

Letter from the President and Vicepresident of the Board

The Mexican economy ended the last year of the sexenio (six-year presidential term) and of the century with results substantially better than anticipated at the beginning of 2000.

Despite the fact that elections were held on that year, when the country underwent a change of the party in power for the first time in 71 years, the transition occurred without an end-of-term crisis, in an atmosphere of stability and improved macroeconomic variables.

This orderly change maintained the investors' and consumers' trust in the domestic market, a situation that was especially favorable for the housing sector.

The environment was especially beneficial for Consorcio ARA's global results, enabling it to reinforce its strengths. Thus, Consorcio ARA increased its unit sales by 19.3 percent during 2000, acknowledging income from 15,222 homes.

The construction sector worked during 2000 in an environment where cash underwent greater restriction, budgeted expenses for infrastructure projects were decreased, and foreign competition increased.

Despite the above, our company benefited from a change in the philosophy of affordable household credit approval, whereby institutions such as INFONAVIT granted a greater amount of credits under better conditions.

Additionally, the housing sector benefited from lower inflation and interest rates, as well as a stable rate of exchange, an improvement which our company used to maintain its important presence in the market.

The experience and professionalism of Consorcio ARA's personnel allowed us to develop creative strategies to maintain business diversification and increase sales, actions which maintained the success of the company, ever more responsible towards its clients, workers and associates.

Aggressive policies, backed by our suppliers, clients, associates and stockholders, improved operational and administrative efficiency, also improving company finances, maintaining the quality-product supply at affordable prices in the market, to benefit thousands of Mexican families.

During the year just ended, Consorcio ARA increased its revenues by 18.5 percent, posting 3,333 million pesos, while its comparable net profits increased by 20.2 percent.

Once again, the year 2000 posed important challenges to housing developers, so the organization kept on adopting structural, technological and operational changes, in order to better profit from the synergies in developing homes.

Its achievements positioned Consorcio ARA with greater competitive advantage for an ever more promising future in household development. These improvements reinforce the

company's commitment to work hard to seize the opportunities provided by the new political, economic, and social environment of the 21st century.

Overall Views

During the year 2000, the Mexican economy recorded the strongest growth in the last years, ending the year with a 6.9 percent increase in the GNP, favored by a benign international environment, stimulated by high growth in the American economy, and high oil prices.

On the other hand, inflation ended the year in 8.96 percent, the lowest since 1994. Thus, during the last year, the monetary policy goal of reaching an inflation below 10 percent set by the Bank of Mexico was achieved.

The above stimulated a decrease in interest rates, because the 28- day Cetes (Treasury Certificates) ended with an average 15.28 yearly rate. Meanwhile, the inter-bank rate of exchange ended the year even with a slight revaluation, at 9.65 pesos per dollar. With these results, the six-year-term crisis cycle which had troubled Mexico for almost three decades was broken.

Austere budget investment, with expenses of 155 billion pesos, had an impact on the construction industry in general, which only had a 5 percent growth rate in actual terms, being one of the least-growing industrial activities.

The construction sector suffered more because of the deceleration during the last quarter of the year, when the industry only had a 1.1 percent growth in actual terms. A similar behavior was shown by a sub-sector closely related to the construction industry: non-metallic minerals, where the cement industry is found.

Fortunately, in this respect, the household sector moved considerably away from the construction industry, since its business was highly specialized, and also benefited from greater credit flexibility.

An acceptable performance of the housing development sector was possible mostly because of the new INFONAVIT policies, which in order to guarantee a successful six-year-term transition undertook to build 300 thousand households from May 2000 through October 2001.

Thus, during 2000 INFONAVIT allocated a total of 250,110 units, a credit allocation 25.7 percent greater than its equivalent for 1999, when it delivered 198,950 households. Thus, the original goal for the year 2000, delivering 180,000 households, was exceeded by far.

Homes delivered by INFONAVIT, together with those from housing funds and institutions, as well as the SOFOLES, among which are FOVI, FOVISSSTE, FONHAPO, and VIVA, delivered a total of almost 400,000 households in the year 2000.

Consorcio ARA's Performance

Within a context of political and social changes, Consorcio ARA's performance during the year 2000 was outstanding. Its excellent results showed strength, growth, and consolidation of the company within the sector.

It is worth noting that the diversification in Consorcio ARA's supply and its market have enabled it to have different selling alternatives, in the different market segments, creating an interesting range of action.

Thus, Consorcio ARA achieved a 19.3% yearly increase in sold units, and an 18.5% increase in income. Gross profits increased by 17.5%, with a 28.9% gross margin, while net profits showed a 20.2% increase, with a 19.2% net margin, comparable to 1999. Considering the effect of the deferred tax, net margin was 14.7%. It is worth noting that when an analysis was made with comparable information, that is, eliminating the D-4 rule effects, profits per share were \$1.95, accounting for a 20.4% increase.

Consorcio ARA's financial strength was acknowledged once again by the Mexican Stock Market, reflecting the investors' trust in Consorcio ARA's solidity and strength, considering it one of the most appealing investment vehicles and with the greatest growth perspectives for the next years.

One very important element, which is necessary to incorporate the Consorcio ARA's performance in 2000, is the new version of Arahorro, a down payment savings program to acquire households, created together with the SOFOLES (FOVI).

