Hovnanian Enterprises, Inc.

Review of Financial Results | Fourth Quarter Fiscal 2017

Note: All statements in this presentation that are not historical facts should be considered as "Forward-Looking Statements" within the meaning of the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such forward-looking statements include but are not limited to statements related to the Company's goals and expectations with respect to its financial results for future financial periods. Although we believe that our plans, intentions and expectations reflected in, or suggested by, such forward-looking statements are reasonable, we can give no assurance that such plans, intentions or expectations will be achieved. By their nature, forward-looking statements: (i) speak only as of the date they are made, (ii) are not guarantees of future performance or results and (iii) are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. Therefore, actual results could differ materially and adversely from those forward-looking statements as a result of a variety of factors. Such risks, uncertainties and other factors include, but are not limited to, (1) changes in general and local economic, industry and business conditions and impacts of a sustained homebuilding downturn; (2) adverse weather and other environmental conditions and natural disasters; (3) levels of indebtedness and restrictions on the Company's operations and activities imposed by the agreements governing the Company's outstanding indebtedness; (4) the Company's sources of liquidity; (5) changes in credit ratings; (6) changes in market conditions and seasonality of the Company's business; (7) the availability and cost of suitable land and improved lots; (8) shortages in, and price fluctuations of, raw materials and labor; (9) regional and local economic factors, including dependency on certain sectors of the economy, and employment levels affecting home prices and sales activity in the markets where the Company builds homes; (10) fluctuations in interest rates and the availability of mortgage financing; (11) changes in tax laws affecting the after-tax costs of owning a home; (12) operations through joint ventures with third parties; (13) government regulation, including regulations concerning development of land, the home building, sales and customer financing processes, tax laws and the environment; (14) product liability litigation, warranty claims and claims made by mortgage investors; (15) levels of competition; (16) availability and terms of financing to the Company; (17) successful identification and integration of acquisitions; (18) significant influence of the Company's controlling stockholders; (19) availability of net operating loss carryforwards; (20) utility shortages and outages or rate fluctuations; (21) geopolitical risks, terrorist acts and other acts of war; (22) increases in cancellations of agreements of sale; (23) loss of key management personnel or failure to attract qualified personnel; (24) information technology failures and data security breaches; (25) legal claims brought against us and not resolved in our favor; and (26) certain risks, uncertainties and other factors described in detail in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2016 and subsequent filings with the Securities and Exchange Commission. Except as otherwise required by applicable securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

NON-GAAP FINANCIAL MEASURES:

Consolidated earnings before interest expense and income taxes (“EBIT”) and before depreciation and amortization (“EBITDA”) and before inventory impairment loss and land option write-offs and loss on extinguishment of debt (“Adjusted EBITDA”) are not U.S. generally accepted accounting principles (GAAP) financial measures. The most directly comparable GAAP financial measure is net loss. The reconciliation for historical periods of EBIT, EBITDA and Adjusted EBITDA to net loss is presented in a table attached to this presentation.

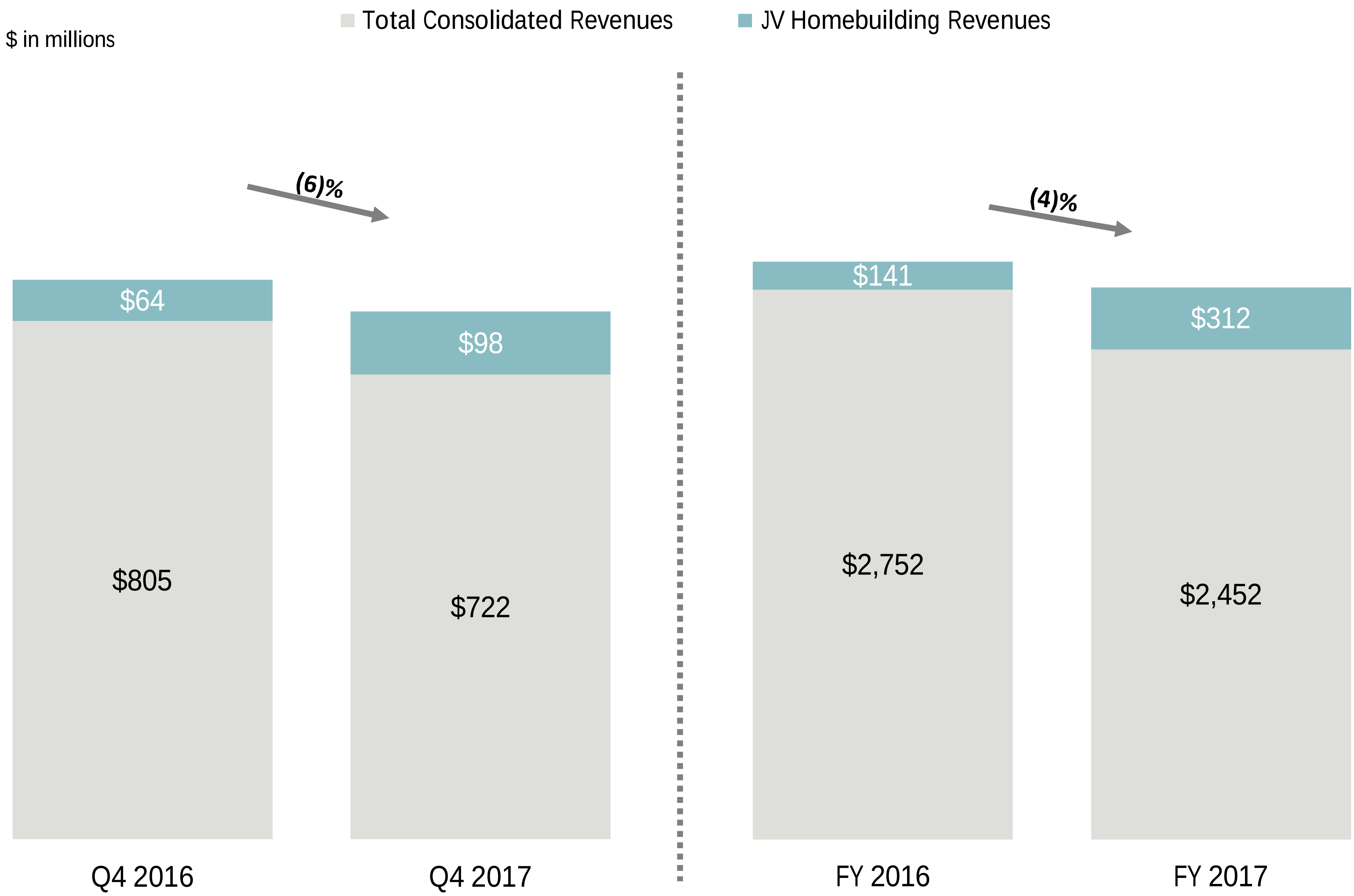
Homebuilding gross margin, before costs of sales interest expense and land charges, and homebuilding gross margin percentage, before costs of sales interest expense and land charges, are non-GAAP financial measures. The most directly comparable GAAP financial measures are homebuilding gross margin and homebuilding gross margin percentage, respectively. The reconciliation for historical periods of homebuilding gross margin, before costs of sales interest expense and land charges, and homebuilding gross margin percentage, before costs of sales interest expense and land charges, to homebuilding gross margin and homebuilding gross margin percentage, respectively, is presented in a table attached to this presentation.

Income (Loss) Before Income Taxes Excluding Land-Related Charges and Loss on Extinguishment of Debt is a non-GAAP financial measure. The most directly comparable GAAP financial measure is Income (Loss) Before Income Taxes. The reconciliation for historical periods of Income (Loss) Before Income Taxes Excluding Land-Related Charges and Loss on Extinguishment of Debt to Income (Loss) Before Income Taxes is presented in a table attached to this presentation.

Adjusted Homebuilding EBIT to Inventory is defined as Adjusted Homebuilding EBIT for the last 12 months divided by the last five quarter average inventory, excluding inventory not owned and capitalized interest. Adjusted Homebuilding EBIT is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net loss. The calculation of Adjusted Homebuilding EBIT to Inventory and the reconciliation for historical periods of Adjusted Homebuilding EBIT to net loss is presented in a table attached to this presentation.

Total liquidity is comprised of $463.7 million of cash and cash equivalents, $1.7 million of restricted cash required to collateralize letters of credit and $8.4 million of availability under the unsecured revolving credit facility as of October 31, 2017.

Revenues


Total Consolidated Revenues
JV Homebuilding Revenues
$ in millions
(6)%
(4)%
$64
$805
$98
$722
$141
$2,752
$312
$2,452
Q4 2016
Q4 2017
FY 2016
FY 2017

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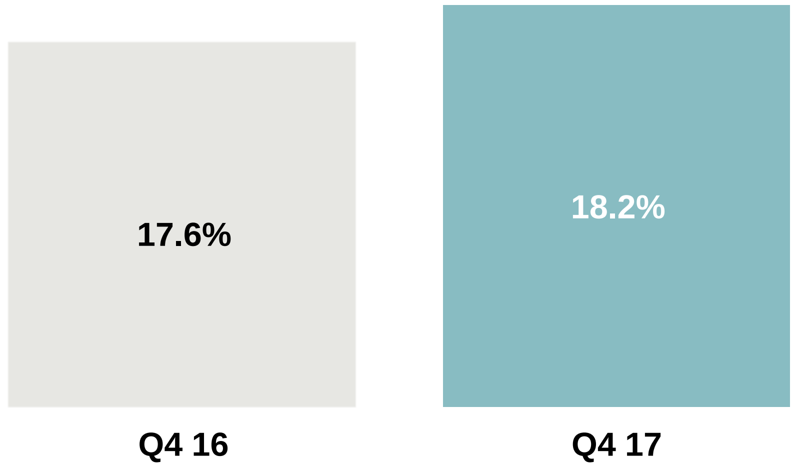
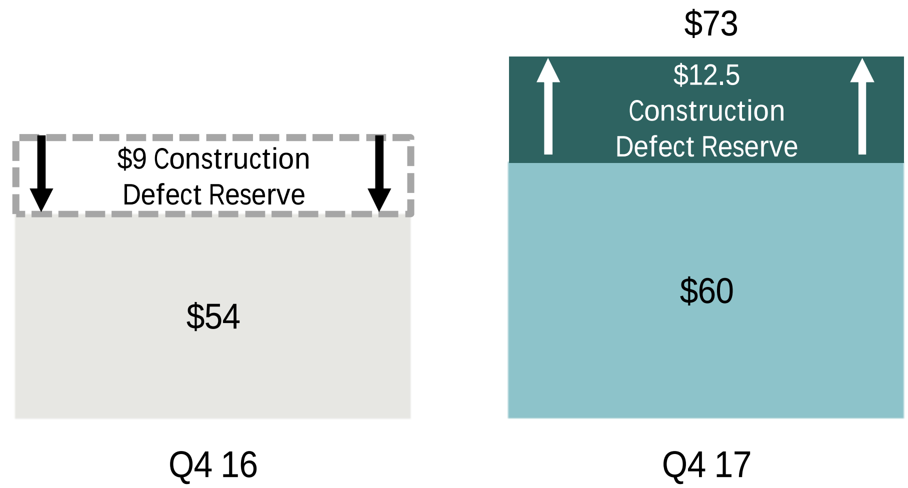
Fourth Quarter Operating Results

($ in millions)

Adjusted Homebuilding Gross Margin(1)

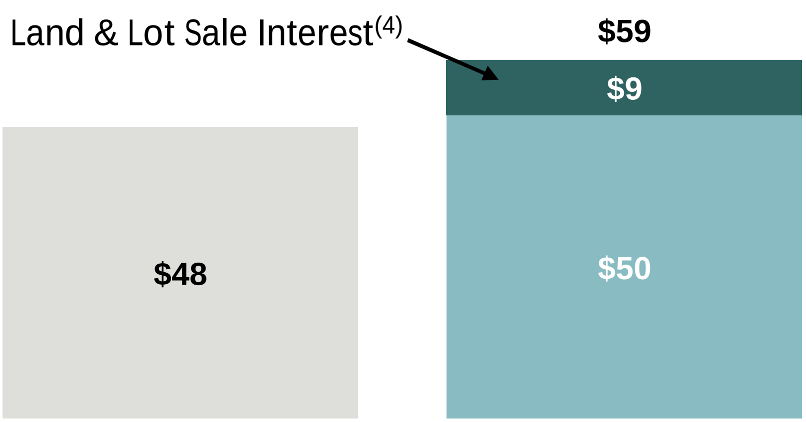


Total SG&A(2)



