

Management's Discussion on the 1st Quarter's Results and Financial Position.

EXECUTIVE SUMMARY

First quarter 2005:

- Unit volume of 3,941 homes, equivalent to 6,177 units using the ASP of the industry, revenue posted \$ 1,359.0 million, growth of 11.6% in real terms
- Gross profit of \$ 391.9 million with a gross margin of 28.8% resulting in 11.3% growth
- Operating profit of \$ 288.5 million with a 21.2% margin resulting in 12.7% growth in real terms
- Net profit of \$ 216.9 million with a margin of 16.0% resulting in 24.5% growth
- EBITDA of \$ 304.8 million with a margin of 22.4% resulting in 11.6% growth in real terms
- ASP of \$ 342.1 thousand pesos, a decrease of 1.2%

LTM 2005/2004

- Unit volume of 17,537 homes, equivalent to 27,112 units using the ASP of the industry, revenue posted \$ 5,964.7 million, growth of 13.5% in real terms
- Gross profit of \$ 1,732.4 million with a gross margin of 29.0% resulting in 14.1% growth
- Operating profit of \$ 1,276.8 million with a 21.4% margin resulting in 14.7% growth in real terms
- Net profit of \$ 1,063.9 million with a margin of 17.8% resulting in 36.0% growth
- EBITDA of \$ 1,351.9 million with a margin of 22.7% resulting in 14.0% growth in real terms
- ASP of \$ 329.2 thousand pesos, an increase of 1.5%

Financial Structure Highlights (March 31st, 2005):

- Cash of \$ 1,076.5 million, that is 28.5% higher than the previous year
- Financial leasing increased 17.0% in the short term and decreased 18.6% in the long term
- Cost bearing liabilities represent 6.8% of our cash
- Land Bank of 130,126 master plan units
- Backlog of 27,367 mortgages, resulting in 19.3% growth, enough for more than a year of future sales



First quarter 2005:

1) OPERATION RESULTS.

Sales

First quarter revenues were \$ 1,359.0 million. Year on year these were 11.6% stronger. During the period in question 3,941 units were sold. These are equivalent to 6,177 units at the ASP of the industry.

The Prosavi-Progresiva segment posted 734 units, of these 516 were funded by INFONAVIT and 218 by SHF. Sales reached \$ 147.6 million and represent 10.8% of total revenues. An increase of 282.5% compared to the 2004, due to the emphasis of the institutions to provide more mortgages for the most affordable segment.

Infonavit sales reached \$ 338.1 million, 26.1% lower than the previous year. They posted 1,077 units.

SHF volumes posted 1,037 units, reaching \$ 321.2 million, 18.0% higher than previous year. Fovissste volumes posted 466 units, and revenues of \$ 145.1 million, 295.1% increase in real terms compared with 2004.

The middle income segment reached \$ 329.8 million in revenues, representing a 5.2% increase compared with the same quarter of 2004. Middle income volume was 588 units, 3.9% higher than the previous year. Of these 428 were financed by SHF. New projects that have been put in line have strengthened sales in this segment, we will continue this strategy in the near future.

Residential volumes posted 39 units. These result in \$ 66.5 million in revenues. ARA has lowered the average selling price of its 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. Going forward ARA will strengthen this segment with a completely new product which includes a fully equipped golf course and club house. This type of product at the targeted price point is non-existent in Mexico. The first project of the sort will be developed in Cuernavaca.



The breakdown is as follows:

	1°Qtrr. 2005		1°Qtrr. 2004		1°Qtrr. 2003		Var. 05/04	
	Units	Mill.\$	Units	Mill.\$	Units	Mill.\$	\$	%
Prosavi-Progresiva	734	147.7	200	38.6	277	49.7	109.1	282.5
Infonavit	1,077	338.1	1,645	457.4	1,361	374.3	-119.3	-26.1
SHF	1,037	321.2	934	272.3	773	232.2	48.9	18.0
Fovissste	466	145.1	109	36.7	560	147.5	108.4	295.2
Affordable Entry Level	2,580	804.4	2,688	766.4	2,694	754.0	38.0	5.0
Middle Income	588	329.8	566	313.5	435	216.0	16.3	5.2
Residential	39	66.5	54	96.0	26	41.3	-29.5	-30.7
Commercial Land	--	7.1	--	1.0	--	0.0	6.1	615.7
Total as Developer	3,941	1,355.4	3,508	1,215.5	3,432	1,061.0	139.9	11.5
Construction	--	0.9	--	--	--	8.2	0.9	--
Commercial Buildings	--	2.7	--	2.3	--	6.8	0.4	16.9
TOTAL	3,941	1,359.0	3,508	1,217.8	3,432	1,076.0	141.2	11.6

By the first quarter of 2005 average selling prices posted a real decrease of 1.2% as show in the following table:

(Thousands \$)	1°Qtrr 2005	1°Qtrr 2004	1°Qtrr 2003	Var %. 05/04
Prosavi-Progresiva	201.2	193.0	179.3	4.2
Infonavit	313.9	278.0	275.0	12.9
SHF	309.7	291.5	300.4	6.2
Fovissste	311.4	336.9	263.4	-7.6
Affordable Entry Level	311.8	285.1	279.9	9.4
Middle Income	560.9	553.8	496.5	1.3
Residential	1,704.7	1,777.8	1,586.9	-4.1
Total	342.1	346.2	309.1	-1.2

Cost of Goods Sold

Cost of Goods Sold increased by 11.7% posting \$ 967.1 million, representing 71.2% of revenues.

Gross Profit

The Gross Profit reached \$ 391.9 million, with a gross margin of 28.8%.



A breakdown by home type follows:

	1°Qtrr 2005	1°Qtrr 2004	1°Qtrr 2003	Var. PPs 05/04
Prosavi-Progresiva	24.3%	23.8%	23.1%	0.5
Affordable Entry Level	28.6%	28.4%	28.7%	0.2
Middle Income	30.9%	30.1%	29.8%	0.8
Residential	30.5%	30.4%	30.3%	0.1
Developer	28.8%	28.9%	28.7%	-0.1
Builder	28.4%	0.0%	0.0%	28.4
Commercial Land	32.2%	40.1%	0.0%	-7.9
Commercial Building	47.8%	48.4%	49.0%	-0.6
TOTAL	28.8%	28.9%	28.6%	-0.1

G&A Expenses

G&A expenses include salaries of the technical and administrative teams as well as the sales group. G&A posted \$ 103.4 million. As a percentage of sales it shrunk from 7.9% to 7.6% of sales.

Operating Profit

Operating profit grew 12.7% in real terms due to good cost and expenditure controls.

EBITDA

During the first quarter of 2005 Consorcio ARA generated an EBITDA of \$ 304.8 million (22.4% of sales), 11.6% bigger in real terms than 2004's. Of these only 16.3 million are explained by depreciation. Current EBITDA levels could cover interest expenses 30.8 times.

Financing Cost

Financing costs decreased 862.5% posting a negative net amount of \$ 12.2 million. Similarly the impact of monetary position presents a considerable variation due to the efficient use of resources. Breakdown is as follows:

	1°Qtrr 2005	1°Qtrr 2004	1°Qtrr 2003	Var%. 05/04
Interest Paid	9.9	14.4	14.6	-31.3
Interest Earned	21.6	12.4	18.9	74.2
FX Loss (Profit)	-3.0	0.3	1.6	-1,100.0
Monetary Position Loss (Profit)	2.5	-0.7	3.0	-457.1
Integral Financing Cost	-12.2	1.6	0.3	-862.5

Taxes

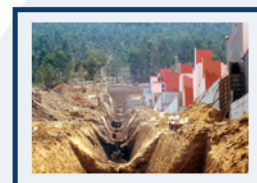
Total taxes generated posted minus \$ 80.8 million that is 7.6% lower than the first quarter of the previous year. This was due primarily to the decrease in the corporate tax rate in 3 percentage points.

Net Profit

Net profit grew 24.4% posting \$ 216.9 million with a margin of 16.0%.

The EPS for the last twelve months resulted in a multiple of 3.23 as calculated in the following table:

		LTM
Net Profit		1,059,569,164
Shares	(Average)	328,027,791
EPS		3.23



Earnings Statement, First quarter 2005

	1°Qtrr. 2005		1°Qtrr. 2004		1°Qtrr. 2003		Var.
	Mill. Pesos	%	Mill. Pesos	%	Mill. Pesos	%	05/04 %
Revenues	1,359.0	100.0	1,217.8	100.0	1,075.9	100.0	11.6
Cost of Goods Sold	967.1	71.2	865.8	71.1	767.8	71.4	11.7
Gross Profit	391.9	28.8	352.0	28.9	308.1	28.6	11.3
G&A	103.4	7.6	96.0	7.9	83.0	7.7	7.8
Operating Profit	288.5	21.2	256.0	21.0	225.1	20.9	12.7
Financing Cost	-12.2	-0.9	1.6	0.1	0.3	0.0	-862.5
Other Income	2.4	0.2	9.5	0.8	15.5	1.4	-74.7
JV	-5.4	-0.4	-2.1	-0.2	0.0	0.0	157.1
Pre Tax Profit	297.7	21.9	261.8	21.5	240.3	22.3	13.7
Deferred Tax	39.5	2.9	58.5	4.8	63.2	5.9	-32.5
Tax Paid	41.4	3.0	29.0	2.4	26.1	2.4	42.8
Total Tax	80.9	5.9	87.5	7.2	89.3	8.3	-7.5
Net Profit	216.8	16.0	174.3	14.3	151.0	14.0	24.4
Depreciation	16.3	1.2	17.1	1.4	15.9	1.5	-4.7
EBITDA	304.8	22.4	273.1	22.4	241.0	22.4	11.6

