Hovnanian Enterprises, Inc.

Review of Financial Results | Third Quarter Fiscal 2017

Hovnanian Enterprises, Inc.

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 the 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.

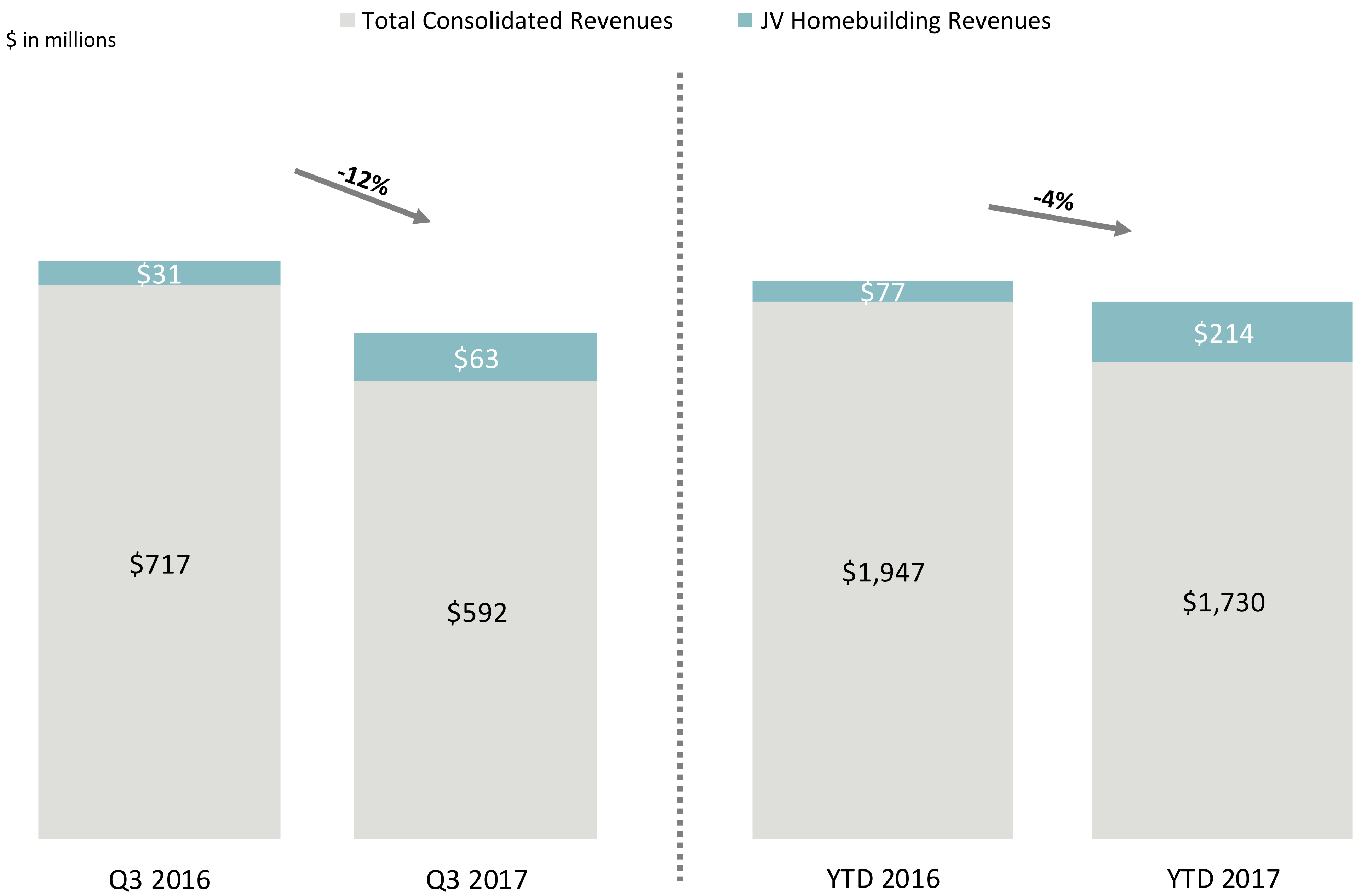
Homebuilding gross margin, before costs of sales interest expense and land charges, and homebuilding gross margin percentage, before costs of sales interest expense and land charges, are non-GAAP financial measures. The most directly comparable GAAP financial measures are homebuilding gross margin and 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.

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 Loss Before Income Taxes. The reconciliation for historical periods of Loss Before Income Taxes Excluding Land-Related Charges and Loss on Extinguishment of Debt to 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 $278.5 million of cash and cash equivalents, $1.7 million of restricted cash required to collateralize letters of credit and $8.0 million of availability under the unsecured revolving credit facility as of April 30, 2017.

