% from 54.5% as a result of greater efficiencies in the company's supply chain management system and lower warehousing costs.

SG&A decreased 4% on an absolute basis, as did SG&A as a percentage of net sales (to 39.0% from 40.3%), because of the appreciation of the peso.

Operating income increased 29%, and operating margin rose to 6.8% from 5.2% in 2000.

GIMSA

Sales volume declined 5% due to a combination of factors, including

- A 9% drop in one-kilogram consumer retail package volume (which represents 15% of total volume) as a result of continued lower sales to DICONSA, and
- A 4% decline in bulk sales volume (which represents 85% of total volume) resulting from the company's focus on improving margins.

A 6% decline in **revenue** reflected a decrease in volume and slightly lower corn flour prices resulting from lower corn prices.

Cost of sales as a percentage of net sales improved to 69.9% from 71.2%, reflecting

- Lower corn costs and efficiencies in corn procurement,
- Lower transportation and warehousing costs due primarily to extraordinary governmental support to compensate for the lack of import permits,
- Corn costs declining at a higher rate than GIMSA's corn flour prices due, in part, to the strength of the Maseca® brand,
- To a lesser extent, decreased costs in connection with the closing of the Zamora plant in mid-2000, and
- Lower energy costs.

SG&A declined 1% versus the previous year due to the optimization of leasing expenses for computer equipment and lower freight expenses in connection with decreased sales to DICONSA.

Operating income decreased 4%, yet operating margin improved to 11.3% from 11.0% in 2000, mainly as a result of the better relationship between corn cost and corn flour price, mentioned above.

[2] This decision was made in conjunction with Gruma Corporation's and Azteca Milling's voluntary recall of yellow corn products due to the possible presence of the StarLink™ protein.

Venezuela operations

Total **sales volume** in GRUMA's Venezuela operations increased 1%. Corn flour sales volume declined 3% because of increased competition and lower sales to the government-sponsored program, PROAL. This reduction was offset by 7% higher wheat flour volume resulting mainly from expanded distribution and improved customer service and sales efforts.

Net sales declined 12% as a direct result of lower average corn flour prices, which reflected the market conditions mentioned above, and the appreciation of the peso.

Cost of sales as a percentage of net sales rose to 72.4% from 72.2%, reflecting pressure on selling prices, as reported above. In addition, the market experienced a shift from corn flour to rice flour, which enjoys lower average prices but is comparable in cost to corn flour.

SG&A decreased 2% compared to the previous year due to the appreciation of the peso.

Operating income decreased 31%, and operating margin declined to 7.7% from 9.7% in 2000 for the reasons stated above.

Molinera de México

Molinera de México's 2% increase in **sales volume** was directly related to higher bulk sales due to more competitive pricing (reflecting wheat procurement efficiencies) and improved sales force performance driven by greater geographical coverage and customer segmentation by channel.

The 2% increase in **net sales** was in line with volume growth.

Cost of sales as a percentage of net sales improved to 79.8% from 83.1% as a result of

- Better wheat inventory procurement and management (while Molinera's wheat costs declined approximately 2%, its wheat flour prices increased by 0.5%),
- Better absorption of fixed costs due to higher sales volumes, and
- Lower information technology costs (the highest costs associated with the implementation of the SAP™ system took place in 2000).

SG&A remained flat compared to those of 2000 and, as a percentage of net sales, improved to 19.4% from 19.8% due to higher net sales.

Operating income increased to Ps 13 million from an operating loss of Ps 41 million in 2000. Operating margin improved to 0.9%.

Gruma Centro América (GCA)

Total **sales volume** increased 2% compared to a year ago, driven mainly by higher corn flour and rice volume and, to a lesser extent, higher volumes of tortillas and salted snacks.

Net sales declined 1%, driven mainly by the appreciation of the peso.

Cost of sales as a percentage of net sales rose to 65.4% from 63.8% due to

- Higher corn costs from an increased proportion of domestic corn to imported corn and a greater availability of domestic corn, which prevented GRUMA from implementing price increases, and
- An unfavorable shift in the product mix to sales of lower-gross-margin products (e.g., rice).

SG&A increased 4% due mainly to greater depreciation related to idle frozen bread equipment acquired during fourth quarter 2000. This equipment has already been sold in connection with the sale of the bread operations.

In 2001, GCA sustained an **operating loss** of Ps 7 million versus an operating income of Ps 28 million in 2000.

PRODISA

Sales volume was 5% lower, driven by a 10% decline in the tortilla segment due to stronger competition from tortilla makers distributing warm corn and wheat flour tortillas, and, to a lesser extent, from the discontinuation of the bread operations in mid-November 2001.

Net sales declined 2%, but at a lower rate than did volume due to a favorable change in the sales mix to higher-priced bread varieties.

Cost of sales as a percentage of net sales improved to 66.8% from 69.5%, driven primarily by the change in product mix mentioned above.

PRODISA's comprehensive restructuring plan continued to yield favorable results, including a 15% reduction in **SG&A**.

Operating loss declined to Ps 216 million in 2001 from Ps 286 million in 2000.

Total assets as of December 31, 2001, were Ps 20,615 million, 6% lower than in 2000, reflecting primarily

- Lower property, plant, and equipment (PPE) due mostly to the discontinuation of the bread operations in Mexico, Central America, and the U.S. Also, dollar-denominated PPE declined in connection with the appreciation of the peso.
- Lower deferred assets due primarily to the cancellation of pre-operating expenses related to the discontinuation of the bread operations, in Mexico in particular and, to a lesser extent, in Central America.

The increase in cash to Ps 389 million from Ps 123 million in 2000 partially offset the aforementioned declines. As 95% of GRUMA's debt is longer term (the 5% short-term debt being related mostly to working capital at very competitive rates), the company expects to use this cash to pay down longer-term debt during 2002.

Total liabilities as of December 31, 2001, decreased 8% to Ps 9,159 million due to

- Lower debt (in peso terms, debt declined 8% and net debt 12%; in dollar terms, debt declined 3% and net debt 7%), and
- Lower trade accounts payable, especially in GIMSA (because of the unavailability of corn import permits from the Mexican government, GIMSA purchased domestic corn, for which it paid cash).

Stockholders' equity as of December 31, 2001, totaled Ps 11,356 million, 1% lower than the balance as of December 31, 2000.

Debt profile

On February 15, 2001, GRUMA obtained a three-year term syndicated loan for US$400 million at LIBOR plus a spread ranging from 125 bps to 287.5 bps, based on GRUMA's debt-to-cash-flow ratio. The company applied 100% of the proceeds to refinance its short- and medium-term debt – specifically, two existing syndicated loans and a number of bilateral loans. The new syndicated loan enabled GRUMA to extend debt maturities, substantially improving its debt profile. GRUMA also benefited from interest expense reductions, because interest rates on the syndicated loan are more competitive than were prior loan rates. By the end of 2001, the rate on this loan was LIBOR plus 175 bps.

Debt Amortization Schedule as of December 31, 2001

(US$ millions[1])

	ST	2003	2004	2005	2006	2007...	Total
Yankee Bond	-	-	-	-	-	250	250
Syndicated loan	-	100	300	-	-	-	400
Private placement	1	1	1	1	1	14	19
Other	36	-	2	-	-	10	48
Total	**37**	**101**	**303**	**1**	**1**	**274**	**717**

[1] Ninety-six percent of GRUMA's debt is dollar-denominated. Average cost of debt for GRUMA was approximately 6.0% at the end of 2001.

GRUMA's indebtedness bears interest at fixed and floating rates. At December 31, 2001, approximately 38% of the company's outstanding indebtedness bore interest at fixed rates and approximately 62% bore interest at floating rates, with almost all floating-rate indebtedness bearing interest based on LIBOR.

