

Management's Discussion on the 3rd Quarter's Results and Financial Position.

EXECUTIVE SUMMARY

Third Quarter 2003:

- Unit volume of 3,763 homes, with revenue growth of 11.5% in real terms
- Gross profit of 334.5 million with a gross margin of 28.9% resulting in 13.3% growth.
- Operating profit of 246.6 million with a 21.3% margin resulting in 14.6% growth in real terms
- Net profit of 151.3 million with a margin of 13.1% resulting in 28.1% growth in real terms
- EBITDA of 261.6 million with a margin of 22.6% resulting in 14.2% growth in real terms

January 2003 - September 2003:

- Revenue growth of 14.6% in real terms
- Operating profit growth of 17.2% in real terms
- Net profit growth of 38.8% in real terms
- EBITDA growth of 17.1% in real terms
- Unit growth of 5.9.%
- Average selling price growth of 7.8% in real terms

Financial Structure Highlights (September 30th 2003:

- Cash of \$1,135.5 million, 68.5% higher than the previous year
- Cost bearing liabilities represent 1/12th of cash
- Without taking into deferred taxes, leverage remained low at 11.6% total liabilities to total assets
- Land Bank of 105,163 master plan units equivalent to 118,722 affordable entry level units.
- Backlog of 21,496 mortgages enough for more than a year of future sales.



Third Quarter 2003:

1) OPERATION RESULTS.

Sales

Third quarter revenues were 1,158.4 million. Year on year these were 11.5% larger. During the period in question 3,763 units were sold.

The Prosavi-Progresiva segment posted 322 units sold due to the ending of various projects. In the near future new projects will strengthen this product line. Prosavi-Progresiva sales of 54.8 million represented 4.7% of total revenues during the third quarter. They were lower than the 86.2 million reported during 2002.

Infonavit sales grew 1.1% to 1,513 units.

SHF-Fovissste volumes decreased 56.3% during the third quarter of 2002 posting 283 units due to Fovissste delays. This situation was reverted during the third quarter of 2003 which posted growth of 95.8% with 554 units sold. These represented 13.3% of total revenues by posting 154.6 million. These sales were stronger than those of the third quarter of 2002 and 2001 by 69.3 and 145.2 million respectively.

The affordable entry level segment posted 774.6 million in revenues, a 10.2% increase in real terms, with 2,896 units sold.

The average selling price of the affordable entry level segment grew 5.7%. It is worth mentioning that the development known as Las Americas located in the municipality of Ecatepec (metro area of Mexico City). It will consist of 11,075 affordable entry level units and 1,925 middle income homes which will be developed in the next 5 years.

Middle income sales grew 5.8% posting 511 units. Revenues reached 251.4 million. These were substantially stronger than those of the third quarters of 2002 and 2001 by 206.8 and 73.0 million. Average selling prices of the segment have also expanded by 14.9% and 13.3% by the third quarters of 2003 and 2002 respectively. All these positive developments were possible due to the resurgence of credit from the SHF via Sofoles, the Sofoles on their own and the gradual re-entry of commercial mortgages to the market. This scenario will continue to improve on the following years.

Residential volumes expanded a surprising 100.0% posting 34 units in contrast to the 17 homes registered during the previous 3rd quarter. It is worth remembering that this segment is experiencing an oversupply of homes. As a result of this 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:

	3°Quarter 2003		3°Quarter 2002		3°Quarter 2001		Var. 03/02		Var. 02/01	
	Units	Mill.\$	Units	Mill.\$	Units	Mill.\$	\$	%	\$	%
Prosavi-Progresiva	322	54.8	524	86.2	248	33.8	-31.4	-36.4	52.4	154.9
Infonavit	1,513	375.9	1,536	371.9	1,640	351.1	4.0	1.1	20.8	5.9
Fovi	829	244.1	957	261.4	971	244.7	-17.3	-6.6	16.7	6.8
Fovissste	554	154.6	283	69.3	647	145.2	85.3	123.0	-75.9	-52.2
Affordable Entry Level	2,896	774.6	2,776	702.6	3,258	741.0	72.0	10.2	-38.4	-5.2
Middle Income	511	251.4	483	206.8	210	73.0	44.6	21.6	133.8	183.3
Residential	34	69.0	17	36.0	41	75.7	33.0	91.7	-39.7	-52.4
Commercial Land	--	0.6		0.2		3.5	0.4	235.1	-3.3	-94.7
Total as Developer	3,763	1,150.4	3,800	1,031.8	3,757	927.0	118.6	11.5	104.8	11.3
Contractor	--	0.6	--	0.6	--	9.4	0.1	9.3	-8.9	-94.0
Commercial Space	--	7.4	--	6.8	--		0.6	8.8	6.8	
Middle Income (JV)	--				21	10.6	--		-10.6	-100.0
Joint Venture Total	--				21	10.6	--		-10.6	-100.0
TOTAL	3,763	1,158.4	3,800	1,039.2	3,778	947.0	119.3	11.5	92.1	9.7

By the third quarters of 2003 and 2002 average selling prices posted real term increases of 12.6% and 1.7% respectively as show in the following table:

	3°Quarter 2003	3°Quarter 2002	3°Quarter 2001	Var % 03/02	Var % 02/01
Prosavi-Progresiva	170.2	164.5	148.9	3.5	10.5
Infonavit	248.4	242.1	233.7	2.6	3.6
Fovi	294.4	273.2	275.2	7.8	-0.7
Fovissste	279.1	245.0	245.0	13.9	0.0
Affordable Entry Level	267.5	253.1	248.3	5.7	1.9
Middle Income	492.0	428.2	377.9	14.9	13.3
Residential	2,029.1	2,116.5	2,018.7	-4.1	4.8
Total	305.5	271.5	266.9	12.5	1.7

Cost of Goods Sold

Cost of Goods Sold increased by 10.7% posting 823.9 million. As a result gross profit was 334.5 million with a margin of 28.9%

Consortio Ara is known for maintaining strict control of all costs and expenditures in the development of its products.

Gross Profit

The posted gross margin of 28.9% represents an improvement of 70 basis points since 2001. This can be explained in part by the increase in middle income prices.



A breakdown by home type follows:

	3°Quarter 2003	3°Quarter 2002	3°Quarter 2001	Var. Points 03/02	Var. Points 02/01
Prosavi-Progresiva	24.1%	23.5%	23.1%	0.6	0.4
Affordable Entry Level	28.5%	28.5%	28.1%	0.0	0.4
Middle Income	30.2%	29.9%	29.3%	0.3	0.6
Residential	30.3%	30.8%	30.4%	-0.5	0.4
Developer	28.8%	28.4%	28.2%	0.4	0.2
Contractor	-	-181.9%	25.9%	181.9	-207.8
Commercial Space	47.2%	42.1%	-	5.1	42.1
TOTAL	28.9%	28.4%	28.2%	0.5	0.2

G&A Expenses

G&A expenses include, among other things, salaries of the technical and administrative teams as well as the sales group.

G&A posted 87.9 million, that is 9.8% growth in real terms. Nevertheless as a percentage of sales it reached 7.6% vs. the 7.7% of the previous year.

Operating Profit

Operating profit grew 14.6% in real terms due to good expenditure controls.

EBITDA

During the third quarter of 2003 Consorcio ARA generated an EBITDA of 261.6 million (22.6% of sales), 14.2% bigger in real terms than 2002's. Of these only 15 million are explained by depreciation. Current EBITDA levels could cover interest expenses 20.9 times.

Financing Cost

Financing costs decreased 49.4% posting a net amount of 5.5 million. Said contraction can be explained by a decreased in interest paid of 24.8% as well as the 3.7 million exchange rate profit. Breakdown is as follows:

	3°Quarter 2003	3°Quarter 2002	3°Quarter 2001	Var%. 03/02	Var%. 02/01
Interest Paid	12.5	16.6	16.5	-24.8	0.6
Interest Earned	9.0	10.5	13.2	-14.6	-20.4
Exchange Rate (Loss) Profit	3.7	-0.2	-0.5	-1,858.7	-61.7
Monetary (Loss) Profit	(5.7)	(4.6)	(2.5)	(22.7)	(86.8)
Financing Cost	5.5	10.9	6.3	-49.4	73.4

Taxes

Total taxes generated posted 94.8 million that is 3.5% larger than the previous third quarter. Income Tax and Profit Sharing provisions were maintained within the same ratios.

