



**Together, we continue evolving
the world of “out-of-home” entertainment...**

Corporación Interamericana de Entretenimiento, S.A. de C.V. / 2002 Annual Report

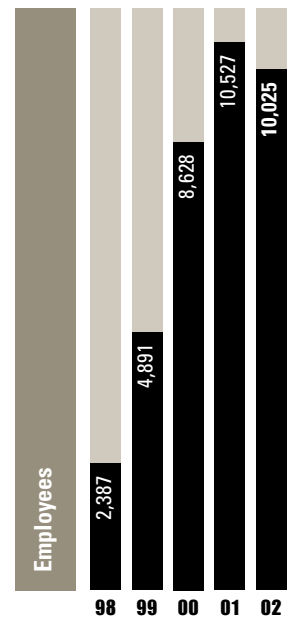
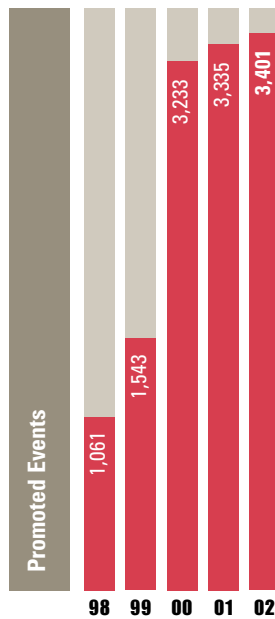
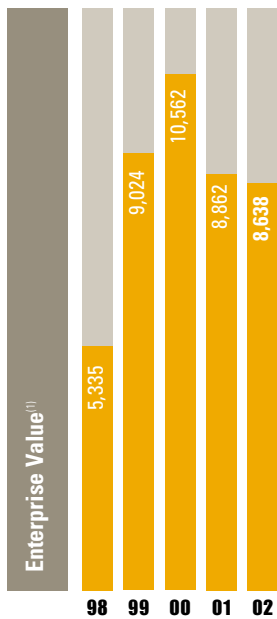
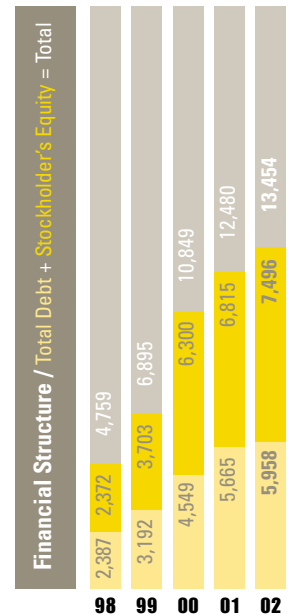
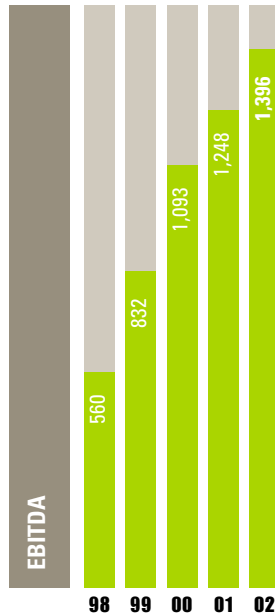
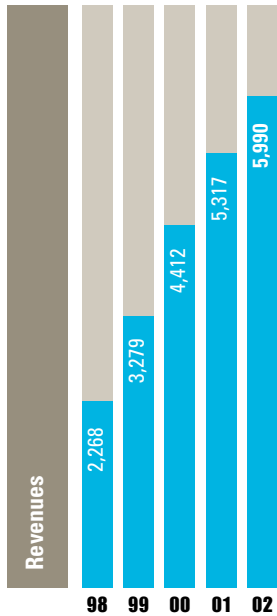
**... and integrating the company
into five strategic business units.**

By creating a vertically integrated entertainment group, CIE has established a unique business model that changes the traditional concept of an entertainment company. A long-term vision combined with a disciplined investment strategy has allowed us to evolve from a period of capital intensive growth to where we are today: positioned to generate free cash flow, enhance returns on capital, and deliver the best in "out-of-home" entertainment to millions of people in the markets we operate.

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Financial and Operating Data

(Figures expressed in millions of Mexican pesos as of December 31, 2002; except for number of promoted events and employees)



(1) Market capitalization plus net debt.

Selected Financial and Operating Data

(Figures expressed in millions of Mexican pesos as of December 31, 2002; except for number of outstanding shares and operating data)

	2002	2001	2000	1999	1998	TCCA*
INCOME STATEMENT:						
Revenues	5,990.1	5,316.8	4,412.0	3,278.6	2,267.6	27.5%
EBITDA ⁽¹⁾	1,395.7	1,248.4	1,093.3	831.9	559.7	25.7%
EBITDA margin	23.3%	23.5%	24.8%	25.4%	24.7%	N.A.
Operating income	973.7	886.8	818.1	656.2	471.6	19.9%
Operating margin	16.3%	16.7%	18.5%	20.0%	20.8%	N.A.
Comprehensive cost of financing	341.5	374.7	292.1	308.0	110.9	32.5%
Income tax, tax on assets and employees' profit sharing	366.4	164.4	90.6	140.7	98.0	39.1%
Minority interest	38.5	(59.6)	106.6	98.7	23.7	N.A.
Majority net income	209.2	(428.2)	294.9	206.7	199.9	N.A.
BALANCE SHEET:						
Current assets	4,227.3	4,503.4	4,371.7	2,836.1	1,858.3	22.8%
Property, plant and equipment, net	5,102.9	4,284.9	2,938.0	1,953.7	1,444.7	37.1%
Deferred and other assets	4,124.0	3,691.7	3,539.9	2,105.0	1,455.1	29.8%
Total assets	13,454.2	12,480.0	10,849.6	6,894.8	4,758.1	29.7%
Total debt	4,187.9	3,548.6	3,124.8	1,894.3	1,517.3	28.9%
Total liabilities	5,958.4	5,664.9	4,549.3	3,191.7	2,386.5	25.7%
Stockholders' equity	7,495.8	6,815.1	6,300.3	3,703.1	2,371.6	33.3%
OTHER FINANCIAL DATA:						
EBITDA-to-gross interest expense ratio (times)	4.1	3.3	3.0	2.1	2.2	N.A.
Net funds provided by (used in) operating activities	9.0	(237.6)	632.7	41.3	(549.4)	N.A.
Net funds provided by (used in) investing activities	(1,456.0)	(1,856.9)	(2,676.8)	(1,151.4)	(1,478.2)	(0.4%)
Net funds provided by (used in) financing activities	1,044.9	1,426.4	3,406.4	1,370.5	2,113.9	(16.2%)
Market capitalization ⁽²⁾	5,318.3	6,377.8	9,376.3	7,706.1	4,132.9	6.5%
Enterprise value ⁽³⁾	8,638.0	8,861.5	10,562.5	9,024.1	5,335.0	12.8%
Outstanding shares at end of period (millions)	309.2	305.9	238.9	203.8	153.2	19.2%
OPERATING DATA:						
Events promoted	3,401	3,335	3,233	1,543	1,061	33.8%
Entertainment venues	24	23	22	18	12	N.A.
Amusement parks	11	11	10	6	6	N.A.
Number of employees	10,025	10,527	8,628	4,891	2,387	43.2%

⁽¹⁾ Earnings before interests, taxes, depreciation and amortization.

⁽²⁾ Number of outstanding shares at the end of period times share price.

⁽³⁾ Market capitalization plus net debt.

* Compound annual growth rate.

N.A. Not apply.



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Alejandro Soberón Kuri

Chairman of the Board and Chief Executive Officer

8

Rodrigo H. González Calvillo

Vice Chairman of the Board and Chief Operating Officer

5

Víctor Manuel Murillo Vega

Chief Financial Officer

3

George González Alvarado

Managing Director of OCESA Entretenimiento

4

Gabriel Lecumberri Pando

Managing Director of Las Américas Complex

1

René Aziz Checa

Managing Director of Grupo Mágico Internacional

6

Manuel Pérez Díaz

Managing Director of CIE Commercial

10

Federico González Compeán

Managing Director of CIE International

7

José Manuel Alavéz González

Corporate Director of Development

2

Alejandro Garza Díaz

Corporate Director of Planning and Promotion



Letter to Shareholders

On behalf of the Board of Directors of Corporación Interamericana de Entretenimiento, S.A. de C.V., we are pleased to report our 2002 financial and operating results, and share with you our forward-looking initiatives that will secure the Company's long-term objectives.

CIE has evolved from its early days as a concert promoter in Mexico into the leading "out-of-home" entertainment company in Latin America, Spain and the Latin U.S. market. And in so doing, we have changed the traditional business model of an entertainment company, becoming a vertically integrated and geographically diverse organization operating across a number of business areas within the "out-of-home" entertainment industry.

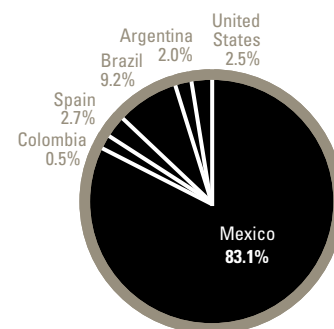
The year 2002 marked a pivotal point in CIE's development. Our capital-intensive growth projects have been largely completed, and CIE's strategic focus has shifted towards consolidating and strengthening our portfolio of businesses in order to extract efficiencies, grow market share and generate free cash flow. To facilitate this transition, we are implementing an important structural reorganization in 2003 that will result in five strategic business units with sustained value creation ability, each one supported by leading technological, operating and financial partners.

CIE's revenues increased 13% in the year to reach Ps.5,990 million, the result of a higher volume and offer of live events in Mexico and abroad, in addition to the successful performance of the Las Américas horse racing track, the start-up of Centro Banamex, the expansion of our Sports Books and Yaks units in Mexico, as well as the marketing of advertising sponsorships and a greater number of visitors to our amusement parks. However, our revenues were partly affected by technical adjustments during the first half of 2002 in some Broadway-type musicals in CIE's theatrical circuit, coupled with lower revenue from Argentina's radio advertising business and local live entertainment operations in the country. Nonetheless, organic growth in Mexico reached 14%. Similarly, EBITDA increased Ps.147 million to reach Ps.1,396 million, while EBITDA margin remained at 23.3%, in line with the previous year's level.

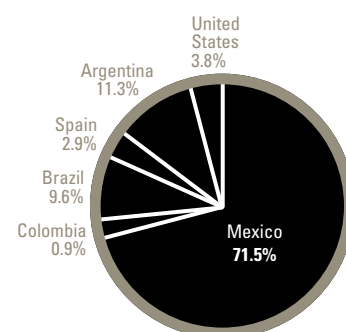
Despite an 18% increase in indebtedness –to Ps.4,188 million, which resulted from bank debt incurred for capex and working capital financing– the Company's debt service was reduced by 11%, leading to interest expenses of Ps.341 million in the year. This reflects a favorable change in the maturity and denomination structure of our debt, in conjunction with an overall reduction in interest rates.

EBITDA-to-gross interest expense ratio improved from 3.3x in the previous year to 4.1x in 2002; at the same time, weighted average cost of capital decreased 2.4 percentage points to reach 11.5% in the year. Based on the fact that CIE has already generated free cash flow in some of the Company's previously developed projects,

REVENUE CONTRIBUTION BY COUNTRY



2002



2001

the signs of economic value creation show a sound trend that will be secured in the years to come. We recorded Ps.209 million as majority net income, which favorably compared to a loss of Ps.428 million in 2001, the result of a non-cash, non-recurring accounting effect in Argentina.

This year, nearly 51 million people attended the 3,401 events we staged –concerts, theater productions, and family, cultural, sporting, special and corporate events–; watched our own and third-party films we distributed in the region; went to our trade fairs, exhibitions and amusement parks; and attended our horse races in 2002.

Our “out-of-home” entertainment offer continues to be regarded as one of the most popular among all of the socio-economic groups within the region. On that foundation lies our commitment to the market: providing groups and individuals the best products and services for their leisure time, in accordance with their purchasing power, consumption habits and desires. With this in mind, we seek to maximize our proven vertical integration formula and extend our active participation in the industry.

The sale to Televisa of 40% of OCESA Entretenimiento for US\$104.7 million, announced in the fourth quarter of 2002, marked an important point in the year. The alliance with the leading media group in the Spanish-speaking world allows us to gain a significant number of opportunities for OCESA Entretenimiento. This partnership combines CIE’s extensive venue network, production resources, ticketing operations, and industry know-how, with Televisa’s promotional power and vast media distribution channels.

We are together developing projects that tap into new market segments which demand more

sophisticated out-of-home entertainment products and services, in line with their wants and consumption habits. For example, we will produce festivals, dance and music events and fairs, as well as professional motor sports events in Mexico, a business niche of great interest for CIE.

We inaugurated the Las Américas Exhibition and Convention Center in Mexico City, one of the largest and most advanced facilities of its kind in the country. Since its opening in February, the Las Américas Complex’s second phase of development has proven successful by hosting 38 exhibitions and 113 conventions and social events in the year. The facility is now known as Centro Banamex, a strategic partnership with Mexico’s leading financial institution intended to develop the Center’s corporate image, expand its business reach and strengthen the Banamex brand.

CIE continued expanding its Sports Books and Yaks network by starting up operations in mid- to large-sized cities in Mexico and strengthening its market position in the communities already served. Our strategy is to operate these establishments in a tasteful, elegant environment in locations at highly-trafficked shopping malls. We have doubled the number of operating establishments, ending with 15 in 2002. Our goal is to add 10 to 15 new units to our network in 2003, and to have our 45 licenses fully operational in 2004.

In addition to a record level of attendance at our amusement parks in 2002, we entered into a partnership agreement with ZN México II, a venture capital fund, through which CIE obtained capital resources to finance the international expansion of our amusement park business in the coming years. The partnership includes the development of Wannado®, an entertainment and educational concept for children in the U.S. This innovative project is scheduled to start operations in 2004 at The Mills Corporation’s Sawgrass Mills Mall in Miami, the fifth largest –and highly trafficked– retail facility in the country. We have established a long-term agreement with this operator to develop the Wannado® project in other U.S. cities. Major financing for the project will come from sponsors with a vital interest in tapping into the children market.

Our potential market of more than 145 million inhabitants in the region, each with different consumption habits, wants and purchasing power, drives us to extend and strengthen our offer of advertising sponsorships, a key element in our business strategy. In so doing, we collaborate with corporate clients to design tailored marketing packages that result in effective budget maximization and impact.

With the exception of Argentina, where we have significantly scaled down operations, our international operations continue to advance despite the economic situation affecting the region. In Brazil, ticket sales, as well as the number of live events staged in mid- to large-sized cities, increased in the year, despite the temporary closure of Rio de Janeiro's ATL Hall for remodeling. In Spain, where we can demand higher average ticket prices, *Phantom of the Opera* and medium-sized theatre productions drew record audiences; and in the United States we produced and promoted a higher number of shows for a predominantly Latin audience, including talent that had not been previously presented in the country.

