

## **Management's Discussion on the 1<sup>st</sup> Quarter's Results and Financial Position.**

### **EXECUTIVE SUMMARY**

First Quarter 2004:

- Unit volume of 3,508 homes, with revenue of \$ 1,166.6 million, growth of 13.2% in real terms
- Gross profit of \$ 337.2 million with a gross margin of 28.9% resulting in 14.2% growth
- Operating profit of \$ 245.2 million with a 21.0% margin resulting in 13.7% growth in real terms
- Net profit of \$ 167.0 million with a margin of 14.3% resulting in 15.4% growth.
- EBITDA of \$ 261.6 million with a margin of 22.4% resulting in 13.3% growth in real terms
- ASP of \$ 331.6 thousands of pesos, growth of 12.0%

Financial Structure Highlights (March 31<sup>st</sup> 2004):

- Cash of \$ 802.7 million, 10.1% lower than the previous year
- Cost bearing liabilities represent 41% of cash
- Without taking into account deferred taxes, leverage remains low at 13.1% to total assets
- Land Bank of 116,464 master plan units equivalent to 131,675 affordable entry level units.
- Backlog of 22,945 mortgages, resulting in 22.7% growth, enough for more than a year of future sales



## *First Quarter 2004:*

### ***1) OPERATION RESULTS.***

#### *Sales*

First quarter revenues were 1,166.6 million. Year on year these were 13.2% larger. During the period in question 3,508 units were sold.

The Prosavi-Progresiva segment posted 200 units sold due to the ending of various projects. In the near future new projects will strengthen this product line. Prosavi-Progresiva sales reached \$ 37.0 million and represent 3.2% of total revenues during the first quarter. They were lower than the \$ 47.6 million reported during 2003.

Infonavit sales reached \$ 438.2 million, 22.2% higher than previous year and posted 1,645 units.

SHF volumes posted 934 units, reaching \$ 260.8 million, representing a 17.2% increase in revenues. Fovissste volumes posted 109 units, revenues of \$ 35.2 million.

ASP posted \$ 331.6 thousand pesos. It grew 12.0% compared with 2003. The residential segment was the exception due to the emphasis of the company on offering a lower priced product. This focuses our attention to a segment with lower competition and higher demand.

The middle income segment reached \$ 300.3 million in revenues, representing a 45.1% increase compared with the same quarter of 2003, while posting a volume of 566 units, a 30.1% higher than the previous year. New projects are strengthening this product line.

Residential volumes expanded a surprising 107.7% posting 54 units in contrast to the 26 homes registered during the previous 1<sup>st</sup> quarter. The resulting \$ 92.0 million in revenues represent a 132.7% increase over the previous year. ARA has lowered the average selling price of residential housing in order to tap the 1.5 million bracket which has SHF funding and is difficult to produce for low volume inefficient builders.



The breakdown is as follows:

	1°Quarter 2004		1°Quarter 2003		1°Quarter 2002		Var. 04/03		Var. 03/02	
	Units	Mill.\$	Units	Mill.\$	Units	Mill.\$	\$	%	\$	%
<b>Prosavi-Progresiva</b>	<b>200</b>	<b>37.0</b>	<b>277</b>	<b>47.6</b>	<b>584</b>	<b>101.1</b>	<b>-10.6</b>	<b>-22.3</b>	<b>-53.5</b>	<b>-52.9</b>
Infonavit	1,645	438.2	1,361	358.5	1,012	250.1	79.6	22.2	108.4	43.4
Fovi	934	260.8	773	222.5	943	266.9	38.4	17.2	-44.4	-16.6
Fovissste	109	35.2	560	141.3	266	65.7	-106.1	-75.1	75.6	115.1
<b>Affordable Entry Level</b>	<b>2,688</b>	<b>734.2</b>	<b>2,694</b>	<b>722.3</b>	<b>2,221</b>	<b>582.7</b>	<b>11.9</b>	<b>1.6</b>	<b>139.6</b>	<b>24.0</b>
<b>Middle Income</b>	<b>566</b>	<b>300.3</b>	<b>435</b>	<b>206.9</b>	<b>387</b>	<b>149.4</b>	<b>93.4</b>	<b>45.1</b>	<b>57.5</b>	<b>38.5</b>
<b>Residential</b>	<b>54</b>	<b>92.0</b>	<b>26</b>	<b>39.5</b>	<b>20</b>	<b>47.4</b>	<b>52.4</b>	<b>132.7</b>	<b>-7.9</b>	<b>-16.6</b>
Commercial Land	--	0.9	--	--	--	--	0.9	100.0	--	--
Total as Developer	3,508	1,164.4	3,432	1,016.3	3,212	880.6	148.0	14.6	135.7	15.4
Contractor	--	--	--	7.8	--	--	-7.8	-100.0	7.8	100.0
Commercial Space	--	2.2	--	6.5	--	3.1	-4.3	-65.8	3.4	109.7
Middle Income (JV)										
Joint Venture Total										
<b>TOTAL</b>	<b>3,508</b>	<b>1,166.6</b>	<b>3,432</b>	<b>1,030.7</b>	<b>3,212</b>	<b>883.7</b>	<b>135.9</b>	<b>13.2</b>	<b>147.0</b>	<b>16.6</b>