As of December 31, 2001, GRUMA had uncommitted revolving short-term lines of credit totaling Ps 2,226 million available from 21 banks, of which GRUMA had drawn Ps 278 million. As of that date, committed U.S.-dollar-denominated long-term lines of credit totaling Ps 1,192 million (approximately US$130 million) from banks in Mexico and the United States were available to GRUMA, none of which were disbursed. Long-term uncommitted revolving lines of credit totaling Ps 1,632 million (approximately US$178 million) from Mexican and international banks were available to GRUMA, none of which were disbursed.

GRUMA continues to execute its financial strategy to reduce its cost of capital by, among other things, improving financial ratios by significantly increasing cash generation, reducing debt, and maintaining its remaining debt at longer maturities and competitive interest rates. GRUMA has continued to improve its leverage and interest coverage ratios throughout 2001 and is committed to returning its debt rating to investment-grade status.

Debt Ratios

	2001[1]	*2000*
Debt/EBITDA[2]	3.4	4.5
EBITDA/Interest Expense	3.1	2.0

[1] Excludes the extraordinary items derived from the discontinuation of the bread operations.
[2] EBITDA = operating income + other (income) expense + depreciation and amortization.

Investment program

Having completed its 1997–2000 investment program, GRUMA greatly reduced capital expenditures in 2001. Investments of Ps 630 million or approximately US$68 million (including US$17 million of an early lease buyout option on production equipment in Gruma Corporation) were significantly lower than the approximately US$146 million reported in 2000 and were mostly applied to maintenance and upgrades.

Investment Comparison: Past Five Years

(US$ millions)

1997	*1998*	*1999*	*2000*	*2001*
130	200	320	146	68

FINANCIAL HIGHLIGHTS: CONSOLIDATED AND BY SUBSIDIARY

GRUMA, S.A. de C.V., and subsidiaries

(millions of constant pesos as of December 31, 2001)

		2001		2000		Var.
Consolidated	**Net sales**	**17,820**	**100.0%**	**18,274**	**100.0%**	**(2%)**
	Gross profit	**6,583**	**36.9%**	**6,624**	**36.2%**	**(1%)**
	Operating income	**919**	**5.2%**	**817**	**4.5%**	**13%**
	EBITDA[1]	**1,953[2]**	**11.0%**	**1,604**	**8.8%**	**22%**
Gruma Corporation	Sales volume[3]	856		836		2%
Corn flour and tortillas	Net sales	7,749	100.0%	7,841	100.0%	(1%)
	Gross profit	3,548	45.8%	3,570	45.5%	(1%)
	Operating income	527	6.8%	408	5.2%	29%
	EBITDA	1,040[2]	13.4%	704	9.0%	48%
GIMSA	Sales volume[3]	1,436		1,507		(5%)
Corn flour	Net sales	4,680	100.0%	4,987	100.0%	(6%)
	Gross profit	1,409	30.1%	1,435	28.8%	(2%)
	Operating income	528	11.3%	548	11.0%	(4%)
	EBITDA	757	16.2%	806	16.2%	(6%)
Venezuela Operations	Sales volume[3]	458		455		1%
Corn flour, wheat flour,	Net sales	2,473	100.0%	2,798	100.0%	(12%)
and other	Gross profit	683	27.6%	777	27.8%	(12%)
	Operating income	189	7.7%	273	9.7%	(31%)
	EBITDA	250	10.1%	315	11.2%	(21%)
Molinera de México	Sales volume[3]	489		480		2%
Wheat flour	Net sales	1,464	100.0%	1,429	100.0%	2%
	Gross profit	296	20.2%	242	16.9%	23%
	Operating income	13	0.9%	(41)	(2.9%)	131%
	EBITDA	68	4.6%	14	1.0%	388%
Gruma Centro América	Sales volume[3]	149		146		2%
Corn flour, tortillas, and other	Net sales	1,054	100.0%	1,063	100.0%	(1%)
	Gross profit	365	34.6%	385	36.2%	(5%)
	Operating income	(7)	(0.7%)	28	2.7%	(125%)
	EBITDA	69[2]	6.6%	57	5.4%	21%
PRODISA	Sales volume[3]	28		29		(5%)
Tortillas and bread	Net sales	379	100.0%	385	100.0%	(2%)
	Gross profit	126	33.2%	117	30.5%	7%
	Operating income	(216)	(56.8%)	(286)	(74.2%)	25
	EBITDA	(150)[2]	(39.5%)	(216)	(56.1%)	31%
Other & Eliminations	Net sales	21		(230)		
	Gross profit	156		98		
	Operating income	(115)		(114)		
	EBITDA	(81)[2]		(75)		

[1] EBITDA = operating income + other (income) expense + depreciation and amortization.
[2] Excludes the extraordinary items derived from the discontinuation of the bread operations.
[3] Thousands of metric tons.

ELEVEN-YEAR FINANCIAL SUMMARY

GRUMA, S.A. de C.V., and subsidiaries

(millions of constant pesos as of December 31, 2001)

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Income Statement Information											
Net sales	17,820	18,274	16,713	15,520	14,945	18,050	13,640	11,549	11,763	10,962	9,125
Gross profit	6,583	6,624	5,704	5,666	5,105	5,742	5,017	4,110	4,238	3,822	3,165
Operating income	919	817	386	1,162	1,066	1,477	987	990	1,387	1,011	758
Operating margin	5.2%	4.5%	2.3%	7.5%	7.1%	8.2%	7.2%	8.6%	11.8%	9.2%	8.3%
Comprehensive financing cost (income)	280	481	213	288	(20)	(967)	(1,738)	176	257	256	79
Other (income) expense	(65)	(36)	171	273	123	(47)	84	62	98	49	75
Taxes and profit sharing	272	21	270	(58)	234	571	285	79	261	96	85
Net income	493	415	(190)	736	808	1,925	2,147	810	1,559	666	738
Net majority income	313	234	(302)	470	501	1,540	1,896	576	1,151	522	586
Balance Sheet Information											
Cash and cash equivalents	389	123	415	374	2,193	1,699	266	777	1,029	217	340
Trade accounts receivable	2,094	2,165	2,176	1,689	1,167	1,057	1,038	1,082	895	824	717
Other accounts receivable	519	712	612	543	520	488	327	586	441	387	456
Inventories	2,352	2,449	2,821	2,550	2,174	2,158	1,795	2,212	2,242	2,253	1,958
Current assets	5,473	5,553	6,212	5,321	6,242	5,556	3,587	4,853	4,822	3,868	3,652
Property, plant, and equipment, net	11,876	12,594	12,243	10,538	9,634	9,234	8,961	9,239	6,362	5,289	4,272
Total assets	20,615	21,825	22,428	19,350	18,860	17,490	15,017	16,848	13,330	11,237	8,784
Short-term debt	335	1,283	326	224	160	486	801	1,664	1,144	895	1,655
Long-term debt	6,244	5,861	7,138	5,999	5,199	3,724	6,139	5,849	4,243	4,161	2,223
Total debt	6,579	7,144	7,464	6,222	5,359	4,210	6,939	7,513	5,387	5,055	3,877
Other liabilities	2,580	2,863	2,264	1,756	1,817	1,945	1,705	1,596	1,533	1,174	810
Total liabilities	9,159	10,008	9,728	7,978	7,175	6,155	8,644	9,110	6,919	6,230	4,688
Total stockholders' equity	11,356	11,451	12,394	11,372	11,684	11,334	6,373	7,739	6,411	5,007	4,096
Majority interest	8,988	9,009	9,650	8,680	8,990	8,894	4,656	5,940	4,827	4,098	3,251
Minority interest	2,368	2,442	2,744	2,692	2,694	2,440	1,717	1,799	1,584	909	845
Share and other Financial Information											
Millions of outstanding shares	441.7	438.8	436.5	353.2	349.3	343.1	248.4	246.0	218.4	218.3	175.6
Earnings per share[1]	0.7	0.5	(0.8)	1.3	1.4	5.0	6.7	2.1	4.4	2.2	3.0
Book value per share[2]	5.4	5.6	6.3	7.6	7.7	7.1	6.9	7.3	7.3	4.2	4.8
Depreciation and amortization	780	752	984	737	727	767	586	364	457	361	295
EBITDA[3]	1,953[4]	1,604	1,198	1,626	1,670	2,290	1,490	1,293	1,746	1,324	978
EBITDA margin	11.0%	8.8%	7.2%	10.5%	11.2%	12.7%	10.9%	11.2%	14.8%	12.1%	10.7%
Current assets/ Current liabilities	2.2	1.5	2.6	3.0	4.2	2.9	1.5	1.6	2.0	1.9	1.5
Total liabilities/ Stockholders' equity	0.8	0.9	0.8	0.7	0.6	0.5	1.4	1.2	1.1	1.2	1.1
Debt/(Debt + stockholders' equity)	0.4	0.4	0.4	0.4	0.3	0.3	0.5	0.5	0.5	0.5	0.5
Debt/EBITDA	3.4	4.5	6.2	3.8	3.2	1.8	4.7	5.8	3.1	3.8	4.0
EBITDA/interest expense	3.1	2.0	1.8	3.8	4.0	2.8	1.2	2.2	2.5	2.1	2.1