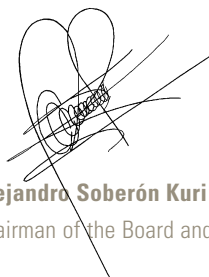
At year-end, we announced an important initiative for 2003, the restructuring of the Company into five strategic business units ("SBUs"). We believe that decentralized decision-making will allow the experienced executives leading each SBU to focus on the unique needs of their business. To ensure the continued financial discipline of the Company, each SBU will have profit and loss responsibilities but the Group will monitor key performance indicators at the corporate level. This structure, to be comprised of OCESA Entretenimiento, Las Américas Complex, CIE Commercial,

CIE Amusement Parks and CIE International Division, will allow each SBU to leverage strategic alliances that secure the long-term viability of that business unit.

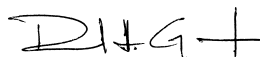
Our partners today include world-class companies such as Televisa, Ticketmaster, Sitel, Autotote, Grupo Financiero Inbursa, Forsythe Racing and The Lone Star Park, as well as individuals with proven expertise and recognition within the industry. Strengthening these alliances will allow us to develop more efficient and profitable collaborative ventures.

We continued to take important steps to reduce expenses in order to counter the economic recession and strengthen profitability and efficiency. We closed several low profitability ventures and moved and reduced our overall headcount, allowing us to enter the new year stronger and better positioned to generate real value. We anticipate that these measures, coupled with new business opportunities and collaborative alliances, should allow for free cash flow generation once we complete our capital-intensive growth phase, with the exception of those related to Sports Books and Yaks.

In closing, we wish to thank you for your continued support of CIE. Our growth and success is dependent on the dedication of our employees, vision of our shareholders, and confidence of our partners and clients. Together, we're evolving the world "of out-of-home" entertainment.



Alejandro Soberón Kuri
Chairman of the Board and Chief Executive Officer



Rodrigo H. González Calvillo
Vice Chairman of the Board and Chief Operating Officer

OCESA Entretenimiento oversees all of CIE's live entertainment operations in Mexico. This business unit, a strategic association of recently established with Televisa, the largest media company in the Spanish-speaking world, is responsible for the operation of entertainment venues; promotion and production of musical concerts, theater, family, cultural and sporting events, special and corporate events, and ticket, concession and souvenir sales.



George González Alvarado

Managing Director of OCESA Entretenimiento

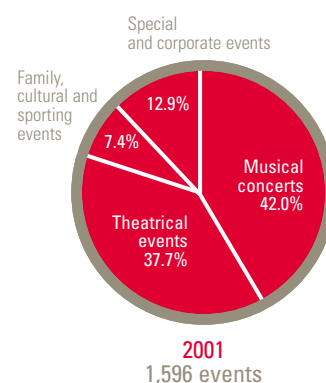
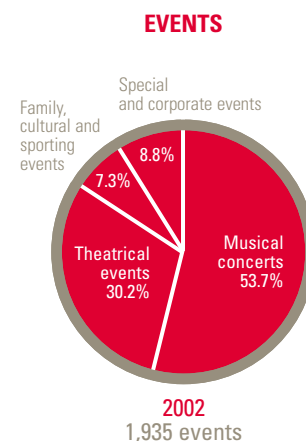
"Our alliance with the largest media company in the Spanish-speaking world opens up a great number of opportunities for OCESA. We are confident that the integration of content, venues and production capabilities, plus vast promotional power and extensive media distribution channels, combined with both parties' track records and business expertise, will allow OCESA to reach a greater potential market in Mexico, improve revenues, margins and reduce associated risk."

OCESA

Entretenimiento

Achieving the position as Mexico's leading player within the "out-of-home" entertainment industry was not an easy task for CIE. Since the early 1990s, our efforts have been, and continue to be, aimed at securing the operation of venues, promoting and producing a great diversity of musical shows, theatrical plays and other types of live events for the Mexican market, which is undergoing rapid change in terms of income levels, consumption habits and other demographic factors. As such, we help corporate clients design effective marketing and promotional packages by connecting the diverse audiences we attract to our live events and venues with their corporate messages and brands.

We have created an unsurpassed business model for the industry, with a vertically integrated approach that, in addition to venue operation, promotion and production of live events and marketing of advertising sponsorships, integrates ticketing, concession and souvenir sales at our own and third-party productions and facilities. This business model gives OCESA the ability to obtain a lower break-even point by directly producing its own live events, compared to traditionally non-integrated competitors that only participate as talent promoters within the market. We continuously evaluate market and industry conditions and seek to establish strategic partnerships with groups that will complement our vertically integrated model.



Through sports car racing events, like the CART Series, we are tapping an underdeveloped market in Mexico, turning it into an attractive alternative for corporate clients and the public in general.



staging local and international events in the country. This allows OCESA to explore other “out-of-home” entertainment opportunities in Mexico, such as dances, traditional fairs and local events, as well as expansion toward other events such as professional auto-racing, where the CART Series would form a part, and other multi-year productions.

The facilities OCESA operates in Mexico City are: Foro Sol, Estadio Azul, Palacio de los Deportes, Centro Cultural Telmex I, Centro Cultural Telmex II, Teatro Metropolitano, Teatro Blanquita, Hermanos Rodríguez Racetrack, and fair pavilions in Palacio de los Deportes and Centro de Convenciones de Tlalnepanitla. OCESA also operates the Auditorio Coca-Cola Fundidora, in Monterrey. We have an installed capacity of 288 thousand seats between 11 venues in Mexico City and Monterrey, which



Through CIE’s predecessor company, this strategic business unit returns to its origins at the start of the nineties, and established a strategic association at the end of 2002 between CIE and Televisa. The agreement was finalized under the premise that “out-of-home” entertainment is one of Mexico’s fastest-growing and most exciting industries, where important opportunities could be developed in the short and medium term. The alliance primarily combines OCESA’s venue network, event promotion and production activities, industry know-how and management expertise, with Televisa’s promotional power and vast media distribution channels.

Securing the long-term operation of key entertainment venues is a strategic aspect of the Company’s business plan. As of year-end 2002, CIE controlled the largest network of entertainment venues suitable for





Paul McCartney



Nelly Furtado

represents approximately 70% of our total capacity in all the markets in which we participate.

The Company promotes and produces musical concerts, family, cultural and sporting and other types of events in Mexico, Argentina, Brazil, Chile, Spain and the Latin market in the United States. We are particularly concerned with being in continuous contact with artists' agents in order to always be informed of possible tours and their respective availability. Once an opportunity to book arises, we conduct market research of an artist's potential public to determine the chance of success of an event. If the results are favorable, we make the appropriate bookings. Then we secure the appropriate venue and begin our "two-way" publicity campaign. We sell the event's publicity rights to corporate clients, who run part of the event's publicity, and we begin a publicity campaign with the mass media, mainly through radio stations, television, Internet and billboards.

In 2002, we booked and promoted a great variety of musical concerts and family, cultural and sports events, totaling some 1,181 functions

visited by 4 million people, in Mexico City, Monterrey and Guadalajara as well as medium-sized and small cities throughout the country. There was a 50% rise in attendance levels and a 49% rise in types of events over 2001. The musical concerts staged included both Latin and Anglo-Saxon artists such as: Garbage, Britney Spears, Kansas, Roger Waters, Gorillaz, Los Fabulosos Cadillacs, The Cranberries, La Ley, Miguel Bosé, OV7, Ana Gabriel, Paul McCartney, Red Hot Chili Peppers, UFF, Chayanne and Peter Gabriel, among many others.

After a 10-year absence of top-level sports car racing in Mexico City, in 2002 we presented the Mexico City CART Series (Championship Auto



Toy Story



De la Guarda

In 2002, OCESA presented 1,935 live events, 21% more than the year before. This represented 57% of the total events CIE staged in its markets.



Racing Teams) Race at the Hermanos Rodríguez Racetrack. Sports car racing is just one of the sporting events promoted by OCESA, including the CART Series, for which we have the exclusive rights to stage races in Mexico City between 2002 and 2006. Specifically, the race drew 352,000 spectators in November 2002. We believe that the investment in the venue will allow us to show a number of these types of sports car races in the future, both local and internationally recognized. Just as in 2001, the Group provided specialized organizational services for the CART Series race in Monterrey, which attracted more than 200,000 people over the three-day event.

Most of OCESA Broadway-type musicals are part of the Company's theater circuit, and in 2002 in Mexico City, included productions such as: *Chicago*, *Lés Misérables* and *The Full Monty* in the Centro Cultural Telmex I and II, and medium-sized shows such as *The Vagina Monologues* and

CIE's vertically integrated model gives the Company the ability to obtain a lower break-even point by directly producing its own events, compared with its traditional, non-integrated competitors who only function as talent promoters within the market.



Defendiendo al Cavernícola, productions that have also been presented in other cities in the country. We ran some 584 theater functions this year, 3% less than in 2001.

We help our corporate clients produce, coordinate and hold special and corporate events in accordance with their needs to present, promote and advertise their products and services in a dynamic, memorable and efficient way. For these ends we utilize the technology, design, production and logistics of the most important productions for corporate clients' events. Some of the events that we coordinate and administer for corporate clients include conferences, end-of-year parties, product launches, parades, civic events and movie premieres. During 2002 we produced 170 such events, compared to 206 the previous year, which is a reflection of the consolidation of our client base. Some of these clients include: American Express, Tupperware, Hewlett Packard, Cisco Systems, Bacardi, Nestlé, Toyota, IBM, Avon and Cemex.





OCESA operates the Ticketmaster system in Mexico. More than 10 years ago we came to an agreement with Ticketmaster, the world's leading ticket distributor, which sells tickets for public events through a computerized ticketing system in Mexico and the rest of Latin America. We began our Mexican operations in 1991, Argentina and Chile in 1998, and Brazil in 2000. At the end of the last decade we were granted exclusive 10-year rights to expand and consolidate ticketing operations in Central and South America, including over the Internet.

Our operating strategy is simple. Revenue is generated through commission from tickets sold at the box office, sale of sponsorship and publicity. Ticketmaster's ticketing control and distribution system includes specialized hardware and software and administrative support and centralized inventory control capable of tracking the total number of tickets for the different events. We also provide automated services of ticket sale and distribution for venue operators and live event promoters. Our advertising strategy is also based on the development of a points of sale network through which we attempt to provide the consumer with the best ticketing service available.

The system in Mexico operates through three telephone centers in Mexico City, Guadalajara, and Monterrey. Tickets are distributed at three box offices, and at points of sale throughout central and northern Mexico through stores such as MixUp, Palacio de Hierro, Music & More, Mr. CD, Farmacias del Ahorro and Discolandia. There is also the web site www.ticketmaster.com.mx.

In 2002, we sold 17.2 million tickets throughout the region, 64% in Mexico alone, almost 2 million more than the previous year.

OCESA operates concessions and stores within its venues and at events it promotes, offering food and beverages, and souvenirs related to the event. It also sells exclusive rights for the sale of specific products related to the events and venues, and has contracts with venues, original producers and event promoters, plays, music events etc., to sell a whole series of original products at these events.



Las Américas Complex is the strategic business unit responsible for Mexico City's Las Américas horse racetrack and the Centro Banamex exhibition and convention center, and in the future will include a hotel, a cultural center and an entertainment-themed retail street. The Las Américas Complex also holds licenses to operate off-track betting centers and number-based games in Mexico.



Gabriel Lecumberri Pando
Managing Director of Las Américas Complex

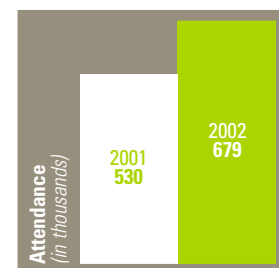
"In the short term, our offer to the public is a network of Sports Books and Yaks with the best locations, which have become a new entertainment destination in Mexico. In the medium term, the strategy that we have followed to create the Las Américas Complex, which includes several commercial initiatives as well as financing from third parties, will contribute to the consolidation of the project and its sustained development."

Las Américas Complex

In 1998, we were granted a 25-year renewable concession to operate Mexico City's el Hipódromo de las Américas, a 10-hectare facility inaugurated in 1943. Simultaneously, the Company obtained a 50-year renewable concession to commercially develop the 41 hectares surrounding the racetrack, and 45 licenses to develop and operate Sports Books (off-track betting) and Yaks (number-based games) in Mexico.

Following attainment of these key concessions, CIE embarked on a path to develop a unique "out-of-home" entertainment option for Mexico City. The Las Américas Complex, as the project was named, consists of the most important professional racetrack in the country, as well as Centro Banamex, a state-of-the-art exhibition and convention center. Future plans include third-party operation of a hotel and an entertainment-themed retail street, as well as the construction of a cultural center.

As a result of the enormous popularity that professional horse racing has gained in Mexico City, we added Thursday races to our Friday-to-Sunday line-up at Hipódromo de las Américas. This additional day contributed to a 28% increase in attendance in 2002, for a total of 679,000 spectators. Per capita consumption of wages, food and beverages remained virtually in line with the previous year's levels, above Ps.500 in 2002. The Company concluded its expansion of the food and beverages program by



Per capita consumption of wages, food and beverages remained virtually in line with the previous year's levels, above Ps.500 in 2002.

We are actively building out and integrating our popular network of off-track betting centers and number-based game shops in mid- to large-sized cities throughout Mexico. These venues should increase in number from 15 to the 45 planned by 2004.



incorporating the Jockey Club –operated by a third party– to the network of seven restaurants at Las Américas Complex.

One of the most important events of the year was the start-up of Centro Banamex in February. In its first phase of development the complex had 21,000 square meters of exposition space. As a result of higher demand, organic growth of multi-annual events, new market opportunities, anticipated commercial success of the complex, and contractors' construction delays, CIE completed a 13,000 square meter expansion in November 2002. This expansion ranks the Centro



Paddock at Hipódromo de las Américas

Banamex first among major exhibition and convention centers in the country, with nearly 27% of total installed capacity of the most important complexes in Mexico.

In 2002, Centro Banamex hosted 38 domestic and international exhibitions, as well as 113 corporate conventions and social events, drawing close to 1.2 million attendees in nearly 11 months of operation. Some of the most successful multi-annual exhibitions staged at the facility included Expo Comm, Expo Outlet, Expo Publicitas, IX Congreso de Recursos Humanos, Expo Management, Paace Automechanika, México Textil, Rest-Hotel Abastur, Expo Yate and Auto Expo. Corporate clients such as American Express, Banca Mifel, Cemex, Comercial Mexicana, Deloitte & Touche, General Motors, Nestlé, Nissan, Office Max, Sony, Tecnológico de Monterrey and Tupperware, organized events at the complex for employees, suppliers, customers, and product and brand launches.

