



Review of Financial Results Fourth Quarter Fiscal 2012



Note: All statements in this presentation that are not historical facts should be considered as “forward-looking statements.” 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. 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. Such risks, uncertainties and other factors include, but are not limited to, (1) changes in general and local economic and industry and business conditions and impacts of the sustained homebuilding downturn, (2) adverse weather and other environmental conditions and natural disasters, (3) changes in market conditions and seasonality of the Company’s business, (4) changes in home prices and sales activity in the markets where the Company builds homes, (5) government regulation, including regulations concerning development of land, the home building, sales and customer financing processes, tax laws, and the environment, (6) fluctuations in interest rates and the availability of mortgage financing, (7) shortages in, and price fluctuations of, raw materials and labor, (8) the availability and cost of suitable land and improved lots, (9) levels of competition, (10) availability of financing to the Company, (11) utility shortages and outages or rate fluctuations, (12) levels of indebtedness and restrictions on the Company’s operations and activities imposed by the agreements governing the Company’s outstanding indebtedness, (13) the Company’s sources of liquidity, (14) changes in credit ratings, (15) availability of net operating loss carryforwards, (16) operations through joint ventures with third parties, (17) product liability litigation, warranty claims and claims by mortgage investors, (18) successful identification and integration of acquisitions, (19) significant influence of the Company’s controlling stockholders, (20) changes in tax laws affecting the after-tax costs of owning a home, (21) geopolitical risks, terrorist acts and other acts of war, and (22) other factors described in detail in the Company’s Annual Report on Form 10-K for the year ended October 31, 2011 and the Company’s Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2012. 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.

Fourth Quarter Results

(\$ in millions)	<u>2012</u>	<u>2011</u>	<u>% Change</u>
1) Net Contracts (\$ value) ¹	\$513	\$351	46%
2) Net Contracts (units) ¹	1,443	1,175	23%
3) Communities ¹	189	214	-12%
2) Contracts per Community ¹	7.6	5.5	38%
3) Deliveries ¹	1,750	1,245	41%
4) Backlog ¹	2,145	1,663	29%
5) Total Revenues	\$487	\$342	43%
6) Land Related Charges ²	\$5	\$60	-91%
7) Homebuilding Gross Margin	18.3%	15.5%	+280 bps
8) Total SG&A as a Percentage of Total Revenues	10.0%	16.9%	-690 bps
9) Income (Loss) Before Income Taxes Excluding (Loss) Gain on Extinguishment of Debt	\$3	(\$108)	
10) (Loss) Gain on Extinguishment of Debt	(\$87)	\$11	
11) Net Loss	(\$84)	(\$98)	

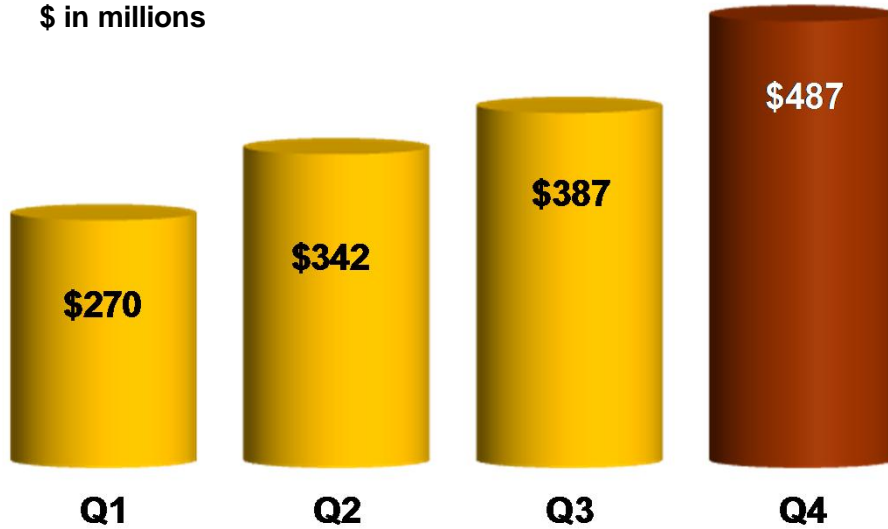
(1) Includes unconsolidated joint ventures.

(2) Includes inventory impairment loss and lot option write-offs, as well as unconsolidated joint venture investment and land-related charges.

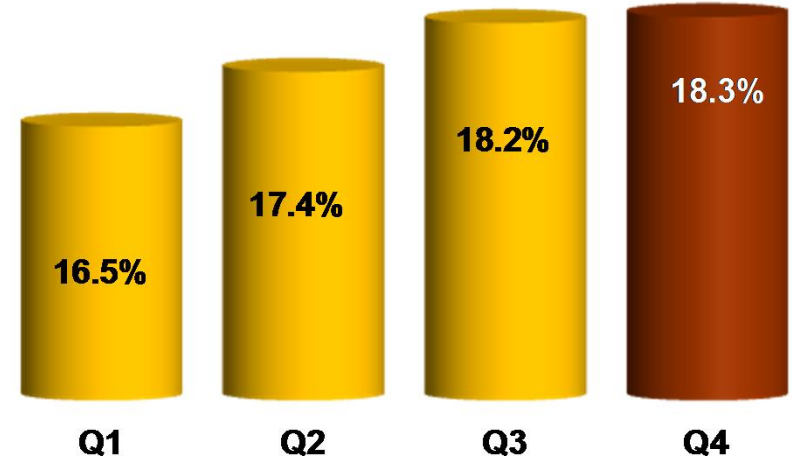
Improving Operating Results

Total Revenues

\$ in millions

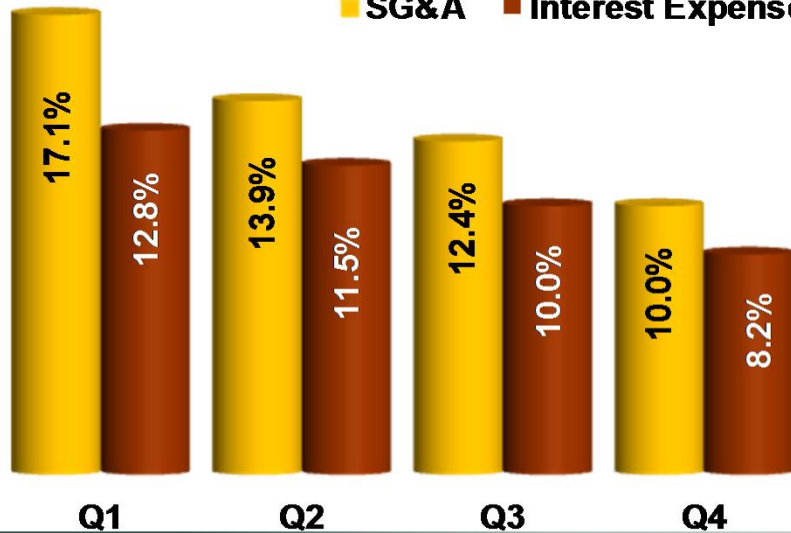


Homebuilding Gross Margin

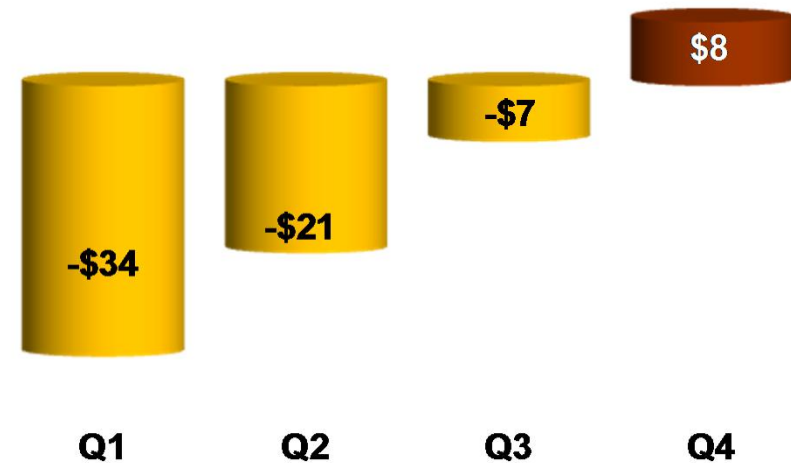


Total SG&A & Interest Expense as a % of Total Revenues

■ SG&A ■ Interest Expense



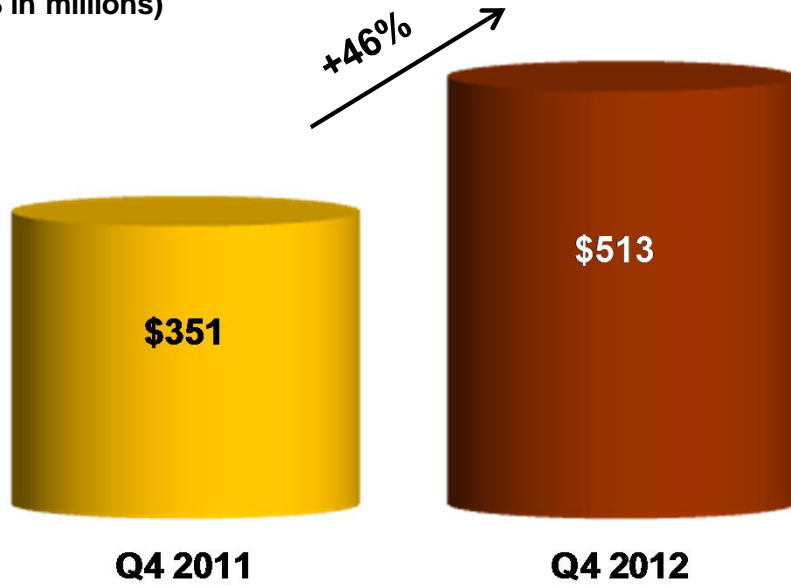
Gain (Loss) Before Income Taxes Excluding Land Related Charges, Expenses Associated With Debt Exchange Offer and Gain (Loss) on Extinguishment of Debt



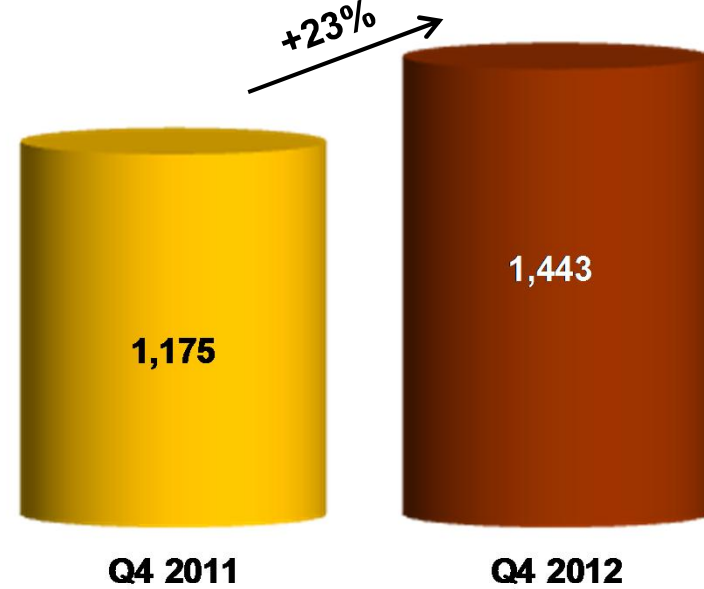
Improving Fourth Quarter Sales

Net Contract \$

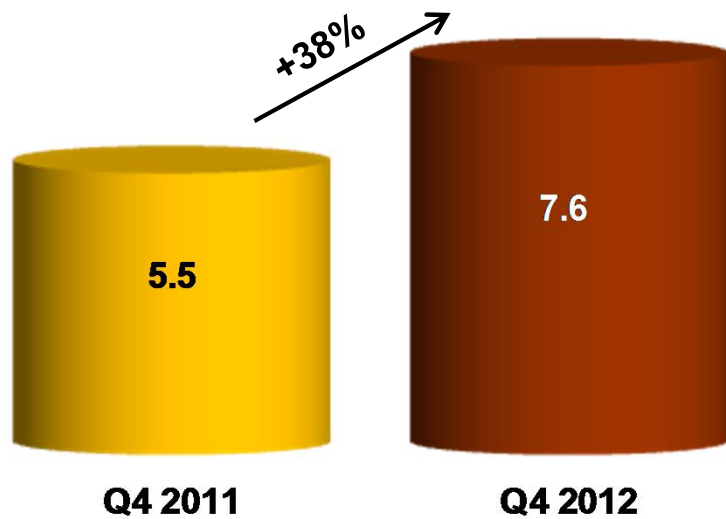
(\$ in millions)