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 + other (income) expense + depreciation and amortization.
4 Excludes the extraordinary items derived from the discontinuation of the bread operations.

MANAGEMENT'S STATEMENT OF FINANCIAL RESPONSIBILITY

To the board of directors and stockholders of GRUMA, S.A. de C.V.:

Management 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.

Juan A. Quiroga García
Chief of Staff

Raúl Cavazos Morales
Chief Financial Officer

REPORT OF INDPENDENT ACCOUNTANTS

Monterrey, N.L., Mexico, March 15, 2002

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

We have audited the accompanying consolidated balance sheets of Gruma, S.A. de C.V. and subsidiaries, as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in stockholders´ equity and changes in financial position for the years then ended. These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Mexico and 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 generally accepted auditing standards 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 misstatements. 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gruma, S.A. de C.V., and subsidiaries as of December 31, 2001 and 2000, and the consolidated results of their operations, changes in stockholders´ equity and changes in their financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PricewaterhouseCoopers

Carlos Arreola Enríquez
Public Accountant

CONSOLIDATED BALANCE SHEETS

GRUMA, S.A. de C.V. and subsidiaries
As of December 31, 2001 and 2000
(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2001)
(Notes 1 and 2)

	2001	2000
Assets		
Current:		
Cash and cash equivalents	Ps. 386,104	Ps. 116,807
Restricted cash (Note 11)	2,586	6,363
Notes and accounts receivable, net (Note 3)	2,381,814	2,641,729
Refundable taxes (Note 3)	215,703	184,264
Inventories (Note 4)	2,351,993	2,448,800
Prepaid expenses	134,715	155,494
Total current assets	5,472,915	5,553,457
Investment in common stock of associated companies (Note 5)	1,157,628	1,127,784
Property, plant and equipment, net (Note 6)	11,876,190	12,594,114
Intangible assets, net (Note 7)	899,510	1,245,516
Excess of cost over book value of subsidiaries acquired, net	901,253	1,009,306
Other assets (Note 8)	307,766	294,447
TOTAL ASSETS	**Ps. 20,615,262**	**Ps. 21,824,624**
Liabilities		
Current:		
Bank loans (Note 9)	Ps. 323,960	Ps. 652,820
Current portion of long-term debt (Note 9)	11,087	630,576
Trade accounts payable	813,441	1,167,842
Accrued liabilities and other accounts payable	1,316,764	1,300,148
Income taxes payable	31,672	–
Employees' statutory profit sharing payable	14,702	6,560
Total current liabilities	2,511,626	3,757,946
Long-term debt (Note 9)	6,244,036	5,860,905
Deferred income taxes (Note 14)	307,748	290,137
Deferred employees' statutory profit sharing (Note 14)	48,628	50,269
Other liabilities	46,689	48,333
Total long-term liabilities	6,647,101	6,249,644
TOTAL LIABILITIES	**9,158,727**	**10,007,590**
Excess of book value over cost of subsidiaries acquired, net	100,957	366,025
Contingencies and commitments (Note 11)		
Stockholders' equity		
Majority interest (Note 12):		
Common stock	4,237,321	4,266,883
Restatement of common stock	5,530,058	5,534,070
	9,767,379	9,800,953
Additional paid-in capital	2,987,239	2,946,364
	12,754,618	12,747,317
Deficit from restatement	(10,373,501)	(10,387,111)
Cumulative effect of a change in an accounting principle for deferred income taxes and employees' statutory profit sharing	(175,471)	(175,471)
Retained earnings (Note 12-C):		
Prior years	6,815,981	6,395,411
Net income for the year	312,753	233,828
Foreign currency translation adjustments (Note 12-E)	(346,753)	194,796
Total majority interest	8,987,627	9,008,770
Minority interest	2,367,951	2,442,239
TOTAL STOCKHOLDERS' EQUITY	**11,355,578**	**11,451,009**
	Ps. 20,615,262	**Ps. 21,824,624**

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, 2001 and 2000
(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2001, except per share amounts)
(Notes 1 and 2)

	2001	2000
Net sales	**Ps. 17,820,184**	**Ps. 18,273,660**
Cost of sales	(11,237,645)	(11,649,998)
Gross profit	6,582,539	6,623,662
Selling, administrative and general expenses	(5,663,296)	(5,806,998)
Operating income	919,243	816,664
Comprehensive financing cost, net:		
Interest expense	(631,355)	(792,791)
Interest income	87,639	147,504
Monetary position gain, net	169,430	222,485
Foreign exchange gain (loss), net (Note 15-A)	94,172	(57,898)
	(280,114)	(480,700)
Other income, net (Note 13)	65,384	35,966
Income before income taxes, employees' statutory profit sharing, equity in earnings of associated companies and minority interest	704,513	371,930
Income taxes (Note 14):		
Current	(173,385)	(148,987)
Deferred	(86,403)	127,380
	(259,788)	(21,607)
Employees' statutory profit sharing (Note 14):		
Current	(13,510)	(5,417)
Deferred	1,272	5,862
	(12,238)	445
Income before equity in earnings of associated companies and minority interest	432,487	350,768
Equity in earnings of associated companies, net	60,310	64,023
Income before minority interest	492,797	414,791
Minority interest	(180,044)	(180,963)
Majority net income for the year	**Ps. 312,753**	**Ps. 233,828**
Earnings per share (pesos)	Ps. 0.72	Ps. 0.54
Weighted average shares outstanding (thousands)	433,235	435,515

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

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

GRUMA, S.A. de C.V. and subsidiaries
for the years ended December 31, 2001 and 2000
(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2001)
(Notes 1 and 2)