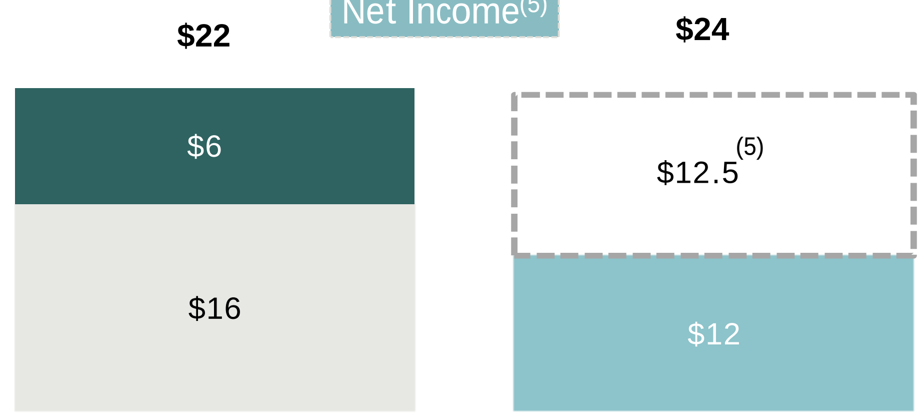
Adjusted SG&A(3)	$63	$60

Total Interest



Total Interest as a % of Total Revenue	Q4 16	Q4 17
	6.0%	8.2%

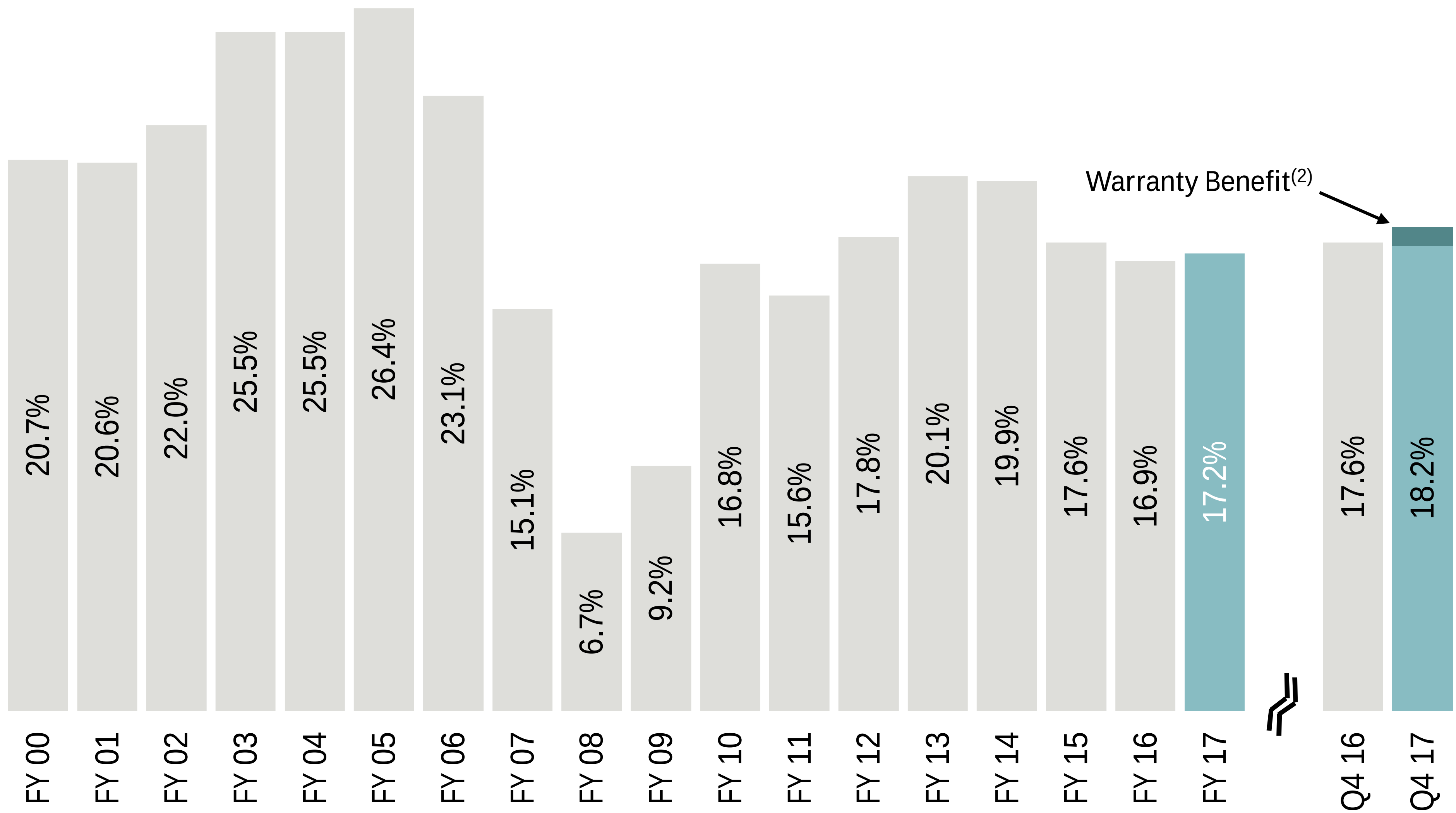
Net Income(5)



Adjusted Net Income	Q4 16	Q4 17
	$16	$24

(1) Adjusted homebuilding gross margin percentage is before interest expense and land charges included in cost of sales. Please see appendix for reconciliation.
(2)Total SG&A includes homebuilding selling, general and administrative costs and corporate general and administrative costs.
(3) 2016 Q4 reported SG&A of $54 million includes $9.2 million decrease due to a substantial reduction in our construction defect reserve based on our annual actuarial study. 2017 Q4 reported SG&A of $73 million includes a $12.5 million adjustment to in our construction defect reserve.
(4) 2017 Q4 includes $8.9 million of land and lot sales interest compared with $0.4 million in 2016 Q4.
(5) 2016 Q4 reported net Income of $22 million includes $6.4 million of tax effected benefit due to a substantial reduction in our construction defect reserve based on our annual actuarial study. 2017 Q4 reported Net Income of $12 million includes a $12.5 million increase in our construction defect reserve.

Adjusted Homebuilding Gross Margin[1]



(1) Adjusted homebuilding gross margin percentage is before interest expense and land charges included in cost of sales. Please see appendix for reconciliation.

(2) Approximately 0.7%, or $4.6 million, is a benefit from our annual analysis on warranty reserves and is not expected to be repeated in future quarters.

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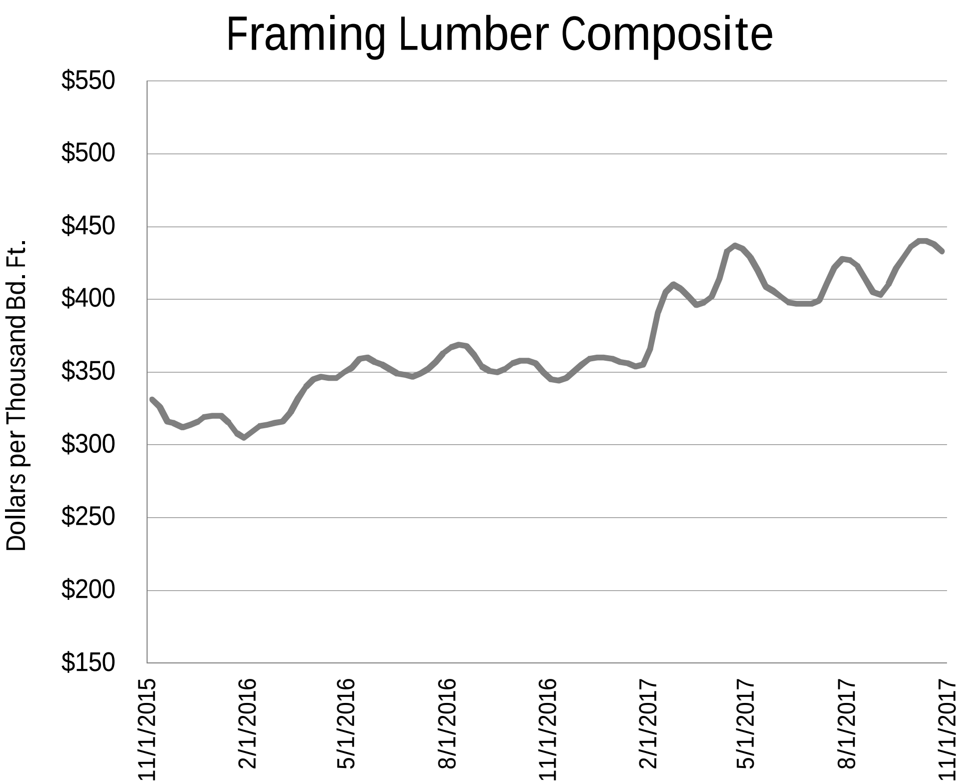
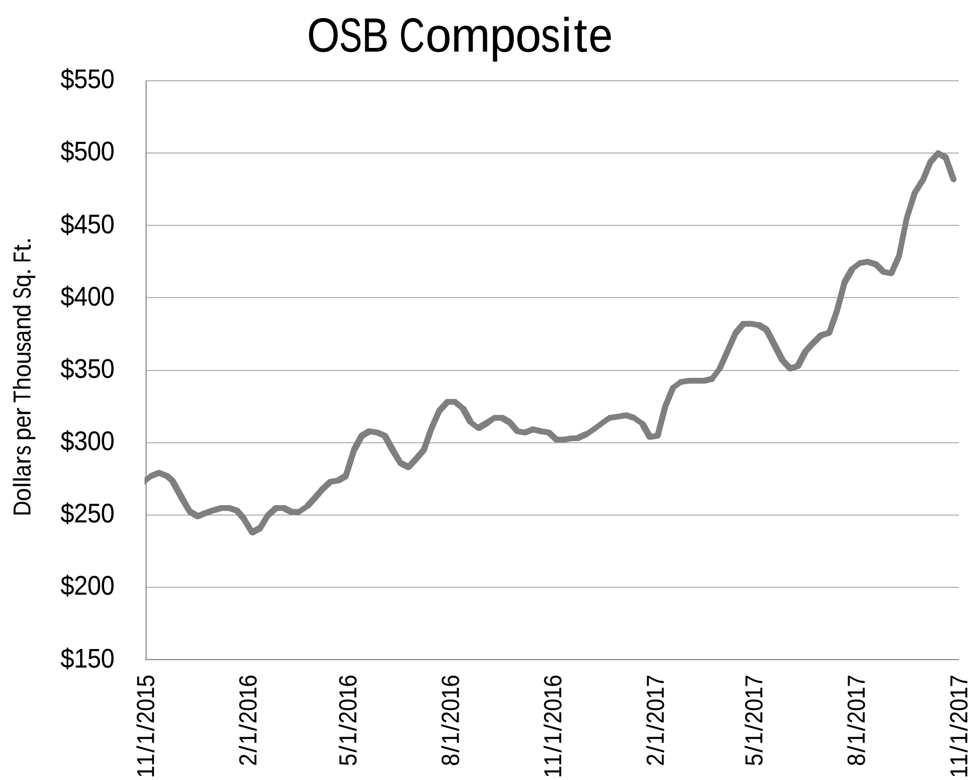
Rising Material Costs





10/30/15	10/28/16	10/27/17
$330	$350	$433

10/30/15	10/28/16	10/27/17
$273	$307	$482

Source: Random Lengths (RL)

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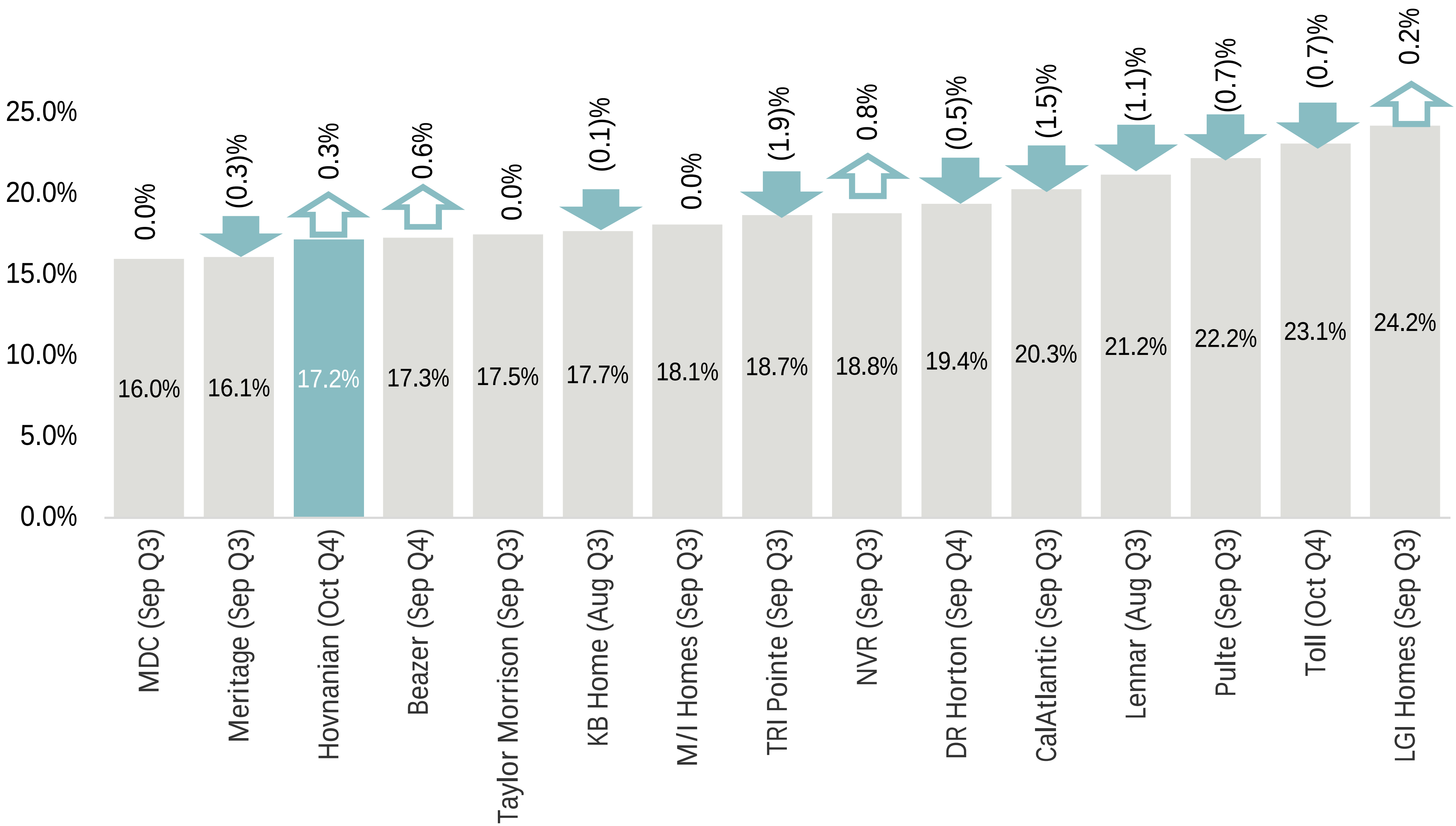
Adjusted Gross Margin Percentage, Last Twelve Months