The promotion and production of trade fairs and exhibitions went well this year, with some 715,000 visitors to the multi-annual



Hipódromo de las Américas



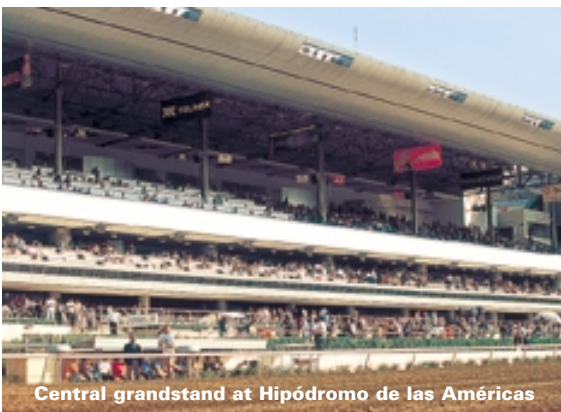
Centro Banamex



Galería Restaurant

events –a figure similar to that of last year– at locations including Palacio de los Deportes, Centro Banamex and the infield at el Hipódromo de las Américas.

Our portfolio also included annual and bi-annual productions, and one-off yearly events such as: La Feria de la Ciudad de México, ISA Expo Control, Expo Médica del Norte, Classic Motor Show, Expo Médica Hospital, Expo México Textil, Rest-Hotel Abastur, Expo Mujer and Auto Expo Mundial. The opening of the Centro Banamex meant that these large-scale productions took place within the complex, translating into a 7% increase in attendance levels.



Central grandstand at Hipódromo de las Américas

The development and operation of off-track betting centers (Sports Books) and number-based games (Yaks) in Mexico are a strategic growth initiative for the Company. The popularity of Sports Books and Yaks continues to mature, as it has since 1999 when the Company opened its first unit at Hipódromo de las Américas. Our classy, state-of-the-art facilities, located primarily in large, highly trafficked shopping malls, are offering Mexican families a new and attractive “out-of-home” entertainment option.

By year-end 2002, our network had grown to 15 facilities from eight in 2001. We reinforced our prominent market position during the year by nearly doubling the number of operating units in Mexico City and Guadalajara. Operations continued to develop successfully at our Cancún, León and Hipódromo de las Américas facility. Within two years we expect our 45 licenses to be fully operational, with facilities in new mid- to large-sized cities, including central and northern Mexico, and a stronger presence in the markets we already serve.

The integration of a hotel, an entertainment-themed retail street and a cultural center continues to be a priority in development of the Las Américas Complex. Timing is a critical development factor, and we are analyzing the most advantageous operational and developmental options, and seeking third-party financing and operating capabilities.

Centro Banamex, which operates under an innovative sponsorship agreement with Mexico’s leading financial group, was the site of 38 multi-annual exhibitions and 113 conventions and social events in 2002, which were attended by nearly 1.2 million people.



Yak

CIE Commercial develops advertising sponsorships and promotions “out-of-home” events, and advertising space on overpasses, billboards, rotational panels at professional soccer fields and airports. It also markets brand name rights for display in venues and in publicity spots shown before movies. CIE also develops tele-services programs on behalf of corporate clients.



Manuel Pérez Díaz
Managing Director of CIE Commercial

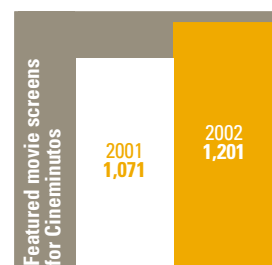
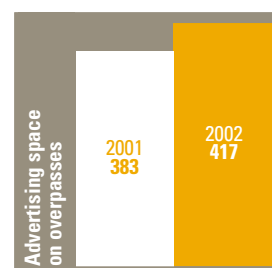
"In late 2002 we entered into a long-term strategic agreement with Banamex, Mexico's largest financial group, to contribute to the development of its brand and to the corporate image of the Centro de Exposiciones y Convenciones Las Américas, now known as Centro Banamex. This, in addition to the initiatives we undertook in the year, reinforces CIE's ongoing strategy of offering specialized advertising sponsorships and promotional opportunities to advertisers, so they will have a unique connection to their audiences."

CIE Commercial

Our advertising capabilities are extensive and in 2002 we continued to build on our years of expertise. By working closely with regional corporate clients, the Group strives to provide an array of branding opportunities –from pedestrian overpasses and cinema ads, to naming rights and sponsorship of major entertainment events and venues–. Our clients represent industries as diverse as consumer goods, food and beverages, banking and insurance, retail, Internet, automotive, telecommunications, and film distribution and production.

A fundamental element in CIE’s vertically integrated model is its sponsorships. We sell to a range of corporate clients the rights to sponsor the events that the Group promotes. This enables the Company to successfully promote and produce its diversified array of music concerts, theatrical plays and family, cultural and sporting events. Corporate clients obtain the rights to sponsor the Group’s live events, which helps them associate their brands and corporate messages locally and/or regionally with targeted markets that attend these events. For example, 17 different companies sponsored the 2002 annual CART Series Mexico City sports car race.

Establishment of a 12-year strategic alliance in November with Banamex, the largest financial group in Mexico, is aimed at developing the corporate image and business-oriented focus of Centro Banamex. Since the mid-1990s, following on the





Advertising at cinemas



Billboards

increased from 383 to 417, while the client base consolidated from 48 in 2001, to 70 in 2002. CIE also continued to operate 39 billboards installed in Panama City, on which 27 clients advertised during 2002.

Indoor and outdoor advertising at airports in Mexico has become a unique market with important potential for CIE. As a result of the eight-year exclusive rights granted to the Company by Grupo Aeroportuario Centro Norte in early 2002, CIE sold advertising space in the 13 airports operated by said consortium, including the airports in Monterrey, Acapulco, Mazatlán and Ixtapa-Zihuatanejo, which are among the top ten airports in Mexico. Advertising space was sold to 42 companies in corridors, boarding and baggage claim areas, parking structures and on billboards on access streets.

initiatives of FEMSA Cerveza and Coca-Cola to associate their brands with two venues operated by CIE in Mexico –now known as Foro Sol in Mexico City and Auditorio Coca-Cola Fundidora in Monterrey, respectively– seven similar programs have been initiated in the region: Centro Cultural Telmex I and II in Mexico City; Credicard Hall, DirecTV Music Hall and Teatro Abril in Sao Paulo; ATL Hall in Rio de Janeiro; and Teatro Sky Ópera in Buenos Aires.

CIE markets advertising space on overpasses in eight Mexican communities, including the metropolitan areas of Mexico City, Guadalajara and Monterrey. By partnering with local governments, CIE obtains the rights to commercially develop the upper-lateral sections of the overpasses in exchange for financing and building the structures. The Group marketed advertising space on 116 structures, nine more than the 107 in 2001; advertisements

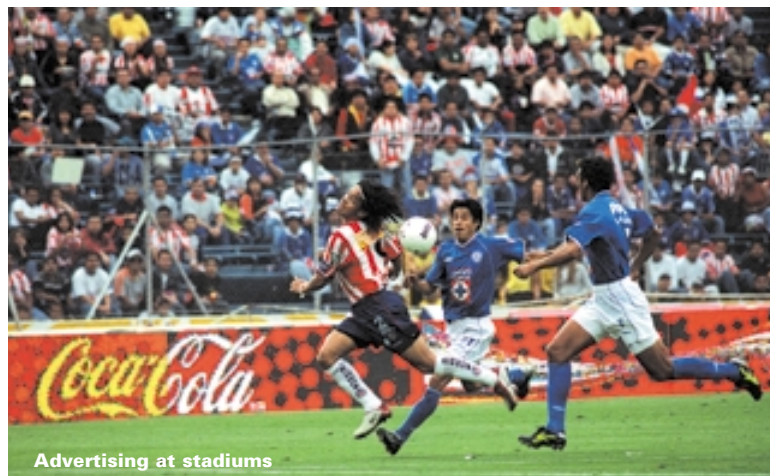
Capitalizing on its content and venues, CIE works closely with sponsors to create integrated marketing packages that maximize impact and marketing budgets.



Naming rights



Advertising at airports



Advertising at stadiums



Advertising at the CART Series

Centro Banamex, as it is today known under CIE, strengthens the facility's corporate image and enhances the brand equity of Mexico's leading financial institution.



Advertising on overpasses

As in many other countries, professional soccer is the most popular, widely broadcast and highly attended sporting event in Mexico. Complementing our array of live entertainment-related marketing channels, the Company sells advertising space on rotational panels strategically located around professional soccer fields of 12 First Division teams. With corporate messages and brand promotions in full view of TV cameras, we offer advertisers national and international coverage that is seen by targeted economic segments of the population.

As a result of the agreements reached in 2001 with Organización Ramírez and Cinemark, two of the three leading film exhibitors in Mexico, we market indoor advertising at their cinemas. The concept, known as Cineminutos, consists of ads screened prior to the feature film, a unique way for companies to reach their target audiences. In addition, we market indoor advertising space inside the same multiplexes, which can be used for promotional purposes. In 2002, we served 70 clients, compared to 50 in 2001, 12% more than in the year before, all of whom enjoyed the benefits of advertising on the 1,201 screens these chains operate in Mexico. The result is the creation of brand awareness, market segmentation, and a direct connection between brands, emotions and consumers, among other benefits.

In the nineties we established a strategic agreement with Sitel Corporation, the world's leading tele-service provider. Taking advantage of the relationship we developed through the Group's ticketing operations, we have begun offering tele-services in Spanish and in English to companies with operations in Mexico and Latin America. These client-based services, on offer in Mexico and in a minority participation in Panama, include technical assistance, responses to billing inquiries, product information and calls offering credit card fraud protection services. Programs for sale include handling of product orders, credit card activation and other requests.



CIE Amusement Parks, is Latin America's largest amusement park developer. With ten facilities in Mexico and Colombia, it provides unique outdoor entertainment for a potential market of more than 35 million people. To secure future growth, Grupo Mágico is expanding operations with the addition of Wannado®, an educational attraction for children in the U.S. and providing consulting services to third-party parks and attractions.



René Aziz Checa
President of Grupo Mágico Internacional

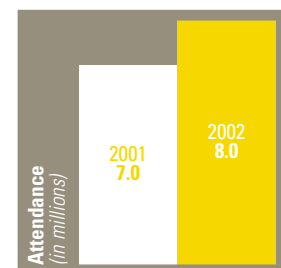
"Through our parks and attractions we offer a wide range of entertainment options for families and individuals. We are seeing growth as a result of demographic changes in Mexico and Colombia. However, we are committed to continue developing entertainment alternatives such as Wannado, for which we have excellent partners and sponsors who are interested in participating in the growing market for children's products and services. We are certain that this educational entertainment concept will lead to CIE's success in the competitive U.S. market."

CIE Amusement Parks

In 1997, we entered the amusement park business through a strategic alliance with Grupo Mágico, the most important amusement park developer in Mexico. At the time, Grupo Mágico operated five facilities in Mexico City, Guadalajara and Acapulco. We expanded operations to Bogota, Colombia, becoming the largest operator in terms of number of facilities and annual attendance levels in the region. We are committed to developing new entertainment attractions for families and individuals, and securing growing attendance numbers.

The manner in which we have evolved reflects our understanding of the industry, which is divided into traditional amusement parks and modern theme parks. As traditional facilities are more prevalent in Latin America, we believe there are significant and profitable business opportunities.

As such, our strategy is straightforward. We selectively seek to acquire and integrate amusement parks and attractions into our network, considering their attractiveness in terms of price and market conditions, then we create synergies among CIE's other products and services. We partner with a significant number of corporate sponsors and we establish strategic alliances to assure the long-term viability of our projects. This allows operational and financial benefits to both CIE and our partners .



Grupo Mágico, ranking seventh worldwide, is Latin America's leading amusement park operator.

Our first Wannado® facility will open in April 2004, at Sawgrass Mills Mall in Fort Lauderdale, FL. We are considering operating similar facilities in other key U.S. cities in the coming years.



SOPHIE

Traditional amusement parks, known as “Ferias” or fairs in Latin America, are primarily family-owned and consist mainly of basic thrill rides within a carnival atmosphere, but provide little added value to a market interested in more sophisticated options. By contrast, theme parks are designed around one central or several different themes, which are consistently applied to all areas, including rides, attractions, entertainment, food and beverages, etc. As a result, these types of facilities draw a larger number of people from a wide geographic area, which is a differentiating factor from traditional theme parks. In addition, modern theme parks attract more families and group outings, and the average length of stay and per capita consumption is greater than at traditional parks.

Our operations include La Feria de Chapultepec, Divertido Ciudad de México, Planeta Azul, Naucalli Mágico and Perimagico parks in Mexico City; Divertido Guadalajara and Selva Mágica in Guadalajara; the CICI aquatic park in Acapulco; and CICI Aquapark and El Salitre Mágico park in Bogota. These 10 facilities attracted eight million visitors in 2002, an increase of 14% over the previous year. Our parks in Mexico accounted for 83% of total park visitors.

We are expanding our operations into the U.S. by introducing Wannado®, a concept designed as a thematic park based on children’s entertainment and education, with sponsorship participation in its financing. The first Wannado® development will occupy an area of approximately 13,000 square meters inside the



El Salitre Mágico



CICI Acapulco

Sawgrass Mills Mall in Fort Lauderdale, Florida, and will have an array of attractions for children representing cultural, commercial, service and communications establishments, among others, which are characteristic of a typical U.S. city. It will also have first-class complementary services such as special event facilities, restaurants, cafeterias and souvenir shops.

For the financing and expansion of Wannado® as well as other projects within this strategic business unit, Grupo Mágico partnered with ZN Mexico II, a private equity investment fund, through a capital investment scheme. In addition, and exclusively for this project, we finalized a long-term agreement with The Mills Corporation, a leading shopping mall operator in the United



La Feria de Chapultepec





El Salitre Mágico

States, for operation of the Wannado® concept at the developer’s Sawgrass Mills Mall, the fifth-largest facility in the U.S. and the leader in the state of Florida. We believe that Wannado® will be an important anchor attraction, and that its operating and financial performance will play an important part in the development of other centers in the U.S. in the coming years.

The first Wannado® unit requires an investment of US\$45 million, of which Grupo Mágico will contribute US\$11 million, mainly from the investment made by ZN Mexico II in the strategic business unit. This amount will go to construction and adaptation of the Wannado® location. Additionally, The Mills Corporation will hold the rights for occupation and development of the mall, an investment of US\$15 million, while a variety of sponsors will produce their own financing for theme-based attractions, which will add to the project’s overall concept. Wannado® will begin operations in 2004.

To attract greater attendance and increase per capita food and beverage consumption in a highly competitive industry, promotional activities are key. With this in mind, we develop commercial campaigns with corporate clients on a regular basis, such as Telmex, Coca-Cola, Nestlé, Hérdez and Purina. In particular, we have a program with Telmex by which we distribute –in monthly telephone bills– promotional passes to our various amusement parks to customers in Mexico City, Guadalajara, Acapulco and Central Mexico. Of the 3.5 million passes distributed in the year, 30% were redeemed, increasing our reach into the community. In a similar vein, Nestlé has sponsored new attractions at the CICI aquatic park and La Feria de Chapultepec, while Coca-Cola, by means of its products, distributes passes to La Féria de Chapultepec and Divertido Ciudad de México.