Net Contract

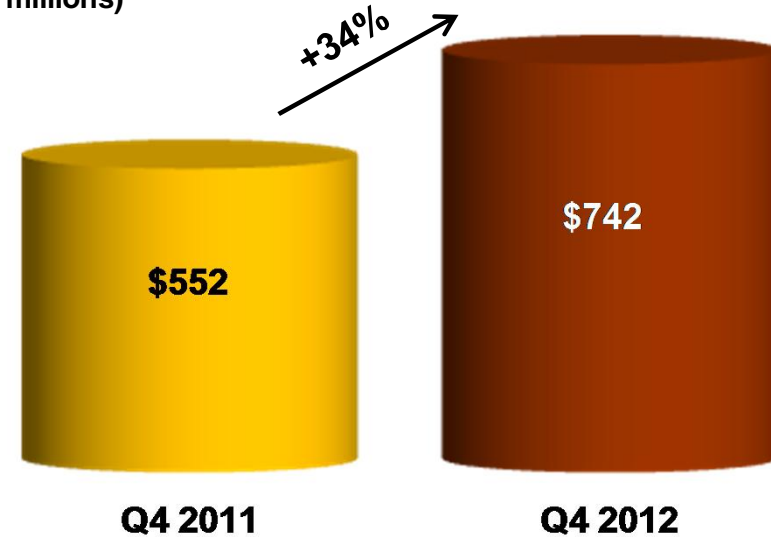


Net Contract per Community



Contract Backlog \$

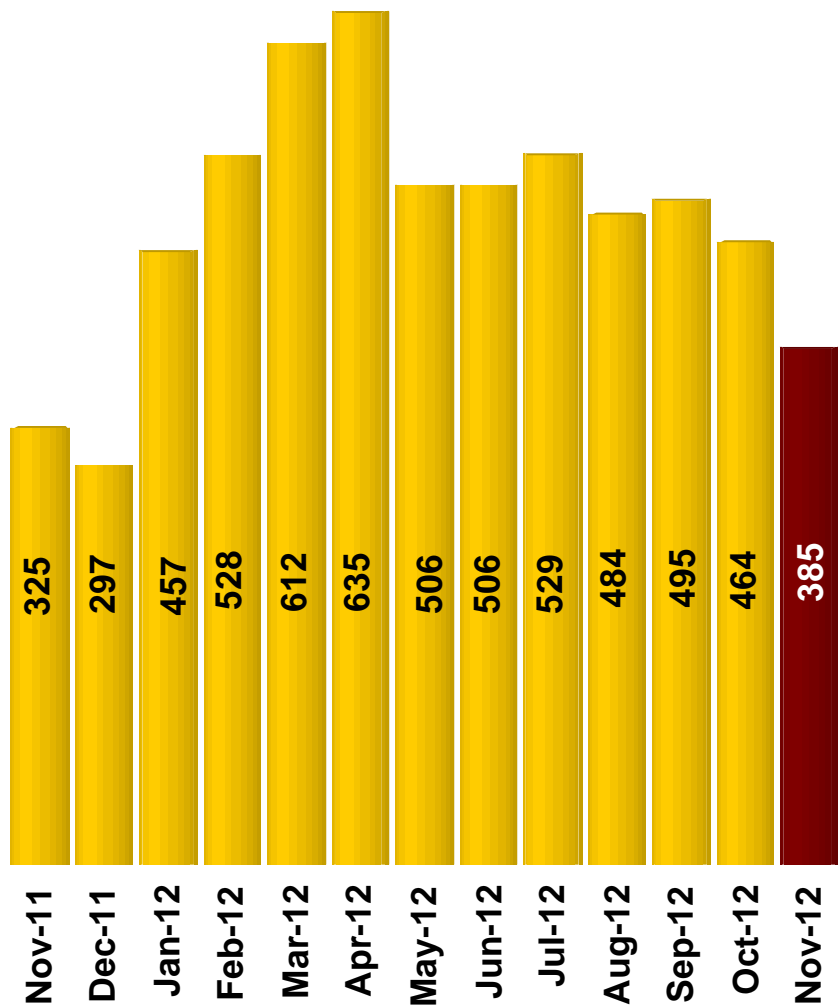
(\$ in millions)



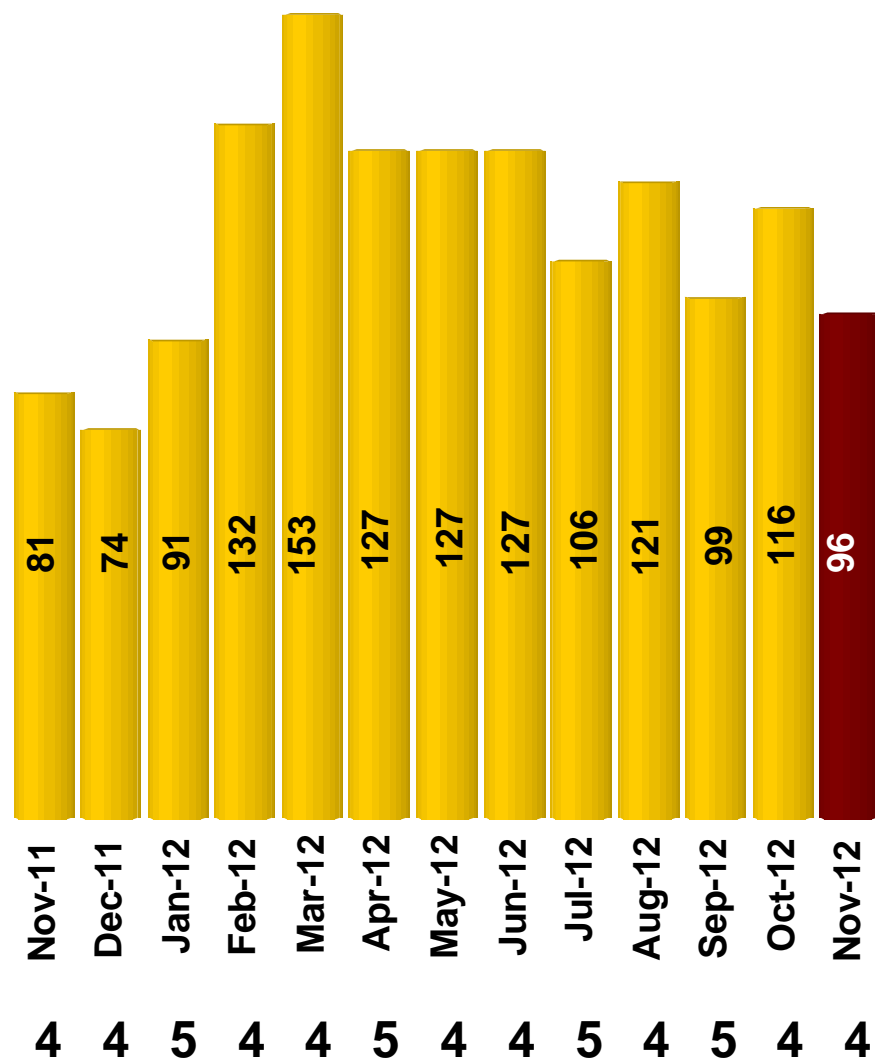
Includes unconsolidated joint ventures.

Net Contracts and Weekly Sales Pace per Month

Monthly Net Contracts



Average Weekly Sales Pace per Month ⁽¹⁾

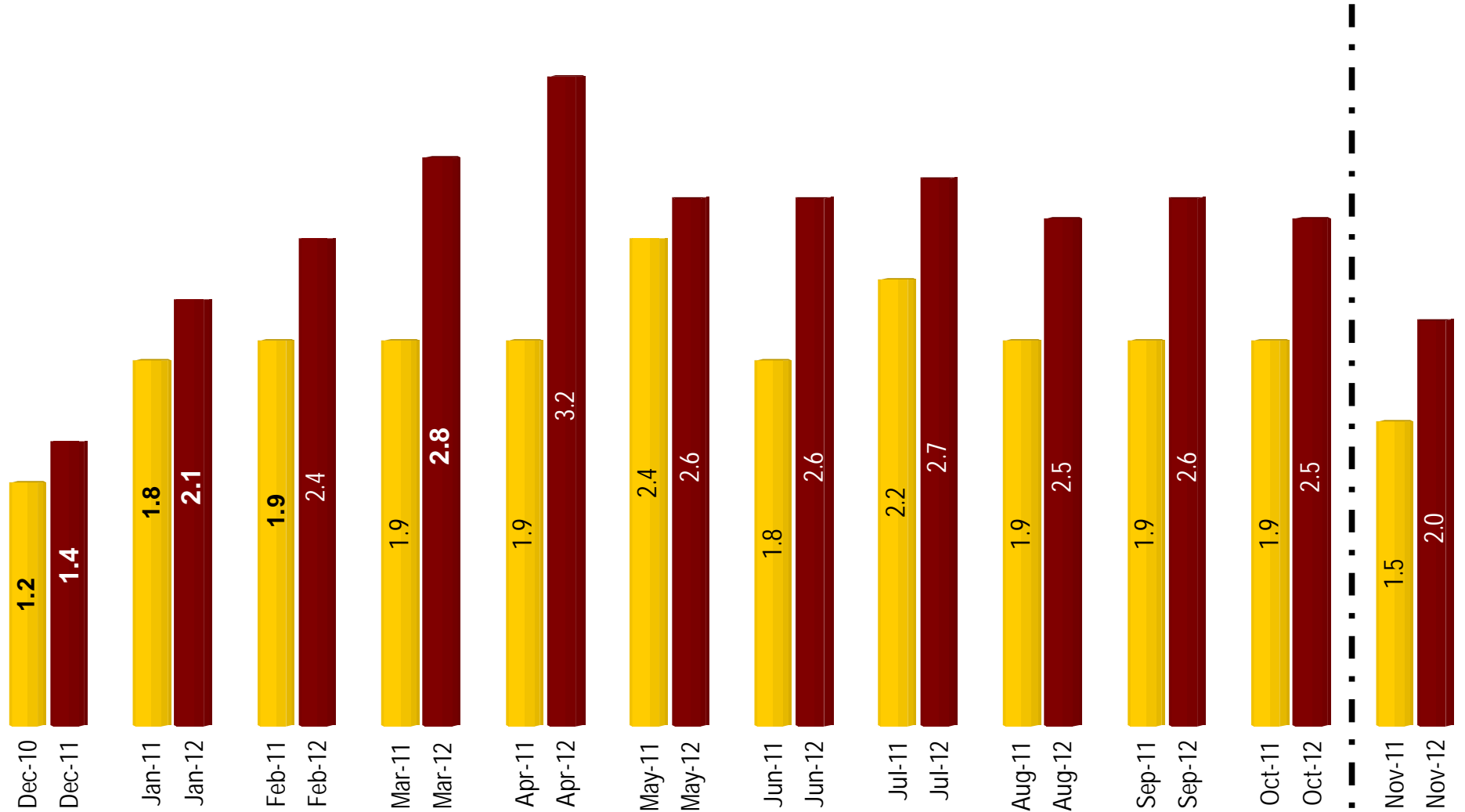


Number of
Sundays

4 4 5 4 4 5 4 4 5 4 5 4 4

⁽¹⁾ Based on number of Sundays.
Includes unconsolidated joint ventures.

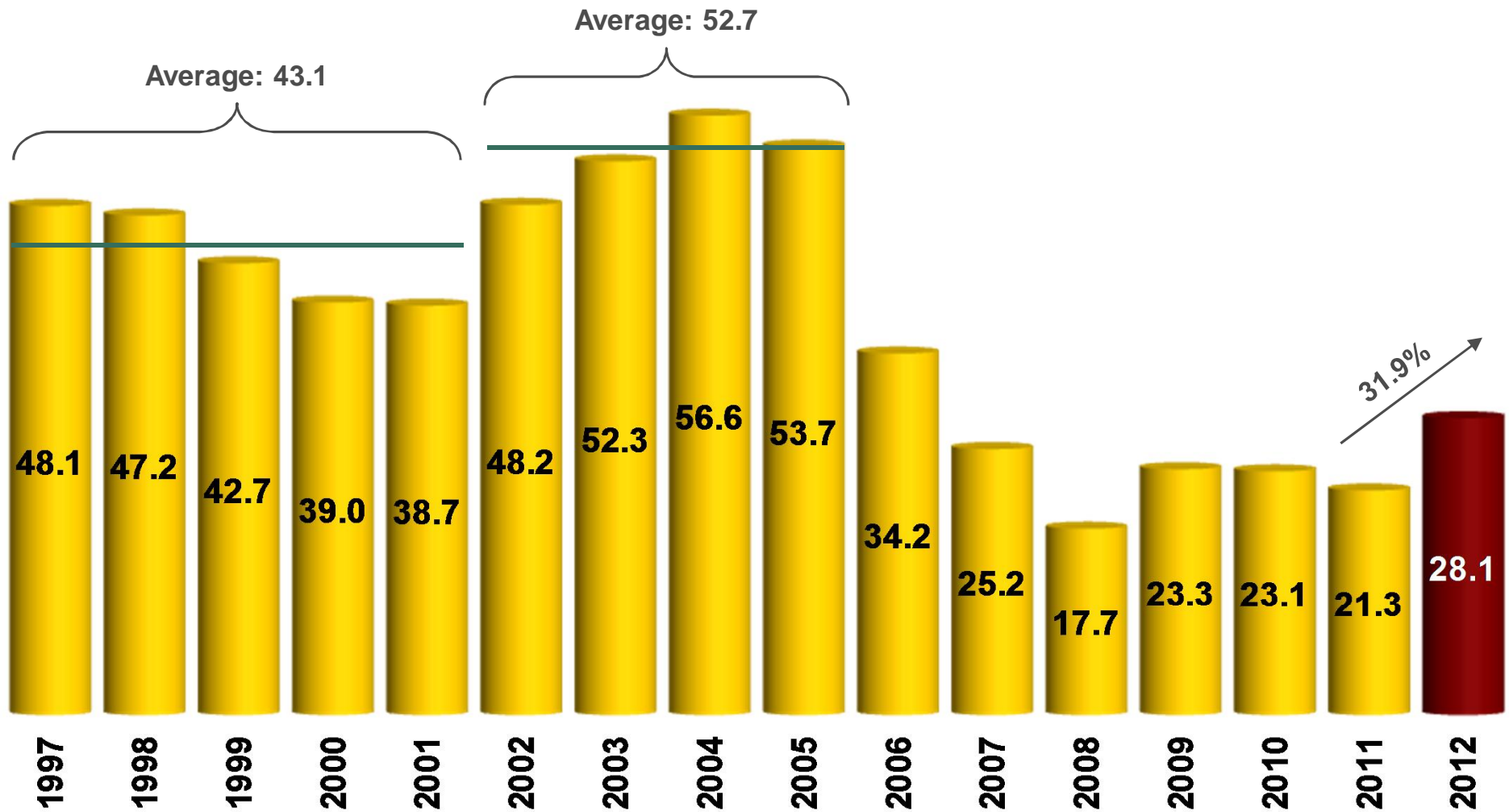
Monthly Net Contracts Per Active Selling Community