Results LTM 2005, 2004 and 2003

Units and Sales Comparison charts

	2005		2004		2003		Var. 05/04		Var. 05/04	
	Units	Mill.\$	Units	Mill.\$	Units	Mill.\$	Units	%	Mill.	%
Prosavi-Progresiva	2,450	476.9	1,551	285.4	2,114	379.6	899	58.0	191	67.1
Infonavit	6,524	1,835.9	6,570	1,828.1	7,163	1,924.5	-46	-0.7	8	0.4
SHF	4,153	1,270.0	3,527	1,085.7	3,464	1,029.0	626	17.7	184	17.0
Fovissste	1,920	571.7	2,399	696.3	1,383	367.3	-479	-20.0	-125	-17.9
Affordable Entry Level	12,597	3,677.6	12,496	3,610.1	12,010	3,320.9	101	0.8	67	1.9
Middle Income	2,294	1,296.8	1,893	1,018.8	1,826	851.0	401	21.2	278	27.3
Residential	196	321.9	156	306.5	85	177.1	40	25.6	15	5.0
Comercial Land		158.1		6.4		6.8			152	2,353.8
Total as Developer	17,537	5,931.2	16,096	5,227.3	16,035	4,735.3	1,441	9.0	704	13.5
Construction		22.8		2.6		8.9			20	792.1
Comercial Buildings		10.7		25.0		24.5			-14	-57.4
TOTAL	17,537	5,964.7	16,096	5,254.9	16,035	4,768.7	1,441	9.0	710	13.5



AVERAGE SELLING PRICE LTM

(000'S \$)	Apr 04/ Mar 05	Apr 03/ Mar 04	Apr 02/ Mar 03	Var%. 05/04
Prosavi-Progresiva	194.6	184.0	179.6	5.8
Infonavit	281.4	278.2	268.7	1.2
SHF	305.8	307.8	297.0	-0.6
Fovissste	297.7	290.3	265.7	2.5
Affordable Entry	291.9	288.9	276.5	1.0
Middle Income	565.3	538.2	466.1	5.0
Residential	1,642.4	1,965.0	2,084.7	-16.4
Total	329.2	324.4	294.9	1.5

EARNINGS LTM

	Apr 04/ Mar 05		Apr 03/ Mar 04		Apr 02/ Mar 03		Var. 05/04
	Mill. Pesos	%	Mill. Pesos	%	Mill. Pesos	%	%
Revenues	5,964.7	100.0	5,254.9	100.0	4,768.8	100.0	13.5
Cost of Goods Sold	4,232.3	71.0	3,736.2	71.1	3,405.7	71.4	13.3
Gross Profit	1,732.4	29.0	1,518.7	28.9	1,363.0	28.6	14.1
G&A	455.6	7.6	405.7	7.7	368.3	7.7	12.3
Operating Profit	1,276.8	21.4	1,113.0	21.2	994.7	20.9	14.7
Financial Cost	15.2	0.2	18.1	0.3	37.5	0.8	-15.8
Other Income	-3.7	-0.1	70.9	1.3	38.4	0.8	-105.2
JV	18.2	0.3	-2.1	0.0	-4.2	-0.1	-966.7
Pre Tax Profit	1,276.1	21.4	1,163.7	22.2	991.4	20.8	9.7
Deferred Tax	34.7	0.6	262.1	5.0	233.9	4.9	-86.7
Tax Paid	177.5	3.0	119.6	2.3	107.3	2.3	48.4
Total Tax	212.2	3.6	381.7	7.3	341.2	7.2	-44.4
Net Profit	1,063.9	17.8	782.0	14.9	650.2	13.6	36.0
Depreciation	75.1	1.3	73.3	1.4	60.1	1.3	2.4
EBITDA	1,351.9	22.7	1,186.4	22.6	1,054.9	22.1	14.0

II) Financial Position, Cash and Capital Sources.

Cash

By March 31st cash reached \$ 1,076.5 million, higher by 28.5% in real terms to 2004. This can be explained by outstanding collections.

Accounts Receivable

Sound and efficient collection policies and practices have resulted in 3.8 months of sales which 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 8.7% due to our investment in infrastructure in some developments as well as the purchases of new pieces of land from ejidos and private owners.

It is worth mentioning that we own the largest Land Bank in the industry: 130,126 units strong consisting of 30.3 million square meters distributed in the highest growth areas in the country.