We also work with a variety of clients on a number of promotions within our Colombian parks, which contribute toward increased traffic and consumption per capita in the same way as in Mexico. At the moment we have programs with Coca-Cola, Banco de Bogotá, Unilever, Orbitel, Águila Roja, Kodak, Master Card, Colombina, Dunkin’ Donuts and Helados La Fuente.



Nestlé Balloon / CICI Acapulco



CICI Acapulco

In 2002, eight million people visited our parks, 14% more than in the previous year. Of these visitors, 83% went to parks in Mexico.



GREG

CIE International encompasses all of the Company's activities outside of Mexico: live event promotion and venue operation in Argentina, Brazil, Chile and Spain; event promotion in the U.S. Latin market, and radio broadcasting and operation of the Buenos Aires Zoo in Argentina.



Federico González Compeán
Managing Director of CIE International

“Over the past five years, we have progressively expanded our presence in the largest Spanish- and Portuguese-speaking markets, capitalizing on CIE’s ability to replicate its vertically integrated out-of-home entertainment business. Our international operations have grown successfully despite economic turmoil in the markets in which we operate, and we have offset the significant reduction of activity in Argentina with our operation in Spain. When it comes to changing demographics and economic volatility, affordable entertainment options are mandatory, and competitiveness is critical to success within a highly fragmented industry.”

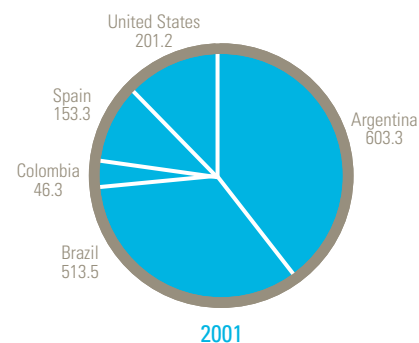
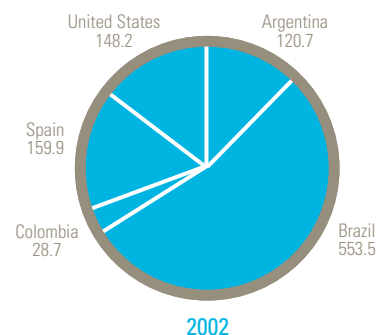
CIE International

CIE formally launched its international expansion six years ago. Based on the success of the vertically integrated model in Mexico and the need to serve a wider market, the Company entered into partnerships with several regional players connected to the entertainment industry. The Company's ability to adapt its offering of entertainment-related services and products to regional economic cycles allows it to face adverse circumstances much more easily than if the structure were not vertically integrated.

In 1997, CIE partnered with Rock & Pop, the most important promoter and venue operator in Argentina and Chile. Rock & Pop's capital and operations are now 100% CIE-controlled. With the intent of replicating our vertically integrated model, we acquired operating rights to the Teatro Sky Opera of Buenos Aires –formerly known as Teatro Ópera– adding to operation of Buenos Aires' Velez Sarsfield and River Plate stadiums. The subsidiary retained exclusive rights for operations.

By integrating two radio stations that Rock & Pop already operated, plus operation of seven additional stations as of 2000, the Group became the most important radio operator in Argentina, with nine frequencies and audience levels of 27% in FM and 12% in AM. The Company also operates the Buenos Aires Zoo, an inexpensive entertainment option acclaimed as one of the most recognized zoos in the region. In 2002, the Zoo attracted close to 2.2 million visitors, a 7% increase over the previous year.

REVENUES BY COUNTRY



Millions of Mexican pesos
as of December 31, 2002

Our strategy in Brazil, which focuses on developing a flexible business model, has helped us adapt our entertainment products and services to that market's economic cycles.



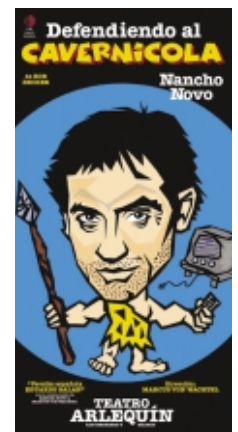
—now CIE do Brasil—, the most important talent promoter in the country and operator of Credicard Hall, a prime state-of-the-art venue in Sao Paulo.

Securing its leadership position within a highly fragmented local industry was critical. CIE gained control of Sao Paulo's DirecTV Music Hall and Teatro Abril —amphitheatres formerly known as The Palace and Teatro Paramount— and Teatro Jardel Filho and Ópera where, until recently, medium-scale theatrical productions were staged. Similarly, the Company acquired exclusive rights to operate Rio de Janeiro's ATL Hall, the largest entertainment venue for shows and special and corporate events in Rio de Janeiro.

These initiatives have enabled CIE to offer more products and services to an entertainment-oriented critical mass such as the Brazilian market. In 2002 alone, the Company produced 683 live events, down 23% year over year. This

Argentina's current economic situation has prompted the Group to implement profound cuts in costs and spending, and to undertake diverse restructuring measures in the operating and administrative areas. These steps have not only eliminated the subsidiary's financial requirements, but they have provided the impetus for a new management model and adaptation of entertainment events to the country's current market realities. At the close of 2002, Argentina had contributed 2% to the Group's consolidated revenues, which is nine percentage points lower than its 11% contribution in 2001. In addition, the number of live events staged dropped from 248 in 2001, to 35 by year-end 2002.

Brazil is CIE's largest international revenue contributor, with 9% of consolidated revenues in 2002, almost a whole percentage point more than last year. The Company's entry into the largest out-of-home entertainment market in South America took place between 1999 and 2000, with acquisition of 95% of Stage Empreendimentos





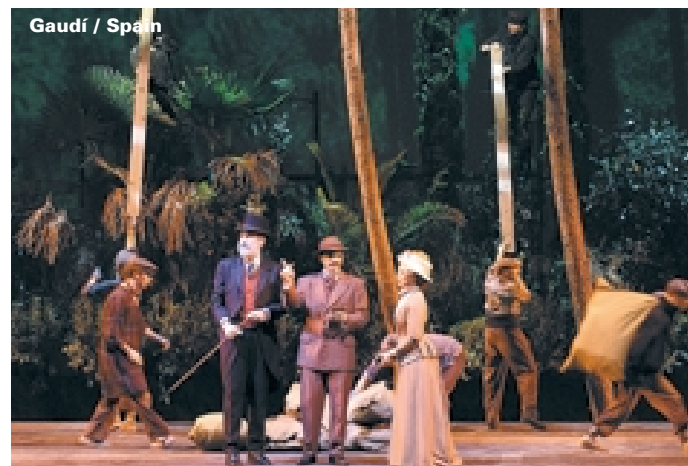
decline was due both to the temporary closure of the ATL Hall for remodeling during the first half of the year, and to relocation of the musicals that are part of CIE's theatrical circuit in the region.

As an underserved segment within the United States, the U.S. Latin market constitutes a highly profitable business opportunity, and live entertainment is no exception. In early 2001, we established a strategic alliance with Hauser Entertainment, the leading promoter of Latin talent in the U.S., thus expanding our presence in this market.

Through the CIE-Hauser agreement, the Company serves a market of potentially more than 32 million consumers with diverse national backgrounds, consumption habits, cultures, income levels and entertainment expectations, concentrated in cities such as Los Angeles, Chicago, New York, Miami and San Antonio. Accordingly, CIE and Hauser Entertainment jointly promote an array of Latin artists, including Mexican and South American talent for which the Group has staged shows in the region and marketed integrated sponsorship opportunities for corporate clients. In 2002, Hauser-CIE Entertainment's revenue contribution was 3% of consolidated

income, nearly a full percentage point lower than in the preceding year, with 137 events, 38% more than in the previous year.

Spain has proved to be CIE's most lively theatrical market, accounting for 3% of the Company's total revenues in 2002 and 2001. The premiere of *Beauty and the Beast* in 1999 marked CIE's formal entrance into Spain's highly competitive theatrical market. The Disney production, originally scheduled to run for 14 months, premiered at Teatro Lope de Vega in Madrid, and concluded its run 28 months later, in February 2002, following immense popularity and strong attendance. This allowed CIE to stage Sir Andrew Lloyd Webber's *Phantom of the Opera* in mid-2002. *My Fair Lady* during the year continues performances in the Teatro Coliseum; *Gaudí* opened at Palaus dels Sport in Barcelona; and *Defendiendo al Cavernícola* was presented in the Teatro Arlequin de Madrid. The Group also presented works of artist Rafael Amargo in 2002.



In 2002 our international revenues represented 17% of consolidated Group revenues, compared to 29% in 2001.





ATL Hall / Brazil



As part of its strategy, CIE secures operation of the country's active and in-demand theatrical venues. In Madrid, it has the exclusive rights to operate Teatro Lope de Vega and Teatro Coliseum, and recently gained access to Teatro Arlequin. In Barcelona, the Company has exclusive rights to the Palau dels Sports.

There is significant untapped demand in the Spanish- and Portuguese-speaking world for Broadway-type theatrical productions. As such, the original producers of these musicals work together with CIE to present live performances in Mexico, Brazil, Spain and Argentina, seeking to maintain the integrity and authenticity of each production by means of strict translations to both Spanish and Portuguese, and professional staging in each market.

CIE's theatrical venues in Buenos Aires, Sao Paulo, Madrid and Barcelona, plus Mexico City's Centro Cultural Telmex I and II, are technically equipped to support mid- to large-sized productions. In 2002, the Company's theatrical circuit consisted of *Beauty and the Beast*, *Phantom of the Opera*, *Lés Misérables*, *Chicago*, *The Full Monty* and *My Fair Lady*, in addition to previously staged plays *Jesus Christ Supersar*, *The Man of La Mancha* and *Rent*.

Our strategy for ticket sales to live events and venues in South America is similar to that of our Mexican operations, as explained in the OCESA Entretenimiento chapter. In Argentina, ticket operations began in 1998 through a telephone center in Buenos Aires, box offices, and the chain store Tower Records. We began operations the same year in Chile, and have a telephone center in Santiago and sales points in the stores FERIA del Disco, Multitienda Falabella

and Almacenes Paris. Finally, we operate two telephone centers in Sao Paulo and Rio de Janeiro, and have sale points in the chain stores Levi's, Riachuelo, FNAC and Saraiva bookstores. We also maintain the website www.ticketmaster.com.br. By the end of the year, South American Ticketmaster operations had sold six million tickets, 28% more than in 2001.

Advertising from publicity sponsors is an important component of our local and international business practice. We design marketing media packets for our corporate clients, based on region. An example is VISA, which; sponsors access and live event tickets in Chile and Mexico; is a regular announcer on our radio stations in Argentina; and uses publicity space in our venues in Mexico and Brazil. Similar packets are being designed for other companies with a presence in one or all of the markets in which we participate, including for Coca-Cola and Procter & Gamble, among others.



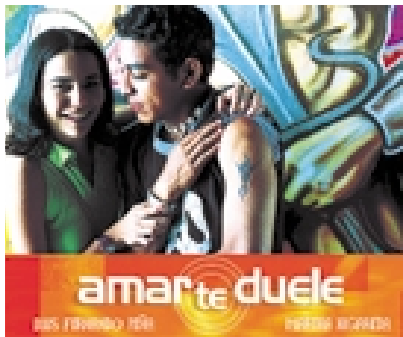
Ana Gabriel / USA





The economic conditions on which our original model was based have changed dramatically. In particular, low demand plus dollar-based investments in distribution rights with local currency returns increased our risk considerably. In general, investment in title acquisitions –with a 12- to 18-month wait before first showing– affected CIE’s cash flow generation and income goals.

Because of the realities of the movie industry, as of 2003, CIE’s financial results from the movie business will be recognized under minority participation, rather than consolidation, in the financial statements. Consequently, we have substituted our fixed income structure in the production business for a cost variable structure, adopting a financing scheme that will diversify risk through international pre-sales, fiscal incentives, and/or third-party capital. We have also suspended the purchase of further titles for regional distribution, begun the search for strategic partners for co-investment and the sale of our participation in the portfolio of current movies, and reduced our structure of operating and administrative expenses.



We have participated in the film industry since 1998. At that time our goal was to make the most of growing demand in the Latin market and the increasingly diverse formats –cinema, video, DVD, open television and pay-per-view, among others–. We produced full-length, low-budget movies in Mexico focusing on universal themes with a Latin content. During 2002 we produced *Amar te duele*, *En la mente del asesino*, *La fiebre del loco*, *Ciudades oscuras* and *Otilia Rauda, la mujer del pueblo*, adding to our portfolio of *Todo el poder*, *Amores perros*, *Por la libre*, *Sin dejar huella*, *Atlético San Pancho* and *El segundo aire*. We distributed our own and others’ productions in Latin America. By the end of the year our production portfolio, for which we still have exclusive regional distribution rights, totaled 130 titles, 57% more than at the end of 2001, including third-party productions such as *My Big Fat Greek Wedding*, *The Unsaid*, *Domestic Disturbance*, *We were Soldiers*, *Silencio roto* and *Spy Game*.

We are readjusting the way in which we produce and distribute films, considering strategic partners for co-investment and a reduction of risk associated with a focus on returns.



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Universidad La Salle



Alejandro Torres Hernández

Statutory Auditor

Partner, Gossler, S.C., Mexico
Certified Public Accountant
Instituto Politécnico Nacional

Management's Discussion and Analysis

All figures in this document are expressed in millions of Mexican pesos of purchasing power as of December 31, 2002, unless otherwise specified, and have been prepared in accordance with Mexican Generally Accepted Accounting Principles ("Mexican GAAP"). Figures may differ due to rounding.

REVENUES

CIE's consolidated revenues grew 12.7% in 2002 to reach Ps.5,990, in comparison with Ps.5,317 recorded in 2001. The table below details the contribution of CIE's Divisions to consolidated revenues in 2001 and 2002.

DIVISION	2002	%	2001	%
Entertainment	4,558	76.1%	3,915	73.6%
Commercial	771	12.9%	904	17.0%
Services	661	11.0%	465	8.8%
Latin Entertainment *	N.A.	N.A.	33	0.6%

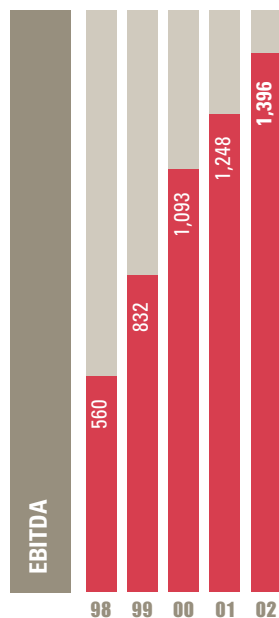
* Note: Latin Entertainment's elfoco.com merged with Ticketmaster Online in late 2001.