Likewise, on September 2000, INFONAVIT granted Consorcio ARA 6,000 credits with Arahorro. Thus, Arahorro was subscribed in the framework of the Binomio-Ahorro program by INFONAVIT. This Arahorro system is a procedure through which workers achieve, through bi-weekly deposits, a "savings goal", in order to acquire a new house in any of the developments offered by Consorcio ARA in Mexico.

On the other hand, in April, Consorcio ARA, Nacional Financiera, and Banca Quadrum jointly made a Suppliers Development Program, ARA System, which consists in supporting Consorcio ARA's suppliers, classified as micro, small, medium, and if any, large companies, supplying goods and services, thus making their access to financing, training, and technical assistance easier.

Currently, with over three-decades in experience, Consorcio ARA is one of the most profitable companies in the housing sector. Its work reflects skill to build large volumes of high-quality, low production cost households, together with access to financing for credits, and its experienced management.

2000 Strategy

One of the reasons of Consorcio ARA's success is its construction and financing structure, which enables it to invest in building housing developments, the sale of which is supported by the different financing instruments to acquire households available in Mexico.

Consorcio ARA's broad operating, technical and financial capacity have enabled it to be ahead in the housing development sector in Mexico, competing with optimum levels of quality and efficiency. The deficit in this market is estimated around 7 million households; therefore, it guarantees important growth rates for those projecting long-term participation in the industry.

Land Bank and Household Construction

During 2000, Consorcio ARA managed again to remarkably increase its land bank. It is worth noting that this was made without generating additional financial burdens and without an impact to its liquidity and leverage levels.

It is important to say that, like in previous years, the presence of Consorcio ARA is evident in highly dynamic economic and demographic areas, such as the metropolitan area of the Valley of Mexico, the maquiladora band at the North of the country (Tijuana, Mexicali, and Ciudad Juarez), the Southeast touristic zone (Cancun-Tulum), besides another dozen zones.

By the end of the 2000 fiscal year, Consorcio ARA's land bank was increased by 39 percent with respect to December, in the previous year. Such reserve amounts to 18.9 million square meters, enough to build 108,195 homes, equivalent to 118,138 Consorcio ARA's affordable entry level homes.

The land bank keeps growing, with acquisitions chosen because of their growth potential. Currently, Consorcio ARA has 43 developments in 14 states of the Mexican Republic and the Valley of Mexico.

Household Construction

In 2000, Consorcio ARA sold 15,222 units, accounting for a 19.3 percent increase with respect to the previous year. 76.2 percent of this total accounts for affordable entry level units, 11.2 percent for middle income units, 0.8, to residential units, and 11.8 percent to PROSAVI-Progresiva.

It is worth noting that Consorcio ARA's policy enabled different investment alternatives to be located in different entities, after which the company capacity of action is as broad as 14 states.

Affordable Entry Level Units

Consorcio ARA sold 15,222 households during the year 2000, 11,607 of which were sold through the affordable entry level segment, accounting for 76.2% of total sales. Operations within this sector showed a positive performance, with a 6.5% growth, from 10,898 units in

1999 to 11,607 units in 2000. The perspective is that both sales and construction will keep on increasing in this segment.

Growth in this market was achieved through the expansion program towards the 14 different states where Consorcio ARA is working.

Middle Income

Consorcio ARA increased by 81.2% the middle income units sold in 2000, that is, 1,709 units; 1,163 of which it sold as a developer, and 546 through Joint Ventures. These figures set a difference of 766 with respect to 1999, when sales were 943 units: 695 as a developer and 248 in Joint Ventures. This increase enables to forecast equally optimistic results for this year.

It is worth mentioning that the onset of the comeback of the banks to this sector, as well as the B3 FOVI program are mainly responsible for this growth.

Residential

As to the residential household segment, in 2000 it showed an 11.5% increase, accounting for 116 units sold against 104 units in 1999, a slight but significant change which enables to expect a positive trend in this sense.

On the other hand, it is worth mentioning that within this sector, Consorcio ARA has a segment called Touristic Residential, a great product for more touristic areas, without forgetting about urban growth in traditional areas.

PROSAVI-Progresiva Special Housing Credit and Subsidies Program

It is worth noting that the PROSAVI program started during the fourth quarter of 1997, operated through FOVI, a segment which Consorcio ARA has very successfully served, thanks to the backlog existing within the company. On the other hand, on the second quarter of 2000, Consorcio ARA started the sale of Vivienda Progresiva, similar to PROSAVI's, but placed through INFONAVIT at a higher selling price. This is why the company re-named the PROSAVI sector as PROSAVI-Progresiva.

During 2000, the PROSAVI-Progresiva units reached a significant 1,790 number, with an income equivalent to 229 million pesos, with a 119.4% and 132.5% variation, respectively, with respect to the 816 units and 98.5 million pesos figures attained in 1999.

Relationship with Housing Organizations

One of Consorcio ARA's main tasks is the social commitment to provide housing for all the population. Thus, like in 1999, during 2000 it maintained excellent relations with housing organizations, with the banks and financial authorities. It is important to mention that thanks to its participation in this kind of projects, and its broad experience, new savings

and financing instruments were implemented for household acquisition, which started operating this year.

Due to the importance, long-term projection, and national scope of INFONAVIT, the 180,000 household goal was surpassed, delivering 250,000 popular households in 2000. In this same respect, another relevant institution, FOVI, keeps promoting quite successfully housing developments in this country. It is important to mention the middle B3 FOVI product, which has contributed to reactivate this segment.