(adjusted for sales commissions) (year over year change)

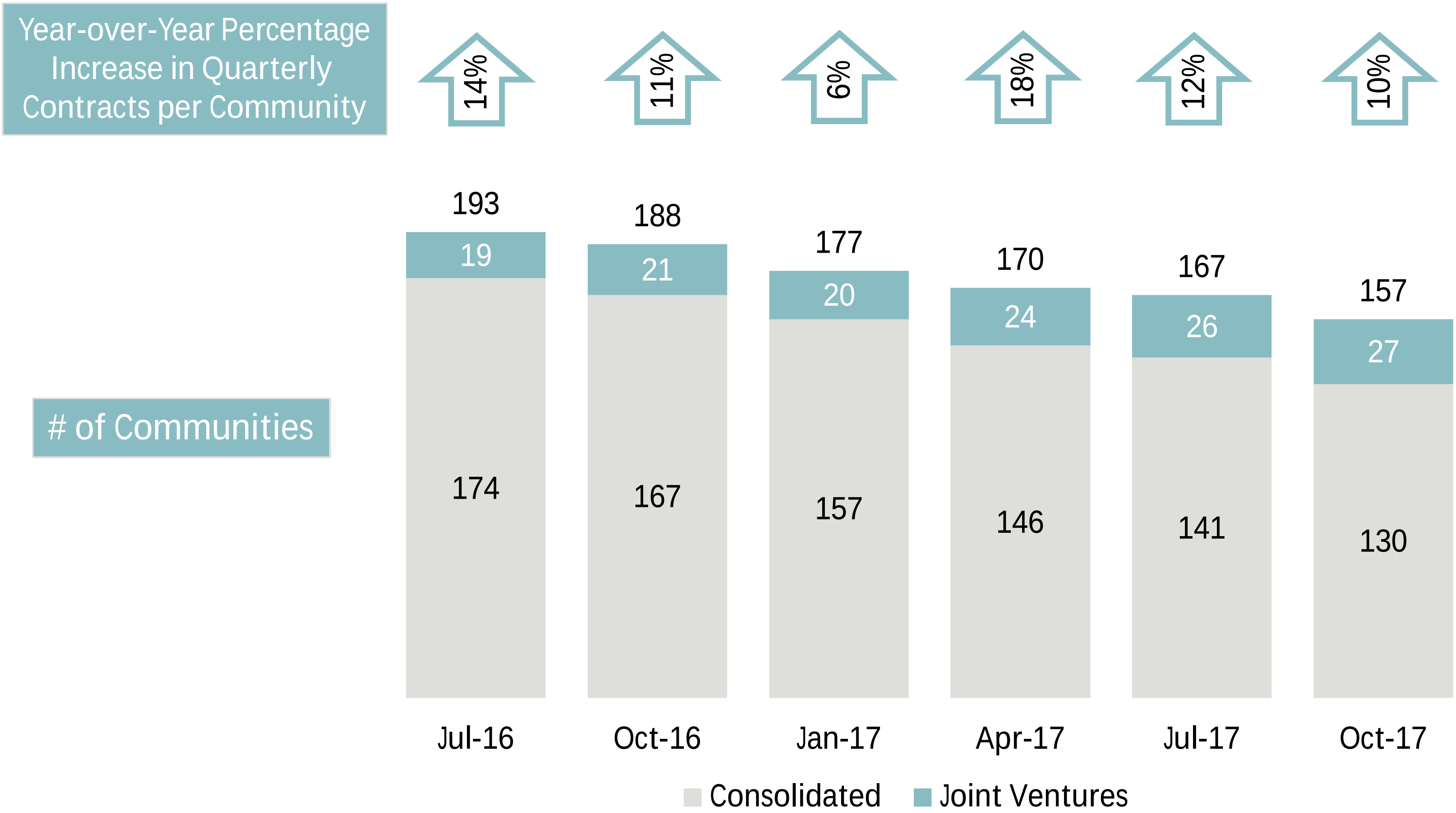


Note: Hovnanian sales commission was 3.4% in the most recent quarter. Reduced Cal Atlantic, KB Home, Lennar, LGI Homes, MDC, Meritage, M/I Homes, Pulte, Taylor Morrison and Tri Pointe publicly reported results by full 3.4% because all of their sales commissions are reported in SG&A. Reduced DR Horton and Toll publicly reported results by 1.7% because only some of their sales commissions were reported in SG&A. Beazer reports commission separately and is reduced by 3.9%.

Source: Company SEC filings and press releases as of 12/21/17.

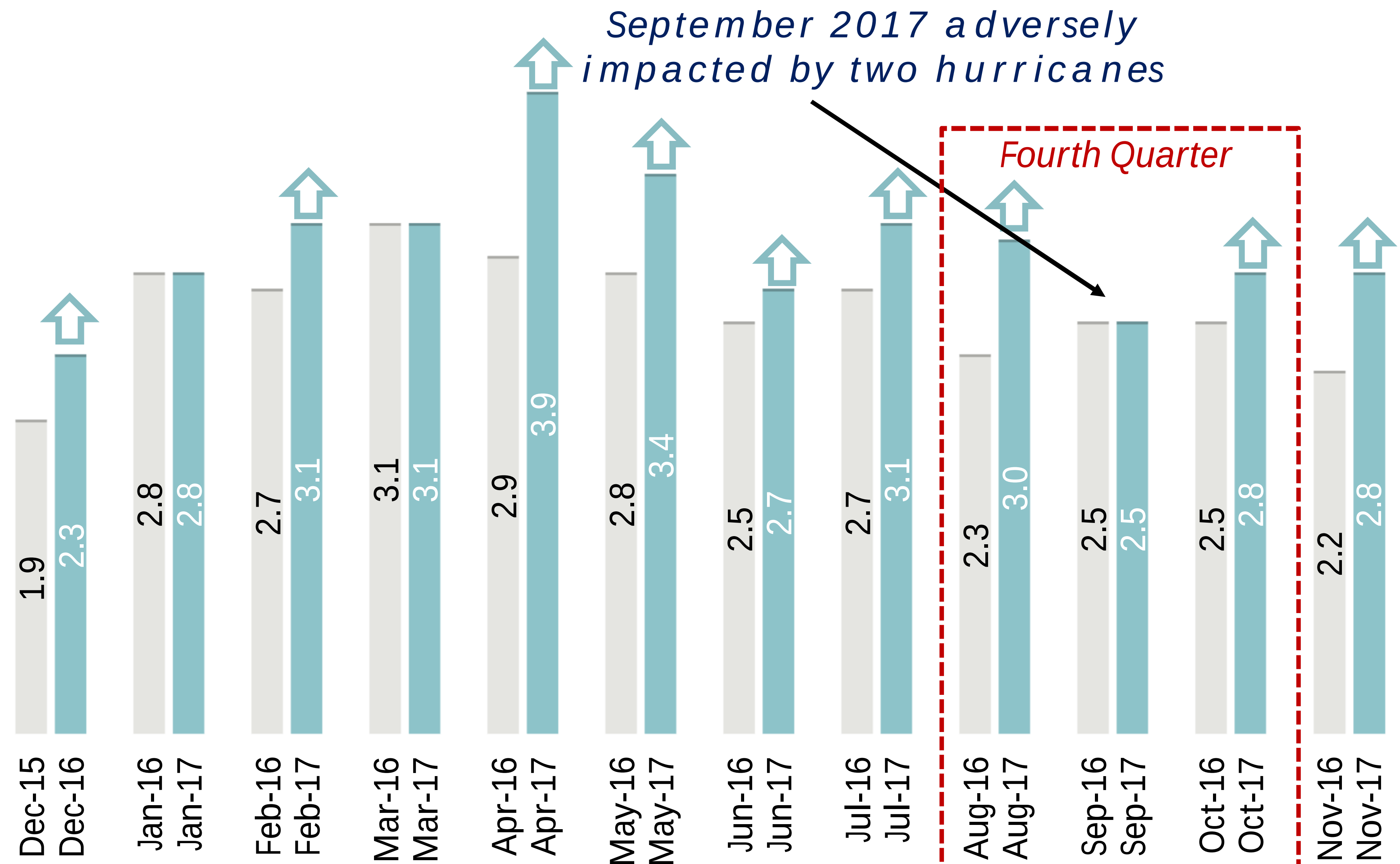
Note: Excluding interest and impairments.

Communities & Growth in Contracts per Community



Note: Communities are open for sale communities with 10 or more home sites available.
Note: In the trailing twelve months, we opened 55 consolidated communities and closed out 92 consolidated communities.

Number of Monthly Contracts Per Community, Includes Joint Ventures



	Dec-15	Dec-16	Jan-16	Jan-17	Feb-16	Feb-17	Mar-16	Mar-17	Apr-16	Apr-17	May-16	May-17	Jun-16	Jun-17	Jul-16	Jul-17	Aug-16	Aug-17	Sep-16	Sep-17	Oct-16	Oct-17	Nov-16	Nov-17
Number of Sundays	4	4	5	5	4	4	4	4	4	5	5	4	4	4	5	5	4	4	4	4	5	5	4	4
Monthly contracts	446	415	629	497	603	562	648	531	611	655	532	567	490	444	515	522	444	492	475	408	470	444	400	443

Note: Includes joint ventures.

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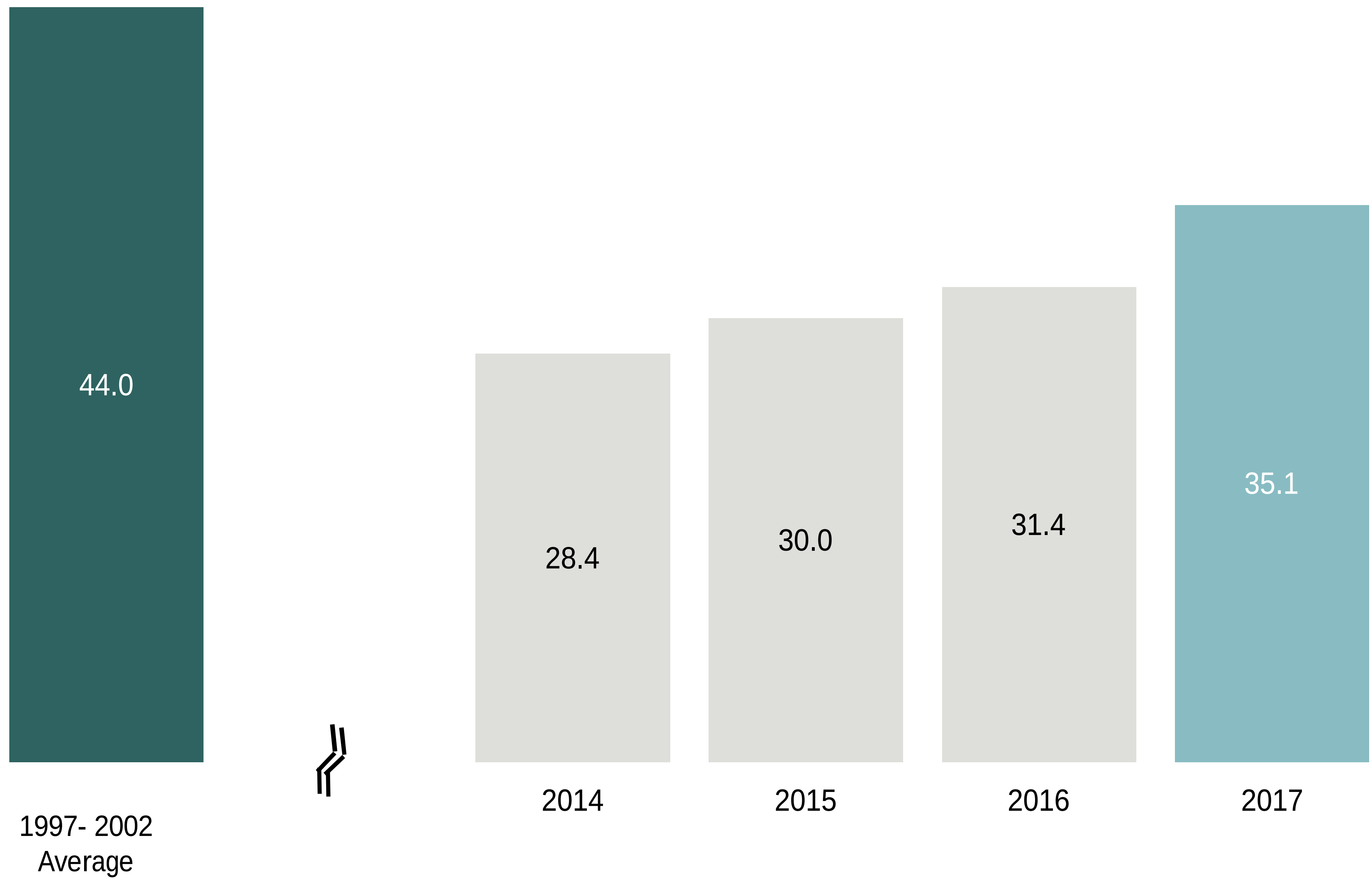
Contracts per Community

Segments	Q4 2017	Q4 2016	% Change
Northeast (NJ, PA)	14.9	11.6	28.4%
Mid-Atlantic (DE, MD, VA, WV)	5.9	6.3	(6.3)%
Midwest (IL, MN, OH)	8.6	6.3	36.5%
Southeast (FL, GA, NC, SC)	7.8	6.0	30.0%
Southwest (AZ, TX)	7.5	7.6	(1.3)%
West (CA)	13.6	9.0	51.1%
Total	8.6	7.4	16.2%

Note: Including joint ventures.