By the first quarters of 2004 and 2003 average selling prices posted real term increases of 12.0% and 8.0% respectively as show in the following table:

(Thousands \$)	1°Quarter 2004	1°Quarter 2003	1°Quarter 2002	Var %. 04/03	Var %. 03/02
Prosavi-Progresiva	184.9	171.8	173.1	7.6	-0.8
Infonavit	266.4	263.4	247.1	1.1	6.6
Fovi	279.3	287.8	283.1	-3.0	1.7
Fovissste	322.8	252.3	247.0	27.9	2.1
Affordable Entry Level	273.1	268.1	262.4	1.9	2.2
Middle Income	530.6	475.6	386.0	11.6	23.2
Residential	1,703.0	1,520.2	2,370.2	12.0	-35.9
<b>Total</b>	<b>331.6</b>	<b>296.1</b>	<b>274.2</b>	<b>12.0</b>	<b>8.0</b>

#### Cost of Goods Sold

Cost of Goods Sold increased by 12.8% posting \$ 829.4 million, representing 71.1% of revenues, 30 basis points lower than the previous year.

#### Gross Profit

The Gross Profit reached \$ 337.2 million, with a gross margin of 28.9% which represents an improvement of 70 basis points since 2002. This can be explained in part due to the higher control in the expenditures of construction.



A breakdown by home type follows:

	1°Quarter 2004	1°Quarter 2003	1°Quarter 2002	Var. Points 04/03	Var. Points 03/02
Prosavi-Progresiva	23.8%	23.1%	23.7%	0.7	-0.6
Affordable Entry Level	28.4%	28.7%	28.3%	-0.3	0.4
Middle Income	30.1%	29.8%	30.1%	0.3	-0.3
Residential	30.4%	30.3%	30.9%	0.1	-0.6
Developer	28.9%	28.7%	28.2%	0.2	0.5
Contractor	0.0%	0.0%	0.0%	0.0	0.0
Commercial Space	48.4%	49.0%	63.6%	-0.6	-14.6
<b>TOTAL</b>	<b>28.9%</b>	<b>28.6%</b>	<b>28.4%</b>	<b>0.3</b>	<b>0.2</b>

#### G&A Expenses

G&A expenses include, salaries of the technical and administrative teams as well as the sales group. G&A posted \$ 91.9 million, which means 15.7% growth in real terms. Nevertheless as a percentage of sales it reached 7.9% vs. the 7.7% of the previous year.

#### Operating Profit

Operating profit grew 13.7% in real terms due to good expenditure controls.

#### EBITDA

During the first quarter of 2004 Consorcio ARA generated an EBITDA of \$ 261.6 million (22.4% of sales), 13.3% bigger in real terms than 2003's. Of these only 16.4 million are explained by depreciation. Current EBITDA levels could cover interest expenses 19.0 times.

#### Financing Cost

Financing costs increased 333.4% posting a net amount of \$ 1.5 million. Said expansion can be explained by the lower level of cash.

Breakdown is as follows:

	1°Quarter 2004	1°Quarter 2003	1°Quarter 2002	Var%. 04/03	Var%. 03/02
Interest Paid	13.8	14.0	12.2	-1.8	14.7
Interest Earned	11.9	18.1	11.2	-34.4	61.6
Exchange Rate (Loss) Profit	-0.4	-1.5	1.0	-76.1	-250.0
Monetary (Loss) Profit	-0.7	2.9	3.9	-124.2	-25.6
<b>Financing Cost</b>	<b>1.5</b>	<b>0.4</b>	<b>3.9</b>	<b>333.4</b>	<b>-89.7</b>

#### Taxes

Total taxes generated posted \$ 83.8 million that is 2.1% lower than the previous first quarter. Income Tax and Profit Sharing provisions were maintained within the same ratios.