Number of Sundays	4	4	5	5	4	4	4	4	4	5	5	4	4	5	5	4	4	4	5	5	4	4	4	4
	Dec-10	Dec-11	Jan-11	Jan-12	Feb-11	Feb-12	Mar-11	Mar-12	Apr-11	Apr-12	May-11	May-12	Jun-11	Jun-12	Jul-11	Jul-12	Aug-11	Aug-12	Sep-11	Sep-12	Oct-11	Oct-12	Nov-11	Nov-12
Monthly Net Contracts	239	297	363	457	384	528	390	612	392	635	501	506	359	506	437	529	384	484	382	495	409	464	325	385

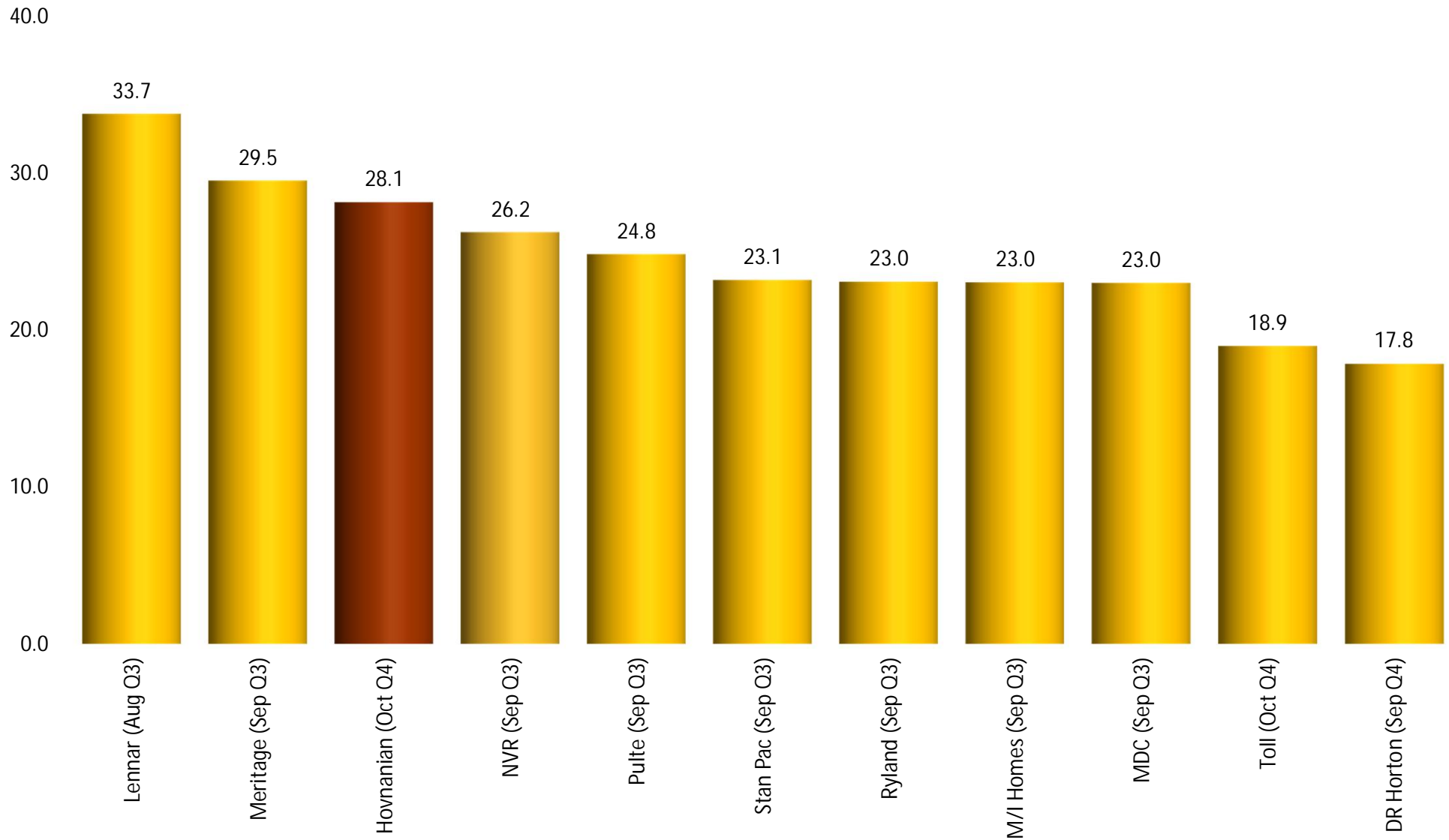
Includes unconsolidated joint ventures.

Annual Net Contracts Per Active Selling Community



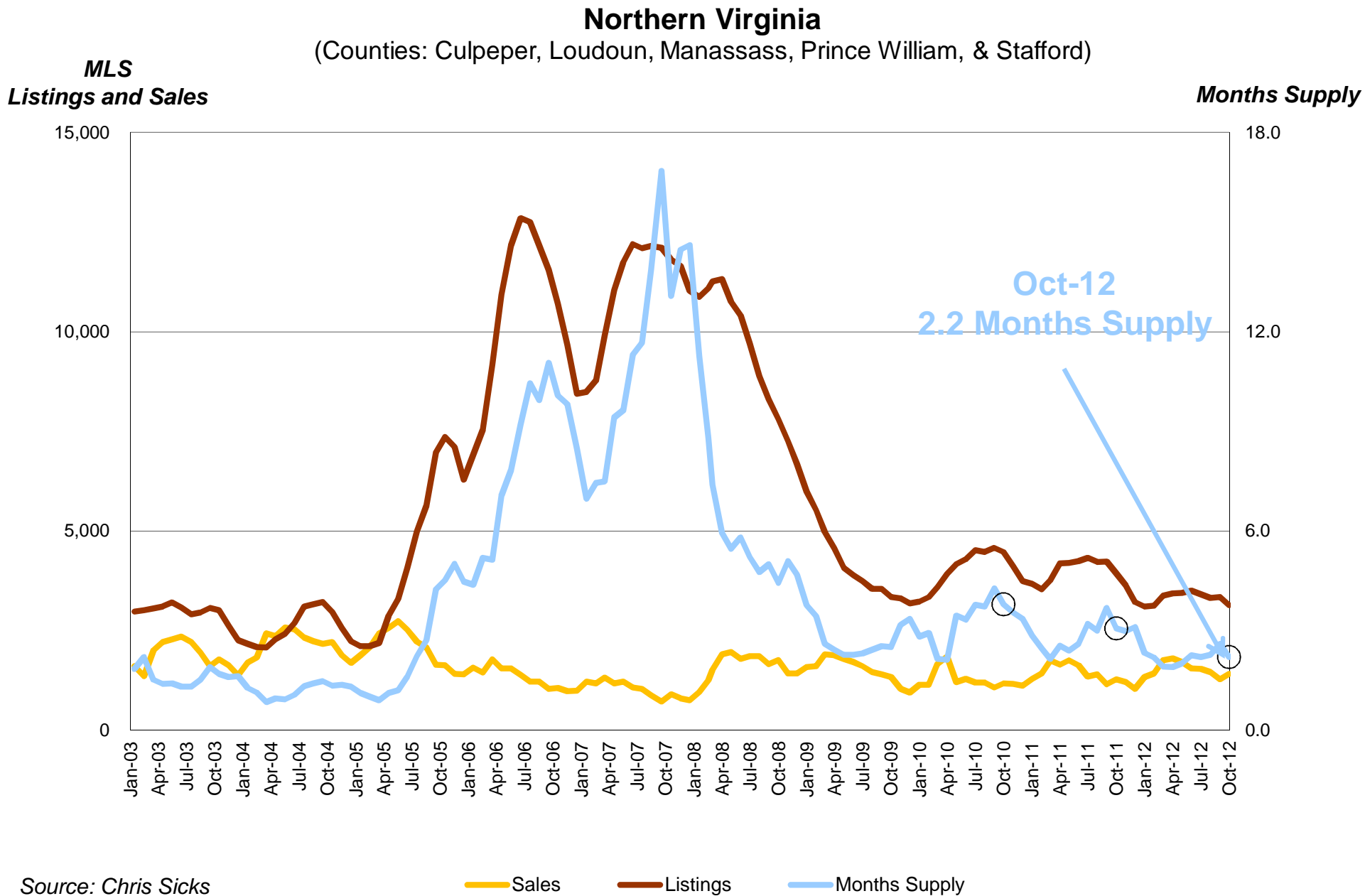
Calculated based on a five quarter average of active selling communities, excluding unconsolidated joint ventures.

Net Contracts per Community, Trailing Twelve Months



Source: Company SEC filings, press releases as of 12/13/12.

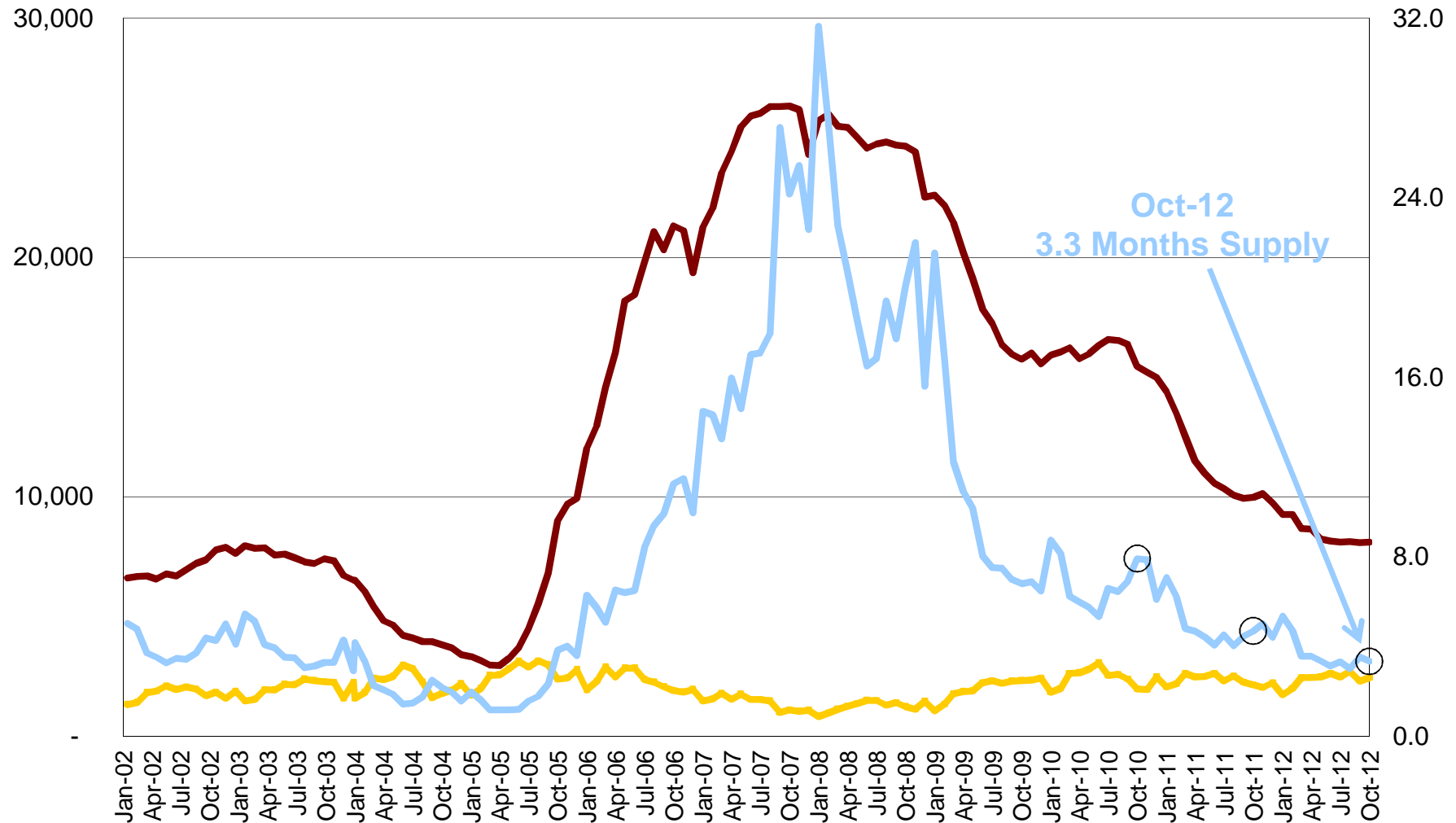
Note: KB Home and Beazer did not have enough information for the calculation.