Annual Contracts Per Community



Note: Annual Contracts per Community calculated based on a five quarter average of communities, excluding joint ventures.

Increases in Optioned and Purchased Lots

	FY 2016	FY2017
Net New Option Lots	1,032	6,597

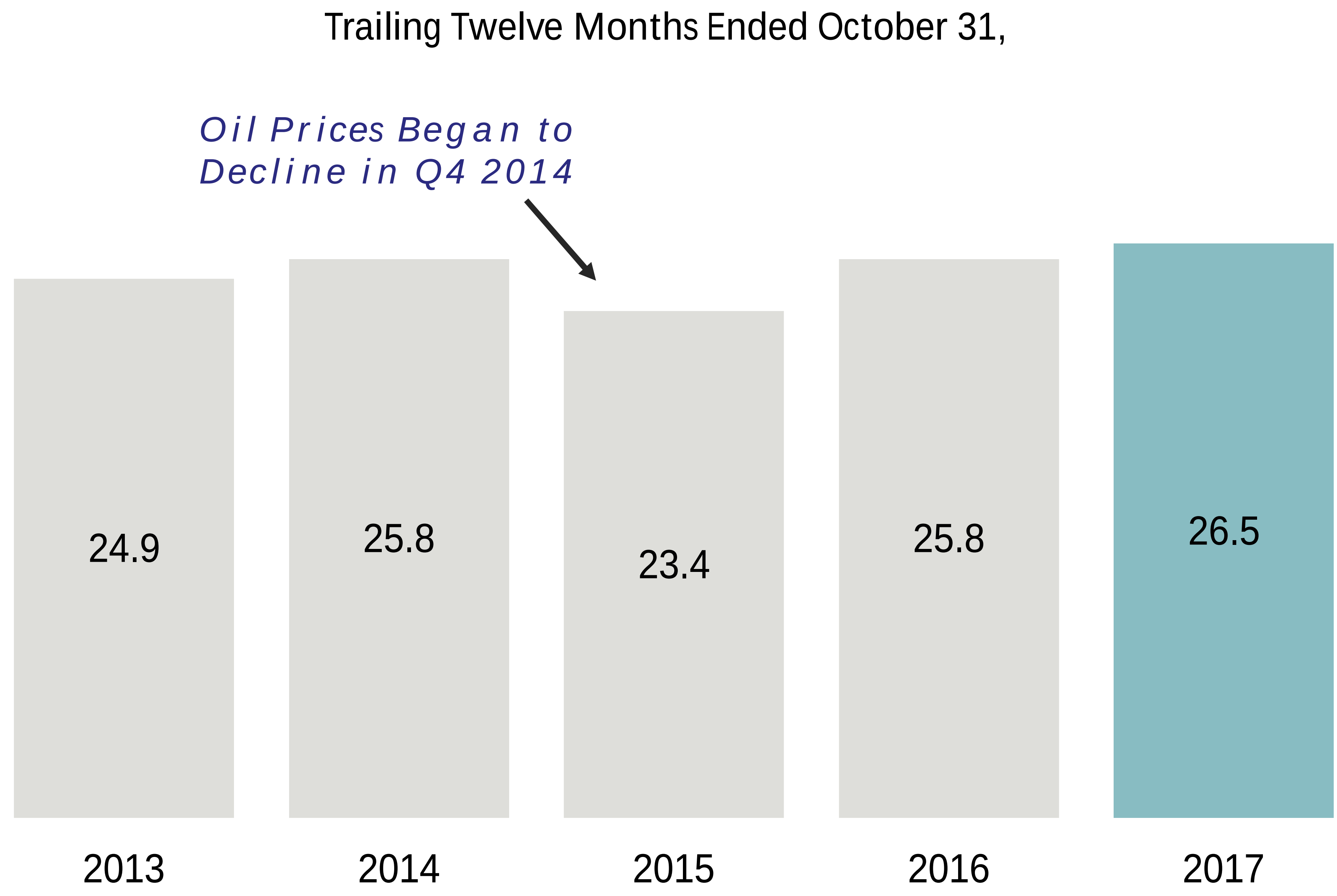
An increase of 5,565 lots

	FY 2016	FY2017
Total Lots Purchased	5,123	5,825

An increase of 702 lots

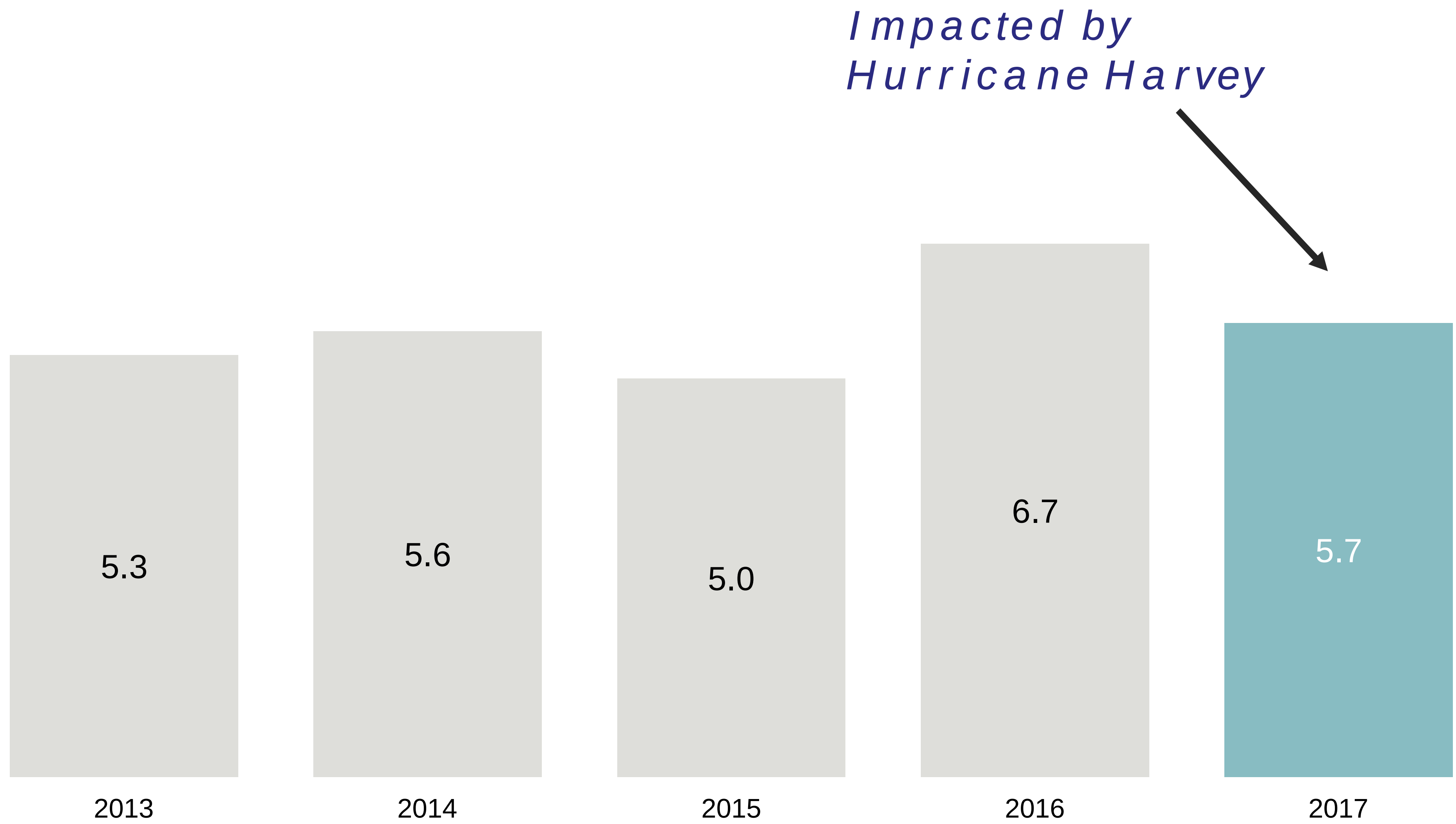
Note: Including joint ventures.

Houston Contracts Per Community



Note: TTM contracts per community calculated based on a five quarter average of communities.

Houston Fourth Quarter Contracts per Community



November 2017 contracts per community increased 31% to 2.1 compared with 1.6 in November 2016.

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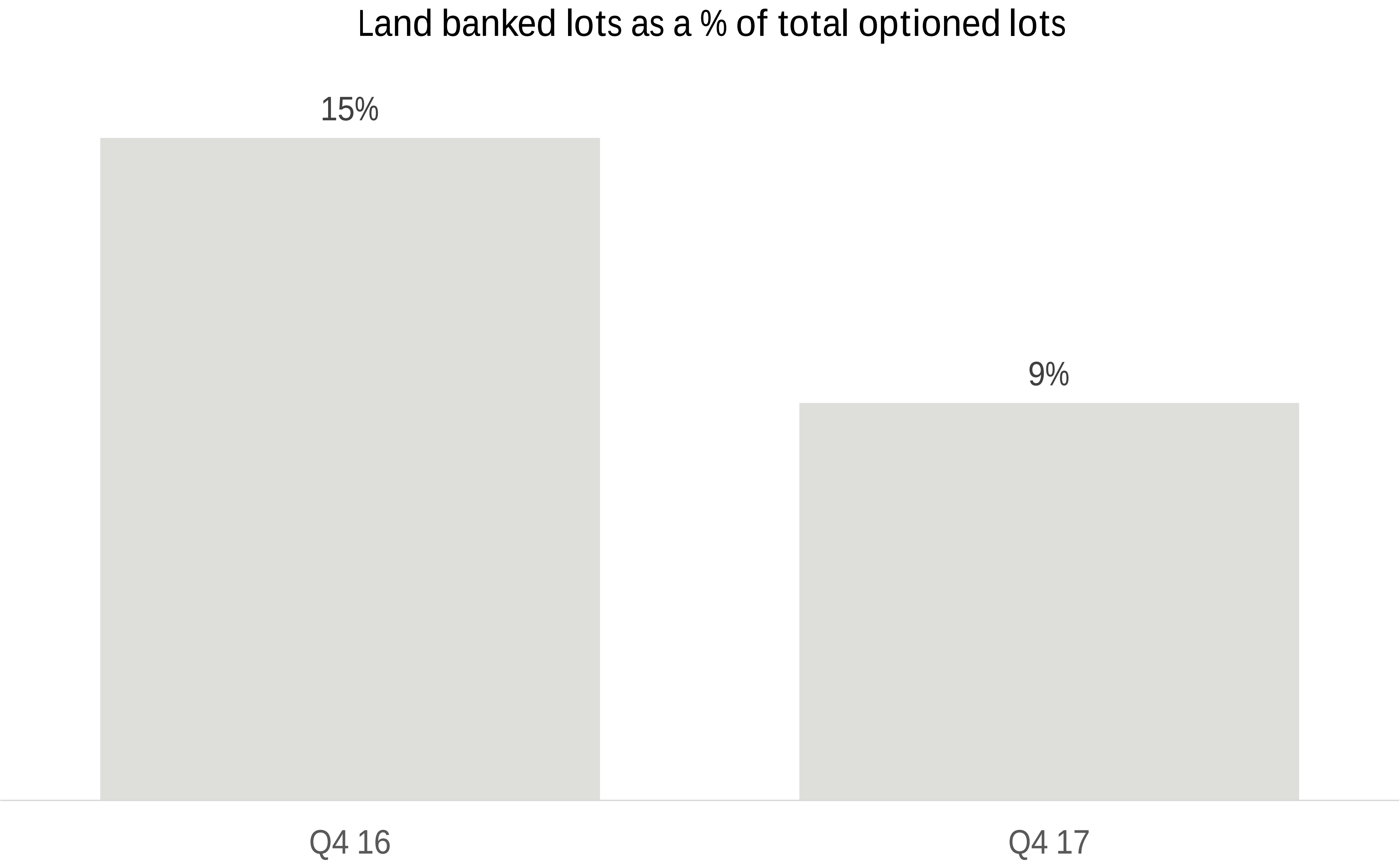
Land Positions by Geographic Segment

	October 31, 2017			
	Owned			
Segment	Excluding Mothballed Lots	Mothballed Lots	Optioned Lots	Total Lots
Northeast	641	252	3,634	4,527
Mid-Atlantic	1,632	280	2,329	4,241
Midwest	1,415	127	1,630	3,172
Southeast	1,474	0	1,882	3,356
Southwest	1,370	0	4,063	5,433
West	1,317	2,914	369	4,600
Consolidated Total	7,849	3,573	13,907	25,329
Joint Ventures	4,544	0	1,226	5,770
Grand Total	12,393	3,573	15,133	31,099

