



82- SUBMISSIONS FACING SHEET

MICROFICHE CONTROL LABEL



**Follow-Up
Materials**

REGISTRANT'S NAME Hilasal Mexicana S.A. de C.V.

*CURRENT ADDRESS Monte Morelos No. 301
Zapopan, Jalisco
C.P. 45060, Mexico

**FORMER NAME _____

**NEW ADDRESS _____

PROCESSED
MAR 19 2003
THOMSON
FINANCIAL

FILE NO. 82- 4743 FISCAL YEAR 12-31-00

• Complete for initial submissions only ∞ Please note name and address changes

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Hilti AG

2000 ANNUAL REPORT

Hilasal

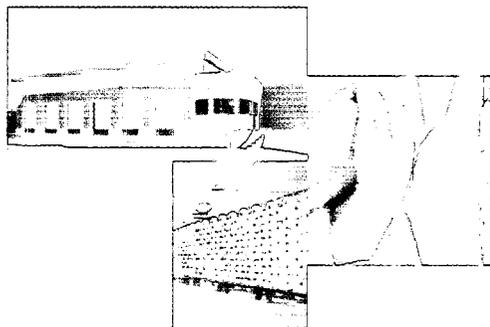
Traded in the Mexican Stock Exchange
Code: Hilasal A
Shares are registered in
The National Securities Registry

ADR I level 1 Program with
The Bank of New York
Code: HLMXY



Registration with the National Securities Registry
does not certify the nature of the stock
nor the solvency of the issuer.

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HIPROSA

TO OUR SHAREHOLDERS

A 5.9% growth in volume and 7.8% growth in dollar terms were achieved during fiscal year 2000, compared to 1999.

Forecasted results were not achieved mainly due to the slowdown of the US economy during the latter part of the year.

Inflation of 8.9% and a 1.2% appreciation of the peso, in regards to the dollar, had important repercussions on our Financial Statements as values were updated in accordance with generally accepted accounting principles.

The majority of our operations are handled in US dollars, therefore in this report you will find financial information expressed in dollars, at the exchange rate in effect at the end of each month.

The headway achieved in economic matters in Mexico reassures and encourages us to continue, on solid ground, seizing growth opportunities in the domestic and world markets, maintaining our fundamental tenet of continuously maximizing shareholder value.

On behalf of the Board of Directors and the Executive Committee, we appreciate your trust in the Company.

July 2001

BOARD OF DIRECTORS

PRESIDENT

Lic. Pablo García Barbachano

SECRETARY

Don Eduardo Sol Masachs

BOARD MEMBERS

Lic. Ricardo Sagrera Bogle

Lic. Jorge García Fernández

Lic. Federico Casas Crespo *

Lic. José Julián Franco Oyanguren *

Ing. José Eduardo Sol Lorenzana

Ing. Armando García Fernández

Lic. John Ramos Michelangeli *

ALTERNATE MEMBERS

C.P. José Luis González Silva

Lic. Alfredo González Barba

Lic. Mauricio Zabalgoitia Marchand

COMPTROLLER

C.P. Alfredo Varela Tostado

EXECUTIVE COMMITTEE

Don Eduardo Sol Masachs

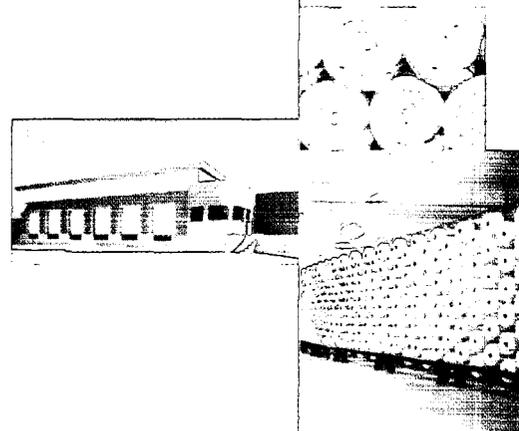
Lic. Ricardo Sagrera Bogle

Lic. Jorge García Fernández

Ing. José Eduardo Sol Lorenzana

Ing. Armando García Fernández

* From outside the organization



OUR VISION

Be a model company in terms of quality, innovative products, technology, shareholder return, and customer, supplier, associate and community relationships.

Be a world leader in the manufacture and marketing of textile consumer products, acknowledged as the best business option.

OUR MISSION

Manufacture the best towels in the world.

OUR PRINCIPLES

Achieve customer service excellence by listening, understanding and exceeding our customers' expectations with creativity, service and competitive pricing.

Our greatest asset to successfully compete in the global market lies in our people. We are committed to building a high performance team through open communications, professional development opportunities and respect for our employees.

Committed to providing leadership and making a positive contribution to the economic and social development of our nation.

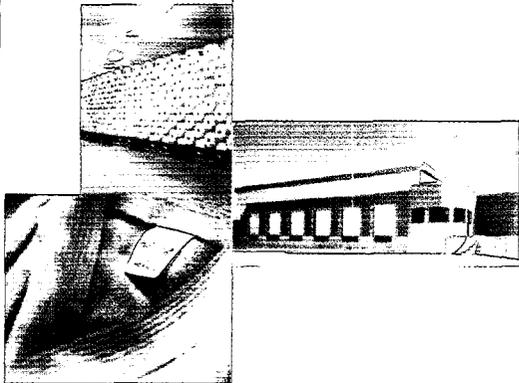
Create shareholder value by growing the business profitably and achieving returns above the cost of capital.

Respect and enhance our environment.

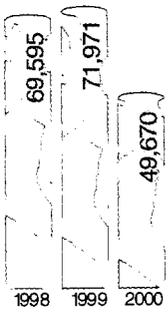
OUR QUALITY POLICY

Satisfy our customers through on-going enhancements.

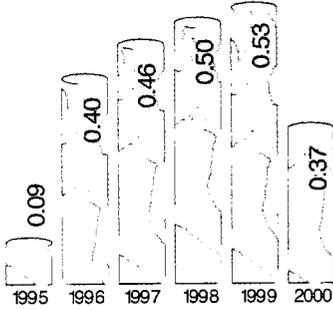
AT HILASAL WE ARE COMMITTED TO
OUR CLIENTS AND OUR SHAREHOLDERS.



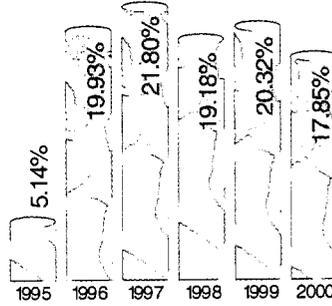
NET EARNINGS
(THOUSANDS OF PESOS)



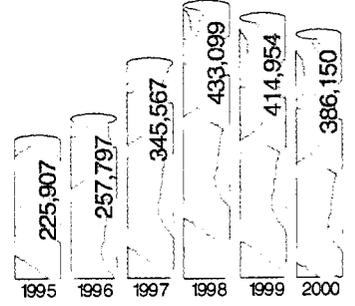
EPS
(PESOS)



EARNINGS/EQUITY
(PESOS)



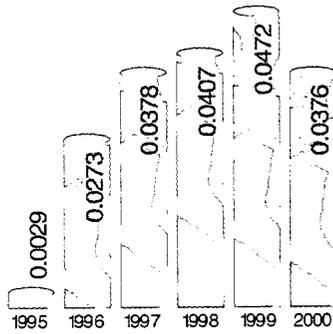
FIXED ASSETS
(THOUSANDS OF PESOS)



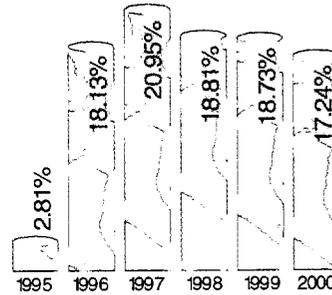
NET EARNINGS
(THOUSANDS OF DOLLARS)