#### Net Profit

Net profit grew 15.4% posting \$ 167.0 million with a margin of 14.3%.

The EPS for the last twelve months resulted in 2.23 as calculated in the following table:

	LTM March 2004
Net Profit (pesos)	730,291,111
Shares (Average)	328,054,924
<b>EPS</b>	<b>2.23</b>



### Earnings Statement, First Quarter 2004

	1°Quarter 2004		1°Quarter 2003		1°Quarter 2002		Var.	Var.
	Mill. Pesos	%	Mill. Pesos	%	Mill. Pesos	%	04/03	03/02
<b>Revenues</b>	1,166.6	100.0	1,030.7	100.0	883.7	100.0	13.2	16.6
Cost of Goods Sold	829.4	71.1	735.5	71.4	633.2	71.7	12.8	16.2
<b>Gross Profit</b>	<b>337.2</b>	<b>28.9</b>	<b>295.2</b>	<b>28.6</b>	<b>250.5</b>	<b>28.4</b>	<b>14.2</b>	<b>17.8</b>
G&A	91.9	7.9	79.5	7.7	68.7	7.8	15.7	15.7
<b>Operating Profit</b>	<b>245.2</b>	<b>21.0</b>	<b>215.7</b>	<b>20.9</b>	<b>181.8</b>	<b>20.6</b>	<b>13.7</b>	<b>18.6</b>
Financing Cost	1.5	0.1	0.4	0.0	3.9	0.4	333.5	-89.7
Other Income	9.2	0.8	14.9	1.4	1.6	0.2	-38.4	831.2
Result in Join Venture	-2.1	-0.2	0.0	0.0	0.0	0.0	-100.0	0.0
PreTax Profit	250.8	21.5	230.2	22.3	179.5	20.3	8.9	28.2
Deferred Taxes	56.1	4.8	60.6	5.9	60.5	6.8	-7.5	0.2
Taxes	27.8	2.4	25.0	2.4	15.7	1.8	11.0	59.2
Total Tax	83.8	7.2	85.6	8.3	76.2	8.6	-2.1	12.3
<b>Net Profit</b>	<b>167.0</b>	<b>14.3</b>	<b>144.7</b>	<b>14.0</b>	<b>103.3</b>	<b>11.7</b>	<b>15.4</b>	<b>41.4</b>
Depreciation	16.4	1.4	15.2	1.5	12.3	1.4	7.7	23.5
<b>EBITDA</b>	<b>261.6</b>	<b>22.4</b>	<b>230.9</b>	<b>22.4</b>	<b>194.1</b>	<b>21.6</b>	<b>13.3</b>	<b>18.9</b>

### April to March 2004

Units and Sales April to March 2004, 2003 and 2002

	Apr-Mar 2004		Apr-Mar 2003		Apr-Mar 2002		Var. 04/03		Var. 04/03		Var. 03/02		Var. 03/02	
	Units	Mill.\$	Units	Mill.\$	Units	Mill.\$	Units	%	Mill.	%	Units	%	Mill.	%
<b>Prosavi-Progresiva</b>	<b>1,551</b>	<b>273.4</b>	<b>2,114</b>	<b>363.6</b>	<b>2,153</b>	<b>351.2</b>	<b>-563</b>	<b>-26.6</b>	<b>-90</b>	<b>-24.8</b>	<b>-39</b>	<b>-1.8</b>	<b>12</b>	<b>3.5</b>
Infonavit	6,569	1,751.2	7,163	1,843.6	6,195	1,502.9	-594	-8.3	-92	-5.0	968	15.6	341	22.7
Fovi	3,528	1,040.3	3,464	985.7	3,690	1,054.2	64	1.8	55	5.5	-226	-6.1	-69	-6.5
Fovissste	2,399	667.1	1,383	351.9	2,491	632.5	1,016	73.5	315	89.5	-1,108	-44.5	-281	-44.4
<b>Affordable Entry Level</b>	<b>12,496</b>	<b>3,458.6</b>	<b>12,010</b>	<b>3,181.2</b>	<b>12,376</b>	<b>3,189.6</b>	<b>486</b>	<b>4.0</b>	<b>277</b>	<b>8.7</b>	<b>-366</b>	<b>-3.0</b>	<b>-8</b>	<b>-0.3</b>
<b>Middle Income</b>	<b>1,893</b>	<b>976.0</b>	<b>1,826</b>	<b>815.2</b>	<b>1,243</b>	<b>496.3</b>	<b>67</b>	<b>3.7</b>	<b>161</b>	<b>19.7</b>	<b>583</b>	<b>46.9</b>	<b>319</b>	<b>64.3</b>
<b>Residential</b>	<b>156</b>	<b>293.7</b>	<b>85</b>	<b>169.7</b>	<b>133</b>	<b>299.8</b>	<b>71</b>	<b>83.5</b>	<b>124</b>	<b>73.0</b>	<b>-48</b>	<b>-36.1</b>	<b>-130</b>	<b>-43.4</b>
Commercial Land		6.2		6.5		10.1			0	-4.9			-4	-35.7
Total as Developer	16,096	5,007.8	16,035	4,536.3	15,905	4,347.0	61	0.4	472	10.4	130	0.8	189	4.4
Contractor		2.4		8.5		27.6			-6	-71.1			-19	-69.3
Commercial Space		24.0		23.5		3.1			0	2.0			20	658.1
Middle Income						49					-49	-100.0		
Total Joint Ventures						49					-49	-100.0		
<b>TOTAL</b>	<b>16,096</b>	<b>5,034.3</b>	<b>16,035</b>	<b>4,568.3</b>	<b>15,954</b>	<b>4,377.7</b>	<b>61</b>	<b>0.4</b>	<b>466</b>	<b>10.2</b>	<b>81</b>	<b>0.5</b>	<b>191</b>	<b>4.4</b>