Results Summary

In 2000, Consorcio ARA reported a total income of 3,333 million pesos, accounting for an actual yearly 18.5% increase. On the other hand, net profit for the same year, was 491.5 million. Without considering the effects of the new D-4 accounting rule on deferred taxes, in force since 2000, net profits would amount to 638.7 million, the net margin would be 19.2%, and the profit per share, 1.95. Considering the above, it would have a 20.2% increase with respect to the same period in the previous year. As to the net margin, it was 14.7% including the effect of the differed tax.

The housing sector conditions enabled Consorcio ARA to sell to its clients 6,283 households through INFONAVIT; from 5,324 through FOVI-FOVISSSTE , and 1,790 in PROSAVI-Progresiva. This product joins PROSAVI by FOVI, and Social Progresiva by INFONAVIT, both addressing the population with less income.

Together with the sales of 1,163 middle and 116 residential units, Consorcio ARA placed a total of 14,676 households as a developer. Collaborating in Joint Ventures, the company placed another 546 middle income units, adding up to a total sales figure of 15,222 units, an amount greater by 2,461 households than the one reported in 1999, when 12,761 units were sold.

For the time being, Consorcio ARA continues to have an optimal land reserve from a strategic, operational, and financial point of view, which was increased by 39 percent with respect to December 1999. It amounts to a 18.9 million square meter area, enough to build 108,195 households, equivalent to 118,138 affordable entry level ARA units.

Perspectives and Commitments for 2001

Although smaller growth can be anticipated for the economy of our country, and of the construction industry in particular, as well as a continuation of the restrictive budgeting policies, Vicente Fox's promise to cut down on the housing supply in our country, and to place 750 thousand units yearly by the end of his six-year term, enables to foresee that the household sector will maintain its dynamic growth.

The new landscape undoubtedly poses the challenge of intensifying our efforts and designing ever more creative strategies to maintain Consorcio ARA as a leading company in an increasingly competitive market.

Internal Organization

Consorcio ARA is aware that the correct operation of the internal working structures depends on personnel undertaking their true commitment. Only thus can the best service be offered, and lasting and beneficial relationships be established between all those involved. Therefore, Consorcio ARA's professional work is based on strategies that coordinate all levels to favor all areas crucial for everyday work, and for operational planning.

Also, the company permanently trains its personnel, preparing it for the enormous challenges brought about by the contemporary world, as well as smarter decision-making. Thus, personnel uses its knowledge, experience and capacity to serve the company and its clients.

Financial Statements

Independent Auditors

To the Board of Directors and Stockholders of Consorcio ARA, S. A. de C. V.:
(Amounts in thousands of pesos)

We have audited the accompanying consolidated balance sheets of Consorcio ARA, S. A. de C. V. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in stockholders' equity and changes in financial position for the years then ended, all expressed in thousands of Mexican pesos of purchasing power of December 31, 2000. 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.

As mentioned in Note 2.a to the accompanying financial statements, the Company applied the provisions of the new Bulletin D-4, "Accounting Treatment of Income Tax, Tax on Assets and Employee Statutory Profit-Sharing" as of January 1, 2000. The cumulative effect at that date was \$690,847, which was recorded in the accompanying financial statements by increasing the long-term deferred income tax liability and decreasing stockholders' equity by the same amount. The effect on 2000 was a \$198,792 charge

applied to results. For this reason, the amounts for the year ended December 31, 2000 contained in the aforementioned line items are not comparable with those of 1999.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Consorcio ARA, S. A. de C. V. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations, changes in their stockholders' equity and changes in their financial position for the years then ended in conformity with accounting principles generally accepted in Mexico.

The accompanying financial statements have been translated into English for the convenience of users.

Jorge López
March 9, 2001 □

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2000 AND 1999
(Thousands of Mexican Pesos of Purchasing Power of December 31, 2000)
ASSETS 2000 1999

CURRENT ASSETS:

Cash and temporary investments	\$ 531,861	\$ 386,520
Trade accounts receivable – net (Note 3)	700,626	657,097
Due from related parties (Note 4)	19,158	37,248
Inventories (Note 5)	2,167,606	1,848,775
Other assets (Note 6)	49,272	44,259
Total current assets	3,468,523	2,973,899

LAND HELD FOR FUTURE CONSTRUCTION (Note 5)	185,252	284,937
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INVESTMENT IN JOINT VENTURE AND CORPORATE TRUST (Note 7)	18,755	
14,536		

PROPERTY AND EQUIPMENT - net (Note 8)	277,370	247,963
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TOTAL ASSETS	\$ 3,949,900	\$ 3,521,335
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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Notes payable to banks (Note 9)	\$ 25,951	\$ 21,459
Current portion of long-term debt (Note 11)	10,495	
14,014		
Trade accounts payable	249,952	340,447



Accrued expenses and taxes (Note 10)	287,361	177,199
Income taxes and tax on assets payable	2,354	3,949
Employee statutory profit-sharing payable	525	396
Total current liabilities	576,638	557,464
LONG-TERM DEBT (Note 11)	12,270	
50,016		
LABOR OBLIGATIONS	-	364
DEFERRED INCOME TAX (Note 16)	846,182	-
Total current liabilities	1,435,090	607,844
STOCKHOLDERS' EQUITY (Note 12):		
Common stock	788,805	791,165
Additional paid-in capital	421,692	421,692
Reserve for acquisition of own stock	57,098	
76,358		
Gain on sale of repurchased stock	10,445	
10,799		
Retained earnings	1,906,136	1,416,602
Excess in restated stockholders' equity	12,581	
186,398		
Cumulative effect of deferred income tax	(690,847)	-
Majority stockholders' equity	2,505,910	2,903,014
Minority stockholders' equity	8,900	10,477
Total stockholders' equity	2,514,810	2,913,491
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3,949,900	\$
3,521,335		