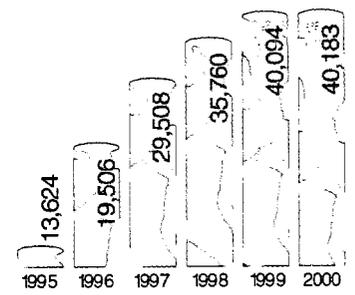
EPS
(DOLLARS)



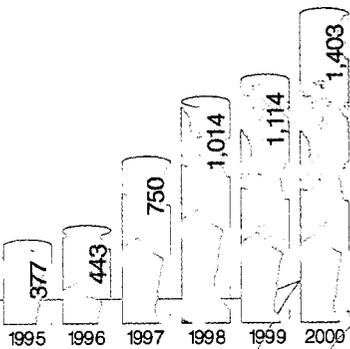
EARNINGS/EQUITY
(DOLLARS)



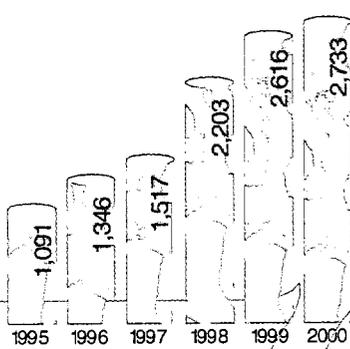
FIXED ASSETS
(THOUSANDS OF DOLLARS)



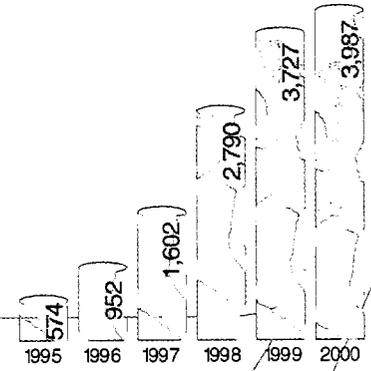
NUMBER OF EMPLOYEES



DOMESTIC SALES
(THOUSANDS OF UNITS)

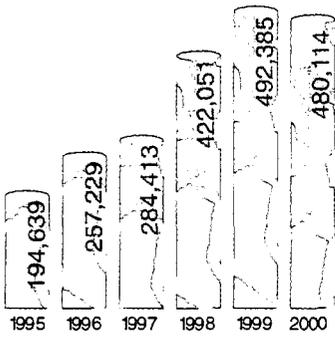


EXPORT SALES
(THOUSANDS OF UNITS)

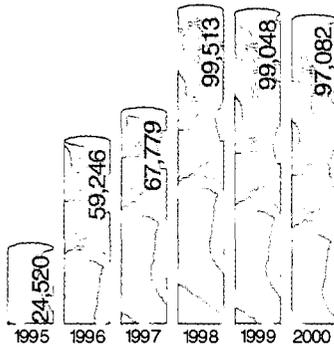


FINANCIAL SUMMARY CHARTS

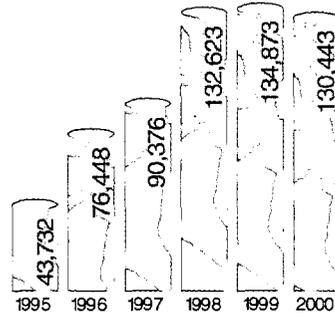
SALES REVENUE
(THOUSANDS OF PESOS)



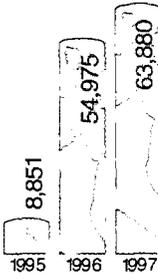
OPERATING EARNINGS
(THOUSANDS OF PESOS)



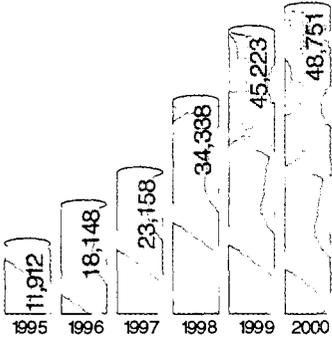
EBITDA
(THOUSANDS OF PESOS)



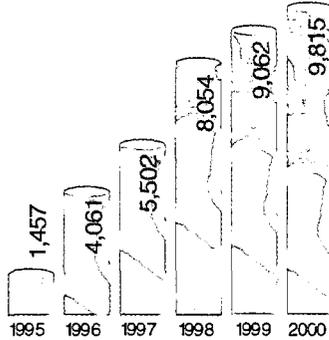
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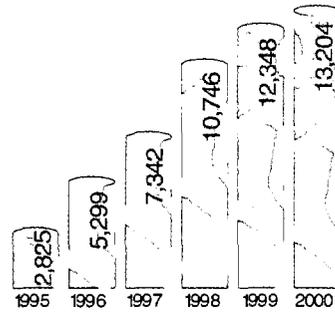
SALES REVENUE
(THOUSANDS OF DOLLARS)



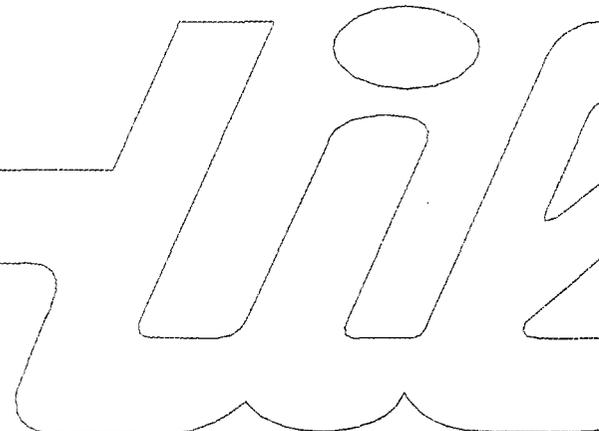
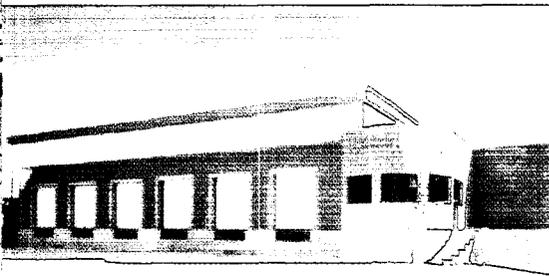
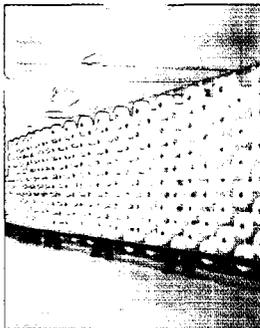
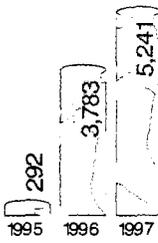
OPERATING EARNINGS
(THOUSANDS OF DOLLARS)