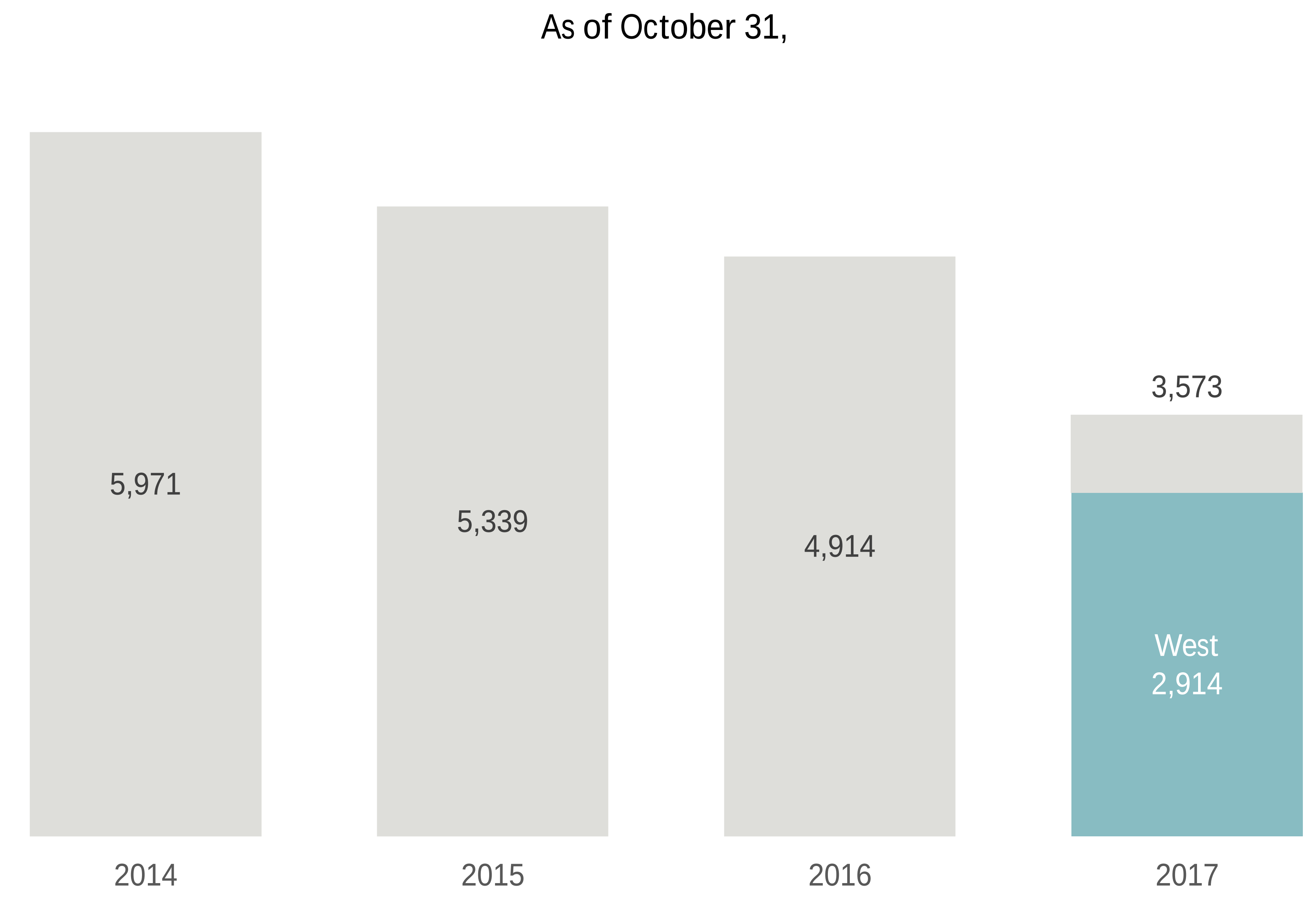
- *Option deposits as of October 31, 2017 were $57 million*
- *$6 million invested in pre-development expenses as of October 31, 2017*

Note: Option deposits and pre-development expenses refers to consolidated optioned lots.

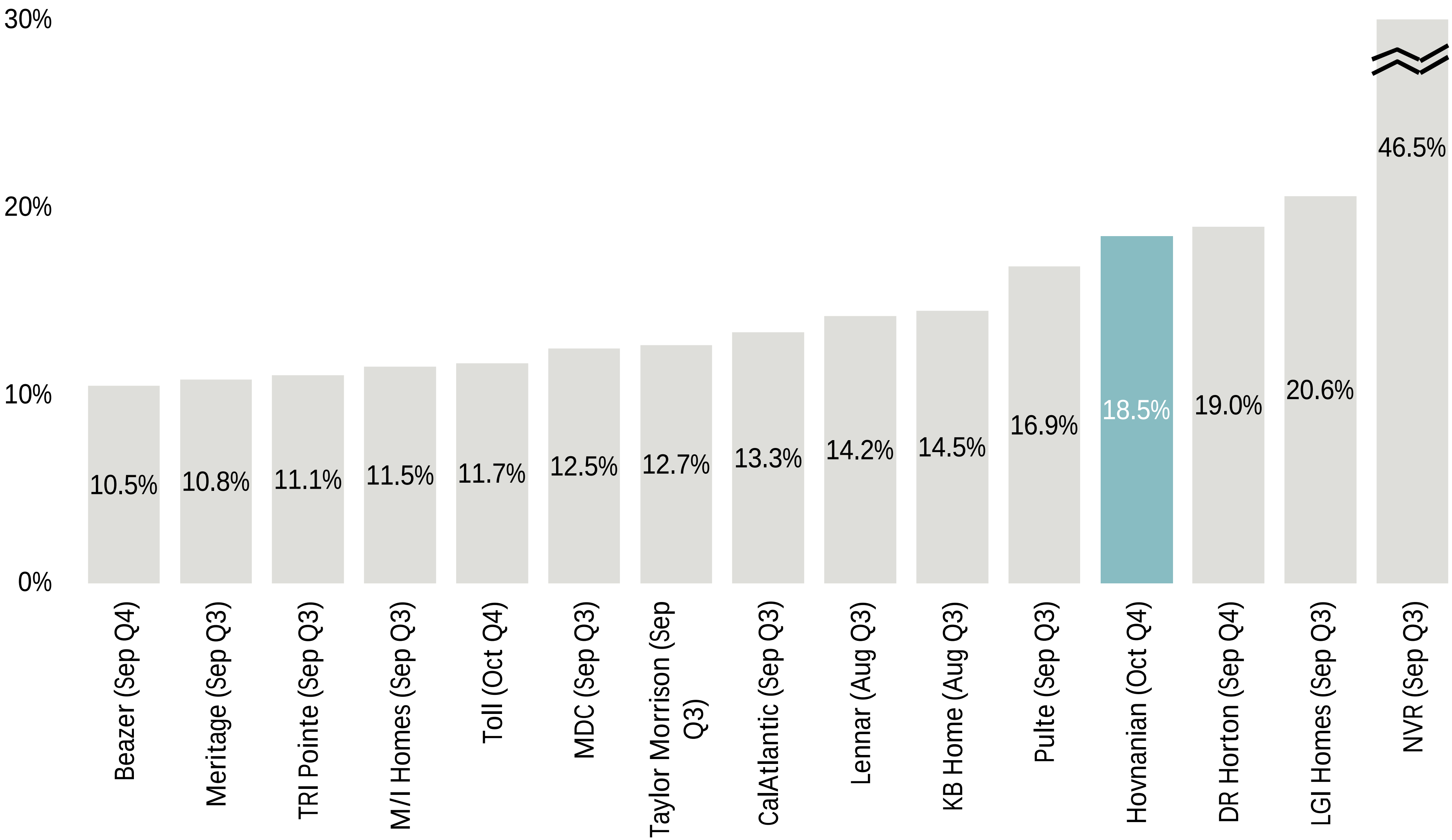
Decreases in Land Banked Lots



Reduction in Mothballed Lots



Adjusted Homebuilding EBIT to Inventory, Last Twelve Months



Note: Defined as LTM EBIT before land-related charges divided by five quarter average inventory, excluding capitalized interest and inventory not owned.
Source: Company SEC filings and press releases as of 12/21/17.

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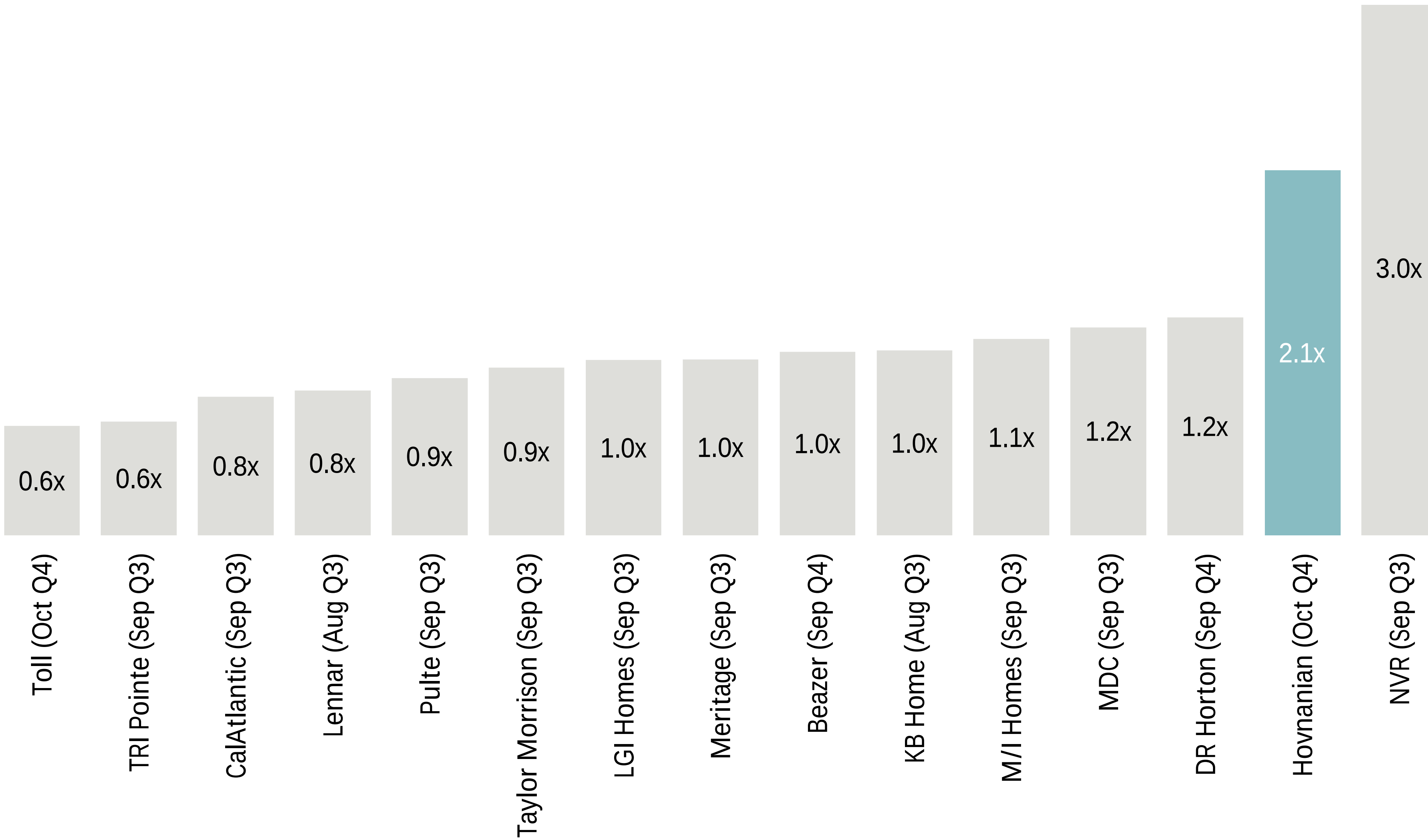
Inventory Turns (COGS), Last Twelve Months

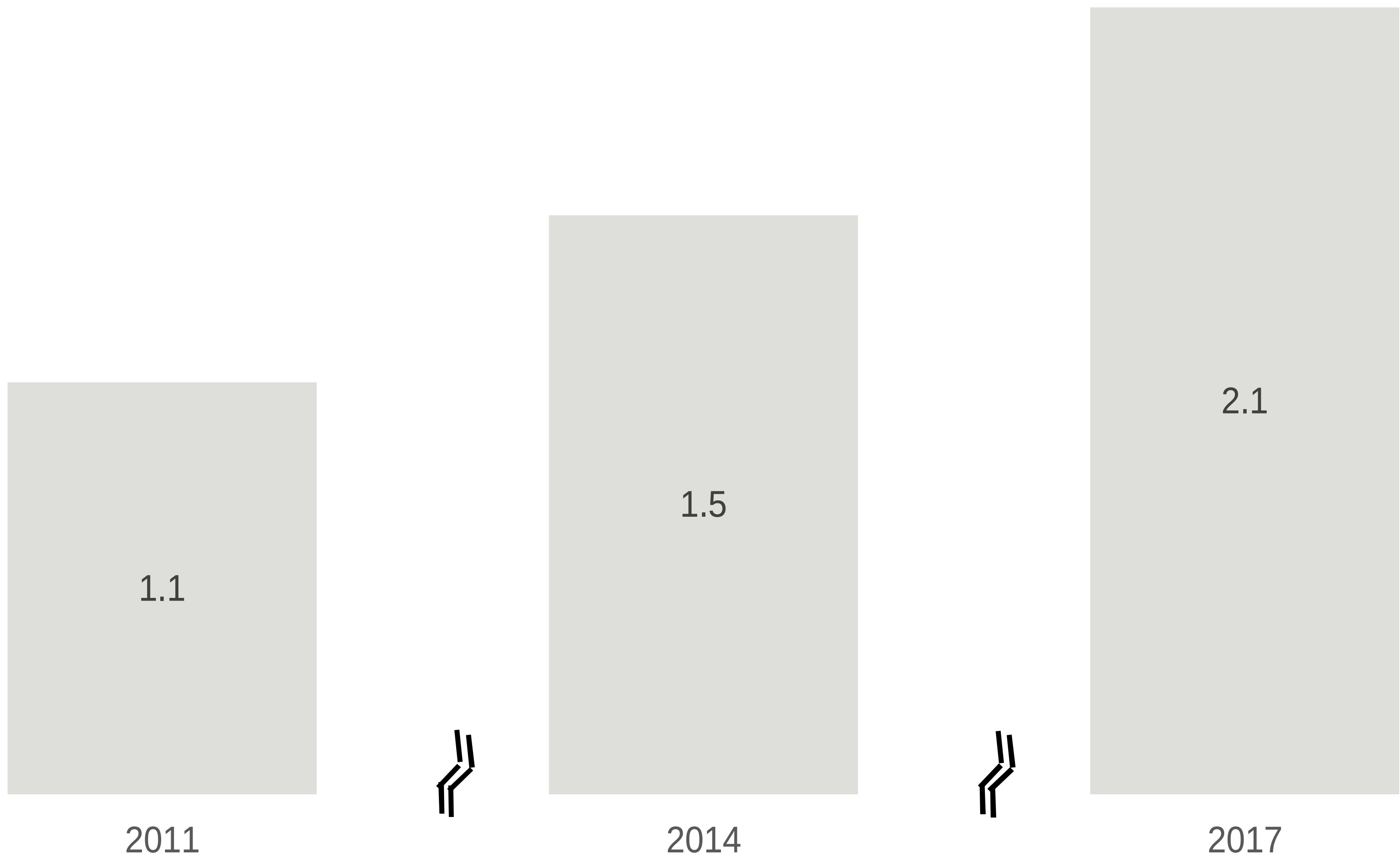


Note: Inventory turns derived by dividing cost of sales, excluding capitalized interest, by the five quarter average homebuilding inventory, excluding inventory not owned and capitalized interest.

