



Announcement: [Consortio ARA, S.A.B. de C.V.](#)

Moody's affirms Consortio ARA's national scale issuer rating of A2.mx, rating outlook remains stable

Mexico City, August 13, 2009 -- Moody's de Mexico affirmed the A2.mx national scale issuer rating and the Ba2 global local currency issuer rating of Consortio ARA, S.A.B. de C.V. ("ARA"). The rating outlook remains stable.

The ratings affirmation reflects that, despite the adverse operating environment derived from the current and expected to be protracted financial crisis as well as a significant economic contraction that have depleted liquidity and lowered the availability of bridge financing, ARA has maintained a conservative capital structure with solid profitability and liquidity and credit metrics. Furthermore, ARA has already adopted the new accounting rules that will come into effect on January 2010, which require developers to report revenues on a titling basis vs. percentage of completion. Although, the company's metrics deteriorated somewhat, they remain solidly in the Ba2/A2.mx rating category.

The ratings continue to reflect ARA's position as a public company with a good corporate infrastructure, which enhances transparency and governance. ARA has above-average independence on its board, with eight out of eleven independent members. The company's land bank, strict cost controls, excellent collections system and pricing models allow it to have strong operating margins, despite the tremendous growth it has experienced. Other credit strengths include its professional management with broad business experience, coupled with a flexible organizational structure with a strong technological platform. ARA has been in business since 1977, is a public company traded on the Mexican Bolsa de Valores and in the USA through an ADR program since 1996. ARA's primary credit challenges are that it relies on the Mexican economic and political environment, the government's current strong support for housing and the high costs of land and land development. Furthermore, the housing development market is fragmented, and homes are built on a speculative basis. ARA has 100% of the risk of finding the homebuyers. The funding of homes remains concentrated with Sociedad Hipotecaria Federal, INFONAVIT and FOVISSSTE, and the timing of receipt of the mortgages funded by these government and quasi-government entities can range from three to twelve months. In addition, funding sources for middle and upper income housing are limited. Finally, ARA does utilize short-term debt, which can create liquidity and funding problems.

The stable rating outlook is based on Moody's determination that ARA will maintain a conservative approach to leverage, and stable earnings. Moody's believes that ARA has solid franchise value, with a well-recognized brand and a valuable land reserve strategy. Furthermore, Moody's expects that ARA will continue to focus on targeting all segments of the housing market, while maintaining high quality construction and good operating controls.

Moody's stated that upward rating movements would be predicated upon ARA improving its overall market share and industry leadership to at least the third-largest developer with an increased leadership in its strategic alliances and retail businesses, all while at least maintaining its current leverage and strong earnings. Downward rating movements will take place should Debt/Total Assets rise above 20%, Debt/EBITDA goes above 2x and fixed charge coverage consistently falls below 3x, including capitalized interest. Additionally, weaker market share and falling out of the

top ten homebuilders in terms of units sold and an adverse shift in the government's housing policy will pressure the ratings negatively.

The following ratings were affirmed with a stable outlook:

Conсорcio ARA, S.A.B. de C.V. -- National scale issuer rating at A2.mx, global scale local currency issuer rating at Ba2.

Moody's last rating action with respect to ARA took place on January 24, 2006 when Moody's assigned an A2.mx national scale issuer rating, and a Ba2 global scale local currency issuer rating, to Conсорcio ARA. On June 28, 2007 Moody's commented that the ratings of Conсорcio ARA were unaffected by the company's increase in bank loans.

Conсорcio ARA, domiciled in Mexico City, Mexico is a publicly traded, fully integrated homebuilder engaged in the development, construction, marketing and sale of affordable, middle and high income housing developments in Mexico. The firm reported total assets of \$14 billion MXN pesos and total equity of \$8.5 billion MXN pesos at June 30, 2009.

The principal methodology used in rating ARA was the Rating Methodology for the Global Homebuilding Industry, which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating ARA can also be found in the Credit Policy & Methodologies directory.

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