ENTERTAINMENT DIVISION

Revenues generated by the division in 2002 increased 16.4% to Ps.4,558. The increase was mainly driven by:

- The fourth quarter introduction of CART racing to the Mexico City market at the recently renovated "Hermanos Rodríguez" racetrack;
- The inauguration of Centro Banamex in the first quarter of 2002 and a calendar of events that included 38 expos and 113 conventions and social events;
- The promotion and production of a higher number of diverse live events both within and outside of Mexico;
- The organic growth in existing units and the opening of new Sports Books and Yaks; higher attendance figures and greater per capita spending on wagers, food and beverages yielded important revenue contributions in Mexico. The total number of units increased to 15 in 2002 from 8 at the close of 2001; and,

The increase in our revenue base reflects a higher "out-of-home" entertainment offer and marketing alternatives for clients in our markets.



COMMERCIAL DIVISION

The 14.7% decrease in this division's revenues, from Ps.904 to Ps.771, was mainly attributable to:

- a.** Ongoing weak advertising sales from radio operations in Argentina, coupled with the foreign exchange impact of the Argentine revenues when converted to Mexican pesos; and,
- b.** To a much lesser extent, lower number of trade fairs and exhibits the Company produced and promoted due to cyclical reasons. CIE presented nine productions in the year, two less than in 2001, as a result of certain biennial events that were not staged in 2002.

Lower Commercial revenue performance was partially offset by CIE's successful marketing of various advertising sponsorship concepts in the region. These concepts include the sale of advertising space in 1,201 leading movie screens in Mexico by year end; billboard space and overpasses posted a 9% increase over 2001 for a total of 417 advertisements; while the sale of rotational and static advertising at soccer fields increased to fourteen First Division professional teams from twelve in the previous year.

SERVICES DIVISION

The 42.3% increase in Services Division revenues, to Ps.661, resulted mainly from strong ticket sales for the CART Series race in Mexico City and the Auto Expo annual production at Centro Banamex, as well as the sales from third party live event promoters in Mexico and Brazil.

The increase is also attributable to the various events the Company held during the year with better attendance rates and higher average per ticket prices that yielded higher commissions for Ticketmaster.

e. The increase in attendance at the various amusement parks the Company operates in Mexico and Colombia and the Buenos Aires Zoo, from 8.9 million visitors in 2001 to 10.1 million in 2002.

Partially offsetting these gains, however, was the relocation of some major Broadway productions in the first half of 2002, including: *Beauty and the Beast* to Sao Paulo, *Phantom of the Opera* to Madrid and *Lés Misérables* to Mexico City. These productions were staged in the second half of the year. Lower results in the theatrical circuit were in addition to continued adjustments to live event operations in Argentina which have been affected by the country's economic crisis.

GROSS PROFIT

For the 2002 period, CIE registered gross profit of Ps.2,279, an increase of 8.9% over the Ps.2,093 gross profit in 2001. Gross margin for the period was 38.0%, 132 basis points lower than the 39.4% gross margin posted in 2001. This adjustment was the result of new “out-of-home” entertainment activities such as the CART Series and the operation of Centro Banamex.

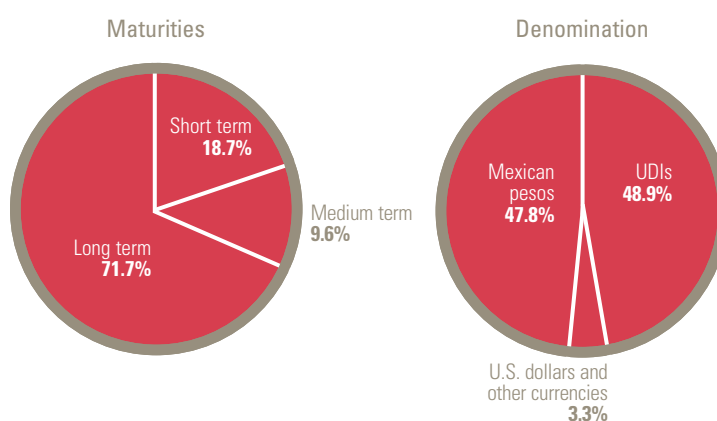
EBITDA

The Group recorded EBITDA (“Earnings before interests, taxes, depreciation and amortization”) of Ps.1,396, an 11.8% increase over the Ps.1,248 recorded in 2001. EBITDA margin for the year was 23.3%, roughly equivalent to the 23.5% margin recorded in 2001.

OPERATING INCOME

Operating income in 2002 increased 9.8% to Ps.974, in comparison to Ps.887 recorded last year. Operating margin for the period was 16.3% while the margin for full-year 2001 was 16.7%. This margin adjustment resulted from higher depreciation and amortization charges, which accounted for Ps.422 in 2002. This compares to Ps.362 recorded in 2001, and was the result of a higher level of fixed and deferred assets,

DEBT AS OF DECEMBER 31, 2002: Ps.4,188 MILLION



including the additional Sports Books and Yaks and Centro Banamex in Mexico.

CCF

In the year, the Company registered Ps.341 as its comprehensive cost of financing (“CCF”), reflecting a 8.9% reduction over the Ps.375 in 2001.

The lower comprehensive cost of financing resulted from a Ps.6 gain in net monetary position, in comparison to a Ps.62 net loss recorded in 2001. This change is mainly attributable to the 5.7% inflation rate in Mexico, which affected the net liability position of the Company. This was partially offset by the value of the UDI-denominated notes issued by the Company in early 2000, which are debt instruments linked to the Mexican inflation.

CIE recorded net interest expense of Ps.314 in the year, Ps.24 higher than the 2001 figure. This change is the combined result of recording Ps.341 as interest expenses, 10.7% less than the Ps.382 figure registered in 2001, and less interests gained in the year,

Based on the fact that CIE has already generated free cash flow in some of the Company's previously developed projects, the signs of economic value creation show a sound trend that will be secure in the years to come.

Ps.91 in 2001 compared to Ps.27 in 2002. Net interest expense in 2002 was the result of a lower level of cash and cash equivalents in the year and the overall reduction in interest rates.

Finally, the Company recorded a 43.4% increase in net foreign exchange loss, a total of Ps.33 in 2002 against Ps.23 in the previous period. The increase in foreign exchange loss was mainly driven by the devaluation of the Mexican peso against the U.S. dollar, from Ps.9.1695 per US\$1 on December 31, 2001 to Ps.10.4393 per US\$1 at the close of 2002, impacting the Company's dollar-denominated net liability position.

TAXES

CIE made a tax provision of Ps.366 in 2002, higher than the provision of Ps.164 made in 2001. This increase is principally attributable to:

- a.** The sale to Grupo Televisa of 40% of OCESA Entretenimiento, an strategic business unit comprising CIE's "out-of-home" entertainment operations in Mexico;
- b.** A higher level of entertainment activities in the year, such as the CART Automobile Racing Series in Mexico City, and the operation of Centro Banamex and Sports Books and Yaks in Mexico;
- c.** Recognition of Ps.105 in deferred taxes, which is higher than the Ps.68 reported in 2001.

As of January 1, 2000, the Company adopted the Bulletin D-4 which regulates the accounting treatment for deferred income taxes. Income taxes are calculated by applying the Assets and Liabilities integral method, by which tax provisions are determined when applying the corresponding tax rates to the amount that results from the difference between the accounting and fiscal value of assets and liabilities (temporary differences) as of the date of the financial statements. As such, the accumulated effects as of December 31, 2002 are liabilities for Ps.248 and charges on results for Ps.105.

MAJORITY NET RESULT

During the year the Company registered a majority net result of Ps.209, which compares to the majority net loss of Ps.428 in 2001, which resulted from the non-monetary recurring accounting effect of Ps.788, because of the extraordinary item that derived from the economic situation in Argentina.

Consolidated Financial Statements

as of December 31, 2002 and 2001

Corporación Interamericana de Entretenimiento, S.A. de C.V. and Subsidiaries

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Statutory Auditor's Report

ALEJANDRO TORRES HERNÁNDEZ

CONTADOR PÚBLICO

To the General Shareholders' Meeting of
CORPORACIÓN INTERAMERICANA DE ENTRETENIMIENTO, S.A. DE C.V.

I, the undersigned, as statutory auditor and in compliance with the dispositions of Article 166 of the Ley General de Sociedades Mercantiles (General Business Corporations Act) and CORPORACIÓN INTERAMERICANA DE ENTRETENIMIENTO, S.A. DE C.V., Bylaw, hereby submit to you my opinion on the truthfulness, sufficiency and reasonability of the information the Board of Director has presented to you related to this Corporation's operation during the year ended on December 31, 2002.

I have attended the Shareholders' Meeting and Board of Directors' Meeting to which I have been duly convened, and obtained from both director and managers the operation information. Documents and records I considered necessary to review. My revision has been made in accordance with the generally accepted audit standards in Mexico.

The attached financial statements have been prepared under the laws and regulations applicable to the corporation as an independent legal entity; therefore investment in subsidiaries' capital stock has been valued following the equity method. Separated are presented the consolidated financial statements which, on the same date, have an accountant's report without exception.

In my opinion, the accounting and reporting criteria and policies applied by the Corporation and considered by managers in preparing the reports presented by them to this Meeting, are both adequate and sufficient and have been applied consistently with the prior fiscal year. Therefore, such financial information reflect in a truthful sufficient and reasonable way the financial situation of CORPORACIÓN INTERAMERICANA DE ENTRETENIMIENTO, S.A. DE C.V., as of December 31, 2002, the results of its operations, the changes on the stockholder' equity and changes in financial position for the year then ended, in accordance with the accounting principles generally accepted in Mexico.



Alejandro Torres Hernández C.P.A.
Statutory Auditor

Mexico City
February 24, 2003.

Report of Independent Accountants



Mexico City, February 24, 2003.

To the General Stockholders' Meeting of
CORPORACIÓN INTERAMERICANA DE ENTRETENIMIENTO, S.A. DE C.V., AND SUBSIDIARIES

We have audited the accompanying consolidated balance sheets of CORPORACIÓN INTERAMERICANA DE ENTRETENIMIENTO, S.A. DE C.V. AND SUBSIDIARIES at December 31, 2002 and 2001, and the related consolidated statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

The financial statements at December 31, 2002 of certain subsidiaries, whose combined assets and sales represent 29% and 20%, respectively, of the consolidated totals at that date, (28% and 18%, respectively, at December 31, 2001), were examined by other independent accountants, whose reports thereon have been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts pertaining to these subsidiaries included in the consolidated financial statements, is based solely on the reports of the other independent accountants.

In our opinion, based on our examinations and on the reports of the other independent accountants mentioned in the preceding paragraph, the aforementioned consolidated financial statements present fairly, in all material respects, the financial position of CORPORACIÓN INTERAMERICANA DE ENTRETENIMIENTO, S.A. DE C.V. AND SUBSIDIARIES at December 31, 2002 and 2001, and the results of their operations, the changes in their stockholders' equity and the changes in their financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PricewaterhouseCoopers



Humberto Pacheco Soria
Audit Partner

Consolidated Balance Sheets

(Note 1)

Thousands of Mexican pesos (Ps) of December 31, 2002 purchasing power

	December 31,	
	2002	2001
ASSETS		
CURRENT ASSETS:		
Cash and marketable securities	Ps 868,214	Ps 1,270,443
Accounts receivable (NOTE 4)	2,132,213	1,944,345
Inventories for sale and internal consumption	17,146	20,579
Film costs - Net	126,308	119,404
Costs of future events and prepaid expenses (NOTE 2E)	1,082,851	1,148,246
Total current assets	4,226,732	4,503,017
Long-term accounts receivable	167,343	22,568
Film costs	446,796	375,146
Property, furniture and equipment - Net (NOTE 6)	5,102,876	4,284,862
Preoperating expenses and other assets - Net (NOTE 7)	1,764,588	1,457,985
Goodwill (less accumulated amortization of Ps.464,672 and Ps.363,496 in 2002 and 2001, respectively)	1,745,854	1,836,446
Total assets	Ps 13,454,189	Ps 12,480,024
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank loans	Ps 783,930	Ps 505,823
Suppliers	618,018	711,435
Other accounts payable	609,489	636,282
Revenue of future events and advances from customers	145,477	388,319
Income tax payable (NOTE 11)	3,164	62,451
Other taxes payable	47,173	80,414
Total current liabilities	2,207,251	2,384,724
Long-term debt, net of current maturities (NOTE 8)	3,404,000	3,042,738
Other liabilities	32,706	95,130
Deferred income tax (NOTE 11)	248,322	128,263
Contributions for future capital increases	20,260	
Labor liabilities (NOTE 2K)	45,847	14,036
Total long-term liabilities	3,751,135	3,280,167
Total liabilities	5,958,386	5,664,891
STOCKHOLDERS' EQUITY:		
Capital stock (NOTE 9)	361,626	358,310
Share premium	4,831,600	4,739,964
Retained earnings	787,915	578,750
Cumulative translation adjustment (NOTE 2A)	(851,248)	(412,891)
Cumulative deferred income tax	(48,495)	(48,495)
Majority stockholders' equity	5,081,398	5,215,638
Minority interest	2,414,405	1,599,495
Total stockholders' equity	7,495,803	6,815,133
Commitments and contingencies (NOTES 13 AND 14)		
Total liabilities and stockholders' equity	Ps 13,454,189	Ps 12,480,024

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

Consolidated Statements of Income

Thousands of Mexican pesos (Ps) of December 31, 2002 purchasing power

	Year ended December 31,	
	2002	2001
Net sales (NOTE 5)	Ps 5,990,100	Ps 5,316,823
Cost of sales	(3,711,231)	(3,223,992)
Gross profit	2,278,869	2,092,831
Operating expenses	(1,305,211)	(1,206,070)
Operating income	973,658	886,761
Comprehensive financing cost - Net (NOTE 10)	(341,497)	(374,734)
	632,161	512,027
Other expenses - Net	(18,121)	(47,231)
Income before tax provisions and extraordinary item	614,040	464,796
Provisions for income tax (NOTE 11):		
Current	(261,783)	(96,899)
Deferred	(104,633)	(67,549)
	(366,416)	(164,448)
Income before extraordinary item	247,624	300,348
Extraordinary item - Impact of the economic situation in Argentina (NOTE 15)		(788,163)
Consolidated net income (loss) for the year	Ps 247,624	Ps (487,815)
Distribution of the consolidated net income (loss) for the year:		
Majority stockholders	Ps 209,165	Ps (428,197)
Minority interest	38,459	(59,618)
	Ps 247,624	Ps (487,815)
Earnings (loss) per share (NOTE 12):		
Basic and diluted (figures in Mexican pesos)	Ps 0.68	Ps (1.72)

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

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2002 and 2001 (Notes 2a and 9)

Thousands of Mexican pesos (Ps) of December 31, 2002 purchasing power

	Capital stock		
	Issued	Unpaid	Net
Balances at December 31, 2000	Ps 287,402		Ps 287,402
Increase in and payment of capital stock	74,574	Ps (3,666)	70,908
Net change in minority interest			
Comprehensive loss for the year			
Balances at December 31, 2001	361,976	(3,666)	358,310
Payment of capital stock		3,316	3,316
Amortization of cost of executives' stock plan			
Net change in minority interest			
Comprehensive income (loss) for the year			
Balances at December 31, 2002	Ps 361,976	Ps (350)	Ps 361,626

