

Management's Discussion on the 4th Quarter's Results and Financial Position.

EXECUTIVE SUMMARY

Fourth quarter 2004:

- Unit volume of 5,206 homes, equivalent to 8,330 units using the ASP of the industry, revenue posted \$ 1,846.2 million, growth of 14.4% in real terms
- Gross profit of \$ 538.1 million with a gross margin of 29.1% resulting in 14.9% growth
- Operating profit of \$ 401.6 million with a 21.8% margin resulting in 16.4% growth in real terms
- Net profit of \$ 484.5 million with a margin of 26.2% resulting in 67.8% growth
- EBITDA of \$ 423.5 million with a margin of 22.9% resulting in 14.5% growth in real terms
- ASP of \$ 328.2 thousand pesos, an increase of 3.5%

2004

- Unit volume of 17,104 homes, equivalent to 26,204 units using the ASP of the industry, revenue posted \$ 5,778.2 million, growth of 13.9% in real terms
- Gross profit of \$ 1,679.0 million with a gross margin of 29.1% resulting in 14.7% growth
- Operating profit of \$ 1,234.4 million with a 21.4% margin resulting in 15.0% growth in real terms
- Net profit of \$ 1,008.5 million with a margin of 17.5% resulting in 34.0% growth
- EBITDA of \$ 1,310.1 million with a margin of 22.7% resulting in 14.4% growth in real terms
- ASP of \$ 327.1 thousand pesos, an increase of 4.2%

Financial Structure Highlights (December 31st, 2004):

- Cash of \$ 1,224.2 million, that is 29.4% higher than the previous year
- Financial leasing increased 23.7% in the short term and decreased 3.9% in the long term
- Cost bearing liabilities represent 14.7% of our cash
- Land Bank of 133,051 master plan
- Backlog of 25,235 mortgages, resulting in 17% growth, enough for more than a year of future sales



Fourth quarter 2004:

1) OPERATION RESULTS.

Sales

Fourth quarter revenues were \$ 1,846.2 million. Year on year these were 14.4% stronger. During the period in question 5,206 units were sold. These are equivalent to 8,330 units at the ASP of the industry.

The Prosavi-Progresiva segment posted 820 units, of these 516 were funded by INFONAVIT and 304 by SHF. Sales reached \$ 156.2 million and represent 8.5% of total revenues.

Infonavit sales reached \$ 590.4 million, 7% higher than the previous year. They posted 2,133 units.

SHF volumes posted 1,106 units, reaching \$ 342.3 million. Fovissste volumes posted 348 units, and revenues of \$ 96.1 million.

The ASP for the quarter was \$ 328.2 thousand pesos. An increase of 3.5% compared with 2003. The company continues to work to restrict its participation to homes with prices under \$ 1.5 million pesos within the residential home sector. This focuses our attention on a segment with higher demand and lower competition.

The middle income segment reached \$ 391.5 million in revenues, representing a 60.1% increase compared with the same quarter of 2003. Middle income volume was 713 units, 57% higher than the previous year. Of these 477 were financed by SHF. Lower interest rates have strengthened sales in this segment as well as new projects that have been put in line.

Residential volumes expanded, posting 86 units in contrast to the 41 homes registered during the previous 4th quarter. These result in \$ 132 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:

	4°Qtrr. 2004		4°Qtrr. 2003		4°Qtrr. 2002		Var. 04/03		Var. 03/02	
	Units	Mill.\$	Units	Mill.\$	Units	Mill.\$	\$	%	\$	%
Prosavi-Progresiva	820	156.2	680	126.3	783	136.5	29.9	23.6	-10.2	-7.5
Infonavit	2,133	590.4	1,873	551.6	2,281	605.9	38.8	7.0	-54.3	-9.0
SHF	1,106	342.3	1,202	365.2	1,074	312.8	-22.9	-6.3	52.3	16.7
Fovissste	348	96.1	798	236.3	597	151.6	-140.2	-59.3	84.7	55.9
Affordable Entry Level	3,587	1,028.8	3,873	1,153.1	3,952	1,070.3	-124.3	-10.8	82.7	7.7
Middle Income	713	391.5	454	244.5	699	299.1	147.0	60.1	-54.5	-18.2
Residential	86	132.0	41	77.4	19	42.3	54.6	70.4	35.1	83.1
Commercial Land	--	119.8		3.8		6.5	116.0	3,052.6	-2.7	-41.5
Total as Developer	5,206	1,828.3	5,048	1,605.1	5,453	1,554.7	223.2	13.9	50.4	3.2
Construction	--	15.3	--	--	--	0.0	15.3	-100.0	0.0	0.0
Commercial Buildings	--	2.6	--	8.0	--	6.3	-5.4	-67.8	1.7	27.3
TOTAL	5,206	1,846.2	5,048	1,613.1	5,453	1,561.0	233.1	14.4	52.1	3.3