Revenues



$ in millions
Total Consolidated Revenues
JV Homebuilding Revenues
-12%
-4%
$31
$717
$63
$592
$77
$1,947
$214
$1,730
Q3 2016
Q3 2017
YTD 2016
YTD 2017

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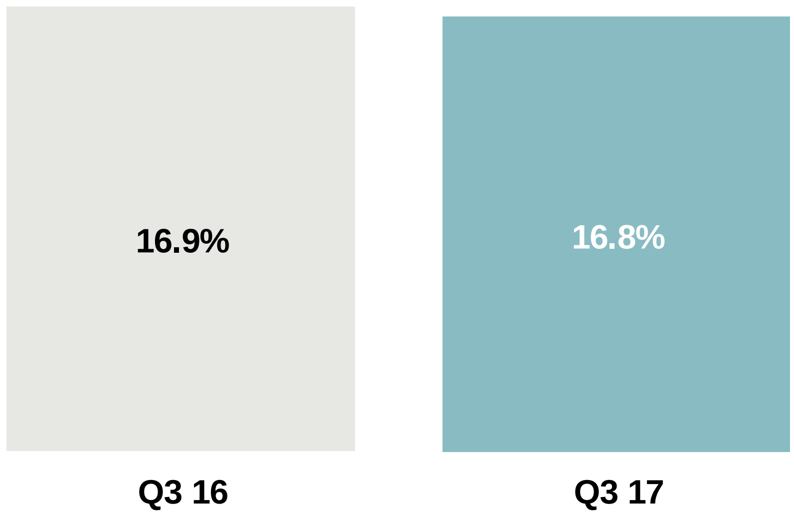
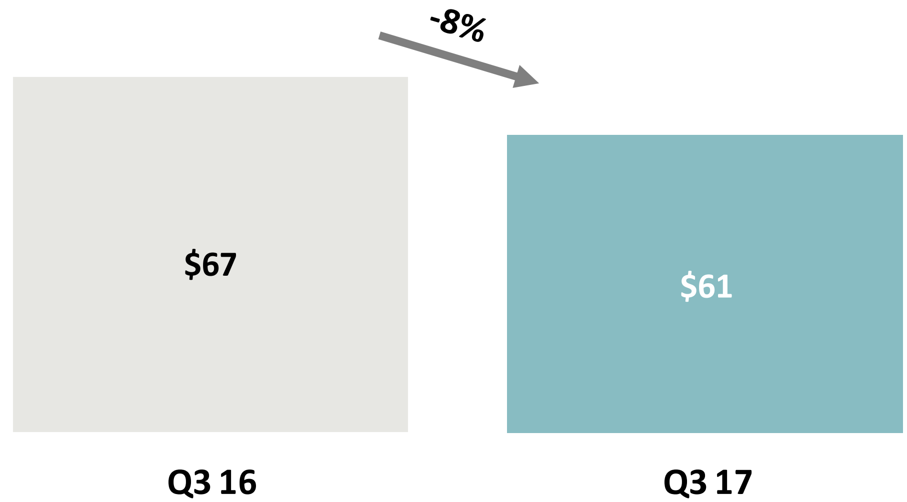
Third Quarter Operating Results

($ in millions)

Adjusted Homebuilding Gross Margin[1]

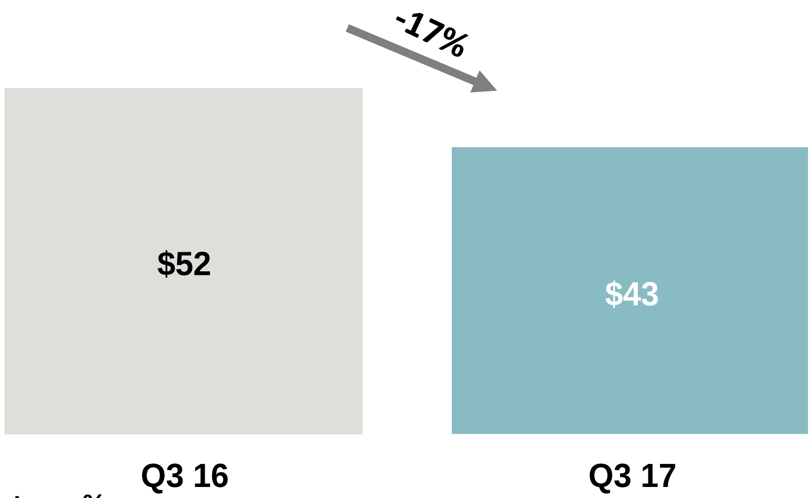


Total SG&A[2]