MLS Listings and Sales

Orlando, FL

Months Supply



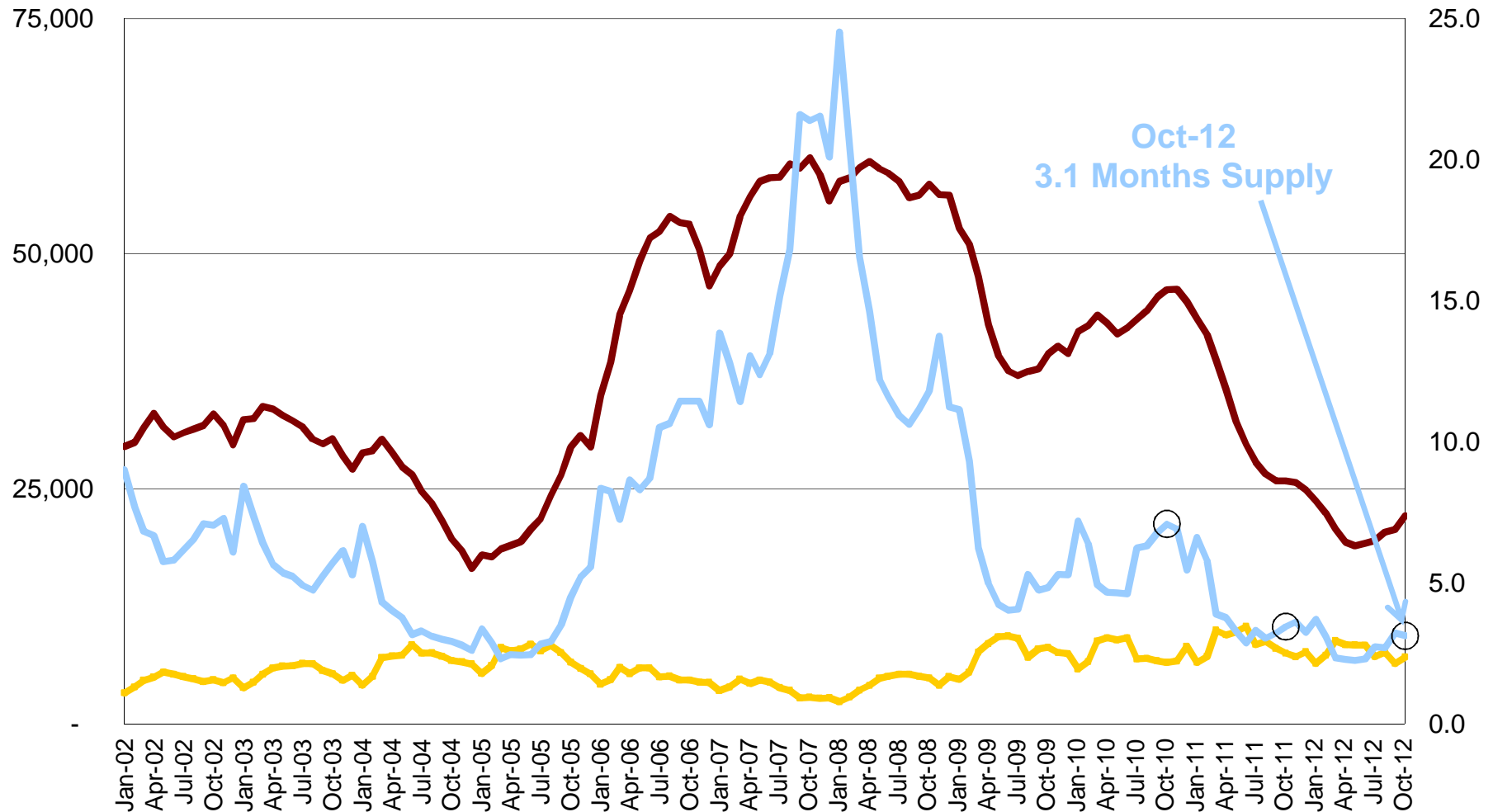
Source: Orlando Regional Realtor® Association

— Sales — Listings — Months Supply

MLS Listings and Sales

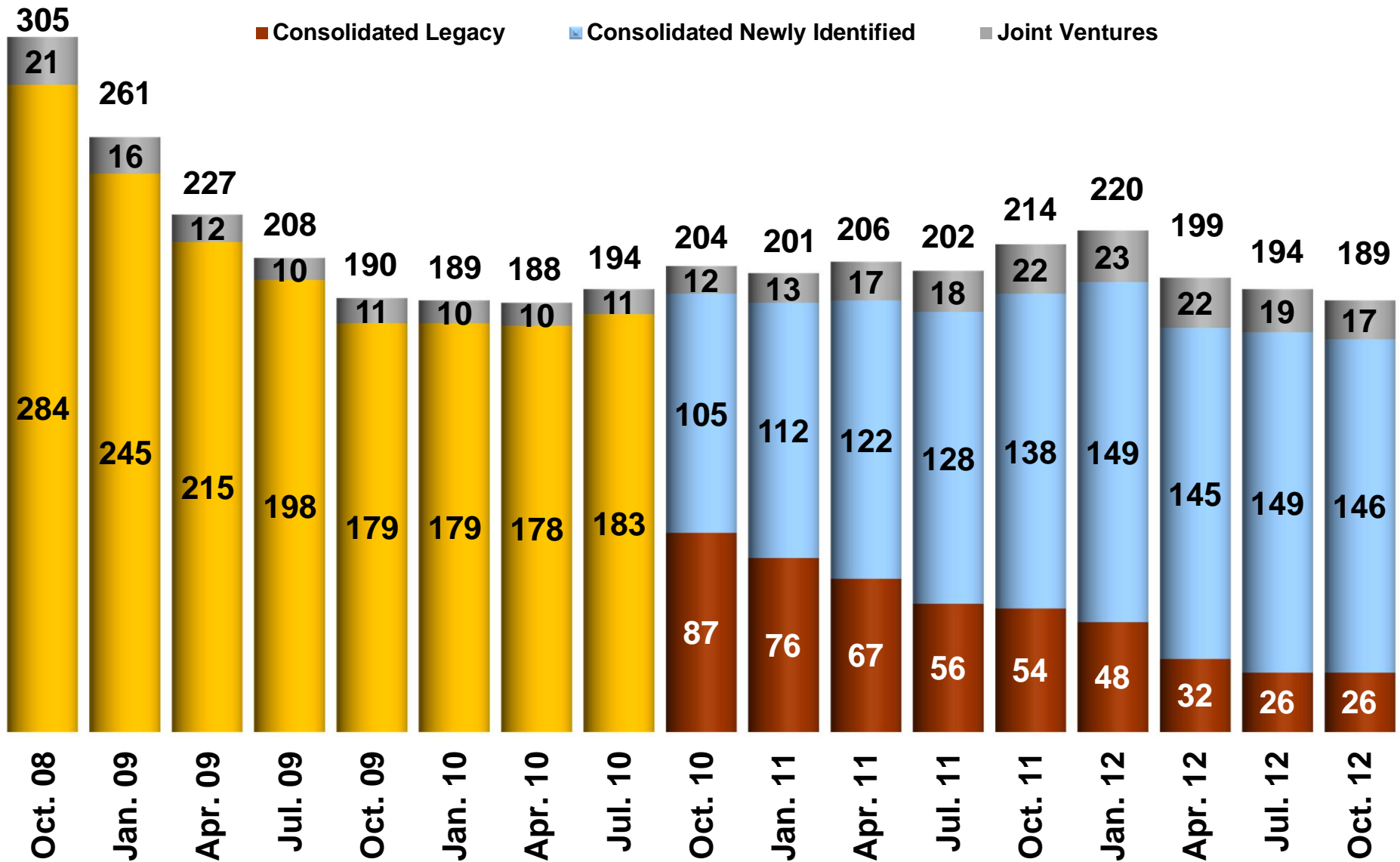
Phoenix, AZ
(Counties: Maricopa & Pinal)

Months Supply



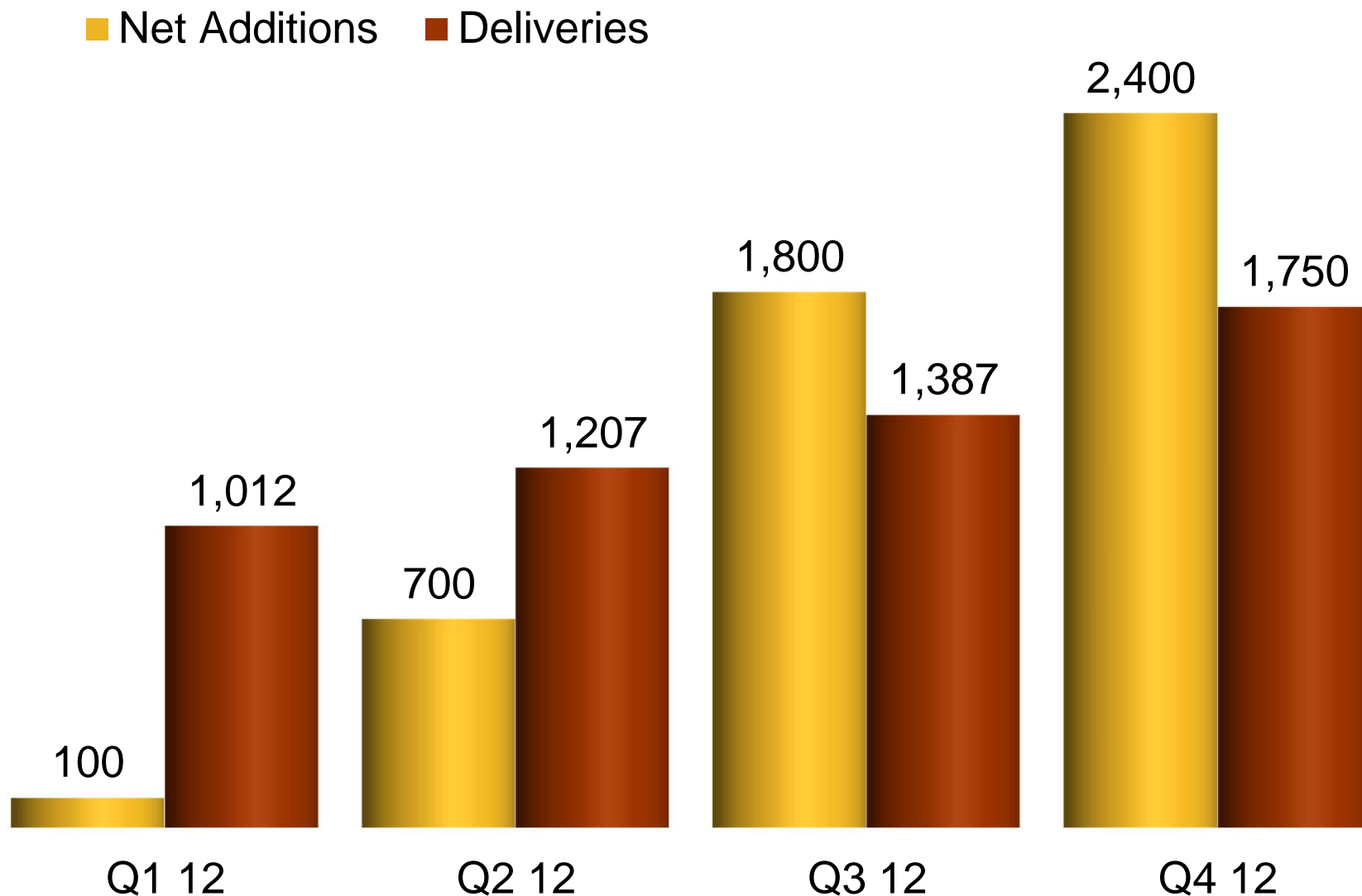
Source: The Greater Phoenix MLS and Cromford Report