By the fourth quarter of 2004 average selling prices posted a real increase of 3.5% as show in the following table:

(Miles \$)	4°Qtrr 2004	4°Qtrr 2003	4°Qtrr2002	Var %. 04/03	Var %. 03/02
Prosavi-Progresiva	190.4	185.7	174.3	2.5	6.5
Infonavit	276.8	294.5	265.6	-6.0	10.9
SHF	309.5	303.8	291.3	1.9	4.3
Fovissste	276.1	296.1	253.9	-6.8	16.6
Affordable Entry Level	286.8	297.7	270.9	-3.7	9.9
Middle Income	549.1	538.6	427.8	2.0	25.9
Residential	1,534.3	1,888.3	2,223.0	-18.7	-15.1
Total	328.2	317.2	283.9	3.5	11.7

Cost of Goods Sold

Cost of Goods Sold increased by 14.3% posting \$ 1,308 million, representing 70.9% of revenues, 0.1% lower than the previous year.

Gross Profit

The Gross Profit reached \$ 538.1 million, with a gross margin of 29.1%. This represents an improvement of 10 basis points since last year. This can be explained in part due to the higher control in expenditures and higher efficiencies in the construction process.



A breakdown by home type follows:

	4°Qtrr 2004	4°Qtrr 2003	4°Qtrr 2002	Var. PPs 04/03	Var. PPs 03/02
Prosavi-Progresiva	24.6%	24.1%	23.8%	0.5	0.3
Affordable Entry Level	28.8%	28.9%	28.8%	-0.1	0.1
Middle Income	30.4%	30.8%	30.2%	-0.4	0.6
Residential	30.4%	30.6%	30.3%	-0.2	0.3
Developer	28.9%	28.9%	28.8%	0.0	0.1
Builder	28.1%	0.0%	0.0%	28.1	0.0
Commercial Land	32.0%	40.9%	50.8%	-8.9	-9.9
Commercial Building	48.0%	43.6%	46.4%	4.4	-2.8
TOTAL	29.1%	29.0%	28.8%	0.0	0.2

G&A Expenses

G&A expenses include salaries of the technical and administrative teams as well as the sales group. G&A posted \$ 136.5 million. As a percentage of sales it shrunk from 7.6% to 7.4% of sales.

Operating Profit

Operating profit grew 14.5% in real terms due to good cost and expenditure controls.

EBITDA

During the fourth quarter of 2004 Consorcio ARA generated an EBITDA of \$ 423.5 million (22.9% of sales), 14.5% bigger in real terms than 2003's. Of these only 21.9 million are explained by depreciation. Current EBITDA levels could cover interest expenses 26.4 times.

Financing Cost

Financing costs decreased 80.2% posting a net amount of \$ 1 million. Similarly the impact of monetary position presents a considerable variation due to the efficient use of resources. Breakdown is as follows:

	4°Qtrr 2004	4°Qtrr 2003	4°Qtrr 2002	Var%. 04/03	Var%. 03/02
Interest Paid	16.1	11.9	17.2	35.3	-30.8
Interest Earned	22.7	12.9	14.2	75.7	-9.2
FX (Loss) Profit	3.3	-0.8	0.4	512.5	300.0
Monetary Position(Loss) Profit	-10.9	-7.1	-7.7	53.5	7.8
Integral Financing Cost	1.0	5.3	10.3	-80.2	-48.5

Taxes

Total taxes generated posted minus \$ 60.4 million that is 164.4% lower than the fourth quarter of the previous year. This was due primarily to the decrease in the corporate income tax rate from 32% to 30%.