### AVERAGE SELLING PRICES JANUARY TO MARCH 2004

	Apr-Mar 2004	Apr-Mar 2003	Apr-Mar 2002	Var%. 04/03	Var%. 03/02
Prosavi-Progresiva	176.3	172.0	163.1	2.5	5.5
Infonavit	266.6	257.4	242.6	3.6	6.1
Fovi	294.9	284.5	285.7	3.7	-0.4
Fovissste	278.1	254.5	253.9	9.3	0.2
Affordable Entry Level	276.8	264.9	257.7	4.5	2.8
Middle Income	515.6	446.5	399.3	15.5	11.8
Residential	1,882.5	1,997.0	2,257.1	-5.7	-11.5
<b>Total</b>	<b>310.7</b>	<b>282.5</b>	<b>272.7</b>	<b>10.0</b>	<b>3.6</b>

### ACCUMULATED EARNINGS STATEMENT, JANUARY TO MARCH 2004

	Apr-Mar 2004		Apr-Mar 2003		Apr-Mar 2002		Var.	Var.
	Mill. Pesos	%	Mill. Pesos	%	Mill. Pesos	%	04/03	03/02
Revenues	5,034.3	100.0	4,568.3	100.0	4,377.6	100.0	10.2	4.4
Cost of Goods Sold	3,579.3	71.1	3,262.5	71.4	3,142.2	71.8	9.7	3.8
<b>Gross Profit</b>	<b>1,455.0</b>	<b>28.9</b>	<b>1,305.7</b>	<b>28.6</b>	<b>1,235.4</b>	<b>28.2</b>	<b>11.4</b>	<b>5.7</b>
G&A	388.7	7.7	352.8	7.7	332.8	7.6	10.2	6.0
<b>Operating Profit</b>	<b>1,066.3</b>	<b>21.2</b>	<b>952.9</b>	<b>20.9</b>	<b>902.6</b>	<b>20.6</b>	<b>11.9</b>	<b>5.6</b>
Financial Cost	17.3	0.3	35.9	0.8	33.8	0.8	-51.8	6.0
Other Income	44.7	0.9	36.8	0.8	12.6	0.3	21.5	191.7
Join Venture	-2.1	0.0	-4.0	-0.1	-5.2	-0.1	-48.2	-23.8
PreTax Profit	1,091.6	21.7	949.8	20.8	876.2	20.0	14.9	8.4
Deferred Taxes	246.7	4.9	224.1	4.9	222.6	5.1	10.1	0.7
Taxes	111.6	2.2	102.8	2.3	100.3	2.3	8.6	2.5
Total Tax	358.3	7.1	326.9	7.2	322.9	7.4	9.6	1.2
<b>Net Profit</b>	<b>733.3</b>	<b>14.6</b>	<b>622.9</b>	<b>13.6</b>	<b>553.3</b>	<b>12.6</b>	<b>17.7</b>	<b>12.6</b>
Depreciation	70.3	1.4	57.6	1.3	50.6	1.2	21.9	13.9
<b>EBITDA</b>	<b>1,136.6</b>	<b>22.6</b>	<b>1,010.5</b>	<b>22.1</b>	<b>953.2</b>	<b>21.8</b>	<b>12.5</b>	<b>6.0</b>

## II) Financial Position, Cash and Capital Sources.

### Cash

By March 31<sup>st</sup> cash reached \$ 802.7 million, lower by 10.1% in real terms to 2003. This can be explained since we decided to finance our operations via our own resources. This was motivated by the temporary delay in the payment to developers from Infonavit and FOVISSSTE.