— Sales — Listings — Months Supply



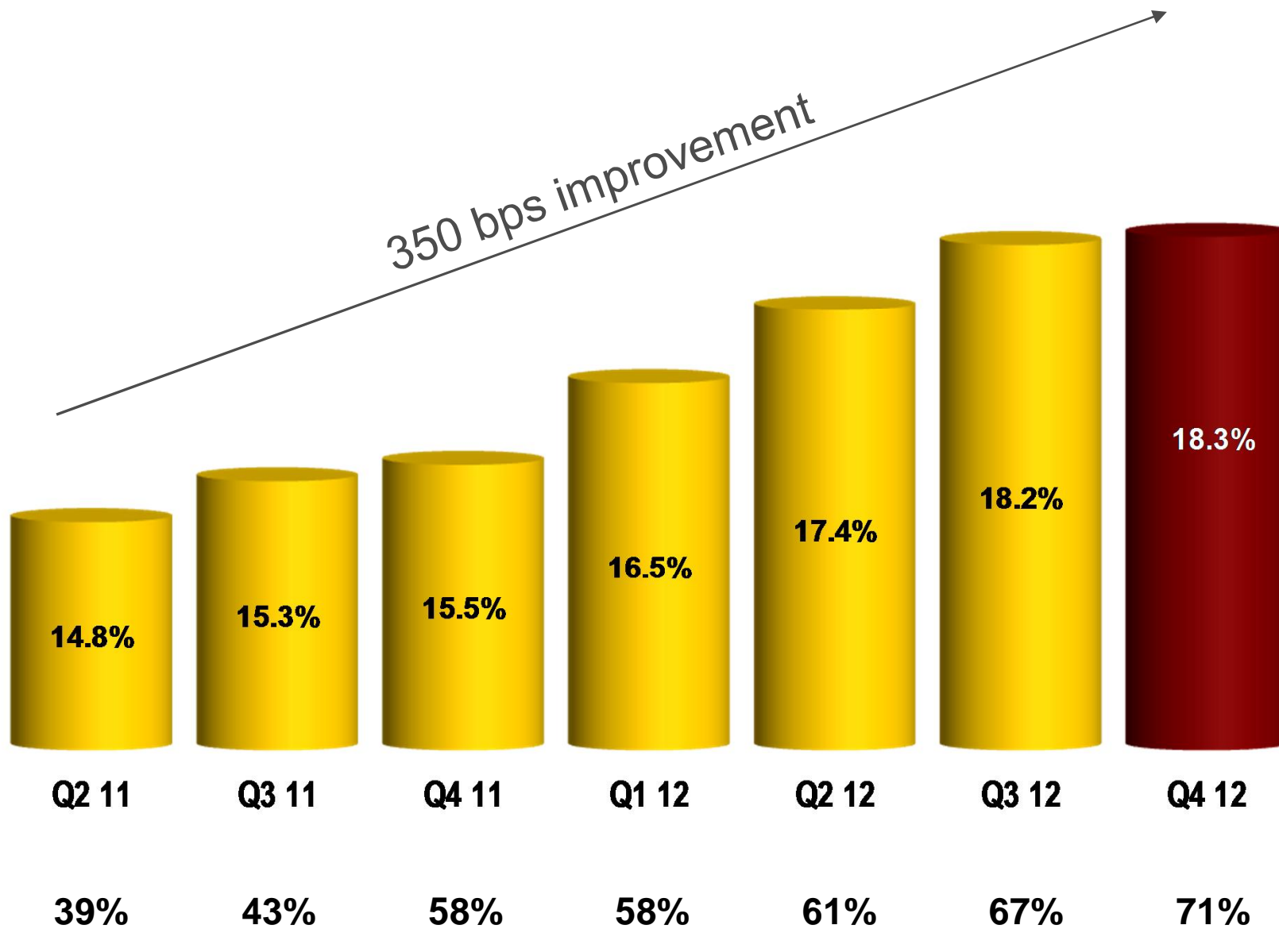
Active selling communities are open for sale communities with 10 or more home sites available.

Q3 & Q4 Land Additions Outpace Deliveries

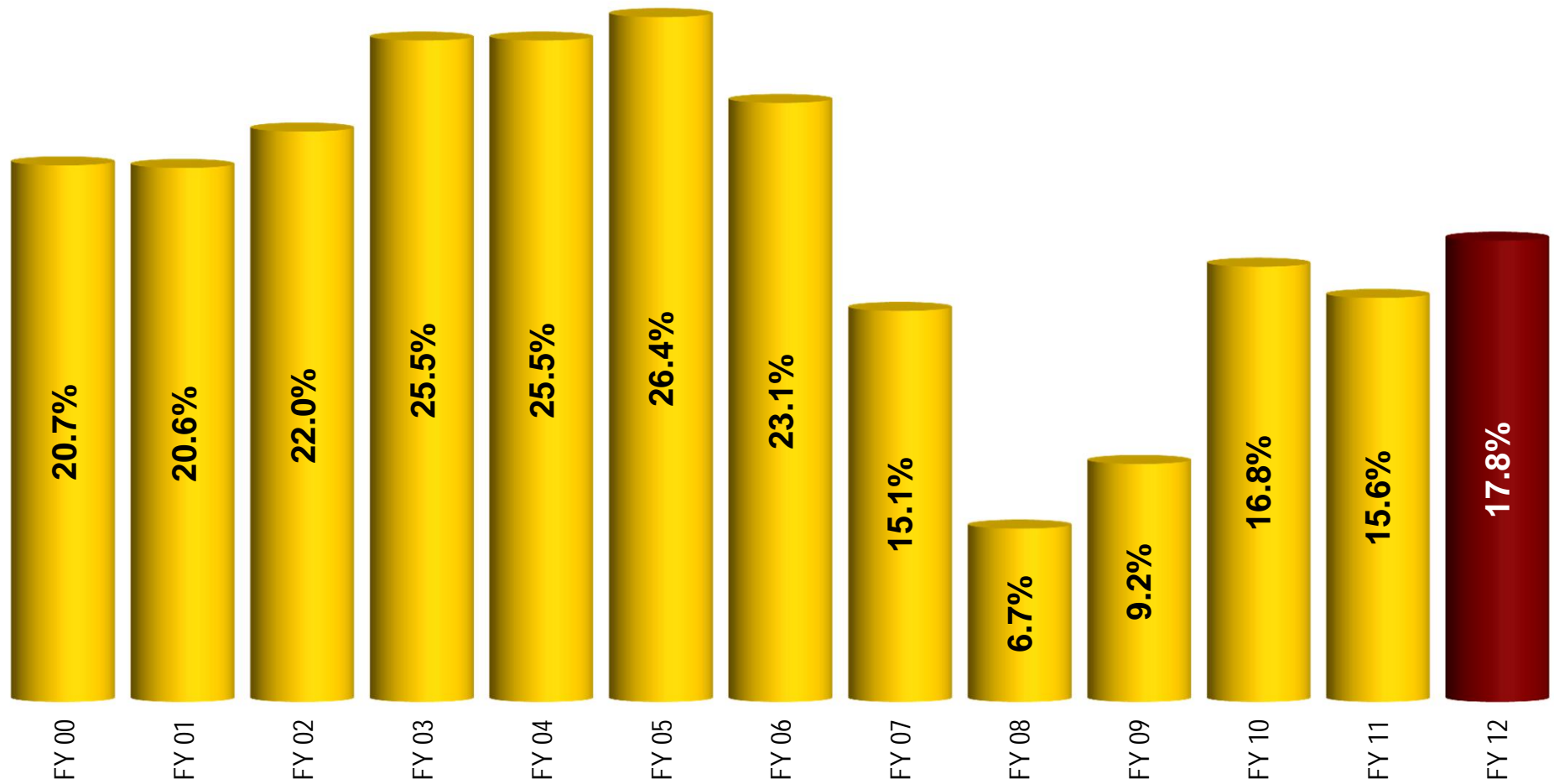


Note: Net additions include new options, new lots purchased but not previously optioned and walk aways from new options.

Note: Deliveries include unconsolidated joint ventures.



Excludes interest related to homes sold.



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Continued Reductions in Overhead

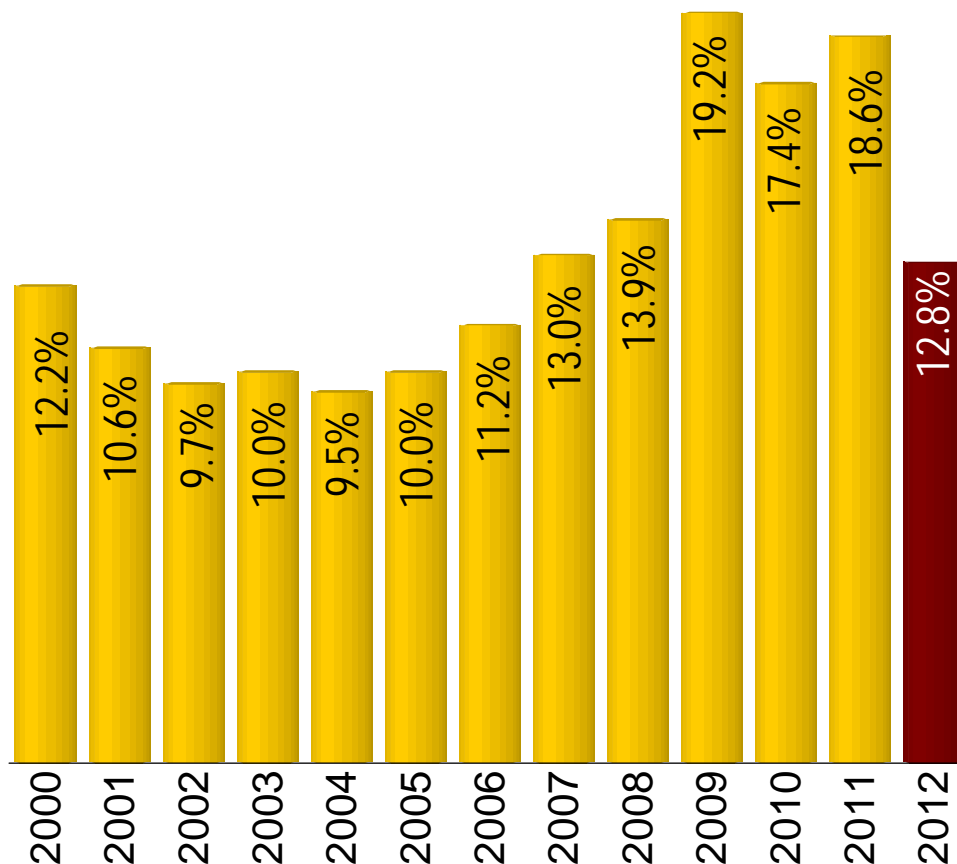
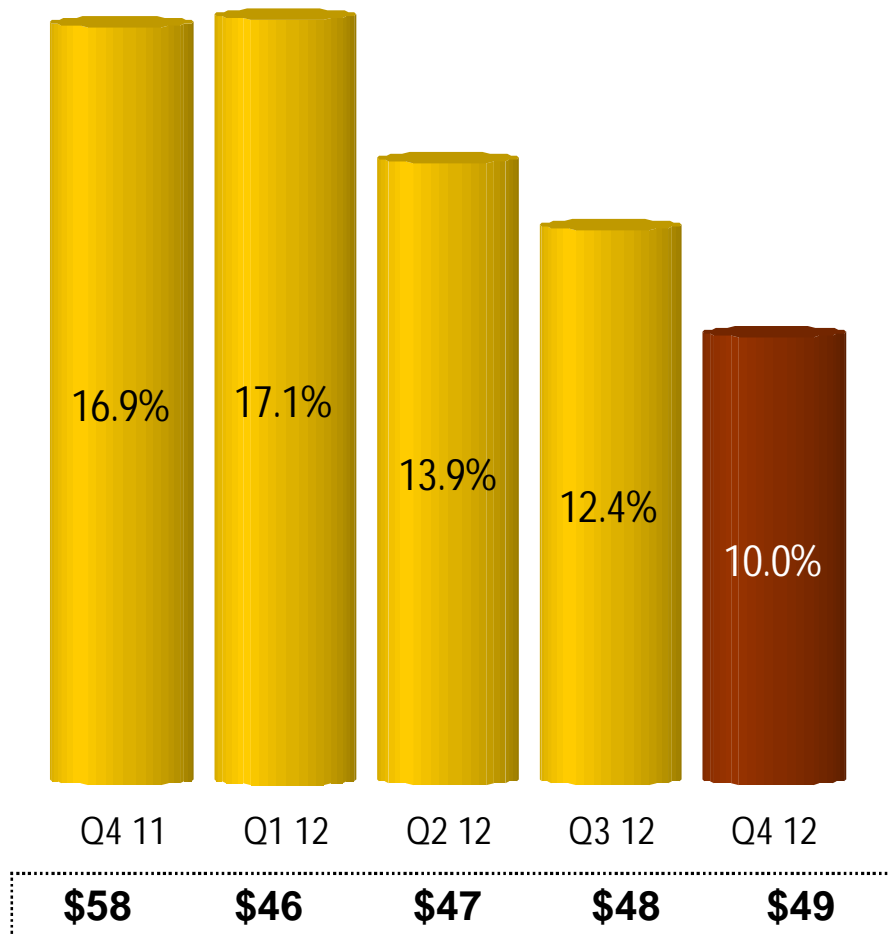
(\$ in millions)

Total SG&A ⁽¹⁾

Total SG&A as a % of Total Revenues

Total SG&A as a % of Total Revenues

Fiscal Year



1,565 full time associates at October 31, 2012, a 77% reduction from peak of 6,870 at June 2006.