Net Profit

Net profit grew 28.1% posting 151.3 million with a margin of 13.1%.

The EPS for the last twelve months resulted in 2.08 as calculated in the following table:



LTM September 2003

Net Profit	682,061,538
Shares	327,945,841
EPS	2.08

Earnings Statement, Third Quarter 2003

	3°Quarter 2003		3°Quarter 2002		3°Quarter 2001		Var.	Var.
	Mill. Pesos	%	Mill. Pesos	%	Mill. Pesos	%	03/02	02/01
Revenues	1,158.4	100.0	1,039.2	100.0	1,022.2	100.0	11.5	1.7
Cost of Goods Sold	823.9	71.1	743.9	71.6	734.3	71.8	10.7	1.3
Gross Profit	334.5	28.9	295.2	28.4	287.9	28.2	13.3	2.5
G&A	87.9	7.6	80.1	7.7	77.7	7.6	9.8	3.1
Operating Profit	246.6	21.3	215.1	20.7	210.3	20.6	14.6	2.3
Financing Cost	5.5	0.5	10.9	1.0	6.3	0.6	-49.4	73.4
Other Income	5.0	0.4	5.8	0.6	5.3	0.5	-13.6	9.5
PreTax Profit	246.1	21.2	209.8	20.2	207.0	20.3	17.3	1.3
Differed Taxes	39.9	3.4	67.1	6.5	17.2	1.7	-40.6	290.7
Taxes	54.9	4.7	24.5	2.4	66.2	6.5	124.1	-63.0
Total Tax	94.8	8.2	91.6	8.8	83.4	8.2	3.5	9.9
Net Profit	151.3	13.1	118.2	11.4	123.6	12.1	28.1	-4.4
Depreciation	15.0	1.3	13.9	1.3	13.1	1.3	8.0	5.6
EBITDA	261.6	22.6	229.0	22.0	223.4	21.9	14.2	2.5

January to September 2003

Units and Sales January to September 2003, 2002 and 2001

	Jan-Sep 2003		Jan-Sep 2002		Jan-Sep 2001		Var. 03/02		Var. 03/02		Var. 02/01		Var. 02/01	
	Units	Mill.\$	Units	Mill.\$	Units	Mill.\$	Units	%	Mill.	%	Units	%	Mill.	%
Prosavi-Progresiva	948	157.0	1,638	276.4	1,109	155.6	-690	-42.1	-119	-43.2	529	47.7	121	77.7
Infonavit	4,413	1,103.4	4,533	1,114.1	4,428	995.8	-120	-2.6	-11	-1.0	105	2.4	118	11.9
Fovi	2,164	628.9	2,559	705.1	2,784	784.0	-395	-15.4	-76	-10.8	-225	-8.1	-79	-10.1
Fovissste	2,052	528.0	493	126.2	1,050	244.1	1,559	316.2	402	318.4	-557	-53.0	-118	-48.3
Affordable Entry Level	8,629	2,260.3	7,585	1,945.4	8,262	2,023.9	1,044	13.8	315	16.2	-677	-8.2	-79	-3.9
Middle Income	1,308	626.3	1,079	454.4	670	275.7	229	21.2	172	37.8	409	61.0	179	64.8
Residential	87	161.3	60	132.6	90	174.0	27	45.0	29	21.7	-30	-33.3	-41	-23.8
Commercial Land		1.5		0.2		34.1			1	705.4			-34	-99.5
Total as Developer	10,972	3,206.4	10,362	2,808.9	10,131	2,663.3	610	5.9	397	14.1	231	2.3	146	5.5
Contractor		10.0		0.6		39.5			9	1,535.5			-39	-98.5
Commercial Space		19.9		13.5					6	46.8			14	
Middle Income						115					-115	-100.0		
Total Joint Ventures						115					-115	-100.0		
TOTAL	10,972	3,236.2	10,362	2,823.1	10,246	2,702.8	610	5.9	413	14.6	116	1.1	120	4.5