Net Profit

Net profit grew 67.8% posting \$ 484.5 million with a margin of 26.2%.

The EPS for the last twelve months resulted in a multiple of 3.06 as calculated in the following table:

	2004
Net Profit	1,004,447,526
Shares (Average)	328,068,449
EPS	3.06



Earnings Statement, Fourth quarter 2004

	4°Qtrr. 2004		4°Qtrr. 2003		4°Qtrr. 2002		Var.	Var.
	Mill. Pesos	%	Mill. Pesos	%	Mill. Pesos	%	04/03	03/02
Revenues	1,846.2	100.0	1,613.1	100.0	1,560.9	100.0	14.4	3.3
Cost of Goods Sold	1,308.0	70.9	1,144.9	71.0	1,111.2	71.2	14.3	3.0
Gross Profit	538.1	29.1	468.2	29.0	449.7	28.8	14.9	4.1
G&A	136.5	7.4	123.1	7.6	119.8	7.7	10.9	2.8
Operating Profit	401.6	21.8	345.1	21.4	329.9	21.1	16.4	4.6
Financing Cost	1.0	0.1	5.3	0.3	10.3	0.7	-80.2	-48.5
Other Income	-5.6	-0.3	42.7	2.6	15.8	1.0	-113.1	23.1
JV	29.0	1.6	0.0	0.0	-3.8	-0.2	100.0	-100.0
Pre Tax Profit	424.0	23.0	382.5	23.7	331.6	21.2	7.4	15.3
Deferred Tax	-118.6	-6.5	92.0	5.7	29.9	1.9	-228.9	206.6
Tax Paid	58.2	3.2	1.8	0.1	33.7	2.2	3,106.4	-94.6
Total Tax	-60.4	-3.3	93.8	5.8	63.6	4.1	-164.4	47.4
Net Profit	484.5	26.2	288.7	17.9	268.0	17.2	67.8	9.7
Depreciation	21.9	1.2	24.7	1.5	16.2	1.0	-11.2	52.5
EBITDA	423.5	22.9	369.7	22.9	346.1	22.2	14.5	6.8

Results January to December 2004, 2003 and 2002

Units and Sales Comparison charts

	2004		2003		2002		Var. 04/03		Var. 04/03		Var. 03/02		Var. 03/02	
	Units	Mill.\$	Units	Mill.\$	Units	Mill.\$	Units	%	Mill.	%	Units	%	Mill.	%
Prosavi-Progresiva	1,916	365.0	1,628	294.2	2,421	432.0	288	17.7	71	24.1	-793	-32.8	-137.8	-31.9
Infonavit	7,092	1,939.8	6,286	1,731.3	6,814	1,797.1	806	12.8	209	12.0	-528	-7.7	-65.8	-3.7
SHF	4,050	1,211.6	3,366	1,037.5	3,633	1,066.6	684	20.3	174	16.8	-267	-7.3	-29.1	-2.7
Fovissste	1,563	459.7	2,850	800.8	1,090	286.4	-1,287	-45.2	-341	-42.6	1,760	161.5	514.4	179.6
Affordable Entry Level	12,705	3,611.1	12,502	3,569.6	11,537	3,150.1	203	1.6	41	1.2	965	8.4	419.5	13.3
Middle Income	2,272	1,270.4	1,762	914.0	1,778	784.7	510	28.9	356	39.0	-16	-0.9	129.3	16.5
Residential	211	348.7	128	249.8	79	184.0	83	64.8	99	39.6	49	62.0	65.8	35.8
Comercial Land		150.8		5.4		6.7			145.4	2,692.5			-1.3	-19.4
Total as Developer	17,104	5,745.9	16,020	5,033.0	15,815	4,557.5	1,084	6.8	712.9	13.9	205	1.3	475.4	10.4
Construction		22.1		10.6		0.6			11	107.4			10.0	1,666.7
Comercial Buildings		10.2		29.3		20.8			-19	-65.0			8.5	40.8
TOTAL	17,104	5,778.2	16,020	5,072.9	15,815	4,578.9	1,084	6.8	705.3	13.9	205	1.3	493.9	10.8