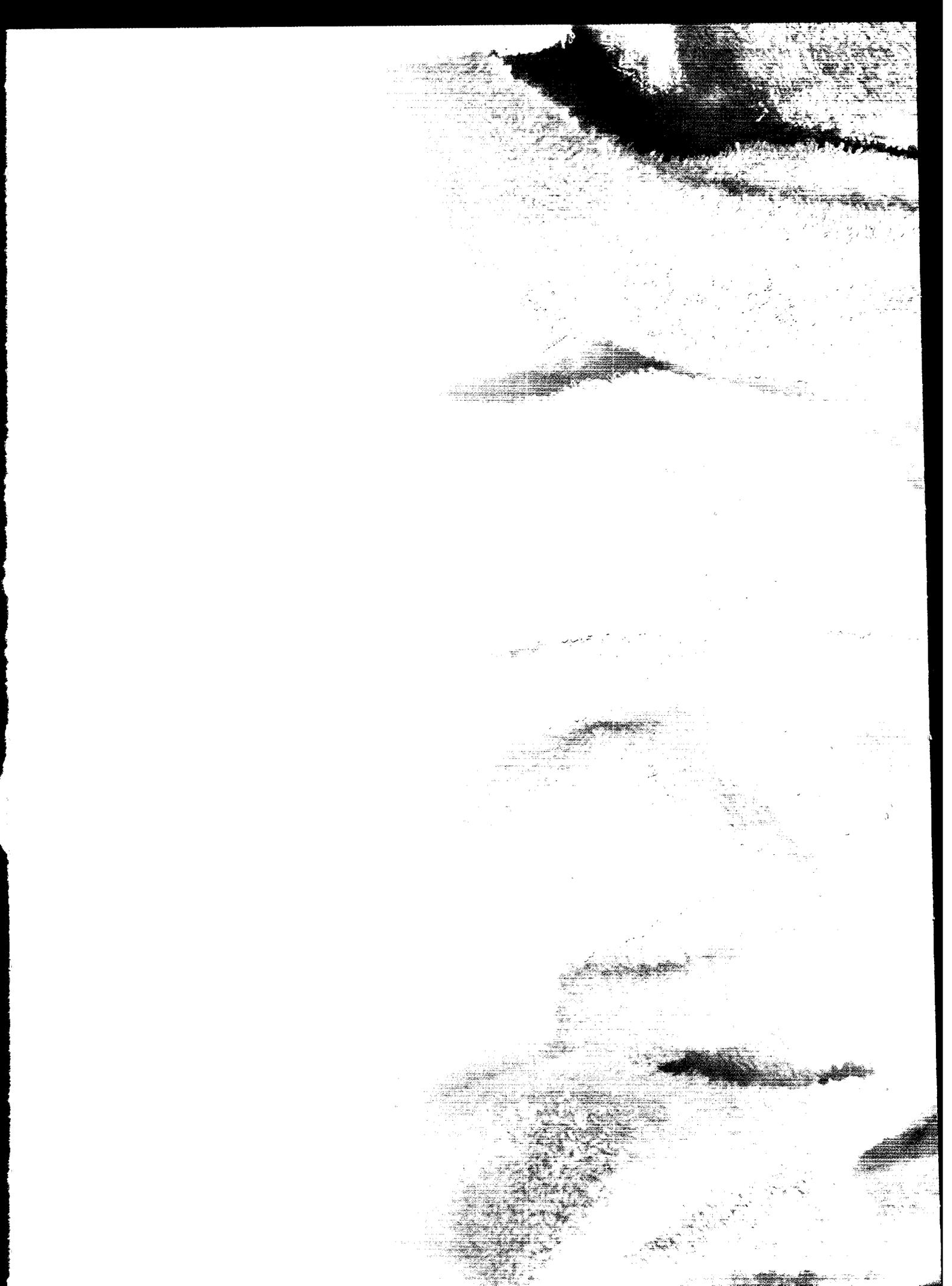


EBITDA
(THOUSANDS OF DOLLARS)



(THOUSAN





JANUARY

For ease of understanding, the decision was made to present the Financial Statements in dollar figures, converted at the exchange rate in effect at the end of each month, beginning in the year 2000.

As new machinery was introduced and technology changed, the kilo was adopted as the weight measure substituting the information previously being used in the production processes.

HOT GROWTH COMPANIES



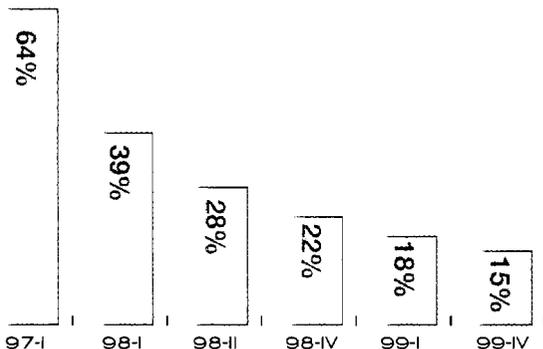
FEBRUARY

Latin Trade Magazine, in its February 2000 issue, published an article on the 50 Latin America companies worth watching in regards to growth. It ranks the companies' increases in sales and revenues during the twelve-month period ending June 1999. It ranked Hilasal 11th among those with the highest growth.



MARCH

New starching and sewing equipment, part of Phase VI of the Expansion Program, was integrated to the looms installed the previous quarter, thus increasing installed capacity by 15%.



APRIL

The XX Annual Stockholders Meeting was held on April 7 with 91.4% shareholder participation. It was followed by a meeting with brokerage houses.



MAY

Acquired the Walt Disney license to manufacture towels for the "Dinosaurs" movie.



JUNE

On June 5, El Inversionista Mexicano (The Mexican Investor), a magazine which specializes in business and investment advice, published an article titled La Creme de la Creme where it ranked the Hilasal share in 5th place among the most attractive companies traded in the Mexican Stock Exchange. This ranking was based on the number of nominations it received on the analysis of various indicators. The study was based on data of March 31, 2000 compared to March 1999 of companies traded in the Mexican Stock Exchange.

EL INVERSIONISTA MEXICANO		LA CREME DE LA CREME									
INDICADOR	VALOR	1	2	3	4	5	6	7	8	9	10
LA CREME DE LA CREME											
1. BACHCO											
2. BACHCO											
3. BACHCO											
4. BACHCO											
5. BACHCO											
6. BACHCO											
7. BACHCO											
8. BACHCO											
9. BACHCO											
10. BACHCO											

The Free Trade Agreement with the Northern Triangle was signed during the month of June. Hilasal Mexicana together with its strategic partner in El Salvador, Exportadora Hilasal, negotiated a zero rate for the products manufactured by both mills. This Agreement went into effect the first quarter 2001.

JULY

Expansion Magazine, in its July issue, which rates the 500 most important companies in Mexico, ranked Hilasal #261 in regards to sales. This ranking is 39 points higher than the one for the previous year. In the Net Results category, Hilasal was ranked #161.



AUGUST

A 6MM dollar loan was negotiated with Comerica Bank, for a 5 year term with a one year grace period. The aforementioned improved the loan ratio to 22.6% short-term / 77.4% long-term.



LAS 50 MAS GLOBALES DE MEXICO DE 1999

Clasificación según el porcentaje de ventas externas, en orden al total de ventas.

RANK	EMPRESA	VENTAS MILES	VENTAS EXTERNAS	VENTAS %
1	AMTEL	1,176	212	18.1
2	AMTEL	1,176	212	18.1
3	AMTEL	1,176	212	18.1
4	AMTEL	1,176	212	18.1
5	AMTEL	1,176	212	18.1
6	AMTEL	1,176	212	18.1
7	AMTEL	1,176	212	18.1
8	AMTEL	1,176	212	18.1
9	AMTEL	1,176	212	18.1
10	AMTEL	1,176	212	18.1
11	AMTEL	1,176	212	18.1
12	HILASAL MEXICANA	231.6	28.3	12.2

SEPTEMBER

Latin Trade Magazine, in its article titled "The 50 Global Companies in Mexico" , published in September 2000, ranked Hilasal as 12th in regards to percentage of export sales over total sales during 1999.