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

Share premium	Retained earnings	Cumulative translation adjustment	Cumulative deferred income tax	Majority stockholders' equity	Minority interest	Total stockholders' equity
Ps 3,858,999	Ps 1,006,947	Ps (128,401)	Ps (48,495)	Ps 4,976,452	Ps 1,323,888	Ps 6,300,340
880,965				951,873		951,873
					335,225	335,225
	(428,197)	(284,490)		(712,687)	(59,618)	(772,305)
4,739,964	578,750	(412,891)	(48,495)	5,215,638	1,599,495	6,815,133
64,077				67,393		67,393
27,559				27,559		27,559
					776,451	776,451
	209,165	(438,357)		(229,192)	38,459	(190,733)
Ps 4,831,600	Ps 787,915	Ps (851,248)	Ps (48,495)	Ps 5,081,398	Ps 2,414,405	Ps 7,495,803

Consolidated Statements of Changes in Financial Position

Thousands of Mexican pesos (Ps) of December 31, 2002 purchasing power

	Year ended December 31,	
	2002	2001
Operations:		
Net income before extraordinary item	Ps 247,624	Ps 300,348
Charges to income not affecting resources:		
Depreciation and amortization	320,838	325,515
Amortization of goodwill	101,175	36,110
Amortization of cost of executives' stock plan	27,559	
Deferred income tax	104,633	67,549
Net change in working capital, except cash and bank loans	(792,877)	(178,993)
Resources provided by operating activities before extraordinary item	8,952	550,529
Extraordinary item - Impact of the economic situation in Argentina		(788,163)
Resources provided by (used in) operating activities	8,952	(237,634)
Financing:		
Bank loans obtained - Net	639,368	423,799
Increase in and payment of capital stock	3,316	70,908
Share premium	64,077	880,965
Translation adjustment effects	(438,357)	(284,490)
Net change in minority interest	776,451	335,225
Resources provided by financing activities	1,044,855	1,426,407
Investment:		
Acquisition of property, furniture and equipment - Net	(1,036,626)	(1,560,545)
Preoperating expenses and other assets	(408,829)	(190,223)
Goodwill	(10,581)	(106,170)
Resources used in investment activities	(1,456,036)	(1,856,938)
Decrease in cash and marketable securities	(402,229)	(668,165)
Cash and marketable securities at beginning of year	1,270,443	1,938,608
Cash and marketable securities at end of year	Ps 868,214	Ps 1,270,443

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

Notes to the Consolidated Financial Statements

December 31, 2002 and 2001

(Monetary figures expressed in thousands of Mexican Pesos (Ps) of December 31, 2002 purchasing power, except exchange rates and earnings per share data)

NOTE 1 - ACTIVITIES OF THE COMPANY:

Corporación Interamericana de Entretenimiento, S.A. de C.V. ("CIE" or "the Company") was incorporated on August 21, 1995, under Mexican law for a duration of 99 years. CIE is the parent, directly or indirectly, of the companies mentioned below, which are grouped in the following divisions:

Entertainment - Production and promotion of live shows.

Commercial - Sale of sponsorship advertising rights to events.

Services - Rendering of telemarketing services.

Horse racetrack - Operation and exploitation of the permit to organize live horse races and bet- placing; as well as the operation of sports betting in Mexico, through the "Libro Foráneo" (simulcasting) system.

CIE has subsidiaries in the following countries: Mexico, Argentina, Brazil, Chile, Panama, Colombia, the United States of America, Spain and Holland.

In 2002 CIE and its subsidiaries carried out the following significant operations:

- On February 13, 2002, CIE commenced operations at the Las Américas, Exhibition and Convention Center, denominated "Centro Banamex".
- On February 14, 2002 CIE, in association with Forsythe, obtained from Championship Auto Racing Teams, Inc. ("CART") the rights to commercialize the T.V. transmissions of the car races to be held in Mexico.
- On October 18, 2002, CIE entered into a joint venture with Televisa Entretenimiento, S.A. de C.V. The new company, OCESA Entretenimiento, S.A. de C.V., will be controlled by CIE, with a 60% stock holding.
- On October 28, 2002, CIE, through Grupo Mantenimiento de Giros Comerciales Internacional, S.A. de C.V. ("Mágico"), announced a partnership with ZN México II, a private capital mutual fund.
- On November 7, 2002, through Mágico, CIE entered into a long-term strategic agreement with Sunrise Mills Limited Partnership for the development in the United States of America of the concept to be known internationally as "Wannado".

Following are the principal CIE subsidiaries, which CIE effectively controls and in which it holds 50% or more of the capital stock:

Company	Main activity
Intermediate holding companies:	
Impulsora de Centros de Entretenimiento Las Américas, S.A. de C.V.	Holding company
OCESA Entretenimiento, S.A. de C.V. (formerly Teleservicios de Valor Agregado, S.A. de C.V.)	Holding company
CIE Internacional, S.A. de C.V.	Holding company
Latin Entertainment, Inc.	Holding company for companies engaged in radio-broadcasting in Argentina and Internet companies
Entertainment Division:	
Operadora de Centros de Espectáculos, S.A. de C.V.	Administrator of entertainment venues and holding company
Ocesa Anfiteatro, S.A. de C.V.	Holding company; operates entertainment venues
OCESA Presents, Inc.	Artists agency
Estudio México Films, S.A. de C.V.	Holding company for companies engaged in the production and distribution of films
Grupo CIE Argentina, S.A. de C.V.	Holding company for subsidiaries located in Argentina and Brazil, and indirectly in Spain
Grupo Mantenimiento de Giros Comerciales Internacional, S.A. de C.V.	Holding company; operates amusement parks

Notes to the Consolidated Financial Statements

Company	Main activity
Mat Theatrical Entertainment, S.A. de C.V.	Owner of rights to theater productions
Generamúsica, S.A. de C.V.	Artist promotion
Opera Show, S.A. de C.V.	Artist promotion
CIE America Holdings, C.V.	Holding company for subsidiaries located in the United States of America
Grupo Automovilístico Nacional y Deportivo, S. de R.L. de C.V.	Promoter of car racing events
Venta de Boletos por Computadora, S.A. de C.V.	Automated ticket sales
Show Off, S.A. de C.V.	Management of local and foreign artists
Servicios de Protección Privada Lobo, S.A. de C.V.	Security and protection services
Services Division:	
Grupo Sitel de México, S.A. de C.V.	Holding company; renders telemarketing services
Servicios Corporativos CIE, S.A. de C.V.	Holding company; renders administrative services to other group companies
Commercial Division:	
Corporación de Medios Integrales, S.A. de C.V.	Holding company
Publitop, S.A. de C.V.	Sale of advertising for display on pedestrian overpasses
Grupo Mundo, S.A. de C.V.	Presentation and creation of high-technology entertainment
Representaciones de Exposiciones México, S.A. de C.V.	Promoter of fairs and exhibitions
Publisport, S.A. de C.V.	Sale of advertising rights for sports events
Stactika, S.A. de C.V.	Sale of advertising rights for sports events
Unimarket, S.A. de C.V.	Sale of rotating advertising for sports events
Make Pro, S.A. de C.V.	Advertising intermediary
Horse racetrack:	
Administradora Mexicana de Hipódromo, S.A. de C.V.	Organizing of live horse races and bet placing, as well as other gambling permitted by law
Entretención Recreativo, S.A. de C.V.	Owner of equipment and systems for electronic gambling centers and other games

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in Mexico, and accordingly are stated in thousands of Mexican pesos of December 31, 2002 purchasing power.

The significant accounting policies, including the concepts, methods and criteria relative to the recognition of the effects of inflation on the financial information, are summarized as follows:

- a. The consolidated financial statements include the accounts of all the companies mentioned in Note 1. All significant intercompany balances and transactions between the consolidated companies have been eliminated in consolidation. The consolidation was carried out on the basis of audited financial statements of the majority of the subsidiaries.

The financial statements of foreign subsidiaries classified as foreign entities are restated on the basis of the National Consumer Price Index ("NCPI") or equivalent for the country in which each entity reports its operations, and are subsequently converted at the rate of exchange in effect at the close of the year. The effects of changes in the applicable exchange rates are included directly in stockholders' equity as "Cumulative translation adjustment".

Notes to the Consolidated Financial Statements

- b. Marketable securities are stated at cost plus the accrued interest at the balance sheet date.
- c. Motion pictures produced by the company and those for which distribution rights have been acquired are distributed, firstly, to movie theaters and video companies, then to closed-circuit television companies, and lastly to open television companies. Motion pictures to be sold and distributed from the year 2004 onwards are classified as non-current assets.

Income from the distribution of motion pictures is recorded when the pictures are shown. Income from the sale of motion pictures to video companies is recorded when the pictures are available in the stores.

The total cost of film productions and of acquired exhibition rights (including capitalizable administrative costs) plus accumulated related expenses for each picture are amortized in proportion to the income recognized, based on the expected income-producing period estimated individually for each picture. These costs are expressed in current pesos determined by applying factors derived from the NCPI to the historical amounts.

The cost of the pictures, net of amortization, including the unamortized portion of costs identified with the various distribution channels, is classified as current asset. The costs of pictures in process of production, including the rights to scripts and screenplays, are classified as non-current assets.

- d. Inventories are stated at average cost and are restated by using factors derived from the NCPI. The values so determined do not exceed market value. Cost of sales is restated by applying factors derived from the NCPI.
- e. The costs of future events include advances, deposits, advertising and other costs related to the events. Said costs are charged to income when the events take place. Costs identified with events which will take place after one year are stated at restated value, determined by applying NCPI factors to the historical costs.
- f. Property, furniture and equipment and the related accumulated depreciation are stated at cost, restated by applying factors derived from the NCPI to the historical cost. Depreciation is calculated by the straight-line method, based on the estimated useful lives of the assets, on both the historical cost and the restatement increments.

Investments made in connection with the "Hipódromo de las Américas" concessions will be amortized by the straight-line method over a period of 25 years for the horse-racing operation and 50 years for the real estate operation.

- g. Rights, patents and trademarks are stated at their inflation-indexed acquisition cost by applying NCPI factors. Amortization is calculated by the straight-line method over a period of twenty or ten years, depending on the period expected to be benefited.
- h. Preoperating expenses and other assets and the related accumulated amortization are stated at cost, restated by applying factors derived from the NCPI to the historical amounts. Amortization is calculated by the straight-line method over a period of three to twenty years, depending on the nature of the assets.
- i. Goodwill is stated at restated value, determined by applying NCPI factors to the original amount, less accumulated amortization. Amortization of the restated value of these items is calculated over a period of twenty years, commencing in the year following the year of acquisition.
- j. Income tax, asset tax and employees' statutory profit sharing are computed and recorded by the comprehensive asset-and-liability method, which consists of recognizing deferred taxes on all temporary differences between the book and tax values of assets and liabilities.

Note 11 includes an analysis of the consolidated temporary differences at December 31, 2002 and 2001, on which deferred taxes were recognized.

Notes to the Consolidated Financial Statements

- k.** Seniority premiums to which employees are entitled upon termination of employment after 15 years of services, as well as the obligations under the non-contributory retirement plan that the companies have established for their employees, are recognized as expenses of the years in which the services are rendered.

Retirement plan benefits are based primarily on employees' years of service and their remuneration at retirement date. The liabilities and costs related to these plans, as well as those related to seniority premiums, are recognized based on actuarial studies made by independent experts. A summary of the principal financial data relative to these plans is as follows:

	December 31,	
	2002	2001
Projected benefit obligation	Ps (60,708)	Ps (48,603)
Unamortized transition liability	9,173	11,622
Unamortized actuarial losses - Net	5,688	1,522
Intangible asset	-	21,423
Projected net liability	<u>Ps (45,847)</u>	<u>Ps (14,036)</u>
Net cost for the year	<u>Ps 28,363</u>	<u>Ps 17,620</u>

The actuarial losses and the transition liability are recognized through charges to income based on the average remaining service life of the employees expected to receive the benefits (approximately 12 years).

Other compensation based on seniority to which employees may be entitled in the event of dismissal or death, in accordance with the Federal Labor Law, is applied to income in the year in which it becomes payable.

- l.** Revenue of future events represents income from future presentations and is applied to income on the date on which the presentations are made. Advance ticket sales are recorded as deferred income until the event takes place. Income from future events or services to be rendered over a period of more than one year are stated at restated value, determined by applying factors derived from the NCPI.
- m.** Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates they are entered into and/or settled. Assets and liabilities denominated in these currencies are stated at the Mexican peso equivalents resulting from applying the exchange rates in effect at the balance sheet date. The differences arising from fluctuations in the exchange rates between the dates on which transactions are entered into and those on which they are settled, or the balance sheet date, are charged or credited to income.
- n.** Capital stock, share premium, retained earnings, cumulative translation adjustment and cumulative deferred income tax represent the amount of these items expressed in pesos of purchasing power as of the balance sheet date, and are determined by applying factors derived from the NCPI to the historical amounts.
- o.** The cost of the executives' stock plan represents the difference between the market value of the shares at the time of subscription and the amount paid, and is amortized over the term in which the executives will render the related services, normally 15 years. At December 31, 2002, the average remaining term over which the cost of the plan will be amortized was 11 years, see Note 9c.

In the event that an executive leaves the Company before the agreed term, either as a result of resignation or dismissal, he is required to return the shares corresponding proportionately to the years in which his services will not be rendered, or the equivalent in money at the market value of the related shares. The difference between the market value of the shares at the date of subscription and at the date on which the executive leaves the company is recorded in income in the year in which the employment terminates.

Notes to the Consolidated Financial Statements

- p. The gain or loss on net monetary position represents the inflationary gain (loss), as measured by the NCPI, on the company's monthly net monetary assets and liabilities during the year.
- q. Comprehensive loss is represented by the net income (loss), plus the translation adjustment arising in connection with foreign subsidiaries, and items required by specific accounting standards to be reflected in stockholders' equity but which do not constitute capital contributions, reductions or distributions. It is restated on the basis of NCPI factors.

NOTE 3 - FOREIGN CURRENCY POSITION:

The amounts in this note are stated in thousands, except for exchange rates.