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2000 AND 1999

(Thousands of Mexican Pesos of Purchasing Power of December 31, 2000, except majority earnings per share)

	2000	1999
REVENUES (Notes 14 and 17)	\$ 3,332,970	\$ 2,811,917
COSTS (Note 17)	2,370,290	1,992,558
GROSS PROFIT	962,680	819,359
GENERAL AND ADMINISTRATIVE EXPENSES	237,464	202,200
OPERATING INCOME	725,216	617,159

NET COMPREHENSIVE FINANCING COST:		
Interest expense	99,085	
65,776		
Interest income	(60,991)	(68,103)
Monetary position (gain) loss	(12,164)	72,361
Foreign exchange fluctuations - net	1,381	(4,284)
	27,311	65,750
OTHER INCOME - net (Notes 14 and 19)	(1,127)	(729)
EQUITY IN RESULTS OF JOINT VENTURE AND CORPORATE TRUST	(2,358)	(399)
INCOME BEFORE PROVISIONS AND EXTRAORDINARY GAIN	701,390	
552,537		
PROVISIONS (Note 16):		
Income taxes	206,139	5,420
Tax on assets	3,393	
19,064		
Employee statutory profit-sharing 518 409	210,050	24,893
INCOME BEFORE EXTRAORDINARY GAIN	491,340	527,644
EXTRAORDINARY GAIN – Benefit from tax loss carryforwards from prior years (Note 16)	-	3,492
CONSOLIDATED NET INCOME	\$ 491,340	\$
531,136		
NET INCOME OF MAJORITY INTEREST	\$ 489,534	\$ 529,203
NET INCOME OF MINORITY INTEREST	1,806	1,933
CONSOLIDATED NET INCOME	\$ 491,340	\$
531,136		
Basic majority earnings per share (Note 13)	\$ 1.50	\$ 1.62
Weighted average number of shares outstanding	327,155,582	
327,386,291		

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2000 AND 1999

(Thousands of Mexican Pesos of Purchasing
Power of December 31,2000)

Common Stock	Additional Paid-in Capital	Reserve for Acquisition of Own Stock	Retained Earnings	Gain on Sales of Repurased Stock
Excess in Restated Stockholders' Equity	Deferred Income Tax	Cumulative Restated Stockholders' Equity	Cumulative Effect of	
Total Stockholders' Equity (Note 12)				
BALANCE, JANUARY 1, 1999	\$ 789,585	\$ 421,692	\$ 67,260	\$ 2,006
367,017	\$ 9,216	\$ -	\$ 2,544,175	\$ 887,399
Sale of own stock - net	1,580	9,098	-	-
	-	-	-	10,678
Gain on sale of repurchased stock - net	-	-	8,793	-
	-	-	-	8,793
Result from holding nonmonetary assets	-	-	(180,619)	(672)
	-	-	-	(181,291)
Net income	-	-	529,203	1,933
	-	-	-	531,136
BALANCE, DECEMBER 31, 1999	791,165	421,692	76,358	10,799
10,477	-	2,913,491	1,416,602	186,398
Cumulative effect of deferred income tax (Note 2.a)	-	-	(2,709)	(690,847)
	-	-	-	(693,556)
Repurchase of own stock - net	(2,360)	(19,260)	-	-
	-	-	-	(21,620)
Loss on sale of repurchased stock - net	-	-	(354)	-
	-	-	-	(354)
Result from holding nonmonetary assets	-	-	(173,817)	(674)
	-	-	-	(174,491)
Net income	-	-	489,534	1,806
	-	-	-	491,340
BALANCE, DECEMBER 31, 2000	\$ 788,805	\$ 421,692	\$ 57,098	\$ 10,445
\$ 12,581	\$ 8,900	\$ (690,847)	\$ 2,514,810	\$ 1,906,136

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION YEARS
ENDED DECEMBER 31, 2000 AND 1999
(Thousands of Mexican Pesos of Purchasing

Power of December 31, 2000)

2000 1999

OPERATING ACTIVITIES:

Net income before extraordinary gain \$ 491,340 \$ 527,644
 Items that did not require resources:
 Depreciation 40,508 31,550
 Labor obligations (364) 100
 Deferred taxes 141,982 -
 Equity in results of joint venture and corporate trust (2,358) (399)
 671,108 558,895

Changes in operating assets and liabilities:

Trade accounts receivable - net (43,529) (19,630)
 Due from related parties 18,090 (23,822)
 Inventories (382,993) (636,278)
 Other assets (5,013) (9,036)
 Trade accounts payable (90,495) 212,295
 Accrued expenses and taxes 110,162 86,772
 Income taxes and tax on assets payable (1,595) (3,189)
 Employee statutory profit-sharing payable 129 106
 Resources provided by operating
 activities before extraordinary gain 275,864 166,113
 Extraordinary gain - 3,492
 Net resources provided by operating activities 275,864 169,605

FINANCING ACTIVITIES:

Notes payable to banks and long-term debt - net (36,773) (66,157)
 (Repurchase) sale of own stock - net (21,974) 19,471
 Cumulative effect of deferred income tax:
 Increase in liabilities 690,847 -
 Decrease in stockholders' equity (690,847) -
 Net resources used in financing activities (58,747) (46,686)

INVESTING ACTIVITIES:

Investment in property and equipment (69,915) (113,301)
 Investment in joint venture and corporate trust (1,861) (5,396)
 Resources used in investing activities (71,776) (118,697)

INCREASE IN CASH AND TEMPORARY INVESTMENTS 145,341 4,222

CASH AND TEMPORARY INVESTMENTS

At the beginning of year 386,520 382,298
 At the end of year \$ 531,861 \$ 386,520

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2000 AND 1999
(Thousands of Mexican Pesos of Purchasing Power of December 31, 2000,
except majority earnings per share)

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Nature of business - Consorcio ARA, S. A. de C. V. and its subsidiaries (collectively "the Company") design, develop, construct and market affordable entry-level, middle-income and residential housing developments and also operate as a contractor for parties that are not affiliated with the Company in the construction, promotion and marketing of commercial and industrial developments.

Basis of presentation - The accompanying consolidated financial statements include the accounts of Consorcio ARA, S. A. de C. V. ("ARA") and its subsidiaries. Significant intercompany balances and transactions have been eliminated in consolidation. Subsidiaries of ARA, included in these consolidated financial statements are as follows:

Subsidiary Percentage of ownership

Consorcio de Ingeniería Integral, S. A. de C. V. ("CIISA")	99.6 %
Proyectos Urbanos Ecológicos, S. A. de C. V. ("PUESA")	99.9 %
Constructora y Urbanizadora ARA, S. A. de C. V. ("CUARA")	99.9 %
Inmobiliaria ACRE, S. A. de C. V. ("ACRE")	99.1 %
Asesoría Técnica y Administrativa GAVI, S. A. de C. V. ("GAVI")	99.9 %
Comercialización y Ventas, S. A. ("COVENSA")	98.0 %

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies are in accordance with generally accepted accounting principles in Mexico and are summarized as follows:

a. Comparability - In May 1999 the Mexican Institute of Public Accountants issued the new Bulletin D-4, "Accounting Treatment of Income Tax, Tax on Assets and Employee Statutory Profit-Sharing" (D-4), whose application is mandatory as of January 1, 2000. In accordance with D-4, the provisions for income tax and employee profit-sharing are recorded in results of the year in which they are incurred and the deferred effects caused by temporary differences are recognized.

New Bulletin D-4 – In May 1999 the Mexican Institute of Public Accountants issued the new Bulletin D-4, "Accounting Treatment of Income Tax, Tax on Assets and Employee Statutory Profit-Sharing" (D-4), whose application is mandatory as of January 1, 2000. In accordance with D-4, the provisions for income tax and employee profit-sharing are

recorded in results of the year in which they are incurred and the deferred effects caused by temporary differences are recognized.

The cumulative effect at January 1, 2000 from applying D-4 was \$690,847, which was recorded in the accompanying financial statements by increasing the long-term deferred income tax liability and decreasing stockholders' equity by the same amount. The effect on 2000 was a \$198,792 charge applied to results of operations. For this reason, the amounts presented for the year ended December 31, 2000 contained in the aforementioned line items are not comparable with those of 1999.

b. Temporary investments - Temporary investments are stated at the lower of acquisition cost plus accrued yields, or net realizable value.

c. Inventories

1. Work in process and construction materials are valued at acquisition cost and are restated for the effects of inflation using an internal inflation index developed by the Company based on changes in prices of construction materials. The balance of work in process is estimated using the percentage of completion method.

2. Land held for future construction and real estate developments in progress is valued at acquisition cost and is restated to replacement cost as determined by independent appraisers.

d. Investment in joint venture and corporate trust - The investments in joint venture and corporate trust are accounted for using the equity method. Unearned intercompany profits are eliminated in applying the equity method.

e. Property and equipment – Property, plant and equipment are initially recorded at acquisition cost and restated by the method of adjustments due to changes in general price levels, per the NCPI. In accordance with the Fifth Document of Amendments to Bulletin B-10 (Modified), the acquisition cost used to restate fixed asset acquired up to December 31, 1996 were those reported at that date based on net replacement values determined by expert appraisals. Depreciation is computed using the straight-line method based on the remaining useful lives of the related assets, as follows:

Average Years

Building 32

Machinery and equipment 5 - 12

Vehicles 3

Office furniture and fixtures 6 - 10

f. Labor obligations - Seniority premium and pension plan are recognized as costs over employee years of service and are calculated by independent actuaries using the projected

unit credit method at net discount rates. Severance is charged to results when the liability is determined to be payable. Other disclosures required under generally accepted accounting standards are not considered material.

g. Revenue and cost recognition - Revenues from the Company's activities as a developer and as a contractor are recognized using the percentage-of-completion method, measured based on the percentage of actual costs incurred to total estimated costs for each development and each project. Under this method, estimated gross profits attributable to the development are multiplied by such percentage and the product is added to actual costs incurred to date to determine the amount of recognizable revenue. The Company begins applying the percentage-of-completion method to costs and revenues arising from its activities as a housing developer when the following conditions have been met:

- The home buyer has made the required down payment;
- The home buyer has signed the purchase/sales contract; and
- The home buyer has filed all pertinent official documentation required to obtain a loan and (i) in the case of sales funded by the National Workers' Housing Fund (INFONAVIT) and by the Housing Fund of the Government Workers Social Security and Services Institute (FOVISSSTE), the buyer obtains the minimum approval rating required; (ii) the home buyer has obtained from the bank and/or the Fund for Housing Banking Transactions and Funding (FOVI) approval of its loan for housing purchases; (iii) (a) when a buyer acquires the land from the Company, first a deed is issued and (b) a loan is secured from a bank to build the house, and the bank begins to make prepayments to the Company, based on the progress made, and; (iv) per the Special Program for Housing Loans and Subsidies (PROSAVI), the home buyer pays a minimum of 10% of the value of the housing as a down payment, securing authorization for the loan to be granted by FOVI through a bank or funding entities through an auction. This program was established by the federal government, which grants a 20% subsidy through the Ministry of Finance and Public Credit to allocate housing to persons earning up to three times the minimum wage in the Federal District of Mexico.

The Company applies the percentage-of-completion method to costs and revenues generated by its activities as a contractor upon commencement of such activities under the relevant contract.

Contract costs include all direct material and labor costs and those indirect costs related to the development of the project, such as indirect labor, supplies, tools, repairs and depreciation costs. General and administrative costs are charged to results when incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

h. Income taxes, tax on assets and employee statutory profit-sharing - For the years ended December 31, 1999 and 1998, ARA and its subsidiaries filed separate tax returns. Provisions for income taxes and employee statutory profit-sharing are recorded in results of

the year in which they are incurred and the deferred effects of temporary differences are recognized.

D-4 requires recording the deferred effects of transactions and other economic events recognized in the financial statements in periods other than that considered in company returns, using the following methodology:

1. Deferred income tax effects consider all temporary differences determined by comparing the tax and book values of assets and liabilities. If applicable, the benefit from tax loss carryforwards is also included.

2. Tax on assets paid that is expected to be recoverable is recorded as an advance payment of income tax and is presented with deferred income taxes.

i. Concentrations of credit risk - The financial instruments which potentially expose the Company to credit risk are trade receivables. To reduce credit risk, the Company periodically evaluates the financial position of its customers, but does not require guarantees from them. The Company believes that its concentration of credit risks is minimal because these receivables are guaranteed by the bank granting the loan to the customers and by INFONAVIT, FOVI and FOVISSSTE, which finance housing for the home buyers.

j. Use of estimates – The preparation of financial statements in accordance with accounting principles generally accepted in Mexico requires management to make estimates and assumptions which affect the figures reported in the financial statements and the accompanying notes. Although these estimates are based on management's best knowledge of current events, actual results may differ.

k. Majority earnings per share - Basic majority earnings per share results from dividing net income attributable to the majority interest by the weighted average number of common shares outstanding during the year.

l. Monetary position - Monetary position (gain) loss is calculated by applying the NCPI to the monthly net monetary position. A (gain) loss results from maintaining a net (liability) asset monetary position.

m. Reclassifications - Certain reclassifications have been made to the 1999 financial statements to conform with the presentation adopted in 2000.

3. TRADE ACCOUNTS RECEIVABLE

2000

1999

As developer:
 Unbilled revenues on developments
 in progress \$ 706,872 \$ 662,182

As contractor:
 Billings on contracts 809 609
 707,681 662,791
 Less - reserve for bad debts 556 661
 Less - reserve for contract cancellations 6,499 5,033
 \$ 700,626 \$ 657,097

4. DUE FROM RELATED PARTIES

Accounts receivable from related parties consist of construction receivables recognized under the percentage of completion method and consist of the following:

2000 1999

Constructora y Urbanizadora ARA, S. A. de C. V., A. en P. Corporate Trust (ACRE and Confraco, S. A. de C. V.)	13,814	25,219	\$ 5,318	\$ 12,029
Operadora de Clubs de Palya y Deportivos, S.C. 26 -	\$ 19,158		\$ 37,248	

5. INVENTORIES

A. Inventories are as follows:

2000 1999

Work in process		\$ 767,082	\$ 513,382
Developments in progress	422,660	510,333	
Land held for future construction	819,346	719,399	
Construction materials	60,117	60,987	
Advances to suppliers	98,401	44,674	
	\$ 2,167,606	\$ 1,848,775	

b. The Company's policy is to locate and acquire land each year, classifying in short-term land in progress or land planned to be developed within the next year, and in long-term all remaining land.

6. OTHER ASSETS

2000 1999

Other accounts receivable \$ 12,272 \$ 8,806
 Recoverable taxes, primarily value added taxes 16,118 7,924
 Advance payments 8,902 12,500
 Deposits 11,980 15,029
 \$ 49,272 \$ 44,259

7. INVESTMENT IN JOINT VENTURE AND CORPORATE TRUST

2000 1999 Participación

Constructora y Urbanizadora ARA, S. A. de C. V., A. en P.	\$ 6,499	\$ 5,413	50%
Corporate Trust (ACRE and Confraco, S.A. de C.V.)	12,256	9,123	50%
	\$ 18,755	\$ 14,536	

The entities above develop real estate projects. Construction and sales services are provided by the Company.