	2001	2000
Operating activities:		
Majority net income for the year	Ps. 312,753	Ps. 233,828
Minority interest	180,044	180,963
Consolidated net income	492,797	414,791
Adjustments to reconcile net income to net resources provided by operating activities		
Depreciation and amortization	780,299	648,314
Write-off of idle assets and other intangible assets	-	103,461
Equity in earnings of associated companies, net	(60,310)	(64,023)
Deferred income taxes and employees' statutory profit sharing	85,131	(133,242)
Net loss from shut-down of bread operations	187,767	-
Seniority premiums	6,707	358
	1,492,391	969,659
Changes in working capital:		
Restricted cash	3,777	448
Accounts and notes receivable, net	214,873	(34,639)
Inventories	(35,190)	191,179
Prepaid expenses	13,525	21,661
Trade accounts payable	(320,840)	348,929
Accrued liabilities and other accounts payable	41,208	76,354
Income taxes and employees' statutory profit sharing payable	41,423	21,197
	(41,224)	625,129
Net resources provided by operating activities	**1,451,167**	**1,594,788**
Financing activities:		
Proceeds from bank loans and long-term debt	2,494,680	2,379,781
Repayment of bank loans and long-term debt	(3,005,615)	(2,643,261)
Proceeds from issuance of subsidiaries' stock	-	203,187
Decrease in minority interest	-	(435,444)
Net sales of Company's common stock	(73,087)	(6,805)
Dividends paid by subsidiary to minority stockholders	(261,542)	(22,597)
Other	(81,580)	(52,504)
Net resources used in financing activities	**(927,144)**	**(577,643)**
Investing activities:		
Purchases of property, plant and equipment	(650,224)	(1,377,485)
Acquisition of new plants	-	(123,091)
Proceeds from the shut-down of bread operations	505,707	-
Excess of book value over cost of subsidiaries acquired	4,808	367,803
Deferred assets	(74,380)	(99,160)
Investment in common stock	(2,076)	(56,245)
Other	(38,561)	(19,221)
Net resources used in investing activities	**(254,726)**	**(1,307,399)**
Net increase (decrease) in cash and cash equivalents	269,297	(290,254)
Cash and cash equivalents at beginning of year	116,807	407,061
Cash and cash equivalents at end of year	Ps. 386,104	Ps. 116,807

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

GRUMA, S.A. de C.V. and subsidiaries
for the years ended December 31, 2001 and 2000
(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2001, 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, 1999	**436,462**	**Ps.9,758,053**	**Ps.3,042,575**	**Ps. (9,628,451)**	**Ps. –**
Appropriation of prior year net loss					
Minority interest dividends					
Net sales of Company's common stock	2,314	44,122	(94,033)		
Executive stock purchase plan		(1,222)	(2,178)		
Operations of own shares					
Issuance of subsidiaries' stock					
Decrease in minority interest					
	2,314	42,900	(96,211)		
Comprehensive income (loss):					
Cumulative effect of a change in an accounting principle for deferred income tax and employees' statutory profit sharing					(175,471)
Recognition of inflation effects for the year				(758,660)	
Foreign currency translation adjustments					
Net income for the year					
Comprehensive loss for the year				(758,660)	(175,471)
Balances at December 31, 2000	**438,776**	**9,800,953**	**2,946,364**	**(10,387,111)**	**(175,471)**
Appropriation of prior year net income					
Minority interest dividends					
Net sales of Company's common stock	2,949	35,657	13,802		
Executive stock purchase plan		(69,231)	39,118		
Operation of own shares			(12,045)		
	2,949	(33,574)	40,875		
Comprehensive income (loss):					
Recognition of inflation effects for the year				13,610	
Foreign currency translation adjustments					
Net income for the year					
Comprehensive income for the year				13,610	
Balances at December 31, 2001	**441,725**	**Ps.9,767,379**	**Ps.2,987,239**	**Ps.(10,373,501)**	**Ps. (175,471)**

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

Retained earnings (Note 12-C)					
Prior years	*Net (loss) income for the year*	*Foreign currency translation adjustments (Note 12-E)*	*Total majority interest*	*Minority interest*	*Total stockholders' equity*
Ps. 6,501,537	**Ps. (301,306)**	**Ps. 379,164**	**Ps. 9,751,572**	**Ps. 2,737,856**	**Ps. 12,489,428**
(301,306)	301,306				
				(22,597)	(22,597)
52,589			2,678	1,500	4,178
			(3,400)		(3,400)
(7,584)			(7,584)		(7,584)
				203,187	203,187
				(435,444)	(435,444)
(256,301)	301,306		(8,306)	(253,354)	(261,659)
			(175,471)	(219,803)	(395,274)
150,174			(608,485)	(3,422)	(611,908)
		(184,368)	(184,368)		(184,368)
	233,828		233,828	180,962	414,790
150,174	233,828	(184,368)	(734,496)	(42,263)	(776,760)
6,395,411	**233,828**	**194,796**	**9,008,770**	**2,442,239**	**11,451,009**
233,828	(233,828)				
				(261,542)	(261,542)
(41,456)			8,003		8,003
			(30,113)		(30,113)
(38,932)			(50,977)		(50,977)
153,440	(233,828)		(73,087)	(261,542)	(334,629)
267,130			280,740	7,210	287,950
		(541,549)	(541,549)		(541,549)
	312,753		312,753	180,044	492,797
267,130	312,753	(541,549)	51,944	187,254	239,198
Ps. 6,815,981	**Ps. 312,753**	**Ps. (346,753)**	**Ps. 8,987,627**	**Ps. 2,367,951**	**Ps. 11,355,578**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

GRUMA, S.A. de C.V. and subsidiaries
For the years ended December 31, 2001 and 2000
(Expressed in thousands of Mexican pesos of constant purchasing power of December 31, 2001, 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 recently in 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".

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 2001 and 2000
Gruma Corporation and subsidiaries	100.00
Grupo Industrial Maseca, S.A. de C.V. and subsidiaries	83.18
Molinos Nacionales, C.A.	95.00
Derivados de Maíz Seleccionado, 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

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, 2001, 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, 2001, determined as follows:

- For comparability purposes, the financial statements as of and for the year ended December 31, 2000 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, 2001 were restated applying GCPI factors from the country in which the subsidiary operates and applied to periods in which the transactions occurred at 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
2001	4.46%	0.41%
2000	8.90%	6.30%

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 three months or less at the date of purchase are considered to be cash equivalents and are stated at cost, which approximates market value.

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 – 53
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.

Covenants not to compete are restated applying factors from the NCPI factors. Amortization expense is computed based on the restated values using the straight-line method, over a period of 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 Company 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) Long-lived assets

The Company evaluates the carrying value of long-lived assets to be held and used, including property, plant and equipment, goodwill, pre-operating expenses and any assets to be disposed of, when events or circumstances suggest that the carrying value may not be recoverable.

Any impairment of these assets is included in income for the year, for the difference between the carrying value and the fair market value of long-lived assets to be held and used, and the difference between the carrying value and fair market value less costs to sell for long-lived assets to be disposed of.

As of December 31, 2001, the Company's management believes there is no impairment in the carrying value of long-lived assets.

L) 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.

M) Financial instruments

Effective January 1, 2001, the Company adopted the provisions established by Bulletin C-2 "Financial Instruments", issued by the Mexican Institute of Public Accountants, which provides guidance for recognizing, measuring and disclosing information about financial assets and liabilities, including accounting for certain hedged transactions.

The accounting treatment used by the Company for the financial operations of 2001 was as follows:

- The Company hedges a portion of its production requirements through commodity futures contracts in order to reduce the risk created by price fluctuations and supply of corn, wheat, soybeans, oils and gas which exist as part of ongoing business operations. The open positions for hedges of purchases do not exceed the maximum production requirements for a one-year period. Unrealized gains or losses on open futures contracts are not recognized in the financial statements until futures contracts are settled. Realized gains or losses are included in the statement of income as a component of the production cost as the inventory is used.

- The Company uses derivative financial instruments as interest rate swaps, for purposes of hedging a portion of its long-term debt, in order to reduce the risk from interest-rate fluctuations.

- The Company has entered into an Equity Swap agreement on its own shares. At maturity, the Company has the option to repurchase its own shares at the market value prevailing at such date, and receive or pay the difference between the value of the shares under the agreed-on price and the market value whichever is higher. The related effect is recorded in stockholders' equity.

- The Company uses derivative financial instruments as call options on its own shares. On maturity date, the Company has the right to repurchase its own shares at a nominal value on that date.

The derivative financial operations described above are subject to different types of risks. The main risks are related to market operations, interest and exchange rates, and inherent market credit and liquidity risks. The intention of the Management is to hedge these risks.

N) 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.

O) 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.

P) 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.