At December 31, 2002 and 2001, the Company and its subsidiaries had the following monetary assets and liabilities in foreign currency:

	U.S. dollars	Argentine pesos	Colombian pesos	Chilean pesos	Euros	Brazilian reals	Spanish pesetas
2002							
Assets	176,871	7,543	5,820,217	245,464	74	21,134	
Liabilities	(26,435)	(12,712)	(35,420,538)	(467,066)	(504)	(97,350)	
Net position	150,436	(5,169)	(29,600,321)	(221,602)	(430)	(76,216)	
2001							
Assets	113,040	27,650	4,888,243	2,140,571		24,804	57,424
Liabilities	(20,440)	(11,405)	(29,383,221)	(650,857)		(8,191)	(4,472)
Net position	92,600	16,245	(24,494,978)	1,489,714		16,613	52,952

The exchange rates with the Mexican peso at December 31, 2002 and 2001 were the following:

	2002	2001
U.S. dollar	Ps 10.4393	Ps 9.1695
Argentine peso	3.1024	9.1695
Colombian peso	0.0035	0.0040
Chilean peso	0.0145	0.0138
Euro	10.9519	
Spanish peseta		0.0488
Brazilian real	2.9519	4.9609

Notes to the Consolidated Financial Statements

At February 24, 2003, date of issuance of the audited financial statements, the exchange rates had not varied significantly, except as follows:

	Exchange rate	
U.S. dollar	Ps	10.9798
Argentine peso		3.4169
Euro		11.7685

At December 31, 2001, the Company had an exchange rate hedge contract, the effects of which were included in the exchange loss in the consolidated statement of income.

At December 31, 2002 and 2001, the Company had the following position in nonmonetary assets of foreign origin whose replacement cost can be determined only in U.S. dollars (Dls.):

	December 31,			
	2002		2001	
Inventories	Dls	93	Dls	544
Furniture and equipment		48,915		73,886
Deferred costs and expenses		166,186		222,021
	Dls	215,194	Dls	296,451

The principal foreign currency transactions carried out by the Company in the years ended December 31, 2002 and 2001, are summarized below. These transactions have been converted to U.S. dollars, which is the most common foreign currency:

	Year ended December 31,			
	2002		2001	
Income from services	Dls	92,820	Dls	141,887
Other income (expenses) - Net		401		(821)
Purchases		(28,135)		(68,481)
Operating expenses		(38,123)		(35,022)
Artistic talent		(6,685)		(7,997)
Interest paid - Net		(1,123)		(4,251)

NOTE 4 - ANALYSIS OF ACCOUNTS RECEIVABLE:

Accounts receivable are analyzed as follows:

	December 31,			
	2002		2001	
Customers - Net	Ps	556,481	Ps	1,138,428
Televisa Entretenimiento, S.A. de C.V.		416,808		
Recoverable value added tax		339,846		284,069
Other receivables		819,078		521,848
	Ps	2,132,213	Ps	1,944,345

Notes to the Consolidated Financial Statements

NOTE 5 - SEGMENT INFORMATION:

Information about net sales, operating income and total assets by segment for the years ended December 31, 2002 and 2001, is shown below:

Net sales	Year ended December 31,	
	2002	2001
Commercial	Ps 1,064,783	Ps 1,243,524
Entertainment	6,224,886	6,131,134
Services	900,971	469,397
	8,190,640	7,844,055
Eliminations	(2,200,540)	(2,527,232)
Consolidated total	Ps 5,990,100	Ps 5,316,823

Operating income	Year ended December 31,	
	2002	2001
Commercial	Ps 116,839	Ps 238,185
Entertainment	730,243	585,815
Services	126,576	62,761
Consolidated total	Ps 973,658	Ps 886,761

Total assets	Year ended December 31,	
	2002	2001
Commercial	Ps 1,801,885	Ps 3,249,797
Entertainment	46,636,504	48,483,827
Services	1,334,735	1,078,420
	49,773,124	52,812,044
Eliminations	(36,318,935)	(40,332,020)
Consolidated total	Ps 13,454,189	Ps 12,480,024

Following is an analysis of net sales for the years ended December 31, 2002 and 2001, by geographic sector:

Net sales	Year ended December 31,	
	2002	2001
Mexico	Ps 4,979,074	Ps 3,799,331
Foreign	1,011,026	1,517,492
Total	Ps 5,990,100	Ps 5,316,823

Notes to the Consolidated Financial Statements

NOTE 6 - ANALYSIS OF PROPERTY, FURNITURE AND EQUIPMENT:

The investment in property, furniture and equipment was as follows:

	December 31,		Annual depreciation and amortization rates (%)
	2002	2001	
Land	Ps 25,849	Ps 54,499	
Buildings, mainly constructions in concessioned and permitted venues	2,581,844	1,020,599	2 and 5
Leasehold improvements	1,497,212	1,045,557	5
Amusement park equipment	749,478	751,389	2.5 and 10
Furniture and equipment	483,450	385,940	10
Computer and peripheral equipment	308,210	221,029	25 and 30
Radio and communications equipment	120,516	148,702	10 and 8
Billboards and related structural equipment	82,454	40,342	14 to 33
Transportation equipment	49,961	51,698	20 and 25
Other	93,655	68,159	various
	5,966,780	3,733,415	
Accumulated depreciation	(1,293,543)	(1,001,140)	
	4,673,237	2,732,275	
Construction in progress	358,018	1,467,739	
Advances to suppliers	45,772	30,349	
	Ps 5,102,876	Ps 4,284,862	

NOTE 7 - ANALYSIS OF PREOPERATING EXPENSES AND OTHER ASSETS:

Preoperating expenses and other assets are analyzed below:

	December 31,	
	2002	2001
Preoperating expenses - Net	Ps 1,523,855	Ps 1,158,988
Prepaid financial expenses	9,321	6,524
Guarantee deposits	25,891	53,543
Rights, patents and trademarks - Net	158,293	48,084
Other	47,228	190,846
	Ps 1,764,588	Ps 1,457,985

Notes to the Consolidated Financial Statements

NOTE 8 - ANALYSIS OF LONG-TERM BANK LOANS:

Long-term bank loans, classified by currency at December 31, 2002, were analyzed as follows:

Due date	Mexican pesos	Foreign currency	Total
2004		Ps 1,677 ⁽⁵⁾	Ps 1,677
2005	Ps 400,000 ⁽¹⁾	827	400,827
2006		110,361 ⁽⁴⁾⁽⁵⁾	110,361
2007	2,049,616 ⁽²⁾	21,519 ⁽⁵⁾	2,071,135
2008	820,000 ⁽³⁾		820,000
	Ps 3,269,616	Ps 134,384	Ps 3,404,000

⁽¹⁾ This amount is for one note in the amount of Ps.400,000, payable to Banco Nacional de México, S.A. Interest is calculated at the 28-day inter-bank equilibrium rate (TIIE) for the period, plus 1.5 percentage points.

⁽²⁾ In March and April 2000, the Company made a public offering of 6,353,866 medium-term promissory notes with a par value of 100 investment units (UDI's) per note, payable over a seven-year period, detailed as follows:

		Mexican pesos					
Date of issuance	Due date	Number of UDI's offered	Value of UDI at date of issuance	Value of UDI at December 31, 2002	Historical value of public offering	Restated value of public offering at December 31, 2002	Annual interest rate
16/03/00	16/03/07	436,697,300	Ps 2.7479	Ps 3.2258	Ps 1,200,000	Ps 1,408,688	8.25%
27/04/00	27/04/07	198,689,300	2.7681	3.2258	550,000	640,928	8.40%
		635,386,600			Ps 1,750,000	Ps 2,049,616	

The medium-term promissory notes are unsecured.

⁽³⁾ This amount is for two notes amounting to Ps.620,000 and Ps.200,000 payable to Banco Inbursa, S.A. Interest is determined at the 28-day TIIE rate for this period, plus 2 percentage points..

⁽⁴⁾ The most significant amount is a Dls.7,250,000 unsecured loan, subject to the London Interbank Offered Rate (Libor) plus 3.5 percentage points, maturing in July 2005.

⁽⁵⁾ Includes 18 unsecured notes for 16,608,463,332 Colombian pesos, payable to a number of Colombian banks. Interest is determined, in general terms, at the average annual Fixed Deposit Rate plus 7 percentage points.

Notes to the Consolidated Financial Statements

On December 27, 2002, CIE contracted with a Mexican bank a loan with annual principal payments through November 30, 2011. At the same time, at December 31, 2002 there was an account receivable from the same banking institution for the same amount and payment terms; thus, in preparing the consolidated financial statements, these amounts were offset.

NOTE 9 - STOCKHOLDERS' EQUITY:

a. Analysis of stockholders' equity

Stockholders' equity at December 31, 2002, was composed as follows:

Concept	Historical amount	Inflation increment	Mexican pesos of December 31, 2001 purchasing power
Capital stock	Ps 309,203	Ps 52,423	Ps 361,626
Share premium	3,737,022	1,094,578	4,831,600
Retained earnings	221,328	566,587	787,915
Cumulative translation adjustment		(851,248)	(851,248)
Cumulative deferred income tax	(43,524)	(4,971)	(48,495)
	<u>Ps 4,224,029</u>	<u>Ps 857,369</u>	<u>Ps 5,081,398</u>

Dividends are not subject to income tax withholding if paid from the After Tax Earnings Account ("CUFIN"). Dividends paid from retained earnings not previously taxed are subject to 34% income tax on the amount arrived at by multiplying the dividend paid by the factor of 1.5151. This tax is payable by the Company and can be credited against its income tax for the period in which the dividends are paid or for the two following periods. Dividends paid are not subject to withholding tax.

Capital stock or share premium paid in capital reductions in excess of capital contributions, the latter inflation-indexed in accordance with the procedures established by Mexican Income Tax Law, are accorded the same treatment as dividends.

b. Changes in capital

At the ordinary and extraordinary stockholders' meeting held on April 22, 2002, the stockholders approved the constitution of a reserve for the repurchase of the Company's own shares in the amount of Ps.138,424, which would result in a capital stock reduction of up to Ps.5,784 when utilized. Both amounts are in thousands of historical Mexican pesos.

Notes to the Consolidated Financial Statements

The capital stock at December 31, 2002 was represented by common nominative shares with no par value, analyzed as follows:

Number of shares	Description	Amount
30,955,386	Series "B", Class I shares, representing the fixed minimum portion of the capital stock	Ps 30,955
<u>278,598,467</u>	Series "B", Class II shares, representing the variable portion of the capital stock	<u>278,598</u>
309,553,853	Subtotal	309,553
<u>(349,950)</u>	Unpaid treasury shares corresponding to Series "B", Class II shares	<u>(350)</u>
<u>309,203,903</u>	Capital stock in historical Mexican pesos	309,203
	Restatement increase	<u>52,423</u>
	Capital stock in Mexican pesos of December 31, 2002 purchasing power	<u>Ps 361,626</u>

c. Executives' stock plan

The Company has a stock subscription plan for its executives ("the plan"), which entitles participants to subscribe shares from the variable portion of the capital stock, under the terms and conditions determined by the Technical Committee managing the plan. The shares assigned to the plan are handled through two trusts, one a subscription trust and the other a management trust. One of the conditions for share subscription is that the executive in question must remain in the employment of the Company for a period of at least 15 years from the date on which the shares are subscribed.

The cost of the plan is represented by the difference between the market value of the shares at the time of subscription and the amount paid by the executives. This item is included in preoperating expenses and other assets, and for the purpose of presentation in the financial statements the unamortized portion is offset against share premium.

The amortization of the plan cost amounted to Ps.27,559 in 2002 (Ps.27,008 in historical Mexican pesos).

d. Share subscription and stock option plan for executives and employees

At the ordinary stockholders' meeting held on April 26, 2001, the stockholders agreed to establish a share subscription and executives stock option plan, and on May 30, 2002, the notification was published of subscription for stockholders not having waived their preferential right in the April 2001 meeting and who wish to participate in this subscription.

The plan's operating rules stipulate that a third of the shares subscribed by company executives and employees may be sold annually as from the third year of subscription. Therefore, as a net benefit from their participation in this plan, they will obtain the increase in market value of the subscribed shares, less the corresponding interest. The plan is for a five-year term, as from the subscription date. Should the participants decide not to sell their shares, they will lose all rights earned. If the market value of the shares at the date of sale is below the established subscription price, the Company will cover the difference.

At the June 17, 2002 meeting of the Board of Directors, the subscription of shares was confirmed, and a portion thereof was reserved for the aforementioned share subscription and stock option plan. As a result, on June 14 and 17, 2002, 6,103 Series B, Class II shares were subscribed by the stockholders exercising their preferential right, and 3,310,280 Series B, Class II shares were subscribed by Company executives and employees, at a subscription price per share of Ps.19.76 (pesos), considering a theoretical par value of one Mexican peso plus a share premium subscription of Ps.18.76 (pesos). At December 31, 2002, 349,950 of the plan's shares were unsubscribed and remain in the Company treasury.

Notes to the Consolidated Financial Statements

NOTE 10 - COMPREHENSIVE FINANCING COST:

The comprehensive financing cost was analyzed as shown below:

	Year ended December 31,	
	2002	2001
Interest expense - Net	Ps (314,221)	Ps (290,108)
Exchange loss - Net	(33,059)	(23,046)
Gain (loss) on net monetary position	5,783	(61,580)
Comprehensive financing cost - Net	Ps (341,497)	Ps (374,734)

NOTE 11 - INCOME TAX, ASSET TAX AND EMPLOYEES' STATUTORY PROFIT SHARING:

CIE and its subsidiaries do not consolidate for tax purposes. In the years ended December 31, 2002 and 2001, certain subsidiaries individually determined taxable income amounting to Ps.1,433,720 and Ps.558,125, respectively. The difference between book and tax results is due mainly to timing differences, in which some items are included in taxable income or deducted for book or tax purposes in different periods, as well as to the use of different methods and criteria for recognizing the effects of inflation for book and tax purposes.

In 2002 and 2001, some subsidiaries totally or partially utilized prior years' tax losses amounting to Ps.648,039 and Ps.259,692, respectively. The tax benefit of such utilization was Ps.121,813 and Ps.90,892, respectively.

In the years ended December 31, 2002 and 2001, certain subsidiaries individually determined tax losses amounting to Ps.815,611 and Ps.439,456, respectively. At December 31, 2002, CIE and certain of its subsidiaries had unused tax losses for a total of Ps. 1,828,796 which may be offset against future profits through the dates shown below. These losses may be restated by applying factors derived from the NCPI up to the year in which they are utilized:

Expiration date December 31,	Restated amounts
2007	Ps 5,851
2008	35,506
2009	45,175
2010	487,197
2011	439,456
2012	815,611
	Ps 1,828,796

Notes to the Consolidated Financial Statements

The principal temporary differences giving rise to deferred taxes were as follows:

	December 31,	
	2002	2001
Cost of films and inventories	Ps (590,252)	Ps (515,126)
Property, furniture and equipment - Net	(785,823)	(379,786)
Provisions and asset valuation allowances	(4,586)	(42,679)
Preoperating expenses	(505,576)	(549,593)
Tax loss carryforwards of Mexican subsidiaries	1,828,796	1,869,762
Tax loss carryforwards of foreign subsidiaries	217,410	
Costs and revenues of future events - Net	(944,863)	(759,926)
	(784,894)	(377,348)
Income tax rate	34%	35%
Deferred income tax	(266,864)	(132,072)
Less - Recoverable asset tax	18,542	3,809
Net deferred income tax liability	Ps (248,322)	Ps (128,263)

As a result of the amendments to the Income Tax Law approved on January 1, 2002, the income tax rate (35%) will be reduced annually, beginning in 2003, to a nominal rate of 32% in 2005. Consequently, the effect of this gradual decrease in the income tax rate will be a reduction in the deferred income tax liability in 2003, increasing the net income by the same amount.