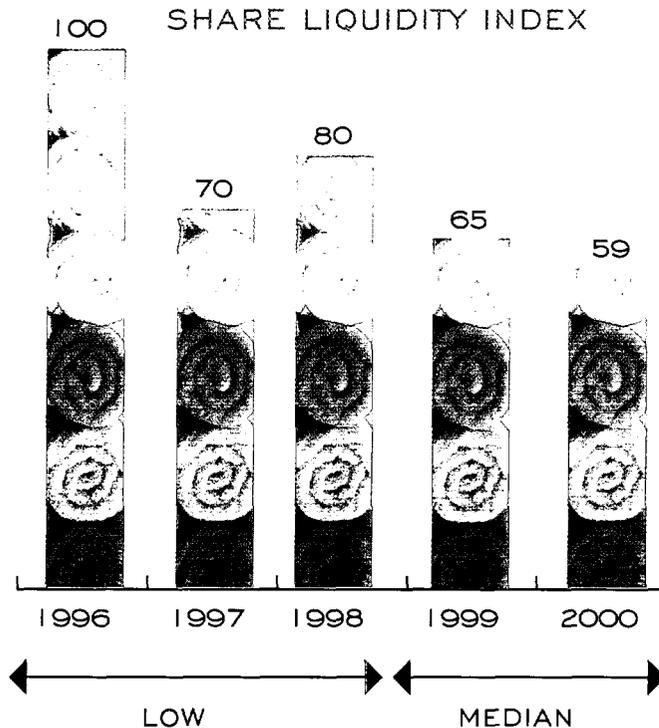


OCTOBER TO DECEMBER

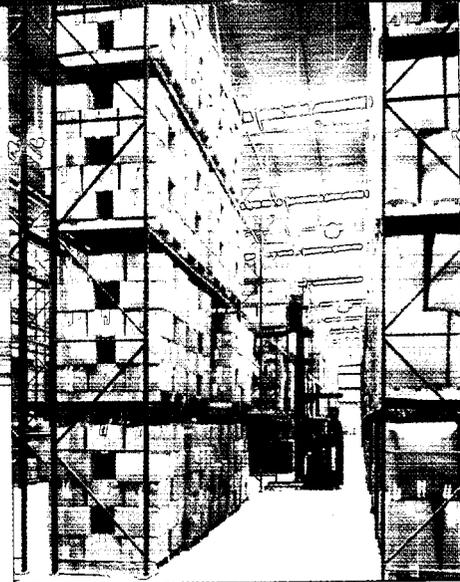
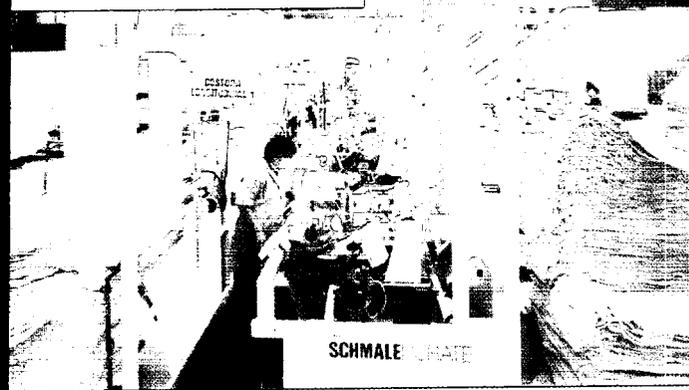
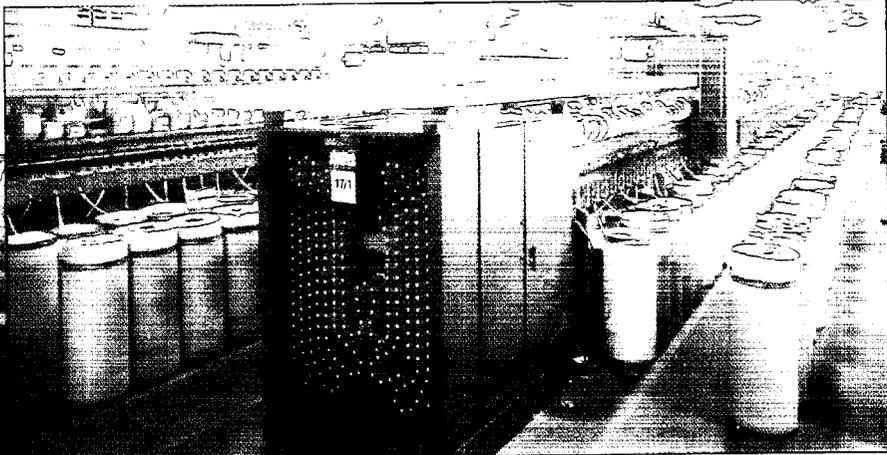
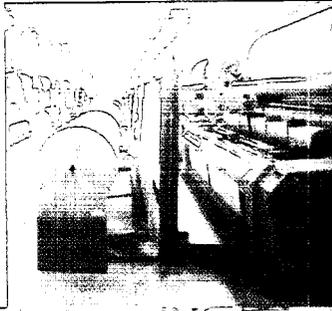
KPGM carried out the ISO 9001 Quality Assurance Program audit to certify Hilasal Mexicana.

In November 2000 they notified us of the certification approval and in February 2001 we received the ISO 9001 Quality Assurance Certificate 1837 dated November 17, 2000 which expires on November 16, 2003.

At year-end, for two consecutive years, the Hilasal share reports median trading having gone from number 100 in 1996, when it was initially placed, to 70th place in 1997, to 80th place in 1998, to 65th in 1999 and 59th in December 2000, among 159 companies listed on the Mexican Stock Exchange.



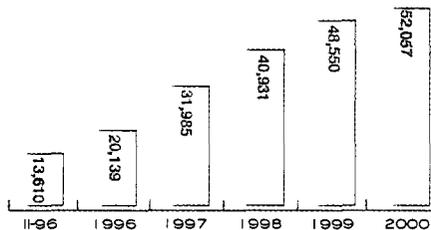
TECHNOLOGY AND DEVELOPMENT



THIPFGAP

TECHNOLOGY AND DEVELOPMENT

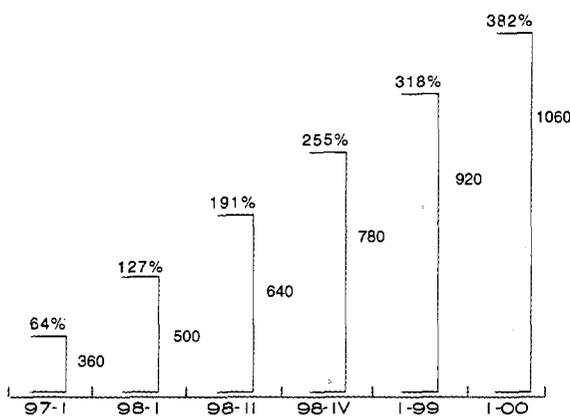
INVESTMENT IN PRODUCTIVE ASSETS
THOUSANDS OF DOLLARS



From its inception, innovation and technological updating have been fundamental pillars on which Hilasal has based its success in productivity and competitiveness.

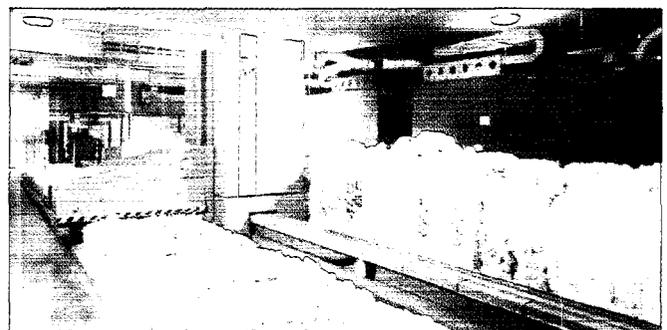
During 2000, Hilasal increased installed capacity by 15% with state-of-the-art machinery. The Company has highly-automated equipment with looms that have an average 4-year life and spinning equipment that has an average 4.8 years, making it one of the most modern plants of its type in the world.

GROWTH IN INSTALLED CAPACITY
THOUSANDS OF UNITS



The Company has proprietary process technology which affords it worldwide competitive advantages and is vertically integrated, thus making it independent from third party manufacturers.

Abiding by our 5-year Strategic Business Plan, all investment has been geared mainly toward productive plant growth. At the end of 2000, after an investment of 52.057 million US dollars, production capacity had increased 382% compared to 1996 when we went on the market.



During the year 2000, Hilasal maintained its leadership position in the domestic market as the main manufacturer/retailer of terry towels for the home and beach. In the North American market we are fourth in terms of sales.