8. PROPERTY AND EQUIPMENT

2000 1999

Building \$ 30,388 \$ 30,406
 Machinery and equipment 322,265 274,032
 Vehicles 75,364 62,384
 Office furniture and fixtures 30,551 24,563
 458,568 391,385
 Less - accumulated depreciation 181,198 143,422
 \$ 277,370 \$ 247,963

9. NOTES PAYABLE TO BANKS

2000 1999

Construction financing loans, denominated in UDI's, secured by the related developments, bearing interest at an annual average interest rate of 9.8% and 9.9%, respectively. \$ 25,575 \$ 21,049

Loans denominated in Mexican pesos, secured by the related developments, bearing interest at an annual average interest rate of 23.86% and 23.75%,

respectively. 376 410
 \$ 25,951 \$ 21,459

References herein to "UDI" are to "Unidad de Inversión", a peso currency equivalent indexed for Mexican inflation.

The value of one UDI at December 31, 2000 and 1999 is \$2.909158 and \$2.671267 (historical pesos), respectively.

10. ACCRUED EXPENSES AND TAXES
 2000 1999

Taxes, other than income taxes
 and tax on assets \$ 11,309 \$ 6,064
 Accrued expenses 36,102 25,760
 Interest payable 432 477
 Advances from customers 208,318 124,116
 Deposits 31,200 20,782
 \$ 287,361 \$ 177,199

11. LONG-TERM DEBT
 2000 1999

Notes payable denominated in UDI's, secured by land,
 principal due from 2001 to 2004, bearing interest at
 an annual interest rate of 9.75% in both years. \$ 22,765 \$ 36,790

Medium-term note, denominated in Mexican pesos,
 average rate of 22.78%. (1) - 27,240
 22,765 64,030

Current portion of the long-term debt (10,495) (14,014)
 \$ 12,270 \$ 50,016

(1) In addition, CIISA maintains a line of credit, which expires on December 31, 2001, totaling \$250,000. At December 31, 2000, such credit line has not been drawn upon and is fully available. Accordingly borrowings under this line of credit are classified as long term. The guarantors for said note were ARA, CUARA, PUESA and ACRE.

Maturities of long-term debt at December 31, 2000 are as follows:

Year	Amount
2002	\$ 6,322
2003	5,302

2004 646
\$ 12,270

12. STOCKHOLDERS' EQUITY

a. Stockholders' equity at December 31, 2000, is as follows:

Common stock	326,408,374	\$ 435,211	\$ 353,594	\$ 788,805
Additional paid-in capital	- 221,535	200,157	421,692	
Reserve for acquisition of own stock	- 31,222	25,876	57,098	
Gain on sale of repurchased stock	- 8,754	1,691	10,445	
Retained earnings		- 1,697,358	208,778	1,906,136
Excess in restated stockholders' equity	- -	12,581	12,581	
Cumulative effect of deferred income tax	- (634,037)	(56,810)	(690,847)	
Minority stockholders' equity	- 8,584	316	8,900	
	326,408,374	\$ 1,768,627	\$ 746,183	\$ 2,514,810

b. At the Ordinary stockholders' meeting of ARA, held on April 25, 1997, authorization was granted to create a reserve for the repurchase of the Company's own stock of \$80,259 (\$51,000 historical pesos), the maximum amount of stock authorized to be repurchased is 2% of outstanding common stock.

c. At the stockholders' special meeting on July 1, 1999, the Company agreed to triple the number of shares of common stock outstanding by means of a "Split" and payment thereof to stockholders as paid-in shares, in the proportion of two shares for each share already issued by the Company. Therefore, capital stock consists of 328,211,874 ordinary shares, with no par value, with no subscription limitations, fully subscribed and paid.

d. In 2000 and 1999, the Company purchased and sold its own stock resulting in a net (loss) gain of \$(354) and \$8,793 respectively.

At December 31, 2000, the Company held 1,803,500 shares repurchased during December 2000. At December 31, 2000, the market value of the Company's shares was \$11.40 per share.

e. Excess in restated stockholders' equity represents the accumulated monetary position result through the initial restatement of the financial statements and the increase in the restated value of inventories below inflation.

f. Stockholders' equity, except restated paid-in capital and tax retained earnings (balances of the net tax income and reinvested net tax income accounts) and any portion covered by deferred income tax recorded (See Note 16), will be subject to a 35% dividend tax, payable by the Company, in the event of distribution.

Payments of dividends to individuals or foreign corporations are subject to an effective withholding rate of 7.57% if the profits come from years prior to 1999, while the effective rate of 7.69% applies to profits obtained after 1998. These rates may be modified due to the benefits granted by double taxation treaties signed between Mexico and the countries in which the foreign entities reside.