AVERAGE SELLING PRICES JANUARY TO SEPTEMBER 2003

	Jan-Sep 2003	Jan-Sep 2002	Jan-Sep 2001	Var%. 03/02	Var%. 02/01
Prosavi-Progresiva	165.7	168.8	140.3	-1.8	20.3
Infonavit	250.0	245.8	224.9	1.7	9.3
Fovi	290.6	275.5	281.6	5.5	-2.2
Fovissste	257.3	256.0	232.5	0.5	10.1
Affordable Entry Level	261.9	256.5	245.0	2.1	4.7
Middle Income	478.8	421.1	411.5	13.7	2.3
Residential	1,853.8	2,209.4	1,933.8	-16.1	14.3
Total	292.1	271.1	256.6	7.8	5.6

ACCUMULATED EARNINGS STATEMENT, JANUARY TO SEPTEMBER 2003

	Jan-Sep 2003		Jan-Sep 2002		Jan-Sep 2001		Var. 03/02	Var. 02/01
	Mill. Pesos	%	Mill. Pesos	%	Mill. Pesos	%		
Revenues	3,236.2	100.0	2,823.1	100.0	2,702.8	100.0	14.6	4.5
Cost of Goods Sold	2,305.4	71.2	2,022.0	71.6	1,941.8	71.8	14.0	4.1
Gross Profit	930.8	28.8	801.1	28.4	761.0	28.2	16.2	5.3
G&A	249.2	7.7	219.3	7.8	204.8	7.6	13.7	7.1
Operating Profit	681.6	21.1	581.8	20.6	556.2	20.6	17.2	4.6
Financial Cost	10.7	0.3	28.4	1.0	21.2	0.8	-62.4	34.1
Other Income	31.4	1.0	7.9	0.3	12.3	0.5	296.8	-35.9
PreTax Profit	702.3	21.7	561.2	19.9	547.3	20.2	25.1	2.5
Differed Taxes	163.6	5.1	189.0	6.7	167.0	6.2	-13.5	13.2
Taxes	104.5	3.2	59.1	2.1	50.2	1.9	76.8	17.9
Total Tax	268.1	8.3	248.2	8.8	217.2	8.0	8.0	14.3
Net Profit	434.1	13.4	313.1	11.1	330.1	12.2	38.7	-5.2
Depreciation	43.8	1.4	37.8	1.3	38.8	1.4	15.9	-2.6
EBITDA	725.4	22.4	619.6	21.9	595.0	22.0	17.1	4.1

II) Financial Position, Cash and Capital Sources.

Cash

By September 30th cash reached record levels of 1,135.5 million, bigger by 68.5% in real terms to 2002. This positions us as the healthiest home developer in the country with a liquidity index of 8.5 to 1.

We maintain a "no dividend" policy. This has allowed us to allocated that cash to the building of homes, acquisition of land and payments to suppliers without the need to use outside financing.

Accounts Receivable

Sound and efficient collection policies and practices have resulted in a decrease of these accounts by 18.2% . These are the equivalent of 3.0 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 25.8%.

It is worth mentioning that we own the largest Land Bank in the industry: 118,722 affordable entry level units strong consisting of 23.3 million square meters distributed in the highest growth areas in the country.



It's breakdown is as follows:

	September 2003 Units	Affordable Entry Level Equivalent Units	Equivalent Sales Million \$
Prosavi-Progresiva	25,425	16,079	4,211.8
Affordable Entry Level	69,253	69,253	18,140.4
Middle Income	7,775	14,212	3,722.6
Residential	2,710	19,178	5,023.7
TOTAL	105,163	118,722	31,098.5

...and is geographically distributed like this:

	Units	%
Metropolitan Area of Mexico City	55,583	52.9
Quintana Roo	22,618	21.5
Baja California	7,755	7.4
Toluca, State of Mexico	4,635	4.4
Morelos	2,822	2.7
Sonora	2,368	2.3
Nuevo León	1,413	1.3
Guanajuato	1,179	1.1
Puebla	1,140	1.1
Jalisco	738	0.7
Chihuahua	465	0.4
Veracruz	414	0.4
Mexico City	3,629	3.5
Querétaro	172	0.2
Guerrero	144	0.1
Sinaloa	48	0.0
Tabasco	40	0.0
TOTAL	105,163	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 the fourth largest producer in Mexico.