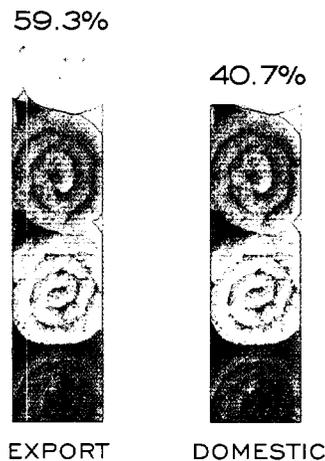


The Hilasal brand continued to enjoy the highest recognition in the domestic market, maintaining a high quality/price ratio compared to local and foreign competitors.

Our main products are:

- Pigment printed towels
- Fiber-reactive printed towels
- Promotional towels
- Institutional towels
- Sports towels
- Kitchen towels
- Solid-color towels
- Terry towel bath robes

Hilasal is the only manufacturer of its type which uses fiber-reactive printing in the NAFTA region.



VOLUME SALES BY MARKET

DOMESTIC MARKET

During the year 2000, Hilasal increased domestic sales volume by 4.5% compared to the previous year; an 8.0% increase in dollar terms and a 2.3% decrease in terms of pesos.

Hilasal remained at the forefront of its domestic competitors through ongoing development of new products and designs.

Hilasal's market share exceeded 50% of the domestic towel market during the current year.

Our core customers are:

- Self-service Stores
- Department Stores
- Discount Stores
- Wholesale Clubs
- Specialty Boutiques
- Beach Product Retail Stores

Domestically, Hilasal is the largest licensee in the industry . Among the licenses it holds are: Walt Disney, Winnie the Pooh, Barbie, Coca Cola and Rugrats, aside from being towel suppliers for Xcaret, Xel-Ha and Via Delphi resorts.



Hilasal maintained its growth in export sales during 2000, increasing sales volume by 7.0% from the previous year; this represented a 7.6% increase in dollar terms and a decrease of 2.7% in terms of pesos.

Hilasal continued to sell worldwide through its established distribution network, however its main thrust focused on countries with which Mexico has free trade agreements.

The US market continued to offer excellent growth opportunities given its size and proximity.

TOTAL ANNUAL SALES IN NORTH AMERICA
MILLIONS OF DOLLARS

	HTT RANKING	1999 Sales	2000 Sales	Change 00 vs 99
Pillowtex, Dallas	1	\$660	\$630	-5%
WestPoint Stevens, New York	2	650	620	-5%
Springs Industries, S.C.	3	215	225	5%
Hilasal Mexicana, México	4*	45	49	8%
Santens, S.C.	5	45	44	-2%
1888 Mills, GA	6	26	27	4%

Source: Home Textiles Today market research, January 1, 2001, Page 11
Includes retail and institutional sales

* Inserted by Hilasal Mexicana for comparison

HIDSAQ

AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2000

GOSSLER, S. C.

Contadores Públicos



1.

INDEPENDENT AUDITORS REPORT

(TRANSLATION FROM SPANISH LANGUAGE OPINION ON MEXICAN GAAP FINANCIAL STATEMENTS)

To the Shareholders

HILASAL MEXICANA, S. A. DE C. V.

We have audited the accompanying statements of financial position of Hilasal Mexicana, S. A. de C. V. as of December 31, 2000 and 1999, and the related statements of income, stockholders' equity, and changes in financial position for the years ended. These financial statements are the responsibility of the Company management. Our responsibility is to express an opinion on these financial statements based on our audit.

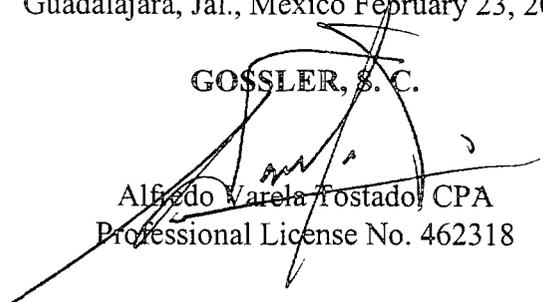
We conducted our audit in accordance with generally accepted auditing standards in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and have been presented in accordance with generally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

As mentioned in note H, to financial statements, the company adopted since year 2000, the rules stated in the new Bulletin D-4 and its complementary document 53, issued by the Mexican Institute of certified Public Accountants, related with the accounting treatment of Income Tax, Tax on Assets and Employees Profit Sharing, obtaining at the end of the year an accumulated deferred Income Tax of \$ 64 002 (thousands), and an effect in the Income Statement of \$ 13 839 (thousands).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Hilasal Mexicana, S. A. de C. V., as of December 31, 2000 and 1999, and the results of its operations, changes in stockholders' equity and financial position for the years then ended in conformity with generally accepted accounting principles in Mexico.

Guadalajara, Jal., Mexico February 23, 2001

GOSSLER, S. C.


Alfredo Varela Fostado, CPA
Professional License No. 462318

HILASAL MEXICANA, S.A. DE C.V.
Statement of Financial Position
December 31, 2000 and 1999
(In thousands of Mexican pesos reflecting purchasing power as of December 31, 2000)
(Notes B-1, 2 and C)

	2000	1999	
ASSETS			
CURRENT			LIABILITIES
Cash and Temporary Investments (Note B-3)	5,120	2,710	CURRENT
Accounts Receivable (Note B-4)	124,785	124,988	Current Portion of Long-term Debt (Note F)
Trade	6,549	6,173	Account Payable Suppliers
Miscellaneous Receivable	12,727	5,241	Account Payable Related Parties (Note G)
Taxes Receivable	5,921	4,268	Account Payable Sundry Creditors
Related Parties (Note G)	<u>149,982</u>	<u>140,670</u>	Taxes and Accrued Liabilities
			Provision for Employees Profit Sharing
Inventories (Notes B-5 and D)	111,420	76,771	Total Current Liabilities
Total Current Assets	<u>266,522</u>	<u>220,151</u>	
			LONG TERM
PROPERTY, PLANT AND EQUIPMENT, Net (Note E)	386,157	414,956	Long-term Debt (Note F)
			Labor Liabilities (Notes B-6 and I)
OTHER ASSETS			Total Long-term Liabilities
			DEFERRED
			Income Tax (Note H and L-1)
			Total Liabilities
			CONTINGENCIES (Notes B-6 and I)
			STOCKHOLDERS' EQUITY (Note J)
			Common Stock
			Legal Reserve
			Additional Paid-in Capital
			Reserve For Shares Acquisition
			Retained Earnings
			Excess (Decrease) in Restated Stockholders' Equity
			Annual Net Income
			Total Stockholders' Equity
	<u>655,406</u>	<u>638,674</u>	

The notes to the accompanying financial statements are an integral part of this statement.

LIC. JORGE GARCIA FERNANDEZ
EXECUTIVE DIRECTOR

C. JOSE LUIS GONZALEZ SILVA
FINANCE AND ADMINISTRATIVE MANAGER

HILASAL MEXICANA, S.A. DE C.V.

Income Statement

Years ended December 31, 2000 and 1999

(In thousands of mexican pesos reflecting purchasing power as of December 31, 2000)

(Notes B-1, 2 and C)

	2 0 0 0	1 9 9 9
	<u> </u>	<u> </u>
NET SALES	\$ 480,114	492,388
COST OF SALES	314,784	328,935
Gross Profit	<u>165,330</u>	<u>163,453</u>
OPERATING EXPENSES		
Sales	28,555	28,989
Administrative	39,693	35,415
	<u>68,248</u>	<u>64,404</u>
Operating Profit	97,082	99,049
INTEGRAL FINANCING COST (Note K)	(9,735)	2,933
OTHER Net (Expenses) Revenues	(14,023)	(2,512)
Income Before Extraordinary Item, Taxes and Employees Profit Sharing	<u>73,324</u>	<u>99,470</u>
INCOME TAX, net of deferred \$ 13 834, (notes H and L-1)	22,058	29,877
EMPLOYEES PROFIT SHARING (Note B-7)	1,596	9,169
Income Before Extraordinary Items	<u>49,670</u>	<u>60,424</u>
EXTRAORDINARY ITEMS		11,548
Net Income	<u>\$ 49,670</u>	<u>71,972</u>
BASIC EARNINGS PER SHARE (Note J-5)	\$ 0.37	0.46
	===	===

The notes to the accompanying financial statements are an integral part of this statement.