Source: Company SEC filings and press releases as of 12/21/17.

Inventory Turnover Trends

Continuing to make improvements.

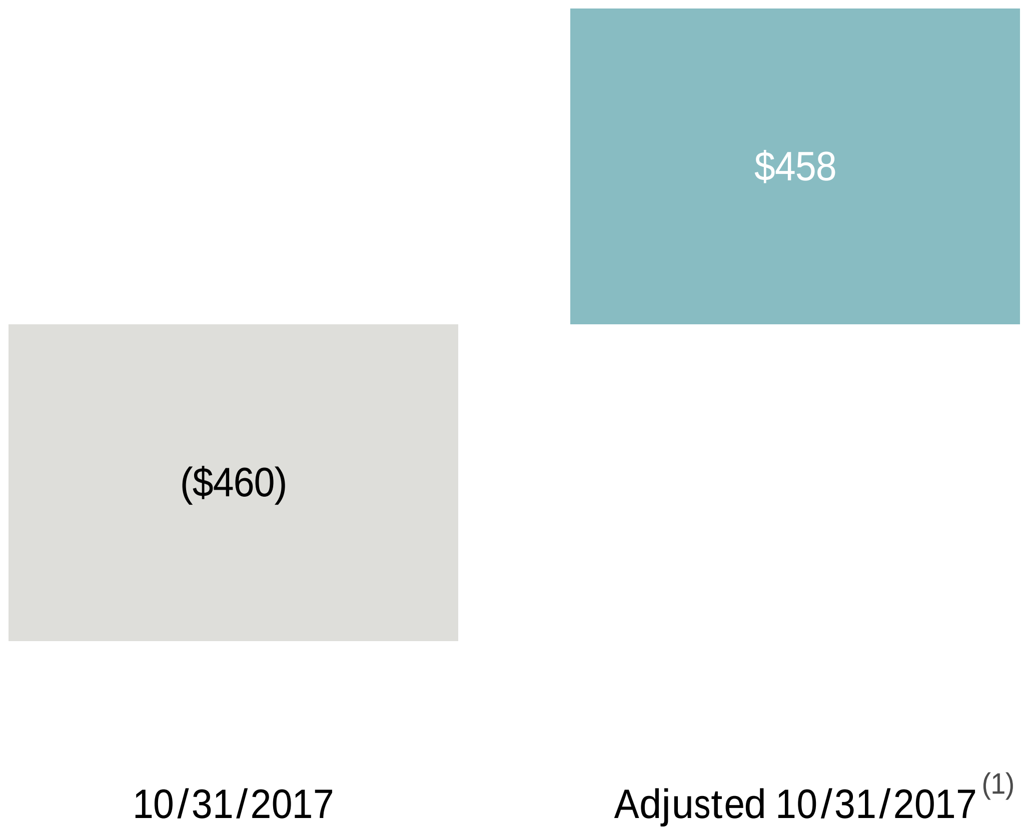


Note: Inventory turns derived by dividing cost of sales by the five quarter average homebuilding inventory, excluding capitalized interest and inventory not owned.

Adjusted Hovnanian Stockholders' Equity

- *Deferred tax asset will shield approximately $2.1 billion of future pretax earnings from federal income taxes which will help accelerate repairing our balance sheet*

($ in millions)

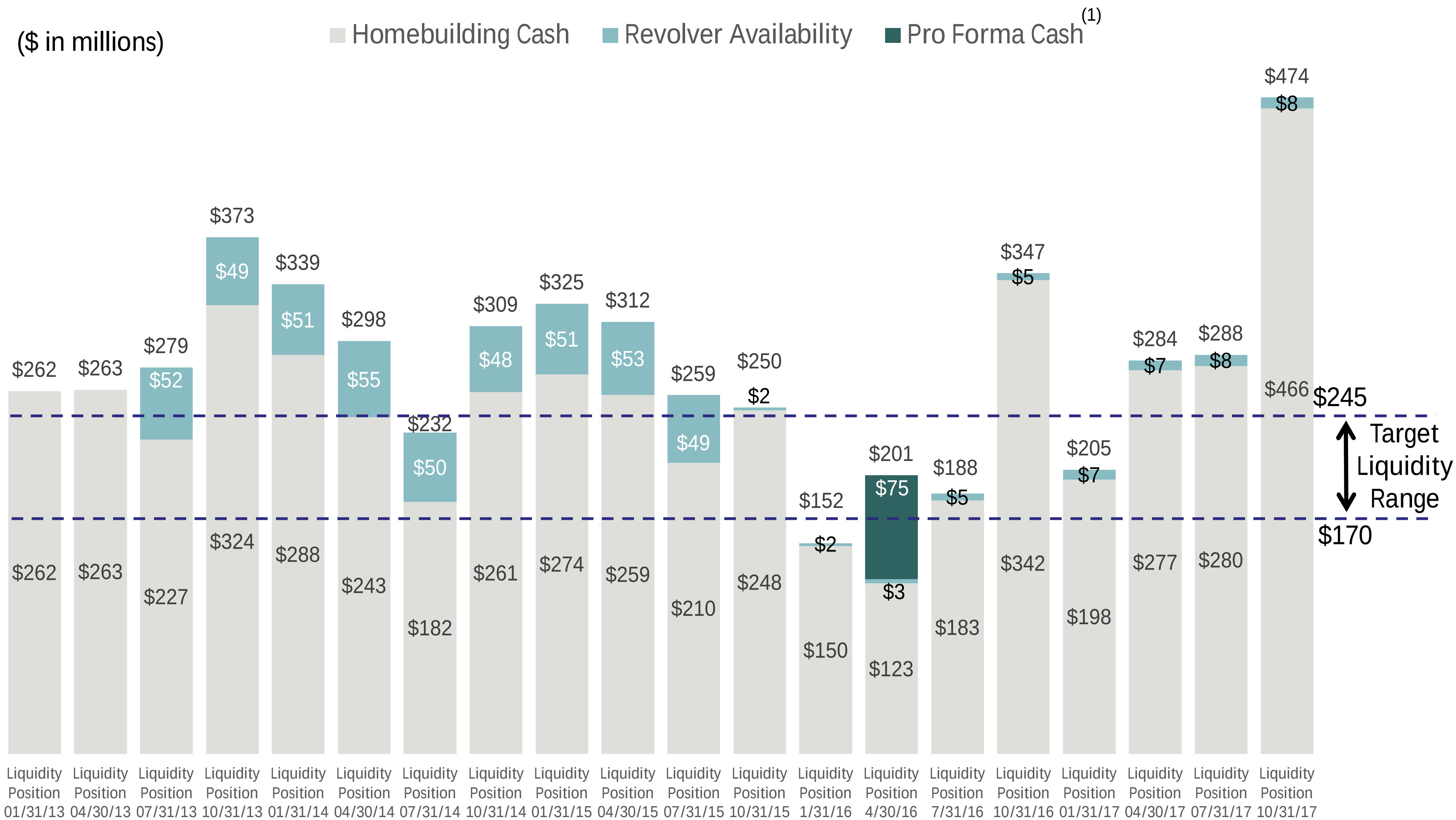


As of December 20, 2017, HOV was trading at 14% discount to adjusted book value (2)

(1) *Total Hovnanian Stockholders' Deficit of $(460) million with $918 million valuation allowance added back to Stockholders' Equity. The $918 million valuation allowance consisted of a $720 million federal valuation allowance and a $198 million state valuation allowance.*

(2) *Based on closing price of $2.67 on December 20, 2017.*

Liquidity Position and Target



Note: Liquidity position includes homebuilding cash and cash equivalents (which includes unrestricted cash and restricted cash to collateralize letters of credit) and revolving credit facility availability.

(1) Pro Forma Cash of $75 million from joint venture and land sale subsequent to end of second quarter 2016.

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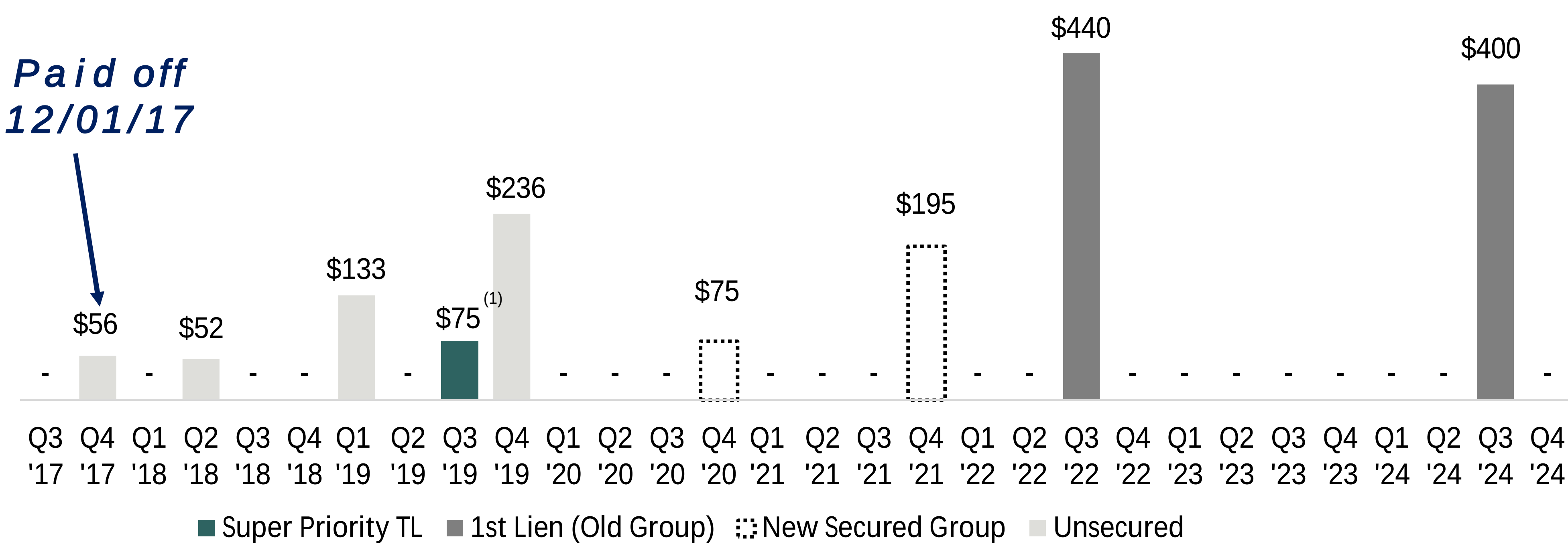
Maturity Profile

As of October 31, 2017

($ in millions)



Note: Shown on a calendar year basis, at face value.

Note: Excludes non-recourse mortgages.

[1] Provided that if any of K. Hovnanian's 7.0% Notes due January 15, 2019 remain outstanding on October 15, 2018 or if any refinancing indebtedness with respect to the 7.0% Notes has a maturity date prior to January 15, 2021, the maturity date of the Term Loan Facility will be October 15, 2018.

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Appendix

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Coverage for Super Priority Term Loan, 10.0% Secured Notes Due 2022 and 10.5% Secured Notes Due 2024[1]

($ in Thousands)	July 31, 2017	October 31, 2017
Cash and cash equivalents	$202,500	$381,100
Mortgaged Inventory	$544,300	$419,900
Pledged equity value of subsidiaries without inventory liens[2]	$107,100	$113,700
Total Collateral	$853,900	$914,700
Plus equity value of subsidiaries with non-recourse loans[3]	$91,100	$81,900
Total Adjusted Collateral	$945,000	$996,600
Total principal amount of secured debt	$915,000	$915,000
Adjusted Collateral Ratio	1.03x	1.09x
Assets in excess of total principal amount of secured debt	$30,000	$81,600

(1) *The 10.0% Secured Notes due 2022 and 10.5% Secured Notes due 2024 were issued on July 27, 2017. Control agreements over certain cash and cash equivalents accounts and mortgages over inventory are not currently in place but will be entered into in accordance with the terms of the indenture and security documents governing such Notes.*
(2) *Represents book value of inventory owned by guarantor subsidiaries for which mortgages are either not yet filed or not required to be filed.*
(3) *Represents book value of inventory owned by guarantor subsidiaries less outstanding payable amount of non-recourse loans.*

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Coverage for 9.5% 1st Lien Notes Due 2020 and 2% and 5% 1st Lien Notes Due 2021

($ in Thousands)	July 31, 2017	October 31, 2017
Cash and cash equivalents	$77,700	$84,300
Mortgaged Inventory	$150,900	$128,900
Pledged equity value of subsidiaries without inventory liens(1)	$19,600	$2,300
Total Collateral	$248,200	$215,500
Plus equity value of subsidiaries with non-recourse loans(2)	$7,800	$10,300
Total Adjusted Collateral	$256,000	$225,800
Total principal amount of secured debt	$270,000	$270,000
Adjusted Collateral Ratio	0.95x	0.84x
Total Adjusted Collateral	$256,000	$225,800
Plus equity interests in joint ventures(3)	$84,500	$88,200
Total Assets Available for secured debt	$340,500	$314,000
Total principal amount of secured debt	$270,000	$270,000
Asset Coverage Ratio	1.26x	1.16x
Assets in Excess of total principal amount of secured debt	$70,500	$44,000

(1) Represents book value of inventory owned by guarantor subsidiaries for which mortgages are either not yet filed or not required to be filed.
(2) Represents book value of inventory owned by guarantor subsidiaries less outstanding payable amount of non-recourse loans.
(3) Represents equity in joint ventures owned by guarantor subsidiaries, either directly or indirectly through ownership of joint venture holding companies; this equity is not pledged to secure, and is not collateral for, the Notes.