(1) Total SG&A includes homebuilding selling, general and administrative and corporate general and administrative expenses.

Lots Purchased or Optioned Since January 31, 2009

	<u>Lots</u>	<u>Communities</u>
Purchased	10,000	350 ⁽¹⁾
Optioned	8,800	
Joint Venture	3,100	28
Total	21,900	378

Roll Forward First Quarter⁽²⁾

Total Additions	450
Walk Aways	-350
Net Change	<u>100</u>

Roll Forward Second Quarter⁽³⁾

Total Additions	1,850
Walk Aways	-800
Land Sale	-350
Net Change	<u>700</u>

Roll Forward Third Quarter⁽⁴⁾

Total Additions	2,200
Walk Aways	-400
Net Change	<u>1,800</u>

Roll Forward Fourth Quarter⁽⁵⁾

Total Additions	2,800
Walk Aways	-400
Net Change	<u>2,400</u>

Notes: (1) Excludes 91 communities where we walked away from all of the lots in those communities.

(2) First quarter 2012 total additions included 450 new options and no lots purchased but not controlled prior to 11/01/11.

(3) Second quarter 2012 total additions included 1,800 new options and 50 lots purchased but not controlled prior to 02/01/12.

(4) Third quarter 2012 total additions included 2,200 new options and no lots purchased but not controlled prior to 05/01/12

(5) Fourth quarter 2012 total additions included 2,100 new options and 700 lots purchased but not controlled prior to 08/01/12

Land Positions by Geographic Segment

October 31, 2012

Lots

Owned

Segment	Excluding Mothballed Lots	Mothballed Lots	Optioned	Total
Northeast	1,496	948	1,919	4,363
Mid-Atlantic	2,960	305	2,613	5,878
Midwest	1,790	102	1,138	3,030
Southeast	546	622	1,011	2,179
Southwest	1,879	0	3,874	5,753
West	933	4,846	863	6,642
Total	9,604	6,823	11,418	27,845

- ◆ *77% of options are newly identified lots*
- ◆ *29% of owned lots are newly identified lots*
- ◆ *Excluding mothballed lots, 49% of owned lots are newly identified lots*
- ◆ *49% of total owned and optioned lots are newly identified lots*
- ◆ *Excluding mothballed lots, 64% of owned and optioned lots are newly identified lots*

Excluding unconsolidated joint ventures.

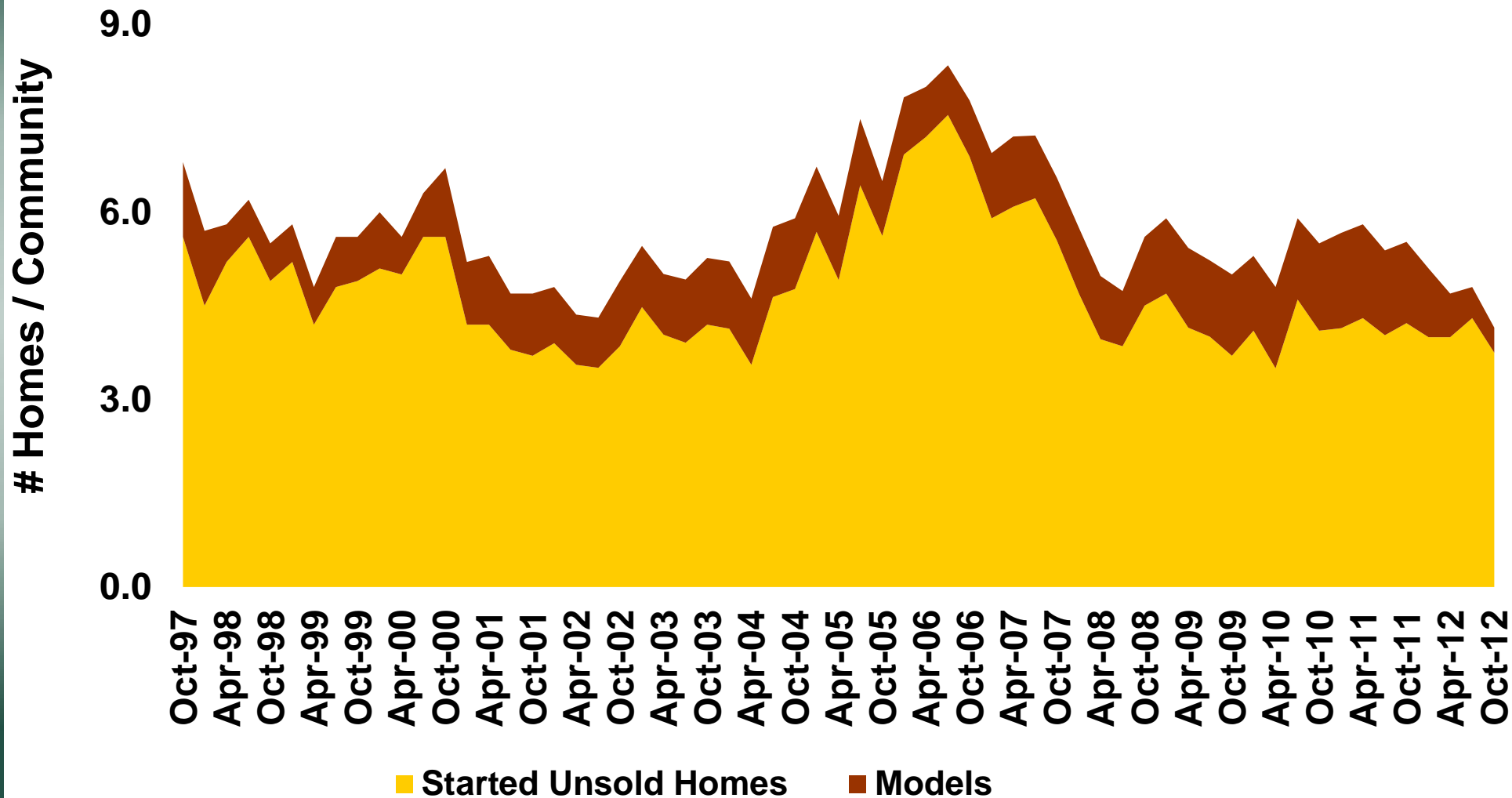
As of October 31, 2012

	<u># of Lots</u>
Northeast (NJ, PA)	948
Mid-Atlantic (DE, MD, VA, WV)	305
Midwest (IL, MN, OH)	102
Southeast (FL, GA, NC, SC)	622
Southwest (AZ, TX)	0
West (CA)	4,846
Total	6,823

- ◆ *In 53 communities with a book value of \$124 million net of impairment balance of \$468 million*
- ◆ *Unmothballed approximately 3,400 lots in 59 communities since January 31, 2009*

Unsold Homes per Community

- ◆ 649 started unsold homes at 10/31/12, excluding models
- ◆ 4.8 average started unsold homes per community since 1997
- ◆ As of October 31 2012, 3.8 started unsold homes per community



Excluding unconsolidated joint ventures.

Adjusted Hovnanian Stockholders' Equity

\$ in millions



10/31/2012



Adjusted 10/31/2012⁽¹⁾

(1) Total Hovnanian Stockholders' Deficit of \$(485.6) million with \$937.9 million valuation allowance added back to Stockholders' Equity .

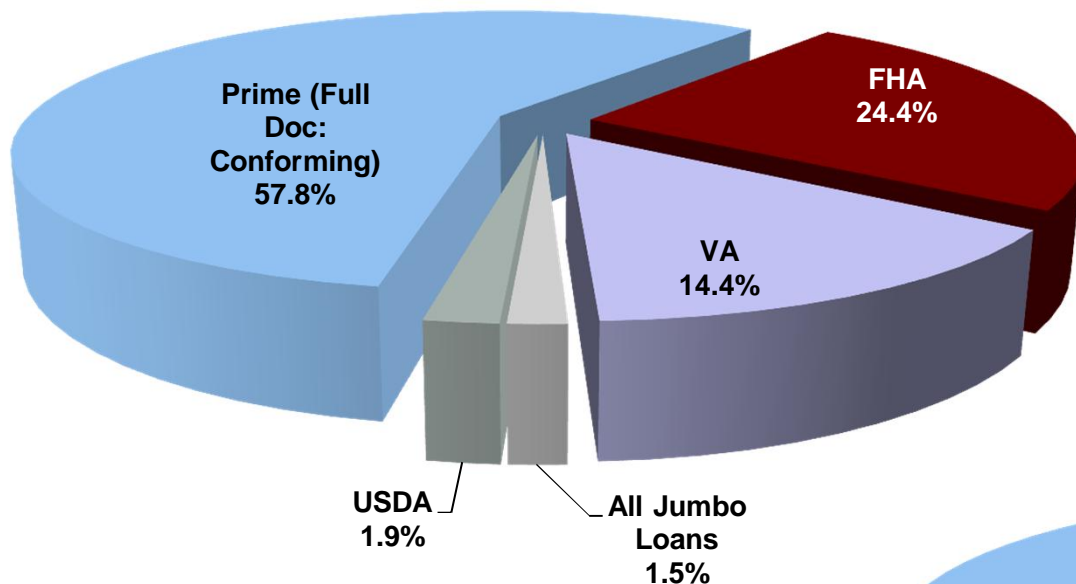
Fourth Quarter 2012:

- Average LTV: 86%
- Average CLTV: 87%
- ARMs: 1.2%
- FICO Score: 741
- Capture Rate: 76%

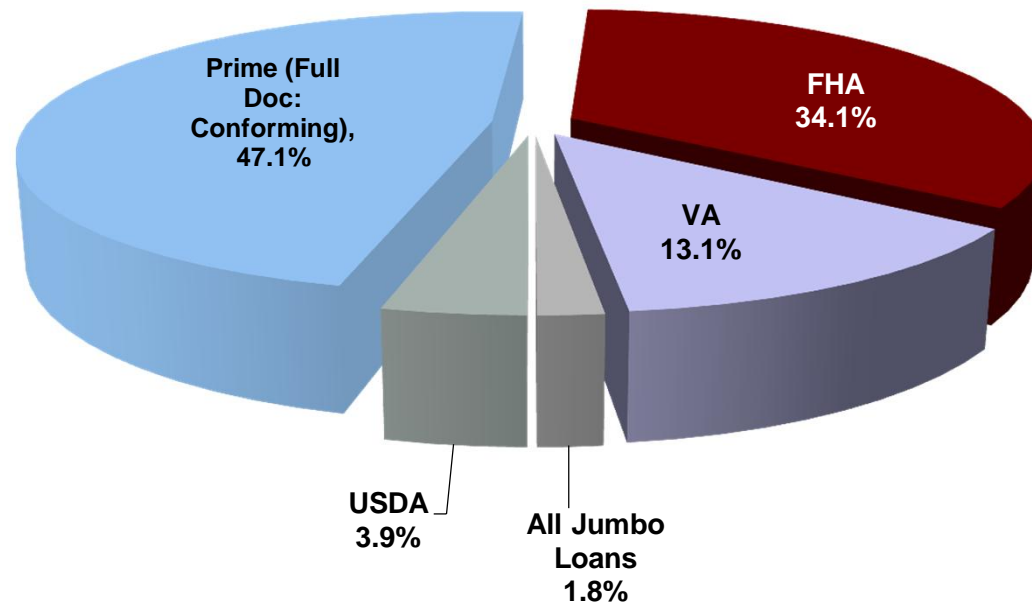
Fiscal Year 2011:

- Average LTV: 86%
- Average CLTV: 87%
- ARMs: 4.9%
- FICO Score: 736
- Capture Rate: 77%