The Land Bank's breakdown is as follows:

By March 2005	
	Units
Prosavi-Progresiva	30,084
Affordable Entry Level	86,052
Middle Income	10,218
Residential	3,772
TOTAL	130,126

...and is geographically distributed like this:

	Units	%
Metro Area of Mexico City	51,729	39.8
Quintana Roo	19,651	15.1
Baja California	11,296	8.7
Nuevo León	9,282	7.1
Morelos	6,127	4.7
Toluca, State of Mexico	5,320	4.1
Puebla	5,181	4.0
Veracruz	4,456	3.4
Jalisco	3,407	2.6
Guanajuato	3,184	2.4
Sonora	2,822	2.2
Michoacán	2,202	1.7
Guerrero	1,848	1.4
Querétaro	1,607	1.2
Chihuahua	1,515	1.2
Distrito Federal	411	0.3
Sinaloa	48	0.0
Tabasco	40	0.0
TOTAL	130,126	100.0

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 four largest producers in Mexico.

Machinery and equipment posted \$ 497.5 million, a decrease of 5.6%. The investment in machinery & equipment was \$ 3.7. 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 november 11th 2003 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 in four years.

Suppliers

We are one of the founding members of the "Cadenas Productivas" program by NAFINSA. This facility allows our suppliers, many of them small enterprises, to have access to credit which would otherwise be unavailable. The suppliers' accounts amount up to \$ 240.3 million, with a turnover of 30 days. This figure has been increased 60.3%.



Short and Long Term Liabilities

Liabilities posted \$ 104.3 million and were configured by leasing arrangements for the acquisition of machinery and equipment of which \$ 39.3 million are short term. Cost bearing liabilities to ShareHolder's Equity is only 2.7%. Cost bearing liabilities to total assets are 1.8%. Cost bearing liabilities to cash are 14.7%. We have access to \$ 1,721.0 million in active lines of credit which are practically unused. Finally, total liabilities to equity of 0.44 times confirm our unsurpassed financial position.

Deferred Taxes

Deferred taxes posted \$ 1,676.7 million. As such total liabilities to total assets represent 31%. Without taking into account posted their effect, leverage would be only 11.6%.

Shareholders Equity

ARA's Shareholder's Equity grew 19.2% posting \$ 5,956.6 million by March 31st, 2005. This growth was due in part to accumulated net profits.

BALANCE SHEET March 31st 2005.

	2005	2004	2003	Var%. 05/04
	Mill Pesos	Mill Pesos	Mill Pesos	%
Total Assets	8,634.1	7,737.3	6,684.7	11.6
Short Term Assets	7,918.4	7,130.8	6,141.6	11.0
Cash	1,076.5	837.9	932.0	28.5
Accounts Receivable	1,712.8	1,570.5	1,413.3	9.1
Inventories	4,992.6	4,592.0	3,658.1	8.7
Other Short Term Assets	136.5	130.4	138.2	4.7
Fixed Assets	715.7	606.5	543.1	18.0
Machinery and Equipment	497.5	526.9	543.1	-5.6
Due from JV	167.5	72.8	0.0	130.1
Investment in JV	50.7	6.8	0.0	645.6
Total Liabilities	2,677.5	2,741.8	2,328.9	-2.3
Short Term Liabilities	870.5	935.9	783.9	-7.0
Accounts Payable	240.3	149.9	162.2	60.3
Bank Loans	0.0	208.8	108.8	-100.0
Short Term Financial Leasing	39.3	33.6	17.3	17.0
Taxes	28.2	30.1	9.7	-6.3
Other Short Term Liabilities	562.7	513.5	485.9	9.6
Long Term Liabilities	1,807.0	1,805.9	1,545.0	0.1
Other Loans	14.8	14.2	0.0	4.2
Long Term Financial Leasing	65.0	79.9	49.5	-18.6
Land Suppliers Long Term	50.5	--	--	100.0
Deferred Liabilities	1,676.7	1,711.8	1,495.5	-2.1
Shareholder's Equity	5,956.6	4,995.5	4,355.8	19.2



Backlog

As part of the operational requirements of the business we have a mortgage commitment backlog. This stands currently at 27,368 mortgages, 19.3% stronger than a year ago and more than a year of sales. The source of these is mainly the Infonavit and the Sociedad Hipotecaria Federal.

The breakdown is as follows:

	Units 1° Qtrr 05	Mix %	Units 1° Qtrr 04	Mix %	Var %
Prosavi-Progresiva	2,136	7.8	408	1.8	423.5
Affordable Entry	18,341	67.0	15,377	67.0	19.3
Infonavit	6,687	24.4	5,046	22.0	32.5
SHF-Fovissste	11,654	42.6	10,331	45.0	12.8
Middle Income	6,729	24.6	6,865	29.9	-2.0
Residential	162	0.6	295	1.3	-45.1
TOTAL	27,368	100.0	22,945	100.0	19.3

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