Q) Comprehensive (loss) income

As of January 1, 2001, the Company adopted the standards contained in Statement B-4 "Comprehensive Income", issued by the Mexican Institute of Public Accountants. This Statement requires that the various items affecting earned surplus during the year be shown in the statement of changes in stockholders' equity as comprehensive income. The Company has restated the statement of changes in stockholders' equity for 2000 on a comparative basis.

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

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

	2001	2000
Trade accounts receivable	Ps. 2,196,817	Ps. 2,291,324
Allowance for doubtful accounts	(103,085)	(126,171)
	2,093,732	2,165,153
Refundable expenses for product recall (Note 11)	-	209,501
Related parties (Note 18)	151,828	102,667
Employees	25,040	30,697
Notes receivable, net	6,825	7,960
Other debtors	104,389	125,751
	Ps. 2,381,814	Ps. 2,641,729

Refundable taxes comprised the following as of December 31:

	2001	2000
Production and services tax	Ps. 121,803	Ps. 91,775
Value-added tax	75,513	61,386
Income tax	17,332	18,271
Other	1,055	12,832
	Ps. 215,703	Ps. 184,264

4. INVENTORIES

Inventories consisted of the following as of December 31:

	2001	2000
Raw materials, mainly corn and wheat	Ps. 1,867,499	Ps. 1,931,579
Finished products	210,017	212,226
Production in process	34,411	53,337
Materials and spare parts	204,575	236,236
Inventory in transit	6,035	12,227
Advances to suppliers	29,456	3,195
	Ps. 2,351,993	Ps. 2,448,800

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"), which is a financial institution regulated by the policies and accounting practices of the Comisión Nacional Bancaria y de Valores (the "Mexican National Banking and Securities Commission" or "CNBV"), 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:

	2001	2000	Ownership
GFNorte:			
Book value	Ps.1,005,703	Ps. 854,500	11%
Excess of cost over book value, net	48,708	146,723	
	1,054,411	1,001,223	
Harinera de Monterrey, S.A. de C.V	103,217	126,561	40%
	Ps.1,157,628	Ps.1,127,784	

During 2000, the Company evaluated the recovery of the carrying value of the excess of cost over book value related to the investment in GFNorte, and determined that the useful life will be of 2.5 years instead of 6 years as originally estimated.

At December 31, 2001 and 2000, the excess of cost over book value was presented net of accumulated amortization of Ps.674,666 and Ps.597,810, respectively.

6. PROPERTY, PLANT AND EQUIPMENT, NET

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

	2001	2000
Land	Ps. 903,638	Ps. 905,403
Buildings	4,072,774	3,984,223
Machinery and equipment	12,239,051	13,433,358
Construction in progress	162,389	582,287
Software for internal use	549,631	562,432
Leasehold improvements	216,943	225,399
Other	18,633	57,882
	18,163,059	19,750,984
Accumulated depreciation and amortization	(6,286,869)	(7,156,870)
	Ps.11,876,190	Ps.12,594,114

For the years ended December 31, 2001 and 2000, depreciation expense amounted to Ps.903,180 and Ps.833,390, respectively. As of December 31, 2000, property, plant and equipment included comprehensive financing cost of Ps.5,803.

As of December 31, 2001, property, plant and equipment included temporarily idled assets (land, buildings and machinery in several plants) with a carrying value of approximately Ps.487,632, 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. Additionally, the Company has assets out of operation amounting to Ps.49,184, net of an allowance for loss in value of Ps.14,000.

7. INTANGIBLE ASSETS, NET

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

	2001	2000
Covenants not to compete	Ps. 724,706	Ps. 700,269
Pre-operating expenses	66,156	422,297
Debt issuance costs	190,212	124,685
Patents and trade names	164,585	176,359
Research on new projects	70,816	93,909
Other	52,112	59,842
	1,268,587	1,577,361
Accumulated amortization	(369,077)	(331,845)
	Ps. 899,510	Ps.1,245,516

Expenditures for research and development are expensed as incurred and amounted to Ps.20,149 and Ps.37,201 for the years ended December 31, 2001 and 2000, respectively. The amortization of pre-operating expenses charged to income for the years ended December 31, 2001 and 2000 amounted to Ps.32,693 and Ps.36,960, respectively. Additionally, during 2001 and 2000, the Company wrote-off certain capitalized pre-operating expenses of Ps.307,362 due to the shut-down of the bread manufacturing operation and of Ps.22,370 since it was determined that these assets will not be recovered from the future profits of the related businesses, respectively. The write-off of these items has been included in other income, net (Note 13).

8. OTHER ASSETS

Other assets as of December 31 consisted of the following:

	2001	2000
Trust funds for research and development of technology	Ps.209,496	Ps.191,649
Long-term notes receivable	22,092	32,316
Related parties (Note 18)	24,932	35,849
Club memberships	23,753	20,766
Guarantee deposits	17,832	13,867
Refundable taxes	9,661	-
	Ps.307,766	Ps.294,447

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:

	2001	2000
Syndicated loan denominated in U.S. dollars, maturing in February 2003 and 2004, bearing interest at an annual rate of LIBOR plus 1.25% to 2.875%, payable monthly or quarterly (at December 31, LIBOR plus 1.75%)	Ps. 3,668,000	Ps. –
Senior unsecured notes denominated in U.S. dollars, maturing in October 2007, and bearing interest at an annual rate of 7.625%, payable semiannually	2,292,500	2,409,840
Bank loan in U.S. dollars bearing interest at an annual rate of LIBOR plus 3.25% payable, monthly or quarterly	–	1,927,872
Bank loan in U.S. dollars, supported by revolving credit agreements, bearing interest at an annual rate of LIBOR plus 1.35% to 1.75%, payable monthly	–	647,765
Bank loan in U.S. dollars, supported by revolving credit agreements, bearing annual interest at variable rates, (7.56% at December 31, 2000), payable monthly and quarterly	–	578,362
Short-term bank loans in U.S. dollars, bearing interest at variable rates, payable monthly	–	531,611
Bank loan in U.S. dollars, supported by revolving credit agreements, bearing interest at the prime rate (9.5% at December 31, 2000) or LIBOR plus 0.21% to 0.60% (6.94% at December 31, 2000), payable quarterly	–	347,017
Loans in U.S. dollars, bearing interest at annual rates from 3.80% to 7.96%, payable quarterly, and due in annual payments from 2002 through 2009	294,623	313,868
Long-term notes in U.S. dollars, bearing annual interest at a rate of 7.5%, payable quarterly	–	173,597
Short-term bank loans in U.S. dollars bearing interest at an annual rate of LIBOR plus 4.5% to 5.5% for 2000, payable monthly and quarterly	–	121,213
Loans in U.S. dollars, bearing interest at annual rates from 8.38% to 8.44%, payable quarterly	–	81,422
Loans in U.S. dollars, bearing interest at variable rates, payable semiannually	–	6,728
Loan in Venezuelan bolivars payable in 2002 and bearing interest at variable annual rates (16.61% at December 31, 2001), payable monthly	278,100	5,006
Loans in U.S. dollars, due in September 2002, bearing annual interest at the LIBOR rate plus 1.25%	45,860	–
	6,579,083	7,144,301
Short-term bank loans	(323,960)	(652,820)
Current portion of long-term debt	(11,087)	(630,576)
Long-term debt	Ps. 6,244,036	Ps. 5,860,905

At December 2001, the Company had long-term credit line agreements for U.S.$130 million (Ps.1,192,100) which were totally available as of December 31, 2001, and require the payment of an annual commitment fee of 0.05% to $^1/_4$% 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, 2001, the Company was in compliance with these covenants.

At December 31, 2001, the annual maturities of long-term debt outstanding were as follows:

Year	Amount
2003	Ps. 927,445
2004	2,774,649
2005	12,214
2006	13,205
2007 and thereafter	2,516,523
	Ps. 6,244,036

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, ages, and salaries. The Company has established trust funds to meet these obligations.