Fourth Quarter 2012



Fiscal 2011

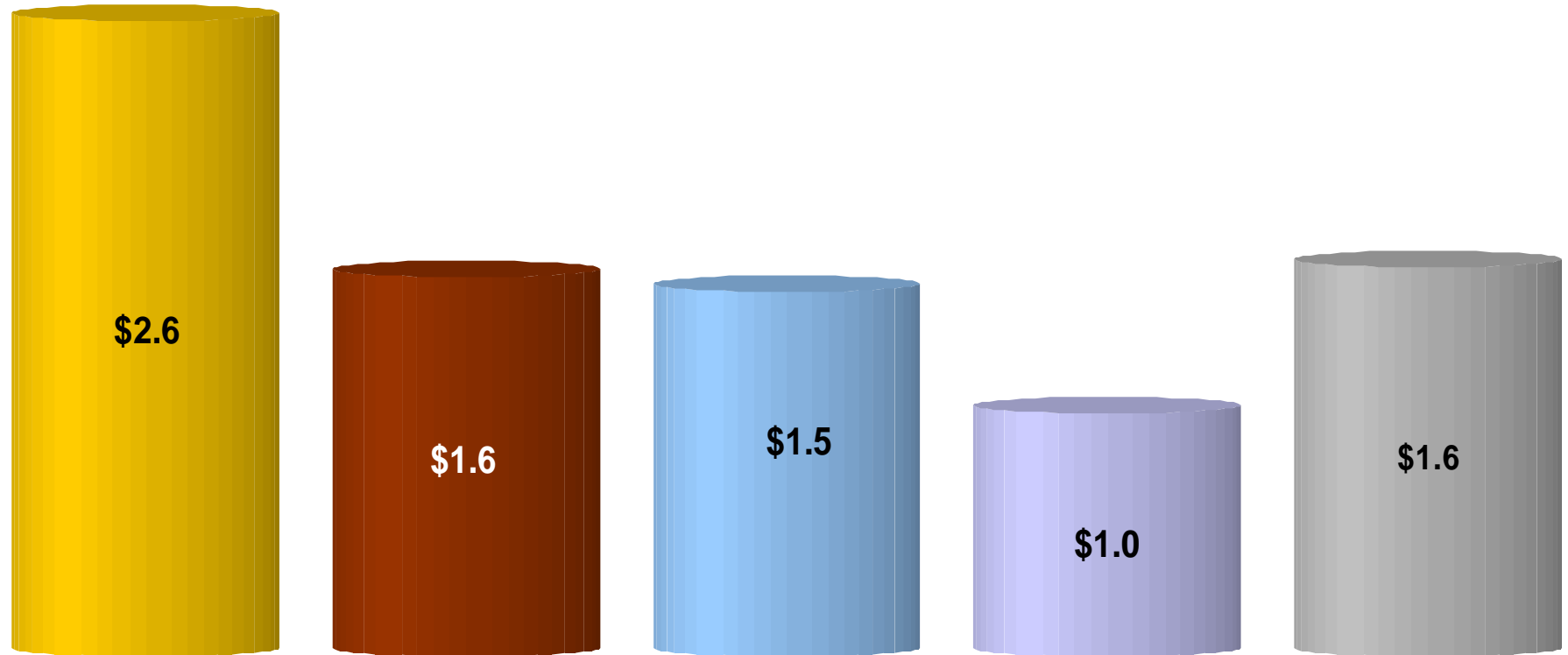


*Loans originated by our wholly-owned mortgage banking subsidiary.

Payments for Loan Repurchases and Make Whole Requests

As of October 31, 2012

\$ in millions



FY 2008

FY 2009

FY 2010

FY 2011

FY 2012

Settlements	28 loans	28 loans	17 loans	29 loans	10 loans
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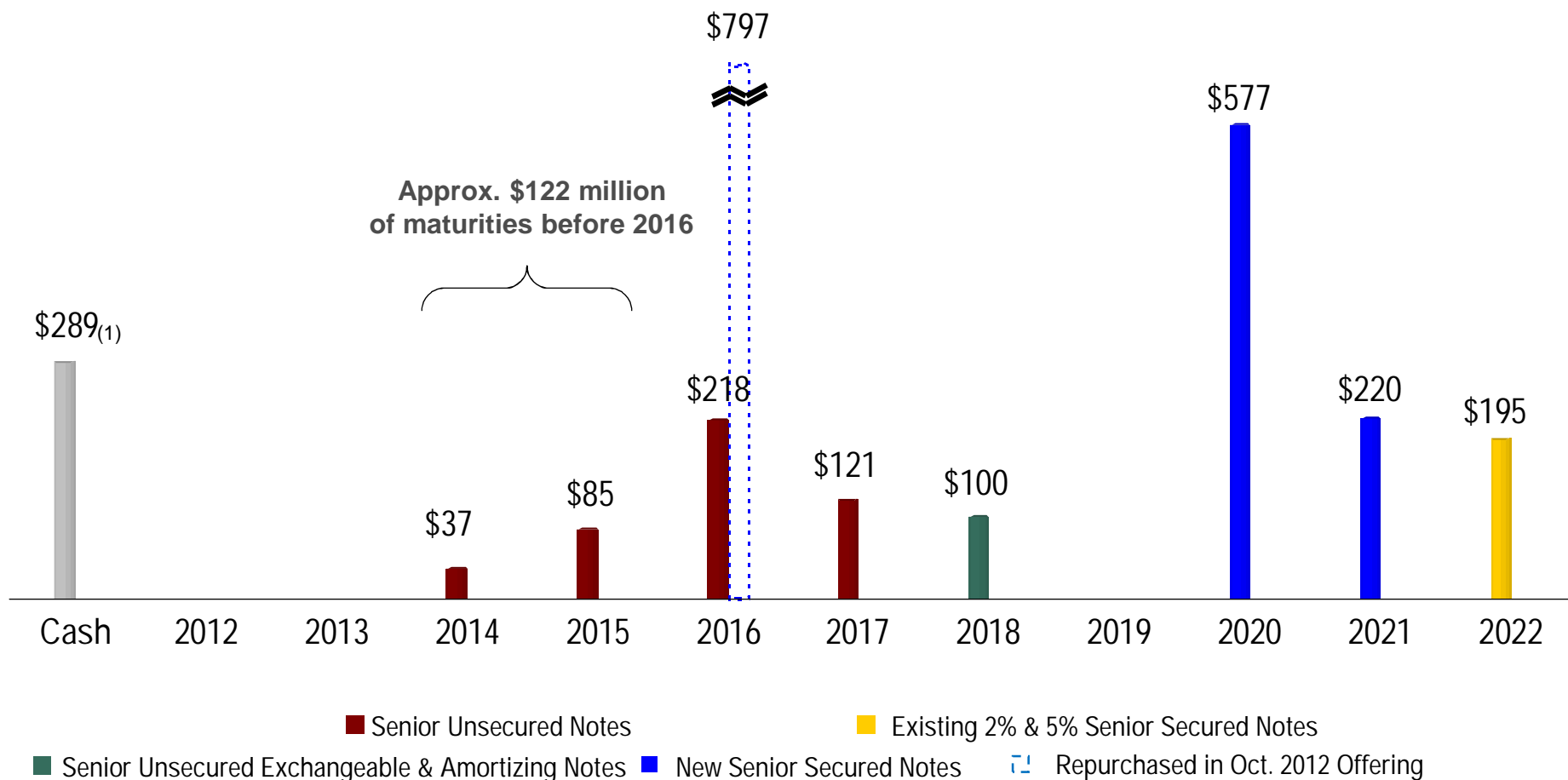
Repurchase Inquires	45 loans	41 loans	98 loans	39 loans	66 loans
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◆ As of October 31, 2012, reserve for loan repurchases and make whole requests was \$9.3 million.

Note: All of these losses had been adequately reserved for in prior periods.

October 31, 2012 (\$ in millions)

Since October 2008, reduced debt by more than \$960 million



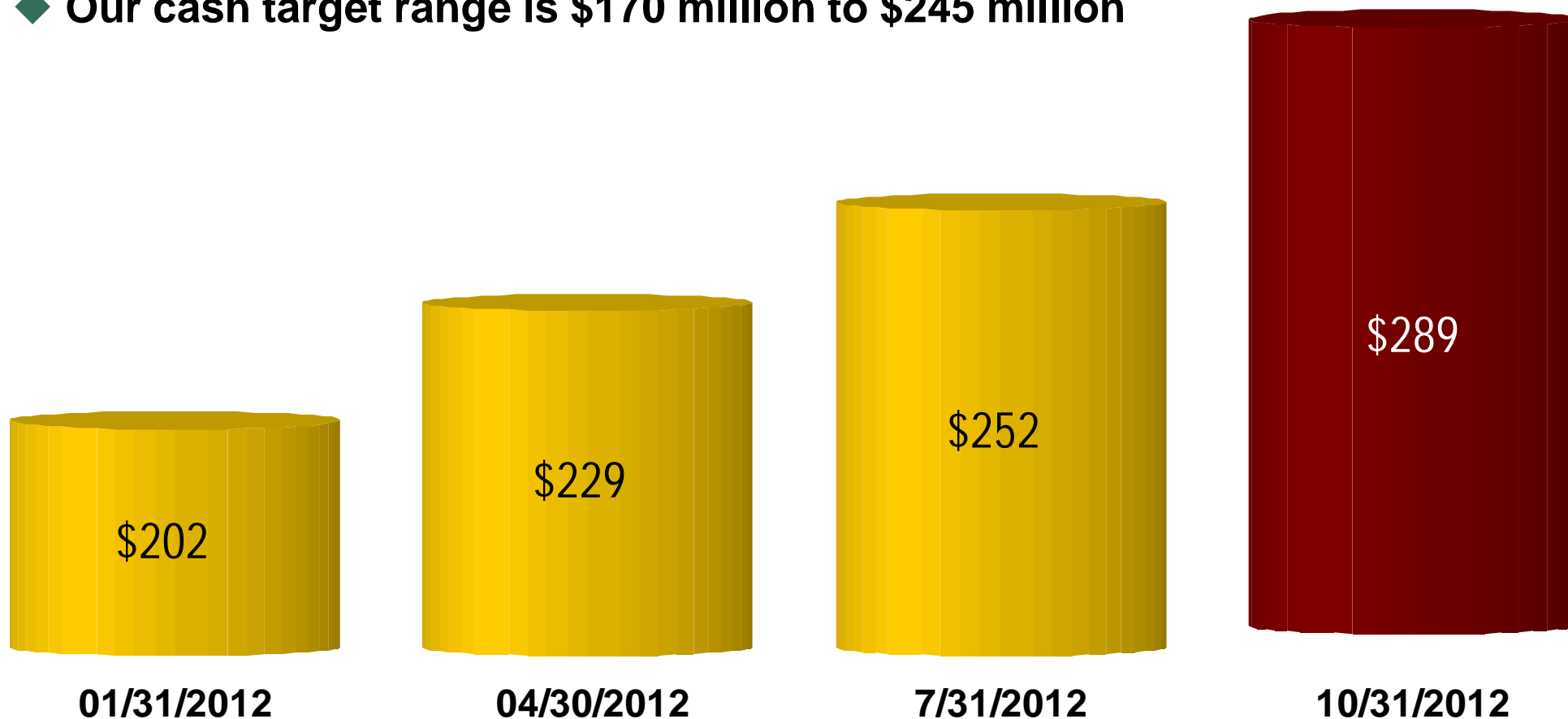
Note: Shown on a fiscal year basis, at face value. Excludes TEU.

(1) Includes \$30.7 million of restricted cash.

Sequential Increase in Homebuilding Cash⁽¹⁾

\$ in millions

◆ Our cash target range is \$170 million to \$245 million



(1) Homebuilding cash includes \$35.7 million, \$33.8 million, \$32.8 million and \$30.7 million for January 31, 2012, April 30, 2012, July 31, 2012 and October 31, 2012 respectively, of restricted cash required to collateralize letters of credit.

Appendix

(\$ in millions)	<u>2012</u>	<u>2011</u>	<u>% Change</u>
1) Net Contracts (\$ value) ¹	\$1,916	\$1,332	44%
2) Net Contracts (units) ¹	5,838	4,488	30%
3) Communities ¹	189	214	-12%
2) Contracts per Community ¹	28.1	21.3	32%
3) Deliveries ¹	5,356	4,216	27%
4) Backlog ¹	2,145	1,663	29%
5) Total Revenues	\$1,485	\$1,135	31%
6) Land Related Charges ²	\$13	\$102	-88%
7) Homebuilding Gross Margin	17.8%	15.6%	+220 bps
8) Total SG&A as a Percentage of Total Revenues	12.8%	18.6%	-580 bps
9) Loss Before Income Taxes Excluding (Loss) Gain on Extinguishment of Debt	(\$72)	(\$299)	
10) (Loss) Gain on Extinguishment of Debt	(\$29)	\$8	
11) Net Loss	(\$66)	(\$286)	

(1) Includes unconsolidated joint ventures.

(2) Includes inventory impairment loss and lot option write-offs, as well as unconsolidated joint venture investment and land-related charges.