HILASAL MEXICANA, S.A. DE C.V.
 Statement of Stockholders' Equity
 Years ended December 31, 2000 and 1999
 (In thousands of Mexican pesos reflecting purchasing power as of December 31, 2000)
 (Notes B-1 and 2)

	Total	Common Stock Subscribed	Legal Reserve	Additional paid in capital	Reserve for Share Acquisition	Retained Earnings	Excess (decrease) in restated Stockholders' Equity	Net Income of the year
Balance at December 31, 1998	\$ 362,779	146,812	5,653	38,626	7,851	110,410	(16,163)	69,589
Application of Previous Year Result, as Agreed at Shareholders' Meeting						69,589		(69,589)
Increase of Legal Reserve, as Agreed at March 16, 1999 Shareholders' Meeting			2,714			(2,714)		
Shares Sold	(1,564)				(1,564)			
Shares Reacquired	(4,601)				(4,601)			
Reclassification of Shares Reacquired		(3,690)			3,690			
Net Income for the Year	71,972							71,972
Inflation Restatement Effect of Financial Statements as of December 31, 1999	(74,372)						(74,372)	
Balance at December 31, 1999	354,214	143,122	8,367	38,626	5,376	177,286	(90,535)	71,972
Application of Previous Year Result, as Agreed at Shareholders' Meeting						71,972		(71,972)
Increase of Legal Reserve, as Agreed at April, 7, 2000 Shareholders' Meeting			3,469		10,538	(14,007)		
Dividends Decree, as Agreed at April 7, 2000 Shareholders Meeting	(30,950)					(30,950)		
Shares Reacquired, net	(4,250)			(2,872)	(2,120)		742	
Reclassification of Shares Reacquired		(2,843)			2,737		106	
Accumulated Effect of Deferred Income Tax	(53,465)					(53,465)		
Net Income for the Year	49,670							49,670
Inflation Restatement Effect of Financial Statements as of December 31, 2000	(36,970)						(36,970)	
Balance at December 31, 2000	\$ 278,249	140,279	11,836	35,754	16,531	150,836	(126,657)	49,670

The notes to the accompanying financial statements are an integral part of this statement.

HILASAL MEXICANA, S.A. DE C.V.
Statement of Changes in Financial Position
Years ended December 31, 2000 and 1999

(In thousands of mexican pesos reflecting purchasing power as of December 31, 2000)
(Notes B-1 and 2)

	2 0 0 0	1 9 9 9
OPERATING ACTIVITIES		
Income Before Extraordinary Items	\$ 49,670	60,424
Extraordinary Items		11,549
Net Income	49,670	71,973
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:		
Depreciation and Amortization	34,182	35,825
Provision for Labor Liabilities	217	1,010
Reserve for Doubtful Trade Receivables	229	367
Deferred Income Tax	13,839	
	98,137	109,175
(Increase) Decrease in Trade Receivable	203	(8,780)
(Increase) Decrease in Misellaneous Receivables	(376)	(2,299)
(Increase) Decrease in Taxes Receivable	(7,486)	(3,157)
(Increase) Decrease in Inventories	(34,649)	19,714
Increase (Decrease) in Suppliers	4,786	(4,204)
Increase (Decrease) in Related Parties	11,991	(2,854)
Increase (Decrease) in Accrued Liabilities	(3,540)	7,551
Increase (Decrease) in Employee Profit Sharing	(7,573)	5,823
Net cash provided from operating activities	\$ 61,493	120,969

(continued)

HILASAL MEXICANA, S.A. DE C.V.
Statement of Changes in Financial Position

(continuation)

	<u>2 0 0 0</u>	<u>1 9 9 9</u>
FINANCING		
Shares Sold and Shares Reacquired, Net	\$ (4,250)	(6,166)
Increase (decrease) in Bank Debt, Net of Payments	20,354	(18,445)
Dividends paid	(30,950)	
	<u>(14,846)</u>	<u>(24,611)</u>
	-----	-----
INVESTMENT ACTIVITIES		
Property , Machinery and Equipment	45,077	93,454
Other Assets	(840)	1,202
	<u>44,237</u>	<u>94,656</u>
Net Cash Used for Investment Activities	44,237	94,656
Increase (Decrease) in Cash	2,410	1,702
Cash at Beginning of Year	2,710	1,007
Cash Year-end	\$ <u>5,120</u>	<u>2,709</u>
	=====	=====

The notes to the accompanying financial statements are an integral part of this statement.

HILASAL MEXICANA, S.A. DE C.V.

Notes to Financial Statements

December 31, 2000 and 1999

(In thousands of mexican pesos reflecting purchasing power as of December 31, 2000)

(The figures of foreign currency are in thousands)

NOTE A – PURPOSE AND SOCIAL STRUCTURE

The company manufactures, assembles, markets, buys, sells, imports, exports, uses, applies and distributes all types of fabrics, materials and textiles. The main operation is the manufacture and sale of solid color and printed towels, and similar products.

The company is licensed to use the Hilasal brand name and registered trademark, property of Sabo Corporation.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of the Presentation

The attached financial statements are presented in accordance with generally accepted Mexican accounting principles. These principles require the recognition of inflationary effects as provided for in Bulletin B-10 and its five subsequent clarification statements issued by the Mexican Institute of Public Accountants (Instituto Mexicano de Contadores Públicos) and Regulation 11-27, issued by the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores).

The methods used to reflect inflationary effects were the specific cost and the adjustment for changes in general price levels methods, using consumer price indexes of various countries in which operations were carried out.

Consumer price indexes used for Mexican operations, are those published by the Bank of Mexico. The indexes used for restatement are as follows:

Beginning of the period	308.9190
Average of the period	323.8291
End of the period	336.5960

Adjustments were made to incorporate the effects of inflation, resulting in the adjustment of the following items:

(continued)

HILASAL MEXICANA, S.A. DE C.V.
Notes to Financial Statements

(continuation)

a. Inventories and Cost of Sales

Raw material and finished goods inventories were originally recorded at average purchase cost and average production cost, respectively, which are similar to replacement values, taking into account the effect of foreign exchange rates at year-end for those products that are quoted in U.S. dollars, or convertible to U.S. dollars, in the foreign exchange market.

Cost of sales is determined using the cost absorption method on a historical cost basis, adjusted to replacement value.

b. Property, Plant and Equipment

Property, plant and equipment are recorded at acquisition cost and adjusted as follows:

- For imported machinery and equipment, which comprise 62% of fixed assets, by applying country-of-origin price indexes at original value converted into local currency at year-end.
- For remaining assets, by applying the national consumer price indexes.

Depreciation is determined using the straight-line method based on remaining useful life. Rates established by the Income Tax Act are used for tax purposes.

c. Stockholders' Equity

Adjustments for items under this heading represent the amount required to maintain their purchasing power, as of the date of the Financial Statements, by applying national consumer price indexes to their original values.

d. Excess in Restated Stockholders' Equity

This item is the result of a restatement due to inflationary adjustments and the increase and decrease in value of non-monetary assets, as related to the effects of inflation according to the national consumer prices indexes, as follows:

(continued)

HILASAL MEXICANA, S.A. DE C.V.
Notes to Financial Statements

(continuation)

Accumulated result of holding non-monetary assets	\$	(63 993)
Accumulated result of monetary position		(<u>62 664</u>)
Net balance	\$	(126,657)
		=====

The amount of this heading at year-end is related to the 1994-2000 period, since net adjustment effects to December 1993 were capitalized.

e. Monetary Gains and Losses

Monetary gains and losses, which are reported as a component of Integral Financing Cost in the income statement, reflect the monthly inflationary effect on monetary assets and liabilities restated to reflect the inflationary effect of the National Consumer Price Index.