AVERAGE SELLING PRICE

(000'S \$)	2004	2003	2002	Var%. 04/03	Var%. 03/02
Prosavi-Progresiva	190.5	180.7	178.5	5.4	1.2
Infonavit	273.5	275.4	263.7	-0.7	4.4
SHF	299.2	308.2	293.6	-2.9	5.0
Fovissste	294.1	281.0	262.9	4.7	6.9
Affordable Entry	284.2	285.5	273.1	-0.5	4.6
Middle Income	559.2	518.8	441.4	7.8	17.5
Residential	1,652.4	1,951.8	2,328.8	-15.3	-16.2
Total	327.1	313.8	287.8	4.2	9.0

EARNINGS

	2004		2003		2002		Var.	Var.
	Mill. Pesos	%	Mill. Pesos	%	Mill. Pesos	%	04/03	03/02
Revenues	5,778.2	100.0	5,072.9	100.0	4,579.0	100.0	13.9	10.8
Cost of Goods Sold	4,099.2	70.9	3,609.6	71.2	3,273.0	71.5	13.6	10.3
Gross Profit	1,679.0	29.1	1,463.3	28.8	1,306.0	28.5	14.7	12.0
G&A	444.6	7.7	389.6	7.7	354.3	7.7	14.1	10.0
Operating Profit	1,334.4	21.4	1,073.7	21.2	951.7	20.8	15.0	12.8
Financial Cost	28.4	0.5	16.6	0.3	40.8	0.9	70.3	-59.3
Other Income	3.3	0.1	76.2	1.5	24.4	0.5	-95.5	212.4
JV	22.8	0.4	0.0	0.0	-4.2	-0.1	-100.0	100.0
Pre Tax Profit	1,232.1	21.3	1,133.3	22.3	931.1	20.3	8.7	21.7
Deferred Tax	63.7	1.1	266.9	5.3	232.0	5.1	-76.1	15.0
Tax Paid	159.9	2.8	113.6	2.2	96.8	2.1	40.9	17.2
Total Tax	223.6	3.9	380.5	7.5	328.8	7.2	-41.2	15.7
Net Profit	1,008.5	17.5	752.8	14.8	602.3	13.2	34.0	25.0
Depreciation	75.7	1.3	71.6	1.4	56.7	1.2	5.9	26.2
EBITDA	1,310.1	22.7	1,145.3	22.6	1,008.4	22.0	14.4	13.6

II) Financial Position, Cash and Capital Sources.

Cash

By December 30th cash reached \$ 1,224.2 million, higher by 29.4% in real terms to 2003. This can be explained by outstanding collections as well as land sales to retailers in the amount of \$150.8 million pesos.

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. The benefit is a tight control on cash flow.

Accounts Receivable

Sound and efficient collection policies and practices have resulted in 2.9 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 17.8% due to our investment in work in progress derived from payment delays



in the agencies. Additionally, we invested in infrastructure in some developments as well as new land from ejidos and private owners.

It is worth mentioning that we own the largest Land Bank in the industry: 133,051 units strong consisting of 30.8 million square meters distributed in the highest growth areas in the country.

The Land Bank's breakdown is as follows:

By December 2004	
	Units
Prosavi-Progresiva	30,785
Affordable Entry Level	90,144
Middle Income	8,311
Residential	3,811
TOTAL	133,051

...and is geographically distributed like this:

	Units	%
Metro Area of Mexico City	53,474	40.2
Quintana Roo	20,184	15.2
Baja California	11,664	8.8
Nuevo Leon	9,530	7.2
Morelos	6,351	4.8
Toluca, State of Mexico	5,383	4.0
Puebla	5,369	4.0
Veracruz	4,456	3.3
Jalisco	3,414	2.6
Guanajuato	3,202	2.4
Sonora	2,822	2.1
Michoacan	2,278	1.7
Queretaro	1,651	1.2
Chihuahua	1,531	1.2
Guerrero	1,243	0.9
Mexico City	411	0.3
Sinaloa	48	0.0
Tabasco	40	0.0
TOTAL	133,051	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 \$ 511.8 million, an increase of 3.2%. The investment in machinery & equipment was \$ 91.6 million and it represents 1.1% 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 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 \$ 317.1 million, with a turnover of 30 days. This figure has been increased 67.5%.