Land Positions by Geographic Segment

October 31, 2012

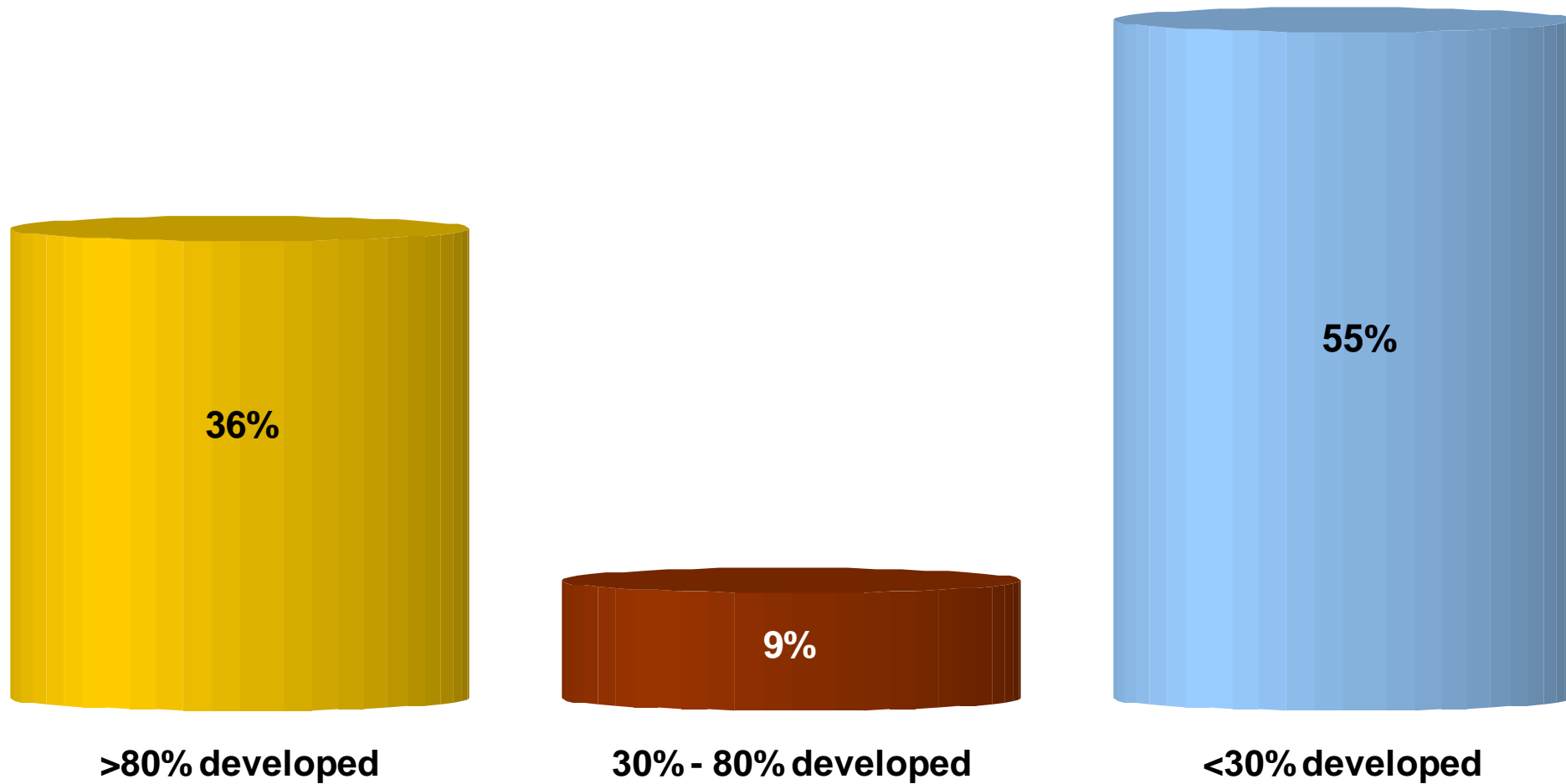
Years Supply

Owned

Segment	TTM Deliveries	Owned			Total	Investment in Land (raw land, finished lots and lots under development) (\$ in millions)
		Excluding Mothballed Lots	Mothballed Lots	Optioned		
Northeast	505	3.0	1.9	3.8	8.6	\$206
Mid-Atlantic	649	4.6	0.5	4.0	9.1	\$64
Midwest	477	3.8	0.2	2.4	6.4	\$25
Southeast	482	1.1	1.3	2.1	4.5	\$23
Southwest	2,003	0.9	0.0	1.9	2.9	\$78
West	560	1.7	8.7	1.5	11.9	\$68
Total	4,676	2.1	1.5	2.4	6.0	\$464

Owned Lots % Development Costs Spent

As of October 31, 2012



Excluding unconsolidated joint ventures.

Land Related Charges by Segment

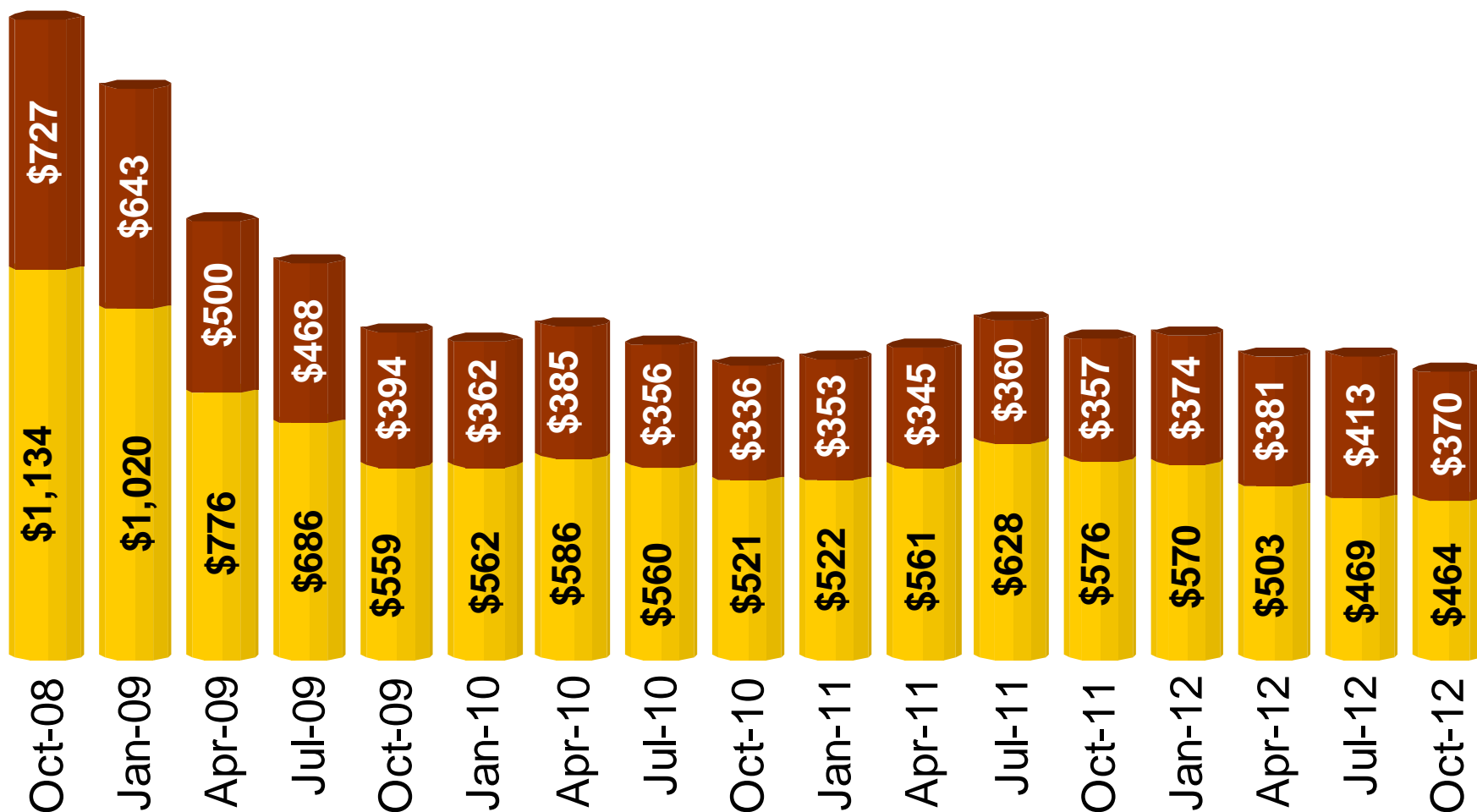
(\$ in millions)

Fourth Quarter 2012

	<u>Impairments</u>	<u>Walk-Aways</u>	<u>Total</u>
Northeast (NJ, PA)	\$0.3	\$0.3	\$0.6
Mid-Atlantic (DE, MD, VA, WV)	\$0.0	\$0.4	\$0.4
Midwest (IL, MN, OH)	\$1.5	\$0.0	\$1.5
Southeast (FL, GA, NC, SC)	\$0.4	\$0.0	\$0.4
Southwest (AZ, TX)	\$0.0	\$0.1	\$0.1
West (CA)	\$2.2	\$0.1	\$2.3
Total	\$4.4	\$0.9	\$5.3

\$ in Millions

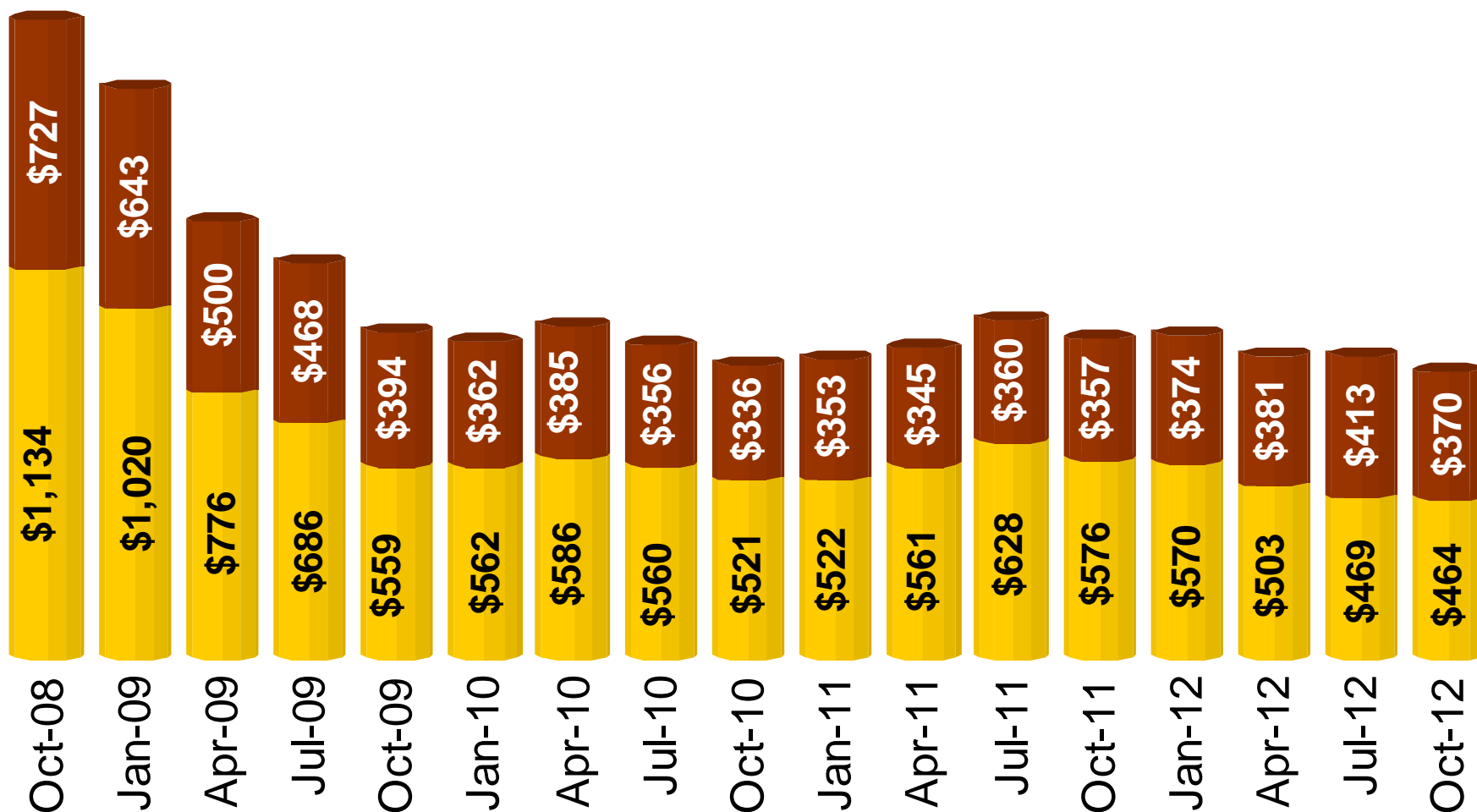
- Sold and Unsold homes (including land, land development and WIP)
- Land (raw land, finished lots and land under development)



Excluding Inventory Not Owned, on-your-lot construction, assets outside the US and option deposits and pre-development costs.

\$ in Millions

- Sold and Unsold homes (including land, land development and WIP)
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