Machinery and equipment posted 511.6 million after growing 7.1%. Similarly it represents 7.7.0% of assets. This line also includes commercial space developed for the convenience of our customers. This buildings are developed by Promotora y Desarrolladora de Centros Comerciales S.A. de C.V. (PDCC), subsidiary of Consorcio ARA. In the near future these operations will be de-consolidated via a partial sale to a strategic partner.

Suppliers

We are one of the initial 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 \$ 120.9 million, with a turnover of 14 days. This figure has been decreased 25.6%. This was due to discount programs from some suppliers as well as the pay-down to land suppliers.



Short and Long Term Liabilities

Liabilities posted 72 million and were configured by leasing arrangements for the acquisition of machinery and equipment of which 21.3 million are short term.

Cost bearing liabilities to ShareHolder's Equity is only 2.1%. Cost bearing liabilities to total assets are 1.4%. Cost bearing liabilities to cash are 8.1%.

We have access to 1,674.3 million in active lines of credit which are practically unused. Finally, a total liability to equity of 0.52 times confirms our unsurpassed financial position.

Differed Taxes

Differed taxes posted 1,496.6 million. As such total liabilities to total assets represent 34.08%. Without taking into account their effect leverage would be only 11.6%.

Shareholders Equity

ARA's Shareholder's Equity grew 23.5% posting 4,385.1 million by September 30th 2003. 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, September 30th 2003.

	Jan-Sep 2003	Jan-Sep 2002	Jan-Sep 2001	Var. 03/02	Var. 02/01
	Mill. Pesos	Mill. Pesos	Mill. Pesos	%	%
Total Assets	6,651.9	5,663.1	5,071.2	17.5	11.7
Short Term Assets	6,140.2	5,180.1	4,709.5	18.5	10.0
Cash	1,135.5	673.9	660.6	68.5	2.0
Accounts Receivable	1,075.5	1,315.1	1,125.6	-18.2	16.8
Inventories	3,814.4	3,032.9	2,822.0	25.8	7.5
Other Accounts Receivables	114.7	158.2	101.3	-27.5	56.2
Fixed Assets	511.6	477.6	314.9	7.1	51.7
Building and Equipment	511.6	477.6	188.5	7.1	153.4
Joint Ventures	0.0	5.4	46.9	-100.0	-88.4
Total Liabilities	2,266.8	2,112.1	1,907.4	7.3	10.7
Short Term Liabilities	719.3	767.2	801.6	-6.2	-4.3
Accounts Payable	121.0	162.7	230.0	-25.6	-29.3
Bank Loans	21.3	164.4	84.6	-87.1	94.3
Financial Leasing	0.0	0.0	0.0		
Taxes	47.7	16.6	12.4	187.4	33.4
Other Short Term Liabilities	529.3	423.5	474.5	25.0	-10.7
Long Term Liabilities	50.9	22.3	8.3	128.0	170.1
Financial Leasing	50.9	22.3	0.0	128.0	
Differed Taxes	1,496.6	1,322.6	1,097.0	13.1	20.6
Differed Taxes	1,496.6	1,322.6	1,097.0	13.1	20.6
Shareholder's Equity	4,385.1	3,551.0	3,163.8	23.5	12.2



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 21,496 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:

	3° Quarter 2003	Mix %	3° Quarter 2002	Mix %	Variation %
Prosavi-Progresiva	441	2.1	641	3.5	-31.2
Affordable Entry Level	16,278	75.7	13,492	73.2	20.6
Infonavit	5,721	26.6	5,471	29.7	4.6
Fovi-Fovissste	10,557	49.1	8,021	43.5	31.6
Middle Income	4,389	20.4	3,859	20.9	13.7
Residential	388	1.8	431	2.3	-10.0
TOTAL	21,496	100.0	18,423	100.0	16.7

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