2. Foreign Currencies

Transactions in foreign currencies are recorded in local currency at the exchange rates in effect at trade date. Foreign currency balances (assets and liabilities) are stated in local currency at the exchange rates in effect at year-end. Differences originated by changes in exchange rates between transaction and settlement or valuation dates at year-end are recorded as part of the Integral Financing Cost.

Transactions in foreign currencies were primarily in U.S. dollars. The exchange rate used at year-end was \$ 9.6098/dollar, which is in accordance with the rate published by Banco de Mexico on January 3, 2001 in the Official Journal (\$ 9.4986 at December 31, 1999).

3. Temporary Investments

These are short-term bank deposits recorded at acquisition cost, plus realized gains (market value)

(continued)

HILASAL MEXICANA, S.A. DE C.V.
Notes to Financial Statements

(continuation)

4. Accounts Receivable

The Company has recorded a reserve for doubtful accounts equal to 2.0% of total trade accounts receivable on the basis of past experience. As of December 31, 2000, the reserve for doubtful accounts netted out of accounts receivable amounted to \$ 2,630.

5. Inventory Obsolescence

Because of the nature and high turnover of raw materials used in production, the Company has not considered it necessary to create a reserve for slow moving or obsolete inventory.

6. Labor Obligations

Under Mexican labor law, employees are entitled to severance compensation under certain circumstances upon dismissal, death or retirement based on years of service.

To cover such obligation an actuarial calculation was made in 1999, accordingly with the Mexican Accounting Principles stated in Bulletin D-3 of the Mexican Institute of Certified Public Accountants. To record the effect at December 31, 2000, such actuarial calculation was actualized (see note I).

Severance payments for dismissals are charged to expense in the year incurred.

7. Deferred Income Tax and Employee Tax on Assets Profit Sharing

Since January 1st, 2000, the Company record the accounting effects derived from the regulations stated in the new Bulletin D-4 issued by the Mexican Institute of Public Accountants, which requires the recognition of the deferred effects of income tax and employee profit sharing determined under the assets and liabilities method. This method consider a comparison between the accounting and fiscal values on assets and liabilities at the end of the year, determining temporary differences which should be reversed in future periods (see note H).

(continued)

HILASAL MEXICANA, S.A. DE C.V.
Notes to Financial Statements

(continuation)

NOTE C – FOREIGN CURRENCIES

Foreign currency balances were readjusted at year's end as follows :

	Foreign currencies		Mexican pesos	
	<u>2 0 0 0</u>	<u>1 9 9 9</u>	<u>2 0 0 0</u>	<u>1 9 9 9</u>
<u>Assets</u>				
U.S. Dollars	7 050	6,366	\$ 67 748	60 470
Swiss Francs	201	73	1 204	443
Deutsche Marks	132	17	634	86
Other	1 947	1,648	<u>206</u>	<u>482</u>
			69792	61 481
			-----	-----
<u>Liabilities</u>				
U.S. Dollars	28 844	23,101	277 189	219,432
Other	2 438	650	<u>1 265</u>	<u>382</u>
			<u>278 454</u>	<u>219 814</u>
Net position -short			\$ 208 662	158 333
			=====	=====

During 2000, the Company had export sales of U.S. Dollars 25,240 for 1999, the export sales were U.S. Dollars 23,456.

Forty-one percent of total liabilities in foreign currencies were for the acquisition of imported machinery and equipment. The remaining percentage of liabilities in foreign currencies represent obligations for the acquisition of imported raw materials (cotton) and other inventories.

NOTE D - INVENTORIES

This is made up of the following:

	<u>2 0 0 0</u>	<u>1 9 9 9</u>
Raw materials	\$ 11 549	16 178
Goods in process	19 130	8 989
Finished goods	55 963	31 141
Other materials	19 790	17 375
Goods in transit	<u>4 988</u>	<u>3 088</u>
	\$ 111 420	76 771
	=====	=====

(continued)

HILASAL MEXICANA, S.A. DE C.V.
Notes to Financial Statements

(continuation)

NOTE E – PROPERTY, PLANT AND EQUIPMENT

This is made up of the following:

	<u>Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
			<u>2 0 0 0</u>	<u>1 9 9 9</u>
Land	\$ 34 536		34 536	34 785
Buildings	106 207	17 523	88 684	84 006
Machinery and industrial equipment	384 517	143 598	240 919	235 403
Furniture and fixtures	4 224	1 585	2 639	2 521
Vehicles	5 573	1 951	3 622	3 508
Data process equipment	7 172	2 767	4 405	2829
Construction and installations in progress	2 742		2 742	11 079
Property and equipment in transit	8 610		8 610	40 825
	<u>\$ 553 581</u>	<u>167 424</u>	<u>386 157</u>	<u>414 956</u>

For the adjustment of this heading, in accordance with note B-1b, we used technical assessments dated December 31, 2000 and 1999 by Apasa, S.A. de C.V., registered in the National Banking and Securities Commission under No. 116-85-009.

NOTE F – BANK LOANS

Loans are in US dollars, as follow:

TYPE OF LOAN	SHORT TERM	LONG TERM
BANCOMER, S. A. Loan to finance export sales for US\$ 3 333, to be paid in five semi-annual payments, at Libor + 1.65 pts. annual interest rate. Due June 23, 2003.	\$ 12 813	19 220

(continued)

HILASAL MEXICANA, S.A. DE C.V.
Notes to Financial Statements

(continuation)

TYPE OF LOAN	SHORT TERM	LONG TERM
CITIBANK MEXICO, S.A.		
Loan to finance export sales for UD\$ 3000, al Libor + 2 pts. \$ annual interest rate. Due March 27,2002 in a single payment.		28 829
Loan for US \$2 450 secured by machinery, to be paid in six semi-annual payments, at Libor + 2.6 pts. annual interest rate. Due March 25, 2004.	6 727	16 817
COMERICA BANK MEXICO, S.A.		
Loan for US\$ 3,500 secured by equipment, to be paid in eight semi-annual payments, at Libor + 2.6 pts. annual interest rate. Due November 6, 2004.	8 408	25 226
Loan for US\$ 6,000 secured by machinery, to be paid in eighth semi-annual payments, at Libor + 2.25 pts. annual interest rate. Due September 30, 2005.		57 659
BANCO SANTANDER MEXICANO, S. A.		
Loan to finance import operations for US\$ 3 250, at 8.71% annual interest rate. Due October 4, 2001.	31 232	
Loans to finance export sales for US\$ 1 000; 728 and 1 150, at 8.0125%, 8.113% and 7.8925% annual interest rate, respectively. Due January, March and June 2001.	27 657	
SERFIN, S.A.		
Loan to finance import operations for US\$ 1 550, at Libor + 1.4 pts. annual interest rate. Due June, 2001.	14 895	
BANCO BILBAO VIZCAYA, S.A.		
Loan to finance export sales for US\$ 500, at Libor + 1.2 pts. annual interest rate. Due January, 2001	4 805	
	\$ 106 537	147 751

(continued)

HILASAL MEXICANA, S.A. DE C.V.
Notes to Financial Statements

(continuation)

NOTE G- RELATED PARTIES

Amounts due to and from Related Parties are as follows:

	<u>2000</u>	<u>1999</u>
Accounts Receivable		
Fashion Towel, Inc.	\$ 5 782	4 077
Textiles San Andres, S.A. de CV	131	2
Exportadora Hilasal, S.A.de C.V.	8	190
	<u>\$ 5 921</u>	<u>4 269</u>
	<u>=====</u>	<u>=====</u>
Accounts Payable		
Exportadora Hilasal, S.A. de C.V. (El Salvador, Central America)	\$ 13 638	
Sabo Corporation	6	
	<u>\$ 13 644</u>	<u>-----</u>
	<u>=====</u>	<u>=====</u>

Related party transactions are summarized as follows:

Sales revenue	\$ 15 580	
Other income		1 618
Purchases of finished goods		14 422
Other expenses		227

NOTE H - DEFERRED INCOME TAX

The amount of this account is integrated a). Net effects of Deferred Income Tax (Bulletin D-4) for \$ 61 982 and b). Deferred Income Tax from the reinvested fiscal Profit (UFIRE) for \$ 2 020, as follow:

a) Temporary differences for Deferred Income Tax

(continued)

HILASAL MEXICANA, S.A. DE C.V.