We maintain a "no dividend" policy. This has allowed us to allocate that cash to the building of homes, acquisition of land and payments to suppliers without the need to use outside financing, and benefits in a tight cash flow scenario like this one.

### Accounts Receivable

Sound and efficient collection policies and practices have resulted in 3.9 months of sales and continue to be the best in the industry.

### Inventories

These include land, ARA's most important physical asset, as well as work in progress and raw material inventories. This line grew 37.0% due to the payment delays in Infonavit and FOVISSSTE. Additionally, we invested in infrastructure works in some developments.



It is worth mentioning that we own the largest Land Bank in the industry: 131,675 affordable entry level units strong consisting of 25.0 million square meters distributed in the highest growth areas in the country.

These facts position us as the healthiest home developer in the country with a liquidity index of 7.6 to 1.

The Land Bank's breakdown is as follows:

	March 2004 Units	Affordable Entry Level Equivalent Units	Equivalent Sales Million \$
Prosavi-Progresiva	27,274	18,464	5,043.0
Affordable Entry Level	77,012	77,012	21,034.5
Middle Income	9,256	17,980	4,910.8
Residential	2,922	18,219	4,976.2
<b>TOTAL</b>	<b>116,464</b>	<b>131,675</b>	<b>35,964.5</b>

...and is geographically distributed like this:

	Units	%
Metropolitan Area of Mexico City	57,663	49.5
Quintana Roo	21,859	18.8
Baja California	6,784	5.8
Toluca, State of Mexico	6,256	5.4
Morelos	5,461	4.7
Sonora	2,822	2.4
Guanajuato	2,759	2.4
Veracruz	2,755	2.4
Puebla	2,687	2.3
Michoacán	2,304	2.0
Nuevo León	1,349	1.2
Jalisco	1,605	1.4
Querétaro	880	0.8
Chihuahua	648	0.6
Mexico City	411	0.4
Guerrero	133	0.1
Sinaloa	48	0.0
Tabasco	40	0.0
<b>TOTAL</b>	<b>116,464</b>	<b>100.0</b>

#### *Installed Capacity*

Our installed capacity allows us to generate important economies of scale. It is worth mentioning that we have the infrastructure to produce all of the concrete (ready mix) that we need. This fact makes us one of the fourth largest producers in Mexico.

Machinery and equipment posted \$ 468.2 million, increase of 47.3%. The investment in machinery & equipment was \$ 32.3 million and it represents 6.9% of total assets. This line includes the new maintenance plant for our concrete, machinery and paneling division (COMACI). It also includes commercial space developed for the convenience of our customers. These buildings are developed by Promotora y Desarrolladora de Centros Comerciales S.A. de C.V. (PDCC), subsidiary of Consorcio ARA. On March 23<sup>rd</sup> it signed a 50% - 50% agreement with O'Connor Capital Partners to develop and operate commercial malls. The agreement includes investments for 100 million U.S. Dollars over the next four years.



### Suppliers

We are one of the founding members of the "Cadenas Productivas" program by NAFINSA. This facility allows our suppliers, many small size enterprises, to have access to credit which would otherwise be unavailable. The suppliers' accounts amount up to \$ 143.6 million, with a turnover of 21 days. This figure has been decreased 7.6% due to payments of liabilities to different suppliers.

### Short and Long Term Liabilities

Liabilities posted \$ 327.4 million and were configured by leasing arrangements for the acquisition of machinery and equipment of which \$ 33.0 million are short term. Cost bearing liabilities to ShareHolder's Equity is only 6.9%. Cost bearing liabilities to total assets are 4.8%. Cost bearing liabilities to cash are 40.8%. We have access to \$ 1,435.0 million in active lines of credit which are practically unused. Finally, a total liabilities to equity of 0.54 times confirms our unsurpassed financial position.

### Deferred Taxes

Deferred taxes posted \$ 1,639.8 million. As such total liabilities to total assets represent 35.2%. Without taking into account their effect leverage would be only 13.1%.