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

	2001	2000
Service cost	Ps. 2,640	Ps. 2,396
Interest cost	696	594
Expected return on plan assets	(1,657)	(1,589)
Curtailment loss	187	-
Settlement loss	237	-
Net amortization	1,139	1,179
Net cost for the year	Ps. 3,242	Ps. 2,580

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

	2001	2000
Actuarial present value of benefit obligations:		
Vested benefit obligation	Ps. (7,647)	Ps. (6,459)
Non-vested benefit obligation	(7,457)	(6,468)
	(15,104)	(12,927)
Excess of projected benefit obligation over accumulated benefit obligation	(5,907)	(4,121)
Projected benefit obligation	(21,011)	(17,048)
Plan assets at fair value (trust funds)	16,366	14,167
Shortfall of plan assets over benefit obligation	(4,645)	(2,881)
Unrecognized amounts to be amortized over 17 years:		
Cumulative net gain	1,425	(77)
Net transition liability	(192)	750
Prior service cost	(286)	(16)
Adjustment required to recognize minimum liability	(1,129)	(1,616)
Seniority premium liability	Ps. (4,827)	Ps. (3,840)

For the years ended December 31, 2001 and 2000, the changes in projected benefit obligation and plan assets are summarized as follows:

	2001	2000
Projected benefit obligation at beginning of year	Ps.17,048	Ps. 15,606
Effect of inflation on beginning balance	300	906
Service cost	2,640	2,396
Interest cost	696	594
Benefits paid	248	(3,307)
Actuarial loss	79	853
Projected benefit obligation at end of year	Ps.21,011	Ps. 17,048
Fair value of plan assets at beginning of year	Ps.14,167	Ps. 15,187
Effect of inflation on beginning balance	294	698
Actual return on plan assets	1,657	1,589
Benefits paid	248	(3,307)
Fair value of plan assets at end of year	Ps.16,366	Ps. 14,167

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

	2001	2000
Discount rate	4.0%	4.0%
Rate of increase in future compensation levels	2.0%	2.0%
Expected long-term rate of return on plan assets	5.0%	5.0%
Inflation rate	8.0%	8.0%

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, 2001 and 2000, total expenses related to this plan were US$2,212 (Ps.20,284) and US$2,098 (Ps.19,239), 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.15,958 and Ps.13,642 as of December 31, 2001 and 2000, 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.7,964 and Ps.5,733 as of December 31, 2001 and 2000, respectively.

11. COMMITMENTS AND CONTINGENCIES

The Mexican tax authorities have disallowed certain deductions for income tax purposes, the effect of which on prior years' income tax amounted to Ps.32,002 plus 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.

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, which permits it to acquire the equipment at fair market value at approximately three-fourths of the lease term. These agreements are accounted for as operating leases.

As of December 31, 2001, 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 US$115,446 (Ps.1,058,640), as follows:

	U.S. dollars (thousands)		
Year	Facilities	Equipment	Total
2002	US$ 8,442	US$ 22,146	US$ 30,588
2003	6,907	18,347	25,254
2004	5,081	12,107	17,188
2005	3,413	11,911	15,324
2006	2,774	5,445	8,219
2007 and thereafter	5,387	13,486	18,873
	US$ 32,004	US$ 83,442	US$ 115,446
	Ps. 293,477	Ps. 765,163	Ps. 1,058,640

Rental expenses were approximately Ps.355,515 and Ps.414,067 for the years ended December 31, 2001 and 2000, respectively.

At December 31, 2001, the Company had various outstanding commitments in the United States to purchase commodities and raw materials for approximately US$73,531 (Ps.674,279), which will be delivered during 2002.

As of December 31, 2001, the Company had outstanding commitments to purchase machinery and equipment amounting to approximately US$2,516 (Ps.23,072).

As of December 31, 2001 and 2000, restricted cash of Ps.2,586 and Ps.6,363, respectively, included undisbursed proceeds from the issuance of tax-exempt industrial development revenue bonds in the United States amounting to Ps.1,128 (US$123) and Ps.1,559 (US$170), which are available to pay interest expense on outstanding balances on these bonds.

The Company has entered into several agreements with gas and utility companies to purchase natural gas and electricity for its U.S. manufacturing facilities. The agreements establish a monthly purchase volume based upon the typical commitment of the facility at its average monthly production capacity and a price per MMBTU or kWh. The terms of the agreements range from six months to two years expiring through June 2003.

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. The aggregate of these costs at December 31, 2000 was Ps.209,501 (US$21,734) and was classified in other accounts receivable in the accompanying consolidated balance sheet. The total account was recovered during 2001.

Additionally, during 2001 the Company reached and collected settlements from third parties for costs incurred during the voluntary product recall with approximately Ps.60,687 (US$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. Third parties have been taking care of these lawsuits and any other related expenses. 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 carries 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.

12. STOCKHOLDERS' EQUITY

A) Common stock

At December 31, 2001, Gruma's outstanding common stock consisted of 441,725,086 shares of Series "B", with no par value, fully subscribed and paid, which can only be withdrawn with stockholders' approval, and 10,824,866 authorized shares held in Treasury. At December 31, 2000, the Company's outstanding common stock consisted of 438,776,086 shares and 13,773,866 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", designating up to 8,039,219 common shares as reserved for issuance pursuant to this plan, all of which are subscribed and paid. The shares will be granted to executives, and such executives will have the right to receive dividends during the six year term after joining the plan.

As of December 31, 2001, the Company had granted 1,144,564 Series "B" shares under this plan which will terminate on December 31, 2003.

The Company recognizes an expense equal to the market value of the shares at grant date using the straight-line method over a six-year period. The amount recognized as expense for the years ended December 31, 2001 and 2000 was Ps.4,984 and Ps.3,349, respectively.

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. Commencing 2002, dividends paid will not be subject to any tax withholding.

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, 2001, the Company has repurchased 10,824,866 of its own shares with a market value of Ps.88,980.

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

- The Company has entered into an Equity Swap agreement with a Mexican financial institution and selling 8,500,700 of its own shares for a total amount of US$5,629. On the maturing date, the Company is subject to the payment of from 6.61125% to 6.75% on the contractual amount. The agreements mature in September 2002, date in which the Company has the option to repurchase the shares at the prevailing market price. On the maturity date the Company will receive or pay the difference between the value of the shares at the agreed on price and the market value.
- In December 2001, the Company entered into a Call Option agreement with a European financial institution selling 7,650,000 of its own shares for a total amount of US$6,890, maturing in December 2002. 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:

	2001	2000
Accumulated effect of translating the opening net investment in foreign subsidiaries	Ps. 202,649	Ps. 388,451
Effect of translating stockholders' equity items at year-end exchange rates	(681,978)	(147,299)
Exchange differences arising from foreign currency liabilities accounted for as a hedge of the Company's net investments in foreign subsidiaries, net of tax	132,576	(46,356)
	Ps. (346,753)	Ps. 194,796

F) Inflation effects

As of December 31, 2001, the majority stockholders' equity comprised the following:

	Nominal	Restatement	Total
Common stock	Ps.4,237,321	Ps. 5,530,058	Ps. 9,767,379
Additional paid-in capitals	1,235,400	1,751,839	2,987,239
Deficit from restatement	-	(10,373,501)	(10,373,501)
Cumulative effect of a change in an accounting principle for deferred income taxes and employees' statutory profit sharing	(163,290)	(12,181)	(175,471)
Retained earnings from prior years	2,187,456	4,628,525	6,815,981
Net income for the year	308,855	3,898	312,753
Foreign currency translation adjustments	(356,267)	9,514	(346,753)
	Ps.7,449,475	Ps. 1,538,152	Ps. 8,987,627

G) Tax values of common stock and retained earnings

As of December 31, 2001, tax amounts of common stock and the retained earnings were Ps.8,115,811 and Ps.41,610, respectively.