CIE and a number of its subsidiaries paid asset tax amounting to Ps.2,441 and Ps.22,207 in 2002 and 2001, respectively, since their asset tax liability exceeded their income tax payable in those years, or because they had tax losses, or because their tax profits were offset by prior years' tax losses. A portion of these balances was included in the deferred income tax computation, as a recoverable asset tax.

Asset tax may be recovered in any of the ten years following that in which it is paid, to the extent the company's income tax liability exceeds its asset tax in those years. The recoverable tax may be restated by applying factors derived from the NCPI.

Employees' statutory profit sharing was calculated by applying the 10% rate to the basis determined in accordance with the rules established in the Mexican Income Tax Law.

NOTE 12 - EARNINGS PER SHARE:

The basic earnings per share is calculated by dividing the majority net income for the year by the weighted average of common shares outstanding during the year. The weighted average of shares used for this calculation was 307,604,971 in 2002 and 248,200,624 in 2001.

The diluted earnings per share is calculated by adding the comprehensive financing cost for the year identified with the convertible debt, net of income tax, to the majority net income for the year, and dividing the result by the weighted average of common shares outstanding during the year plus the shares which would be issued on conversion of the debt. The weighted average of shares used for these calculations was the same used in the basic earnings computation.

Notes to the Consolidated Financial Statements

Other relevant data on the consolidated earnings per share are as follows (amounts in Mexican peso):

	Year ended December 31,	
	2002	2001
Basic and diluted earnings (loss) per share:		
Before extraordinary item, less minority interest	Ps 0.68	Ps 1.45
Extraordinary item		(3.17)
	<u>Ps 0.68</u>	<u>Ps 1.72</u>

NOTE 13 - COMMITMENTS:

Following is a summary of commitments of CIE and its subsidiaries at December 31, 2002:

Related to the Entertainment Division:

Operadora de Centros de Espectáculos, S.A. de C.V. and other subsidiaries have the following commitments:

- a. Commitments derived from revocable temporary administrative permits and lease agreements from various Government institutions, to operate entertainment venues and public entertainment, the most important of which are:

Venues (1)	Commencement date
Auditorio Coca Cola - Fundidora (Monterrey, N.L.)	October 29, 1993
Palacio de los Deportes (Mexico City)	April 16, 1999
Foro Sol (Mexico City)	October 23, 1997
Teatro Metropolitano (Mexico City)	July 11, 2001

These permits and contracts establish payments which vary based on total income, number of events and other aspects. Certain companies having these permits are committed to modernize the facilities and/or invest a minimum amount during the lifetime of the permits or contract. Terms vary from 3 to 50 years.

- b. In 2001 and 2002 a number of contracts related to the administration and organization of two races of the Serial Cart Championship Auto Racing Teams, Inc. ("CART") in Mexico were signed (as well as for the commercialization of the T.V. rights of the above-mentioned events). The organization rights are for a five-year period, beginning in 2002.

Under these agreements, the Company is required to make an annual payment to CART for the organization costs and rights during the term of the agreements. In addition, there is a minimum payment guarantee to a third party.

Grupo Mantenimiento de Giros Comerciales Internacional, S.A. de C.V. ("Grupo Mágico") and some subsidiaries have the following commitments:

- c. Commitments derived from revocable temporary administrative permits and lease agreements from various Government institutions, to operate amusement parks, the most important of which are:

Venues (1)	Commencement date
La Feria de Chapultepec (Mexico City)	September 1, 1993
Parque el Salitre Mágico (Bogota, Colombia)	July 25, 1994
El CICI (Acapulco, Gro.)	March 18, 1998
El Planeta Azul (Mexico City)	April 7, 2000

Notes to the Consolidated Financial Statements

These permits and contracts establish payments which vary based on total income, number of events and other aspects. Certain companies having these permits are committed to modernize the facilities and/or invest a minimum amount during the lifetime of the permits. Terms vary from 5 to 22 years.

⁽¹⁾ There is no guarantee that an extension will be granted on those permits or contracts, or that the new conditions agreed to will be the same. Nevertheless, the company's management, based on its experience, considers that the permits and contracts will be renewed under terms similar to those currently in effect.

- d. On September 27, 2002 Grupo Mágico signed a Shareholders Agreement with ZN México II, LP, René Aziz Checa and Divertido, S.A. de C.V. This agreement establishes the rights and obligations of ZN México II, LP, as a new stockholder in Grupo Mágico, as well as those of each of the other stockholders.
- e. On October 9, 2002, The Original Creators Miami, Inc. ("TOCM") signed a Shopping Center Lease with Sunrise Mills Limited Partnership. This agreement requires that Sunrise Mills, in its capacity as lessor, grant the use of the facilities denominated Sawgrass Mills Shopping Center to TOCM for a period of 20 years, as from June 1, 2004 or as from the date on which the lessee opens its facilities to the public.
- f. At December 31, 2002, Grupo Mágico had commitments arising from operating lease agreements. Minimum lease payments are stipulated in said agreements.

Additionally, at December 31, 2002 certain Grupo Mágico subsidiaries had commitments arising from leasing agreements for rides and attractions used in their operations. The commitments are secured by the assets being acquired

Related to horserace track operations:

- g. One of the subsidiaries was granted authorizations pertaining to the "Hipódromo de las Américas" which are, firstly, the Ministry of the Interior permit for the operation and exploitation of live horse races, including on-site betting as well as betting under the "Libro Foraneo" system (simulcasting), and, secondly, the concessions granted by the General Controller's Office for the use and exploitation of two pieces of real estate belonging to the Federal Government, the first for use as a horse-racing track and the second for the construction and operation of a hotel, a convention and exhibition center, and a cultural, sports and family entertainment venue.
- h. As from August 1, 2001, Impulsora de Centros de Entretenimiento Las Américas, S.A. de C.V., acts as the guarantor of the lease obligations for two spaces, for an obligatory period of 10 years.

Other commitment:

- i. As from June 17, 2002, CIE is guarantor and jointly liable with respect to a bank loan of Ps.80,000, which can be increased up to Ps.120,000. This loan was contracted by a Trust related to the stock option plan for Company executives, and is renewable annually until the Trust is extinguished.

NOTE 14 - CONTINGENCIES:

- a. Under the provisions of the Income Tax Law, parties carrying out operations with related parties, either resident in Mexico or abroad, are subject to tax limitations and obligations as concerns determination of transfer prices, which must be similar to those negotiated with unrelated parties in comparable operations.

In order to comply with the Law, the company has documented most of its foreign transactions with related parties.

- b. OCESA is involved in litigation concerning the extension of the lease agreement for the Teatro Orfeón. In management's opinion, the lawsuit will be favorably resolved and therefore no liability has been recorded in this connection.

Notes to the Consolidated Financial Statements

- c. For the 1994 and 1995 fiscal years, the tax authorities determined tax liabilities for OCESA of Ps.22,242 and Ps.68,626 (in thousands of historical Mexican pesos), respectively.
- d. On June 30, 2003, Televisa Entretenimiento, S.A de C.V., in accordance with the share purchase agreement, notified the Company of a number of differences resulting from the first stage of its due diligence review.

At the date of issuance of the audited financial statements, management has not recorded any provision for this item, as in its opinion the Company has the technical and accounting support to clarify these differences favorably during the later stages of this review.

NOTE 15 - EXTRAORDINARY ITEM:

In December 2001, the Argentine government set in place a number of measures designed to restrict the availability and circulation of cash and the transfer of money abroad, in order to be in a position to handle its loan obligations. However, following several days of political and social instability, in January 2002 the government passed the Law of Public Emergencies and Amendments to the Exchange System, which annulled the 1 to 1 exchange rate of the Argentine peso with the U.S. dollar, in effect since 1993, and established an official and a free exchange market.

Subsequently, on February 11, 2002, the Argentine Government abolished the former dual exchange market and established a single free exchange market, based on supply and demand. At that date the exchange rate was 1.80 Argentine pesos per U.S. dollar.

At the date of issuance of the audited financial statements, it was not possible to forecast Argentina's economic future, or the financial impact on CIE's subsidiaries in that country.

In December 2001, as a result of the foregoing, the Company and its subsidiaries revised future cash flows expected from their investments and assets pertaining to current and future operations in Argentina, and as a result, recorded as an extraordinary item the provisions necessary to reflect the current economic situation in that country.



LETTER OF THE AUDIT COMMITTEE

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To the Board of Directors of
CORPORACIÓN INTERAMERICANA DE ENTRETENIMIENTO, S.A. DE C.V.

In compliance with paragraph 5(a) of Article 14 Bis 3 of Mexico's Securities Exchange Law (*Ley del Mercado de Valores*) and on behalf of the Audit Committee of Corporación Interamericana de Entretenimiento, S.A. de C.V., this report is to inform you of our activities in the year ended December 31, 2002. In carrying out our work we have adhered to the recommendations of the Best Corporate Practices Code (*Código de Mejores Prácticas Corporativas*). In addition, the Company's Statutory Auditor was called in under the terms of the aforementioned law to assist in the Committee's meetings.

In accordance with the Committee's responsibilities, we undertook the following activities:

- 1) Contracted an external auditing firm to conduct the 2002 accounting audit, after a process of analysis and evaluation, including that of the Board of Directors recommended fee to the firm.
- 2) Conducted interviews with the external auditor to verify their compliance with independence requirements and supervisory personnel rotation. We also assessed the procedures and reach of their auditory tests and reviewed their comments concerning the development of internal control.
- 3) Examined the financial statements of the Company as of December 31, 2002, the auditor's report and the accounting policies used in their preparation. After reviewing the comments of the external auditor, we recommended to the Board of Directors that the financial statements be presented for the consideration of the Shareholders Assembly.
- 4) Reviewed the organizational structure of the Internal Auditor function, and established internal control groups in the corporate area as well as in each of the Divisions which comprise the Company's subsidiaries.
- 5) Relevant operations were properly informed by management of the Company pursuant to paragraph 4(d) of Article 14 Bis 3 of Mexico's Securities Exchange Law (*Ley del Mercado de Valores*).
- 6) Interviewed the Company's legal advisors and legal department in order to ascertain the Company's legal condition. We reviewed corporate documentation, governmental permits, litigation and judicial contingencies. The Audit Committee had no significant observations regarding these matters.

Roberto Albarrán Campillo
Chairman of the Audit Committee

Executive Directors

EXECUTIVE DIRECTORS

Alejandro Soberón Kuri

Chief Executive Officer

Rodrigo H. González Calvillo

Chief Operating Officer

José Manuel Alavéz González

Corporate Director of Development

Alejandro Garza Díaz

Corporate Director of Planning and Promotion

Arturo Graue Lozano

Corporate Director of Human Resources

Víctor Manuel Murillo Vega

Chief Financial Officer

Guillermina Pilgram Santos

Corporate Director of Public Relations

DIVISIONAL DIRECTORS

René Aziz Checa

President of Grupo Mantenimiento de Giros Comerciales Internacional, S.A. de C.V. (Grupo Mágico)

George González Alvarado

Managing Director of OCESA Entretenimiento, S.A. de C.V.

Federico González Compeán

Managing Director of CIE International

Gabriel Lecumberri Pando

Managing Director of Las Américas Complex

Manuel Pérez Díaz

Managing Director of CIE Commercial

Operating Directors

OCESA ENTRETENIMIENTO

Lorenza Baz Braun

Venta de Boletos por Computadora, S.A. de C.V.

Morris Gilbert Raisman

Theatrical Events

Joseph F. Heitzler

Grupo Automovilístico Nacional y Deportivo, S. de R.L. de C.V.
(CART Series)

Renato Herrera Reyes

Special Projects

Miguel Medina Menéndez

Creatividad y Espectáculos, S.A. de C.V.

Guillermo Parra Rivera

International Events

René Reyes Espinoza

Latin Events

Pedro Reyes Esquer

Talent Agency

Carlos Santos Pérez

Fairs

Mario Villa Vera

Operadora de Centros de Espectáculos, S.A. de C.V.

LAS AMÉRICAS COMPLEX

Sergio Alamán González

Hipódromo de las Américas

Eduardo Martínez Garza

Centro Banamex

Carlos Zamudio Jiménez

Administradora Mexicana de Hipódromo, S.A. de C.V.

CIE COMMERCIAL

Francisco Alonso Olivares

Publitol, S.A. de C.V.

Alberto Botello Reed

Unimarket, S.A. de C.V.

Martha Castro Estrada

MakePro, S.A. de C.V.

Patricia Farías Barlow

Representaciones de Exposiciones México, S.A. de C.V. (REMEX)

Omar López Escarpulli

Sistemas de Telecomunicación Interactiva, S.A. de C.V.
(Media Innovations)

CIE AMUSEMENT PARKS

Jane Cooper

The Original Creators, LLC. (Wannado®)

CIE INTERNATIONAL

Fernando Alterio

CIE do Brasil, S.A.

Philip Ernst

OCESA Presents, Inc.

Julia Gómez Cora

Theater - Spain

Ralph Hauser Sr.

Hauser-CIE Entertainment LLC.

Mónica Lozano Serrano

Estudio México Films, S.A. de C.V.

Bruce E. Moran

CIE-USA Entertainment, Inc.

Enrique Prosen

Radio Operations

Marcelo Ripoll

CIE-R&P, S.A.

† We regret the passing of our friend and partner Ralph Hauser Jr., on February 14, 2003.

Investor Information

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INFORMATION ON CIE'S SHARES AND UDI-DENOMINATED NOTES

Corporación Interamericana de Entretenimiento, S.A. de C.V., listed its series B shares on the Mexican Stock Exchange (BMV) in December 1995, under the ticker symbol CIE B. In addition, the Company completed two public offerings of seven-year UDI-denominated notes in March and April 2000 on the BMV, whose ticker symbols are CIE P00U and CIE P002U, respectively.

SHARE TICKER SYMBOLS

Bloomberg	CIEB MM
Reuters	CIEB MX
Infotel	CIE B

UDI-DENOMINATED NOTES TICKER SYMBOLS

Bloomberg	EC2400694 y EC375958
Reuters	CIEFLO0UP=MX

CORPORATE SITE

www.cie.com.mx

EXPLANATORY NOTE

Except for the historic information provided within this 2002 Annual Report ("the document"), statements included in this document regarding the Company's business outlook and anticipated financial/operating results or regarding the Company's growth potential, constitute forward-looking statements and are based on management expectations regarding the economic conditions in Mexico and the countries where CIE operates as well as the fluctuation of the Mexican Peso compared to the U.S. dollar and/or other currencies.

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Our Mission:

To satisfy the leisure-time entertainment and amusement needs, desires and expectations of the diverse Latin American social groups, becoming their best entertainment option, as well as to become an efficient integral marketing tool for artists, producers, and any kind of product and service providers, thus building a business circle to generate and promote social and economic development for the people who participate in and interact with our Organization.



CIE