Short and Long Term Liabilities

Liabilities posted \$ 124.9 million and were configured by leasing arrangements for the acquisition of machinery and equipment of which \$ 38.4 million are short term. Cost bearing liabilities to ShareHolder’s Equity is only 3.1%. Cost bearing liabilities to total assets are 2.1%. Cost bearing liabilities to cash are 14.7%. We have access to \$ 1,421.3 million in active lines of credit which are practically unused. Finally, total liabilities to equity of 0.47 times confirm our unsurpassed financial position.

Deferred Taxes

Deferred taxes posted \$ 1,647.4 million. As such total liabilities to total assets represent 32%. Without taking into account their effect, leverage would be only 12.3%.

Shareholders Equity

ARA’s Shareholder’s Equity grew 19.8% posting \$ 5,744.1 million by December 31st, 2004. This growth was due in part to accumulated net profits.

BALANCE SHEET December 31st 2004.

	2004	2003	2002	Var%. 04/03	Var%. 03/02
	Mill Pesos	Mill Pesos	Mill Pesos	%	%
Total Assets	8,432.3	7,270.5	6,305.6	16.0	15.3
Short Term Assets	7,799.0	6,692.2	5,764.0	16.5	16.1
Cash	1,224.2	946.0	869.8	29.4	8.7
Accounts Receivable	1,372.9	1,336.5	1,198.9	2.7	11.5
Inventories	5,058.5	4,295.8	3,557.0	17.8	20.8
Other Short Term Assets	143.4	113.9	138.3	-7.2	17.6
Fixed Assets	633.3	578.3	541.6	9.5	6.8
Machinery and Equipment	511.8	495.9	539.7	3.2	43.8
Due from JV	84.7	73.4	0.0	15.5	100.0
Investment in JV	36.8	9.0	1.9	306.5	373.7
Total Liabilities	2,688.2	2,476.2	2,138.2	8.6	15.8
Short Term Liabilities	954.3	720.8	673.0	32.4	7.1
Accounts Payable	317.1	189.3	172.2	67.5	9.9
Bank Loans	0.0	0.0	0.7	0.0	-100.0
Short Term Financial Leasing	38.4	31.1	18.5	23.5	68.1
Taxes	64.8	34.3	39.9	88.8	14.0
Other Short Term Liabilities	534.0	466.1	441.7	14.6	5.5
Long Term Liabilities	86.5	89.5	39.6	-1.2	19.8
Other Loans	14.1	14.1	0.0	0.0	100.0
Long Term Financial Leasing	72.4	75.4	39.6	-3.9	90.5
Deferred Liabilities	1,647.4	1,665.9	1,425.6	-1.1	16.9
Shareholder’s Equity	5,744.1	4,794.3	4,167.4	19.8	15.0



Backlog

As part of the operational requirements of the business we have a mortgage commitment backlog. This stands currently at 25,235 mortgages, 17% 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 4° Qtrr 04	Mix %	Units 4° Qtrr 03	Mix %	Var %
Prosavi-Progresiva	1,217	4.8	566	2.6	115.0
Affordable Entry	17,012	67.4	14,881	69.0	14.3
Infonavit	5,092	20.2	4,702	21.8	8.2
SHF-Fovissste	11,920	47.2	10,179	47.2	17.1
Middle Income	6,826	27.1	5,766	26.7	18.3
Residential	180	0.7	347	1.6	-48.1
TOTAL	25,235	100.0	21,560	100.0	17.0

Contacts:

Donald Forseck.
CFO
(5255) 5251 2970
donald@ara.com.mx

Aarón Hernández.
Investor Relations
(5255) 5596 8803
aaron@ara.com.mx