13. OTHER INCOME, NET

Other income, net, is comprised of the following:

	2001	2000
Software implementation expenses	Ps. (5,099)	Ps. (33,554)
Reorganization expenses	(3,285)	(45,387)
Amortization of excesses, net	304,288	283,830
Amortization of other deferred assets	(71,241)	(68,326)
Write-off of idle assets	-	(41,976)
Loss in the carrying value of idle assets (Note 6)	(14,000)	(1,777)
Write-off of pre-operating expenses not related with shut-down of the bread manufacturing operation and other	(20,706)	(22,370)
Net loss from the shut-down of the bread operations	(187,767)	-
Voluntary product recall settlements (Note 11)	60,687	-
Other	2,507	(34,474)
	Ps. 65,384	Ps. 35,966

During 2001 and 2000, the Company recorded reorganization costs, which included employee severance costs, write-down of idle assets, other plant closure costs, and relocation expenses primarily related to the closure of certain tortilla manufacturing operations in the United States. Additionally, the Company has recognized external consulting fees to a strategic corporate reorganization.

During 2001, the Company determined that the carrying value of certain goodwill was impaired and it was reduced by Ps.20,706

The net loss from shut-down of the bread operations includes a provision of approximately Ps.32,288 for estimated employee termination benefits, fixed asset and other asset impairment losses and other.

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, 2001 and 2000 by Ps.81,323 and Ps.109,752, 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. Additionally the Company has recognized external consulting fees related to a strategic corporate reorganization.

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, 2001 and 2000, asset tax amounted to Ps.134,537 and Ps.84,134, respectively.

B) Reconciliation of financial and taxable income

In Mexico, differences arise between financial and taxable income, causing the statutory income tax rate (35%) to be different from the effective income tax rate. The most important difference corresponds to permanent differences, mainly attributable to inflation effects.

For the years ended December 31, 2001 and 2000, the reconciliation between the effective income tax amounts and the statutory income tax amounts is summarized as follows:

	2001	2000
Statutory federal income tax (35%)	Ps. 246,580	Ps. 130,176
Foreign income tax differences	(75,855)	(28,347)
Differences between tax and financial accounting for:		
Inventory purchases, labor and overhead versus cost of sales	(3,289)	(6,665)
Financing cost, net, and other income statement effects related to inflation	29,821	53,837
Amortization of accounting income not subject to income taxes	(72,318)	(68,642)
Foreign dividends	158,567	-
Accrued expenses that will result in future tax deductible amounts	(26,522)	1,466
Effect from restatement of deferred income taxes	(15,602)	-
Restatement of tax loss carryforwards	(222,873)	(66,644)
Losses of Mexican subsidiaries which cannot be utilized for income tax consolidation	246,220	73,689
Others	(4,941)	(67,263)
Effective income tax rate (37% in 2001)	Ps. 259,788	Ps. 21,607

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 (Note 19).

The tax effects of the principal termporary differences that give rise to significant portions of the deferred tax assets and liabilities as December 31 are as follows:

	2001	2000
Deferred tax assets:		
Accrued liabilities	Ps. (101,812)	Ps. (117,937)
Net operating loss carryforwards and other tax credits	(743,481)	(901,145)
Recoverable asset tax	(618,624)	(589,524)
Intangible asset resulting from intercompany operation	(281,704)	(278,285)
Other	(82,616)	(68,755)
	(1,828,237)	(1,955,646)
Deferred tax liabilities:		
Property, plant and equipment, net	1,564,105	1,551,047
Inventories	356,173	381,277
Intangible assets and other	35,296	126,996
Investment in partnership and equity method investee	180,411	186,463
	Ps. 2,135,985	Ps. 2,245,783
Net deferred tax liability	Ps. (307,748)	Ps. (290,137)

At December 31, 2001 and 2000, the Company had loss carryforwards valuation allowances for Mexican subsidiaries of Ps98,790 and Ps.41,254, respectively, and for foreign subsidiaries of Ps.53,118 and Ps.114,261, respectively. 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.48,628 and Ps.50,269, respectively, relating to employees' statutory profit sharing.

C) Tax loss carryforwards and recoverable asset tax

At December 31, 2001, in Mexico the Company has tax loss carryforwards of approximately Ps.1,245,906 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
2003	Ps. -	Ps. 27,393
2004	309,344	33,845
2005	541,480	27,269
2006	-	27,269
2007 until 2012	395,082	551,861
	Ps. 1,245,906	Ps. 667,637

At December 31, 2001, certain Company's foreign subsidiaries have tax loss carryforwards of approximately Ps.51,341 (1,912 million Costa Rican colons) which will expire in 2002 to 2003; and Ps.253,561 (20,955 million bolivars) which will expire in 2002.

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, 2001, and 2000, the effects of exchange rate fluctuations on the Company's monetary assets and liabilities were recognized as follows:

	2001	2000
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. 132,576	Ps. (46,356)
Exchange differences arising from foreign currency transactions credited (charged) to income	94,172	(57,898)
	Ps. 226,748	Ps.(104,254)

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	
	2001	2000
By companies located in Mexico:		
Assets	US$ 13,989	US$ 11,538
Liabilities	(652,873)	(689,002)
	US$ (638,884)	US$ (677,464)
By foreign companies:		
Assets	US$ 162,386	US$ 179,986
Liabilities	(267,692)	(280,290)
	US$ (105,306)	US$ (100,304)

At December 31, 2001 and 2000, the exchange rates used to translate U.S. dollar assets and liabilities were Ps.9.17 and Ps.9.60, respectively. On March 15, 2002, date of issuance of these financial statements, the exchange rate for the U.S. dollar was Ps.9.12.

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

	Thousands of U.S. dollars	
	2001	2000
Corn purchases and other inventories	US$ 104,117	US$ 103,714
Interest expense	52,162	58,621
Equipment purchases	88	76
Services	194	292
	US$ 156,561	US$ 162,703

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

	2001		2000	
	Foreign currency (thousands)	Year-end exchange rate	Foreign currency (thousands)	Year-end exchange rate
U.S. dollars	450,161	9.17	441,788	9.60
Swiss francs	26,266	5.52	11,901	5.93
Deutsche marks	32,668	4.18	31,616	4.57
Italian liras	3,227,844	0.0042	3,194,287	0.0046
Spanish pesetas	704,904	0.0491	659,062	0.0537
Venezuelan bolivars	103,761,830	0.0121	98,436,666	0.0137
Costa Rican colons	25,483,088	0.0272	31,204,172	0.0302

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 and other grains division (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 related 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 is 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, 2001:

Segment	Net sales to external customers	Inter-segment net sales	Operating income	Depreciation and amortization
Corn flour and packaged tortilla division (United States)	Ps. 7,749,213	Ps. –	Ps. 526,516	Ps. 487,508
Corn flour division (Mexico)	4,646,468	33,517	528,182	247,357
Corn flour and other grains (Venezuela)	2,472,781	–	189,342	70,184
Bread and packaged tortilla (Mexico)	347,155	32,296	(215,697)	79,998
Wheat flour (Mexico)	1,437,758	26,109	12,746	56,576
Corn flour and related products (Central America)	1,053,898	–	(7,159)	81,352
Other	91,839	339,172	(12,833)	8,130
Other reconciling items	21,072	(431,094)	(101,854)	(250,806)
Total	Ps. 17,820,184	Ps. –	Ps. 919,243	Ps. 780,299

Segment	Total assets	Total liabilities	Expenditures for long-lived assets
Corn flour and packaged tortilla division (United States)	Ps. 6,615,000	Ps. 1,825,123	Ps. 386,305
Corn flour division (Mexico)	6,383,146	1,322,634	3,538
Corn flour and other grains (Venezuela)	2,550,493	812,546	73,588
Bread and packaged tortilla (Mexico)	703,665	93,054	23,204
Wheat flour (Mexico)	1,822,555	195,932	17,510
Corn flour and related products (Central America)	1,032,581	153,043	75,816
Other	490,122	78,762	(13,434)
Other reconciling items	1,017,700	4,677,633	83,697
Total	Ps. 20,615,262	Ps. 9,158,727	Ps. 650,224