### Shareholders Equity

ARA's Shareholder's Equity grew 14.7% posting \$ 4,785.5 million by March 31<sup>st</sup> 2004. This growth was due in part to accumulated net profits.

### Treasury Policies

Consortio ARA has in place a series of policies and procedures which have as an objective the proper management of cash flow. This effort is centralized at our corporate headquarters. We have a strict control of our cash and only invest it in AAA securities. We have strict and efficient collection procedures and controls that contribute to outstanding receivable figures. Disbursements to suppliers are done with high attention to their required timing as well as strict care to the safe keeping of our resources.

## BALANCE SHEET, March 31<sup>st</sup> 2004.

	2004	2003	2002	Var. 04/03	Var. 03/02
	Mill. Pesos	Mill. Pesos	Mill. Pesos	%	%
<b>Total Assets</b>	<b>7,411.9</b>	<b>6,403.6</b>	<b>5,566.5</b>	<b>15.7</b>	<b>15.0</b>
Short Term Assets	6,830.9	5,883.3	5,109.6	16.1	15.1
Cash	802.7	892.8	702.9	-10.1	27.0
Accounts Receivable	1,528.7	1,353.9	1,360.2	12.9	-0.4
Inventories	4,398.9	3,504.2	2,923.2	25.5	19.8
Other Assets	100.6	132.4	123.3	-24.0	7.4
Fixed Assets	581.0	520.3	456.9	11.7	13.8
Building and Equipment	574.5	520.3	450.9	10.4	15.3
Joint Ventures	6.6	0.0	6.0	100.0	-100.0
<b>Total Liabilities</b>	<b>2,626.5</b>	<b>2,231.0</b>	<b>2,052.9</b>	<b>17.7</b>	<b>8.7</b>
Short Term Liabilities	896.6	751.0	828.2	19.4	-9.3
Accounts Payable	143.6	155.4	277.8	-7.6	-44.1
Bank Loans	200.0	104.2	89.1	91.9	16.9
Financial Leasing	32.2	16.6	4.4	93.5	277.3
Taxes	28.9	9.3	15.4	210.7	-39.6
Other Short Term Liabilities	491.9	465.5	441.5	5.6	5.4
Long Term Liabilities	90.1	47.4	3.4	90.0	1,294.1
Other Liabilities	13.6	0.0	0.0	100.0	0.0
Financial Leasing	76.5	47.4	3.4	61.4	1,294.1
Deferred Taxes	1,639.8	1,432.6	1,221.3	14.5	17.3
Deferred Taxes	1,639.8	1,432.6	1,221.3	14.5	17.3
<b>Shareholder's Equity</b>	<b>4,785.5</b>	<b>4,172.6</b>	<b>3,513.6</b>	<b>14.7</b>	<b>18.7</b>



### Prospects and Trends

Starting in 2000 the current presidential administration launched an important effort to increase the housing industry's yearly output to 750,000 units by the year 2006. This program will depend for the most part in Infonavit, SHF - Sociedad Hipotecaria Federal (previously Fovi) and Fovissste's efforts. The growing influences of the Sociedades Financieras de Objeto Limitado (Sofoles) as well as the resurgence of commercial bank mortgages will also contribute to volume increases especially in the affordable entry level and middle income segments.

Falling interest rates have contributed greatly to the industry's explosive growth. These new interest rate levels have generated mortgage supplies to individuals who would have otherwise been constrained by the existing financing alternatives.

We have a strong presence in the Metropolitan Area of Mexico City, the maquiladora area to the northwestern part of the country as well as the Caribbean tourist areas. These regions will continue to see important housing developments being built. Thus, we will continue to develop our product in areas that have promising macroeconomic trends.

### Backlog

As part of the operational requirements of the business we have a mortgage commitment backlog. This stands currently at 22,945 mortgages that is more than a year of sales. The source of these is mainly the Infonavit and the Sociedad Hipotecaria Federal.

The breakdown is as follows:

	1° Quarter 2004	Mix %	1° Quarter 2003	Mix %	Variation %
Prosavi-Progresiva	408	1.8	828	4.4	-5.1
Affordable Entry Level	15,377	67.0	13,206	70.6	16.4
Infonavit	5,046	22.0	4,805	25.7	5.0
Fovi-Fovissste	10,331	45.0	8,401	44.9	23.0
Middle Income	6,865	29.9	4,277	22.9	60.5
Residential	295	1.3	386	2.1	-23.6
<b>TOTAL</b>	<b>22,945</b>	<b>100.0</b>	<b>18,697</b>	<b>100.0</b>	<b>22.7</b>

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