Notes to Financial Statements

(continuation)

Reserve for doubtful accounts	\$	(2 629)
Inventories		95 152
Property, plant and Equipment		87 088
Prepaid expenses		2 724
Liability Provisions		(2 539)
Labor Obligations		(2 704)
Tax base		177 092
Income tax rate		<u>35 %</u>
Accumulated effect, as of December 31, 2000		61 982
Effect, as of January 1, 2000		<u>48 143</u>
Deferred Income Tax of year		13 839

b) Amount of deferred Income Tax of UFIRE		
Deferred Income Tax on UFIRE 1999 (3%)		2 276
Income Tax on Dividends Paid in April, 2000		<u>(1 356)</u>
Amount of deferred Income Tax of UFIRE 1999		920
Deferred Income Tax on UFIRE 2000 (5%)		<u>1 100</u>
Amount of Income Tax at the end of year		2 020

ACCUMULATED LIABILITY		
Accumulated income tax, as of December 31, 2000		61 982
Accumulated income tax on UFIRE		<u>2 020</u>
	\$	64 002
		=====

This accounting record doesn't have any effect in cash flow and the company's operations.

NOTE I -- COMMITMENTS AND CONTINGENCIES

The following summarizes the more relevant information with regard to employee seniority premium taken from an actuarial study, performed by independent actuaries for the year 1999.

Actual benefits obligation	\$	984
Projected benefits obligation		1 725
Unamortized transitory (Liability) asset		1 014
Net projected asset (Liability)		(362)
Additional (Liability)		(501)
Net cost for period		414
Amortization period for items to be amortized		18.42 years

(continued)

HILASAL MEXICANA, S.A. DE C.V.
Notes to Financial Statements

(continuation)

The Company has not quantified a possible liability for accumulated compensation which would have to be paid to employees if they were to be unjustifiably dismissed.

NOTE J- STOCKHOLDERS' EQUITY

1. Common Stock

Common stock is made up of shares without par value, and their integration to subscribed value is as follows:

	<u>Historical Cost</u>	<u>Restated for Inflationary Effect</u>
Series A shares, 139 440 000 shares issued and outstanding	\$ 48 417	144 945
Shares reacquired, in treasury	(<u>2 277</u>)	(<u>4 646</u>)
Net	\$ 46 140 =====	140 279 =====

Fixed common stock has a historic value of \$7,000 and is made up of Series A, Class I shares. The balance is variable stock made up of Series A, Class II shares.

2. Additional Paid - in Capital

The spread between purchase and sale values of the Company's shares when the last one is higher, is recorded as an increase in this account.

3. Reserve for Share Acquisition

This reserve was created with a portion of profits as stipulated by the Mexican Securities Law (Ley del Mercado de Valores) and the guidelines set forth by the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores). As of the financial statements date the Company held 6 559 000 shares as treasury stock acquired using this reserve. When the sale values of the Company's shares are lower than the purchase values, the loss is charged to this account.

(continued)

HILASAL MEXICANA, S.A. DE C.V.

Notes to Financial Statements

(continuation)

4. Tax on Dividends

Dividends arising from retained or capitalized earnings are subject to the payment of an income tax at the rate of 35% on the amount of the dividend multiplied by a factor of 1.5385, when those earnings are not originated from the accounts called " Net Fiscal Profits Reinvested Account "(CUFINRE) and " Net Fiscal Profits Account " (CUFIN).

On dividends arising from CUFINRE in 2000 and 1999 fiscal years, the company has to pay an Income Tax of 5% and 3% respectively, under the procedure mentioned above.

In the event of the Company's liquidation or a reduction in capital stock, the tax could also be paid using the procedures set forth in the income tax law, considering in such cases the Actualized Capital Account (CUCA) and the Net Fiscal Profit Account (CUFIN), and in some cases the Cost per Share.

In addition, dividends paid or profits distributed to individuals residing in Mexico or any non-resident, are subject to a 5% withholding tax. According to this calculation procedure, the effective tax rate is 7.69% over dividends distributed.

5. Earnings Per Share

In conformity with Bulletin B-14, Earnings per Share, issued by the Mexican Institute of Certified Public Accountants, the computation of earnings per share represents the net profit attributable to each share, obtained from normal continuing operations during the year, taking into account that there were no consequences from corporate structure changes, extraordinary results or accounting principle changes, with the following result:

The following is a calculation of earnings per share:

Diluted earnings per share	\$	49 670
Weighted average of shares		133 280
Basic earnings per share	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 50px; text-align: center;">0.37</div>

(continued)

HILASAL MEXICANA, S.A. DE C.V.
Notes to Financial Statements

(continuation)

6. Integral income

In accordance with the Bulletin B-4 issued by the Mexican Institute of Certified Public Accountants "Disclosure of Integral Income", the following information must be reported in addition to the Statement of Stockholders' Equity:

	<u>2 0 0 0</u>	<u>1 9 9 9</u>
<u>Retained Earnings:</u>		
Legal and Shares Reacquired Reserves	\$ 28 366	13 742
Retained Earnings	150 836	177 286
Accumulated Effect of Deferred Income Tax	48 143	
Net Income of the year	49 670	71 973
Decrease in Restated Stockholders' Equity	(126 657)	(90 535)
Reserve for Doubtful Accounts	2 630	2 615
Labor Obligations	<u>1 645</u>	<u>1 428</u>
	\$ 154 633	176 509
	=====	=====
 <u>Integral Income:</u>		
Net Income of the year	\$ 49 670	71 972
Effect of Deferred Income Tax	13 839	
Decrease in Restated Stockholders' Equity	(36 122)	(74 372)
Reserve for Doubtful Accounts	229	367
Labor Obligations	<u>217</u>	<u>755</u>
	\$ 27 833	(1 278)
	=====	=====

NOTE K – INTEGRAL FINANCING COST

Integral Financing Cost is made up of the following:

	<u>2 0 0 0</u>	<u>1 9 9 9</u>
Interest debited	\$ (23 407)	(17 753)
Interest credited	1 071	487
Net foreign exchange effect (note B-2)	(3 088)	4 662
Monetary position gain	<u>15 689</u>	<u>15 337</u>
	\$ (9 735)	2 933
	=====	=====

(continued)

HILASAL MEXICANA, S.A. DE C.V.
Notes to Financial Statements

(continuation)

NOTE L – TAX STATUS

1. Income Taxes

The tax profit for the fiscal period was \$ 23 481, and accruing a tax liability of \$ 8 218 at a 35% tax rate. In accordance with income tax law the Company has the option of paying a 30% tax rate on the annual income tax form, when not taking non-deductible expenditures and the employees' profit sharing (PTU) and then paying the remaining 5% upon dividend distribution.

In accordance with the aforementioned, the income tax will be paid as follow:

Income Tax of year	\$	8 218
Deferred income tax, until dividends been distributed (5%)		(1 100)
		<hr style="width: 100%;"/>
Differences due on annual declaration		7 718
Prepayments and adjustment		17 253
		<hr style="width: 100%;"/>
Income tax credit balance		10 135
Withholding tax		<u>3</u>
Collectable Income Tax	\$	<u><u>10 138</u></u>

2. Asset Tax

This tax is calculated at a rate of 1.8% on the average value of assets minus certain liabilities. The tax generated in the fiscal year was \$ 3 743, amount which was covered with the income tax paid.



Hilocal

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