Segment information as of and for the year ended December 31, 2000:

Segment	Net sales to external customers	Inter-segment net sales	Operating income	Depreciation and amortization
Corn flour and packaged tortilla division (United States)	Ps. 7,841,210	Ps. 87	Ps. 408,279	Ps. 327,085
Corn flour division (Mexico)	4,950,667	36,200	548,129	262,459
Corn flour and other grains (Venezuela)	2,797,923	–	272,718	64,219
Bread and packaged tortilla (Mexico)	360,529	24,942	(285,944)	130,711
Wheat flour (Mexico)	1,409,175	19,537	(41,030)	63,522
Corn flour and related products (Central America)	1,063,476	–	28,462	41,554
Other	32,160	526,277	(21,603)	10,270
Other reconciling items	(181,480)	(607,043)	(92,347)	(148,045)
Total	Ps. 18,273,660	Ps. –	Ps. 816,664	Ps. 751,775

Segment	Total assets	Total liabilities	Expenditures for long-lived assets
Corn flour and packaged tortilla division (United States)	Ps. 6,985,450	Ps. 2,148,950	Ps. 604,606
Corn flour division (Mexico)	7,058,176	1,530,174	45,148
Corn flour and other grains (Venezuela)	2,937,569	783,378	12,609
Bread and packaged tortilla (Mexico)	1,220,857	404,285	(2,800)
Wheat flour (Mexico)	1,993,624	331,668	340,697
Corn flour and related products (Central America)	1,354,278	238,479	202,837
Other	529,654	107,255	(25,696)
Other reconciling items	(254,984)	4,463,401	323,175
Total	Ps. 21,824,624	Ps.10,007,590	Ps.1,500,576

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

Other reconciling items	2001	2000
Corporate expenses	Ps. (106,991)	Ps. (121,340)
Elimination of inter-business unit transactions	5,137	28,993
Total	Ps. (101,854)	Ps. (92,347)

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

	2001	%	2000	%
Net sales:				
United States	Ps. 7,814,475	44	Ps. 8,136,372	45
Mexico	6,456,741	36	6,275,889	34
Venezuela	2,495,070	14	2,797,923	15
Central America	1,053,898	6	1,063,476	6
	Ps. 17,820,184	100	Ps. 18,273,660	100
Identifiable assets:				
United States	Ps. 6,615,000	32	Ps. 7,007,016	32
Mexico	10,417,188	51	10,525,761	48
Venezuela	2,550,493	12	2,937,569	14
Central America	1,032,581	5	1,354,278	6
	Ps. 20,615,262	100	Ps. 21,824,624	100
Capital expenditures:				
United States	Ps. 386,305	59	Ps. 604,606	40
Mexico	114,515	18	680,524	45
Venezuela	73,588	11	12,609	1
Central America	75,816	12	202,837	14
	Ps. 650,224	100	Ps. 1,500,576	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.

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

	Carrying amount	Fair value
At December 31, 2001:		
Liabilities: Senior unsecured notes in U.S. dollars bearing interest at annual rate of 7.625%	Ps. 2,292,500	Ps.2,235,417
Equity Swap	52,794	71,950
Call Option	63,181	62,770
At December 31, 2000:		
Liabilities: Senior unsecured notes in U.S. bearing interest at annual rate of 7.625%	Ps. 2,409,840	Ps.2,300,433
Equity Swap	36,329	35,980

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 value similar to that of the long-term debt being hedged.

The carrying value of the remainder of the long-term debt was similar to its fair value.

B) Hedges

During 2001 and 2000, the Company entered into hedges to minimize the risk created by price fluctuations in corn, wheat and oils. As of December 31, 2001 and 2000, the deferred losses included as a component of inventory were Ps.14,626 and Ps. 23,887. At December 31, 2001 the Company had no open futures contracts.

To minimize the risk created by fluctuations of some of the main production inputs such as gas, the Company has hedged the purchase of a portion of its production requirements through commodity future contracts. The Company's open positions for hedging of purchases do not exceed the maximum production requirements for a one-year period. At December 31, 2001, the Company had open futures contracts in the amount of Ps.3,851 and the gain or loss is not expected to be material to the Company's results of operations.

The Company uses derivative financial instruments as interest rate swaps covering its long-term debt which matures in 2007 and bears interest at an annual rate of 7.625%. This interest rate swaps takes into account the risk created by changes in the market value created by 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 under which it will receive a fixed interest rate of 5.1525% through 2004 and 5.485% from 2004 through 2007 and pay Libor.

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 US$40 million at an average interest rate of 7.57%. The interests paid to GFNorte's subsidiaries for the years ended December 31, 2001 and 2000 were Ps.5,199 and Ps.3,361, respectively.

For the years ended December 31, 2001 and 2000, the Company made loans to its controlling shareholders, with interest at market rates of a short-term nature without due dates. As of December 31, 2001 and 2000, short-term amounts receivable from these transactions totaled Ps.151,828 and Ps.102,667, respectively. At the date of issuance of these financial statements the aggregate amount outstanding was Ps.40,062. At December 31, 2001 and 2000, the Company has long-term notes receivable from some of its shareholders totaling Ps.24,932 and Ps.35,849, respectively, which bear interest at market rates and LIBOR plus 4% and matures between 2003 and 2005.

During 2001 and 2000, the Company had accounts payable to a shareholder included in trade accounts payable for Ps.102,614 and Ps.62,666, respectively. Additionally, during 2001 and 2000, the Company purchased inventory ingredients from a shareholder, amounting to US$74 million (Ps.680,168) and US$75 million (Ps.723,125), respectively.

19. CHANGE OF INCOME TAX RATE - SUBSEQUENT EVENT

In Mexico, 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.

Under the provisions of the Bulletin D-4 "Accounting treatment of Income Tax, Asset Tax, and Statutory Employees' Profit Sharing", deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be reversed.

The Company estimates that the cumulative effect will reduce the net liability for deferred income tax by approximately Ps.42,632 with credit to income in 2002.

20. 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". The provisions of Bulletin C-9 are required to be applied beginning on January 1, 2003, although early adoption is recommended. 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 current value, future events, accounting treatment for probable reimbursement and changes in the value estimated for provisions. It also contains the accounting treatment for redemption. Management is currently evaluating the impact that the adoption of Bulletin C-9 will have on its consolidated financial statements.

In addition, in December 2001, the Mexican Institute of Public Accountants issued Bulletin C-8, "Intangible Assets" which defines intangible assets as costs incurred and rights or privileges acquired that will generate a future economic benefit. Bulletin C-8 establishes guidelines on deferred research and development costs and pre-operating costs. It also establishes rules for the amortization of intangible assets. The provisions of Bulletin C-8 are required to be applied beginning on January 1, 2003, although early adoption is recommended. Management is currently evaluating the impact that the adoption of Bulletin C-8 will have on its consolidated financial statements.

THE TERMS WE USE

AIB — American Institute of Baking, a nonprofit organization devoted to education and research in the science of baking, bakery management, equipment, ingredients, cereal science, 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.

DICONSA — A distribution and social welfare program sponsored by the Mexican government consisting of a network of small, government-owned stores that supply rural areas with basic food products.

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. In addition to the ISO 9000 standards, which focus on the customer and continuous improvement, these new standards concentrate on management and establish a management system model intended to continually enhance customer satisfaction and management system effectiveness.

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 "Systems and Applications Products" computer software that links all business processes into one integrated system.

SKU — Stock Keeping Unit.

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.

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.

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Exchange Listings

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

[1] Each American Depositary Receipt represents four ordinary shares

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