The contributed capital account generated by Consorcio Ara, S. A. de C. V. and the consolidated net tax income account and reinvested net tax income account at December 31, are as follows:

2000 1999

Contributed capital account	\$ 1,050,156	\$ 1,050,156
Net tax income account	70,883	70,530
Reinvested net tax income account	10,451	3,317

Total	\$ 1,131,490	\$ 1,124,003
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13. EARNINGS PER SHARE

2000 1999

P e s o s

Income before extraordinary gain per share	\$ 1.50	\$ 1.61
Extraordinary gain per share	- 0.01	

Basic majority earnings per share	\$ 1.50	\$ 1.62
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14. RELATED PARTY TRANSACTIONS

The Company carried out transactions with the joint venture and corporate trust discussed in Note 8, in the ordinary course of business, as follows:

2000 1999

Administrative services income \$ 903 \$ 174

Commissions income \$ 276 \$ 4,277

Contractor sales \$ 108,105 \$ 72,992

Interest income \$ - \$ 191

15. FOREIGN CURRENCY BALANCES AND TRANSACTIONS

Foreign currency transactions are recorded at the applicable exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currency are converted into Mexican pesos at the applicable exchange rate at the date of the financial statements. Exchange fluctuations are recorded in results of operations.

a. Monetary balances denominated in foreign currency at December 31, 2000 were as follows:

U.S. Dollars Equivalent in
(Thousands) Mexican Pesos

Assets 440 \$ 4,227

Liabilities (5,294) (50,876)

Net liability position (4,854) \$ (46,649)

b. Transactions denominated in U.S. dollars were as follows:

(Mexican Pesos)

2000 1999

Land purchases \$ 48,034 \$ 106,043

Equipment acquisitions \$ 30,013 \$ 18,629

c. The exchange rate in effect at December 31, 2000 and 1999, as reported by the Central Bank of Mexico, was \$9.6098 and \$9.4986 respectively, per one U.S. dollar.

16. PROVISIONS FOR INCOME TAXES AND TAX ON ASSETS

Consorcio ARA, S. A. de C. V. and subsidiaries file individual returns for income tax and tax on assets.

a. The provisions for income taxes, tax on assets and employee statutory profit-sharing consist of the following:

2000 1999

Income tax:

Current \$ 7,347 \$ 5,420

Deferred 198,792 -

206,139 5,420

Tax on assets 3,393 19,064

Employee profit-sharing 518 409

\$ 210,050 \$ 24,893

For the years ended December 31, 2000 and 1999, certain companies used tax loss carryforwards of \$168,691 and \$59,975 respectively. The respective tax benefit for tax loss carryforwards was recorded as a decrease in the deferred income tax liability in 2000, and in 1999, was presented in the statement of income as an extraordinary gain for \$3,492, net of tax on assets.

b. Remaining restated tax losses in the amount of \$91,092 may be used to offset taxable income generated in the future. Such carryforwards expire between 2006 and 2009.

An asset tax, equivalent to an alternative minimum tax, is payable at the rate of 1.8% on the net amount of certain assets and liabilities, but only when the amount of asset tax exceeds the income tax due. Asset tax paid may be recovered in the following 10 years, to the extent income tax exceeds asset tax in those years.

Remaining restated tax on assets in the amount of \$82,263 may be used to offset income taxes payable in the future. Such carryforwards expire between 2001 and 2009.

Carryforward amounts by subsidiary are as follows:

Company Tax on Tax Loss

Assets

ARA \$ 40,752 \$ 1,743

ACRE 9,887 1,944

PUESA - 3,659

CUARA 40,453 18,366

CIISA - 56,551

\$ 91,092 \$ 82,263

c. The income tax rate in Mexico is 35%, with the option to pay the tax at a 30% rate. The remaining 5%, for which a liability has been recognized, will be paid when profits are distributed. Reconciliation of the statutory income tax rate and the effective rate as a percentage of income before provisions for 2000 is:

%

Statutory rate	35%
Effect of permanent differences	(0.32)
Effects of inflation	(4.15)
Other	(1.14)
Effective rate	29.39%

The effective 1999 income tax rate differs from the income tax rate mainly due to certain recurring temporary differences and the effects of inflation for which no deferred income tax was recorded, because applicable accounting regulations did not so require, and to permanent differences.

d. At December 31, 2000 the main items comprising the balance of deferred income tax are follows:

Deferred income tax liabilities:

Inventories	\$ 733,342
Unbilled revenues on developments in progress	218,908
Property, plant and equipment	54,013
	1,006,263

Deferred income tax assets:

Advances from customers	48,620
Reserve for bad debts and contract cancellations	2,469
Effect of tax loss carryforwards	31,882
Other	369
	83,340
Recoverable tax on assets	82,263
	840,660
Reserve of valuation (1)	5,522
Net liability	\$ 846,182

(1) A net deferred income tax asset of Consorcio ARA, S.A. de C.V. generated individually was not recorded because there is not a high probability of recovery.

17. REVENUE AND COST INFORMATION

The Company operates as a developer and a contractor as discussed in Note 2. Information on revenues and costs relative to these activities is as follows:

2000 1999

Revenues:

As developer \$ 3,224,083 \$ 2,737,419

Como contratista 108,887 74,498

\$ 3,332,970 \$ 2,811,917

Costs:

As developer \$ 2,292,173 \$ 1,940,544

As contractor 78,117 52,014

\$ 2,370,290 \$ 1,992,558

18. OTHER INCOME

2000 1999

Administrative services \$ 903 174

Commissions 276 4,277

Other (52) (3,722)

\$ 1,127 \$ 729

19. MORTGAGE COMMITMENT BACKLOG

The mortgage commitment backlog is measured in terms of the number of homes for which the Company has received confirmation from mortgage providers that, once qualified home buyers are located, mortgage financing will be made available. For the year ended December 31, 2000, the confirmations received by the Company are for the sale of 19,504 homes at an estimated sales value of \$4,874,491.

20. SUBSEQUENT EVENTS

As of March 9, 2001, the Company held 2,608,500 repurchased shares, which the Company is in the process of selling. The market value of the Company's share on March 9, 2001, was \$11.49 per share.