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Assets Available to All Unsecured Debt

($ in Thousands)

	July 31, 2017	October 31, 2017
Total Assets	$1,822,300	$1,900,900
less Inventory Not Owned	$(138,500)	$(124,800)
less Financial Services Assets	$(109,700)	$(162,100)
Assets Available to All Notes	$1,574,100	$1,614,000
less non-recourse mortgages	$(70,800)	$(64,500)
less principal for 9.5% 1st Lien Notes due 2020 and 2% and 5% 1st Lien Notes due 2021	$(270,000)	$(270,000)
less principal for Super Priority Term Loan due 2018, 10.0% Secured Notes due 2022 and 10.5% Secured Notes due 2024	$(915,000)	$(915,000)
Assets available to All Unsecured Notes	$318,300	$364,500

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Consolidated Contracts per Community

Segments	Q4 2017	Q4 2016	% Change
Northeast (NJ, PA)	14.7	15.1	(2.6)%
Mid-Atlantic (DE, MD, VA, WV)	6.1	6.5	(6.2)%
Midwest (IL, MN, OH)	9.1	6.9	31.9%
Southeast (FL, GA, NC, SC)	9.7	6.4	51.6%
Southwest (AZ, TX)	7.2	7.7	(6.5)%
West (CA)	15.3	10.0	53.0%
Total	8.6	7.8	10.3%

Note: Excluding joint ventures.

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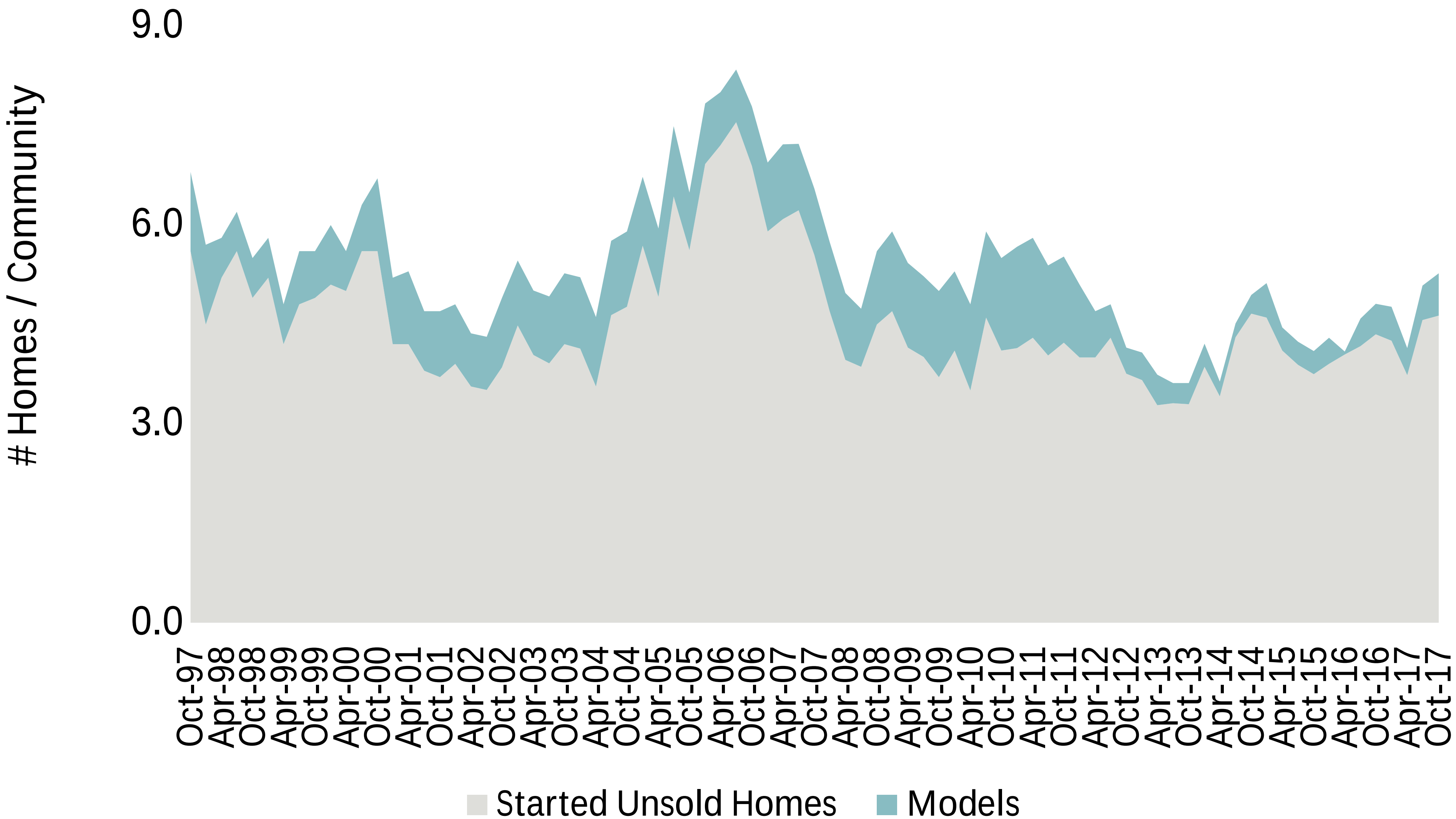
Unsold Homes per Community

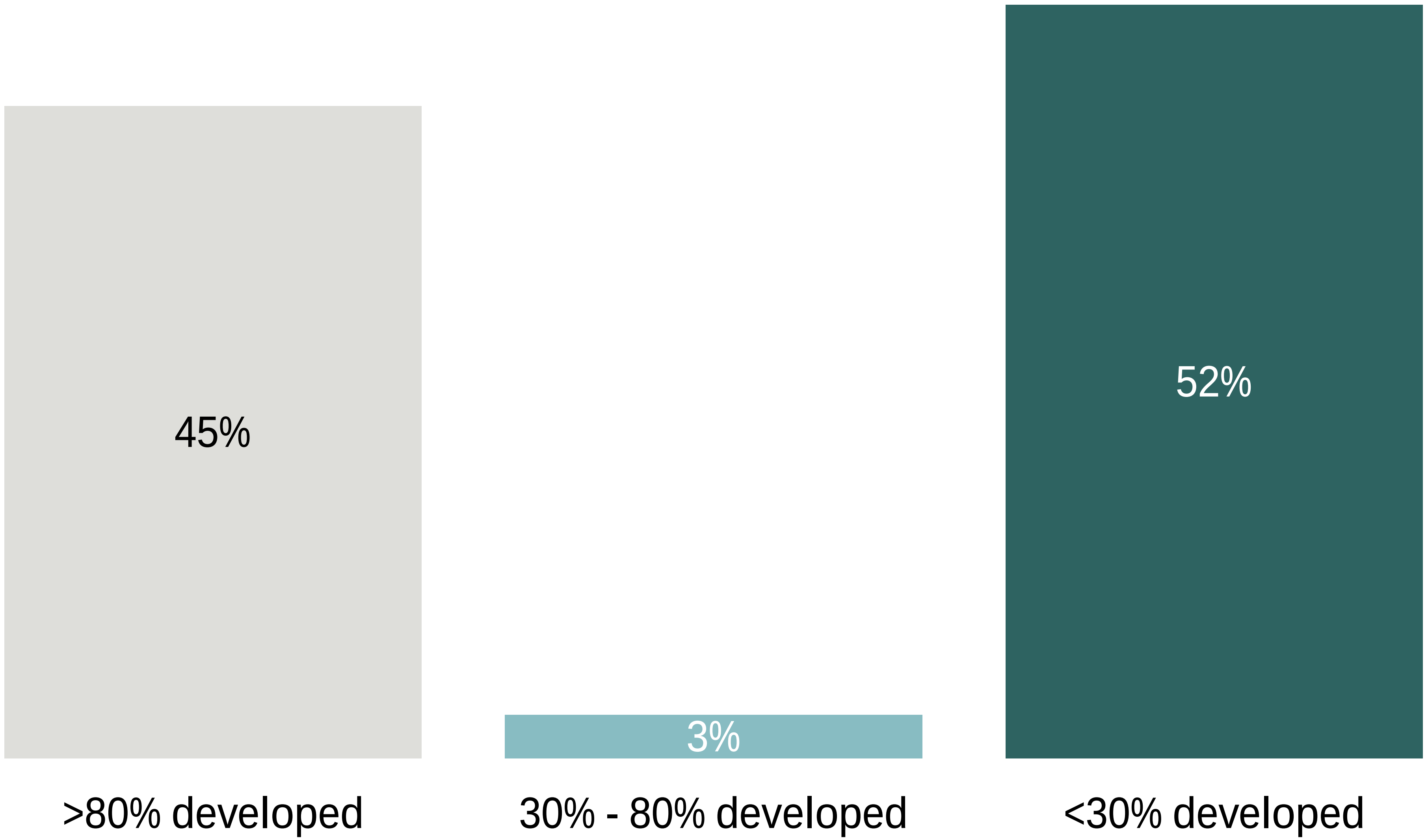
- *602 started unsold homes at 10/31/17, excluding models*
- *4.6 average started unsold homes per community since 1997*
- *As of October 31, 2017, 4.6 started unsold homes per community*



Note: Excluding joint ventures.

Owned Lots % Development Costs Spent

As of October 31, 2017



Note: Excluding joint ventures.

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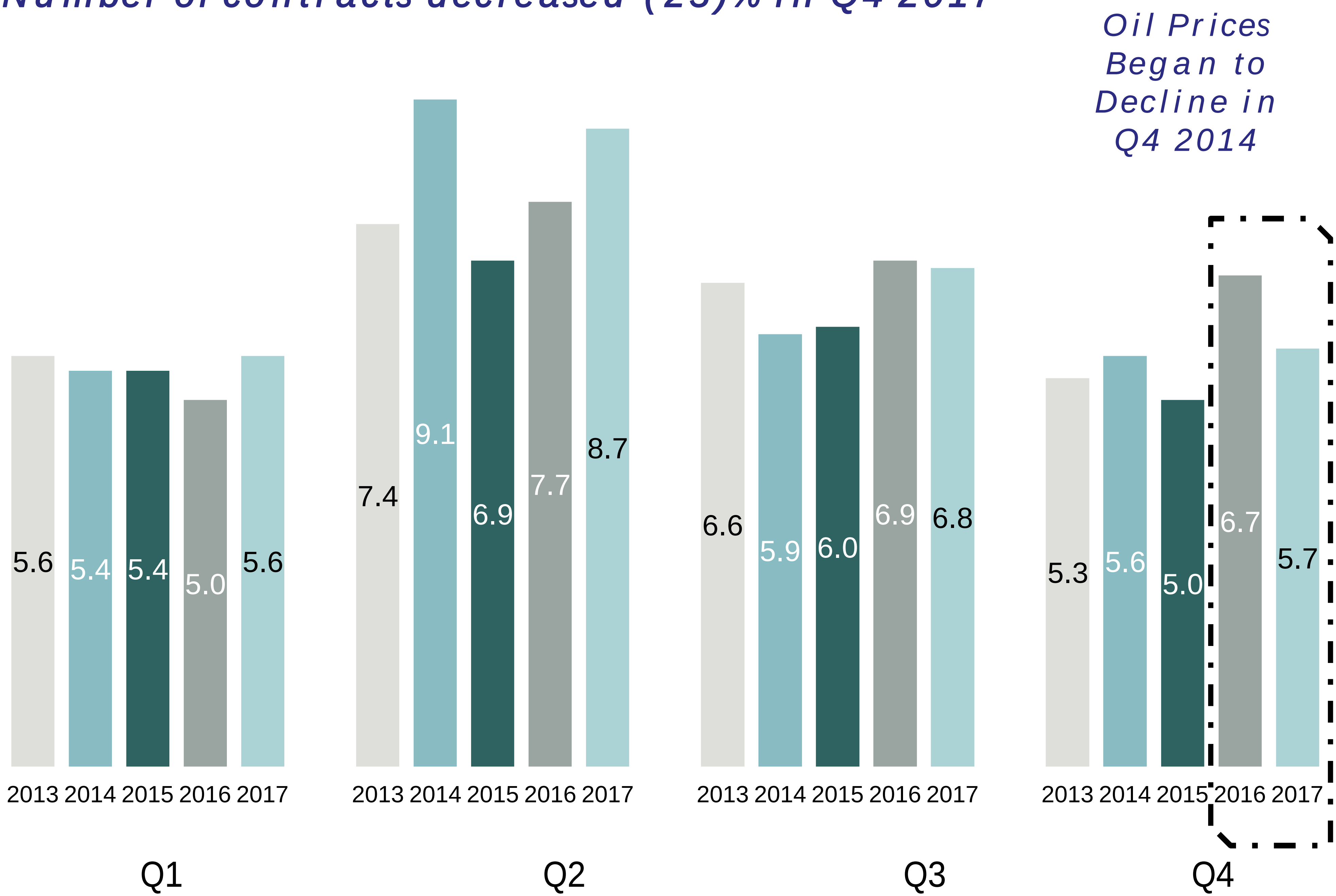
Houston Quarterly Contracts per Community

Number of contracts decreased (25)% in Q4 2017



- Houston Exposure as of October 31, 2017

	Houston as a % of Company Total
TTM Home Sale Revenues	15%
Homebuilding Inventory	12%

- Houston Lot Position as of October 31, 2017

	Houston # Lots	Months Supply	
		Houston	Company Average[1]
Owned Lots	702	7	19
Optioned Lots	1,878	19	33
Total Lots	2,580	26	52

- Option Deposit
  - Houston $3,000 per lot vs. Company Average $4,000 per lot

[1] *Excluding Houston and Mothballed lots*

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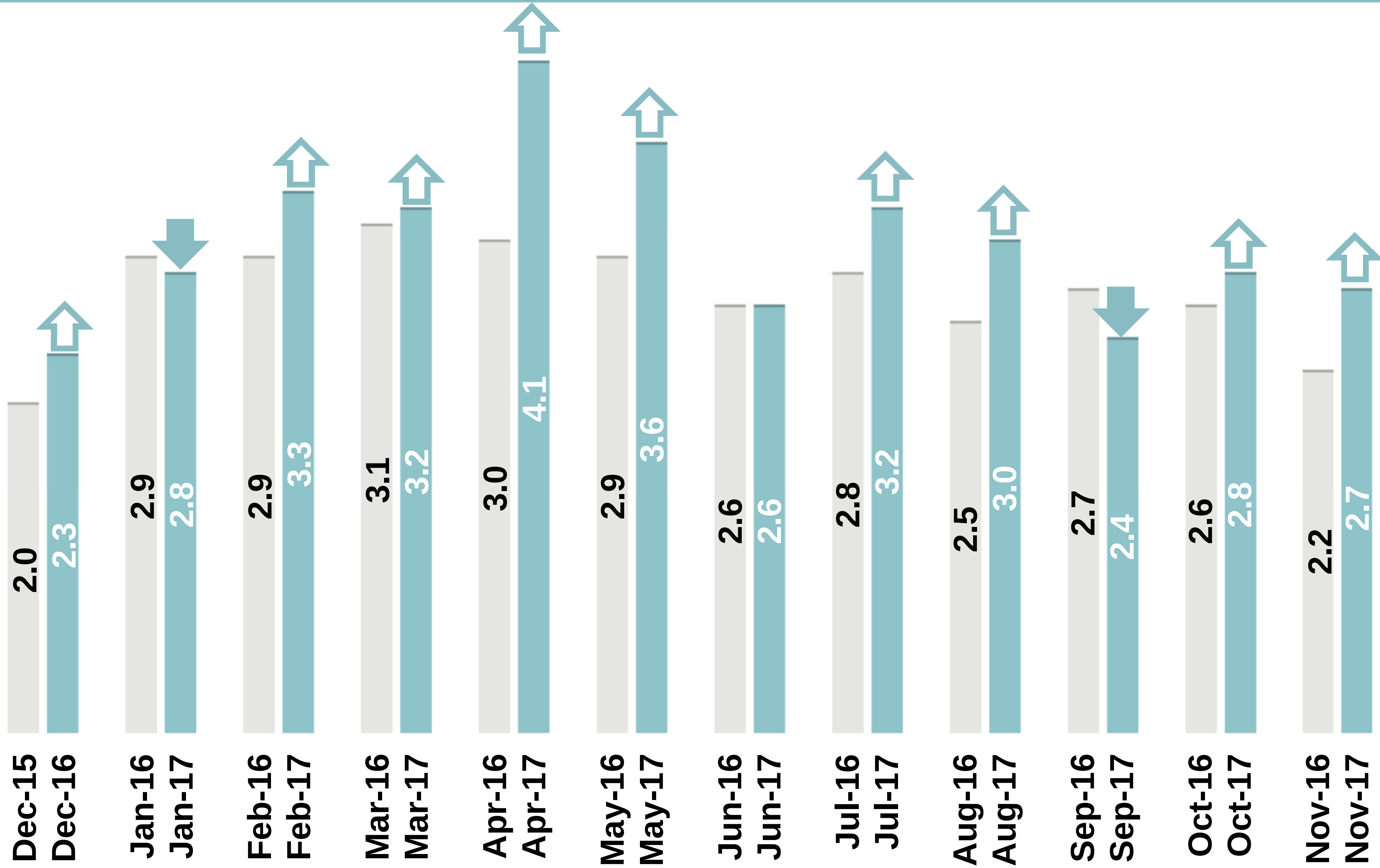
Number of Monthly contracts Per Community, Excludes Joint Ventures



Number of Sundays	4	4	5	5	4	4	4	4	4	5	5	4	4	4	5	5	4	4	4	4	5	5	4	4
	Dec-15	Dec-16	Jan-16	Jan-17	Feb-16	Feb-17	Mar-16	Mar-17	Apr-16	Apr-17	May-16	May-17	Jun-16	Jun-17	Jul-16	Jul-17	Aug-16	Aug-17	Sep-16	Sep-17	Oct-16	Oct-17	Nov-16	Nov-17
Monthly contracts	426	377	628	445	600	523	625	472	587	595	512	509	463	364	492	448	423	423	449	326	427	363	351	350

Note: Excludes joint ventures.

Reconciliation of Income Before Income Taxes Excluding Land-Related Charges, Joint Venture Write-Downs and Loss on Extinguishment of Debt to Income (Loss) Before Income Taxes

Hovnanian Enterprises, Inc.
October 31, 2017
Reconciliation of Income Before Income Taxes Excluding Land-Related Charges, Joint Venture Write-Downs and Loss on Extinguishment of Debt to Income (Loss) Before Income Taxes

(Dollars in Thousands)

	Three Months Ended October 31,		Twelve Months Ended October 31,	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
Income (Loss) Before Income Taxes	$12,305	$32,141	$(45,244)	$2,436
Inventory Impairment Loss and Land Option Write-Offs	8,479	10,438	17,813	33,353
Unconsolidated Joint Venture Investment Write-Downs	-	-	2,763	-
Loss on Extinguishment of Debt	-	(3,200)	(34,854)	(3,200)
Income Before Income Taxes Excluding Land-Related Charges, Joint Venture Write-Downs and Loss on Extinguishment of Debt (a)	$20,784	$45,779	$10,186	$38,989

(a) Income Before Income Taxes Excluding Land-Related Charges, Joint Venture Write-Downs and Loss on Extinguishment of Debt is a non-GAAP financial measure. The most directly comparable GAAP financial measure is Income (Loss) Before Income Taxes.

Hovnanian Enterprises, Inc.
October 31, 2017
Gross Margin
(Dollars in Thousands)

	Homebuilding Gross Margin Three Months Ended October 31,		Homebuilding Gross Margin Twelve Months Ended October 31,	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
Sale of Homes	$666,783	$777,472	$2,340,033	$2,600,790
Cost of Sales, Excluding Interest Expense (a)	545,150	640,580	1,937,116	2,162,284
Homebuilding Gross Margin, Before Cost of Sales Interest Expense and Land Charges (b)	121,633	136,892	402,917	438,506
Cost of Sales Interest Expense, Excluding Land Sales Interest Expense	21,618	25,302	76,902	86,593
Homebuilding Gross Margin, After Cost of Sales Interest Expense, Before Land Charges (b)	100,015	111,590	326,015	351,913
Land Charges	8,479	10,438	17,813	33,353
Homebuilding Gross Margin	$91,536	$101,152	$308,202	$318,560
Gross Margin Percentage	13.7%	13.0%	13.2%	12.2%
Gross Margin Percentage, Before Cost of Sales Interest Expense and Land Charges (b)	18.2%	17.6%	17.2%	16.9%
Gross Margin Percentage, After Cost of Sales Interest Expense, Before Land Charges (b)	15.0%	14.4%	13.9%	13.5%

	Land Sales Gross Margin Three Months Ended October 31,		Land Sales Gross Margin Twelve Months Ended October 31,	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
Land and Lot Sales	$37,099	$5,990	$48,596	$76,041
Cost of Sales, Excluding Interest and Land Charges (a)	17,301	5,898	24,688	68,173
Land and Lot Sales Gross Margin, Excluding Interest and Land Charges	19,798	92	23,908	7,868
Land and Lot Sales Interest	8,888	396	11,634	5,798
Land and Lot Sales Gross Margin, Including Interest and Excluding Land Charges	$10,910	$(304)	$12,274	$2,070

(a) Does not include cost associated with walking away from land options or inventory impairment losses which are recorded as Inventory impairment loss and land option write-offs in the Consolidated Statements of Operations.

(b) Homebuilding Gross Margin, Before Cost of Sales Interest Expense and Land Charges, and Homebuilding Gross Margin Percentage, before Cost of Sales Interest Expense and Land Charges, are non-GAAP financial measures. The most directly comparable GAAP financial measures are Homebuilding Gross Margin and Homebuilding Gross Margin Percentage, respectively.

Reconciliation of Adjusted Homebuilding EBIT to Inventory

Hovnanian Enterprises, Inc.
October 31, 2017
Reconciliation of Adjusted Homebuilding EBIT to Inventory
(dollars in thousands)
(Unaudited)

		For the Three Months Ended				
	LTM(a)	10/31/2017	7/31/2017	4/30/2017	1/31/2017	
Homebuilding:						
Net Loss (Income)	$(332,193)	$11,841	$(337,209)	$(6,682)	$(143)	
Income Tax Benefit (Provision)	286,949	464	287,036	(1,017)	466	
Interest Expense	185,840	59,327	42,930	42,634	40,949	
EBIT (b)	140,596	71,632	(7,243)	34,935	41,272	
Financial Services Revenue	(58,743)	(16,407)	(14,993)	(14,494)	(12,849)	
Financial Services Expense	32,346	9,264	8,867	7,360	6,855	
Homebuilding EBIT (b)	114,199	64,489	(13,369)	27,801	35,278	
Inventory Impairment Loss and Land Option Write-offs	17,813	8,479	4,197	1,953	3,184	
Other Operations	1,518	52	(26)	(95)	1,587	
Loss (Gain) on Extinguishment of Debt	34,854	-	42,258	242	(7,646)	
Loss (Income) from Unconsolidated Joint Ventures	7,047	(3,062)	3,881	4,562	1,666	
Adjusted Homebuilding EBIT (b)	$175,431	$69,958	$36,941	$34,463	$34,069	
		As of				
		10/31/2017	7/31/2017	4/30/2017	1/31/2017	10/31/2016
Total Inventories		$1,009,827	$1,188,849	$1,209,212	$1,293,426	$1,283,084
Consolidated Inventory Not Owned		124,784	138,529	154,620	171,572	208,701
Capitalized Interest		71,051	87,119	90,960	94,438	96,688
	Five Quarter Average					
Inventories less Consolidated Inventory Not Owned and Capitalized Interest	$949,187	$813,992	$963,201	$963,632	$1,027,416	$977,695
Adjusted Homebuilding EBIT to Inventory	18.5%					

(a) Represents the aggregation of each of the prior four fiscal quarters.
(b) EBIT, Homebuilding EBIT and Adjusted Homebuilding EBIT are non-GAAP financial measures. The most directly comparable GAAP financial measure is net (income) loss.

Hovnanian Enterprises, Inc.

Inventory Turnover

Calculation of Inventory Turnover[1]

(Dollars In Thousands)		For the Quarter Ended 1/31/2017	4/30/2017	7/31/2017	10/31/2017	Year Ended 10/31/2017
Cost of Sales, Excluding Interest		$445,027	$475,440	$478,886	$562,451	$1,961,804

	As of 10/31/2016	1/31/2017	4/30/2017	7/31/2017	10/31/2017	
Total Inventories	$1,283,084	$1,293,426	$1,209,212	$1,188,849	$1,009,827	Five
Consolidated Inventory Not Owned	208,701	171,572	154,620	138,529	124,784	Quarter
Capitalized Interest	96,688	94,438	90,960	87,119	71,051	Average
Inventories less Consolidated Inventory Not Owned and Capitalized Interest	$977,695	$1,027,416	$963,632	$963,201	$813,992	$949,187
Inventory Turnover						2.1x

(Dollars In Thousands)		For the Quarter Ended 1/31/2014	4/30/2014	7/31/2014	10/31/2014	Year Ended 10/31/2014
Cost of Sales, Excluding Interest		$288,887	$350,433	$424,145	$551,734	$1,615,199

	As of 10/31/2013	1/31/2014	4/30/2014	7/31/2014	10/31/2014	
Total Inventories	$1,078,764	$1,209,934	$1,295,656	$1,376,157	$1,344,310	Five
Consolidated Inventory Not Owned	100,863	98,596	107,964	126,232	108,853	Quarter
Capitalized Interest	105,093	107,089	107,992	108,757	109,158	Average
Inventories less Consolidated Inventory Not Owned and Capitalized Interest	$872,808	$1,004,249	$1,079,700	$1,141,168	$1,126,299	$1,044,845
Inventory Turnover						1.5x

(Dollars In Thousands)		For the Quarter Ended 1/31/2011	4/30/2011	7/31/2011	10/31/2011	Year Ended 10/31/2011
Cost of Sales, Excluding Interest		$201,430	$210,463	$234,256	$267,752	$913,901

	As of 10/31/2010	1/31/2011	4/30/2011	7/31/2011	10/31/2011	
Total Inventories	$1,001,940	$948,174	$977,609	$1,025,030	$968,112	Five
Consolidated Inventory Not Owned	61,737	19,476	13,090	2,619	2,434	Quarter
Capitalized Interest	136,288	134,504	135,556	136,178	121,441	Average
Inventories less Consolidated Inventory Not Owned and Capitalized Interest	$803,915	$794,194	$828,963	$886,233	$844,237	$831,508
Inventory Turnover						1.1x

[1] Derived by dividing cost of sales, excluding cost of sales interest, by the five quarter average inventory, excluding inventory not owned and capitalized interest. The Company's calculation of Inventory Turnover may be different than the calculation used by other companies and, therefore, comparability may be affected.

Hovnanian Enterprises®, Inc.