	Q3 16	Q3 17
Total SG&A as a % of Total Revenue	9.3%	10.3%

Total Interest

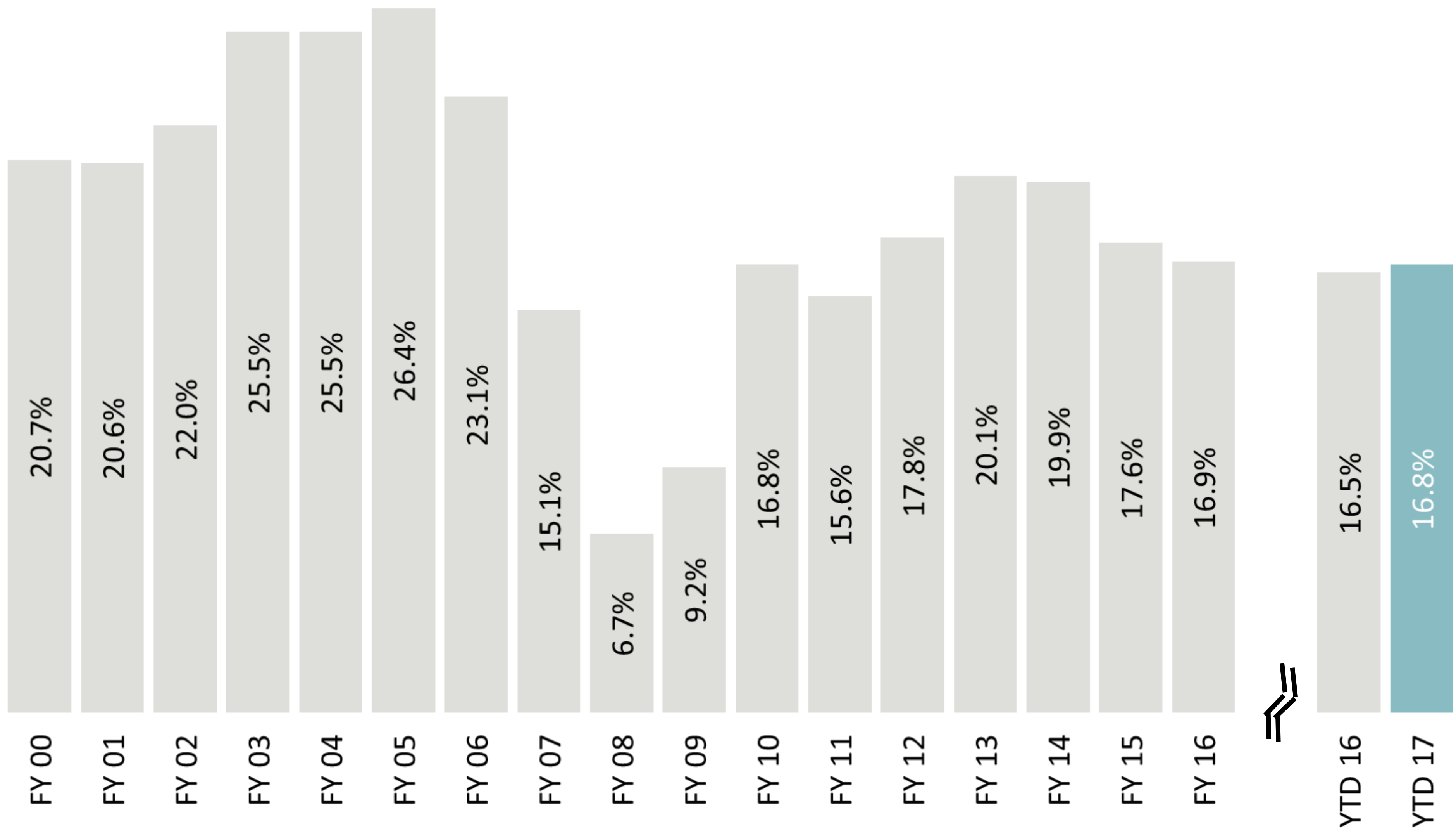


	Q3 16	Q3 17
Total Interest as a % of Total Revenue	7.2%	7.3%

Adjusted Income (Loss) Before Income Taxes[3]

(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) Adjusted (Loss) Income Before Income Taxes excludes land-related charges and loss on extinguishment of debt.

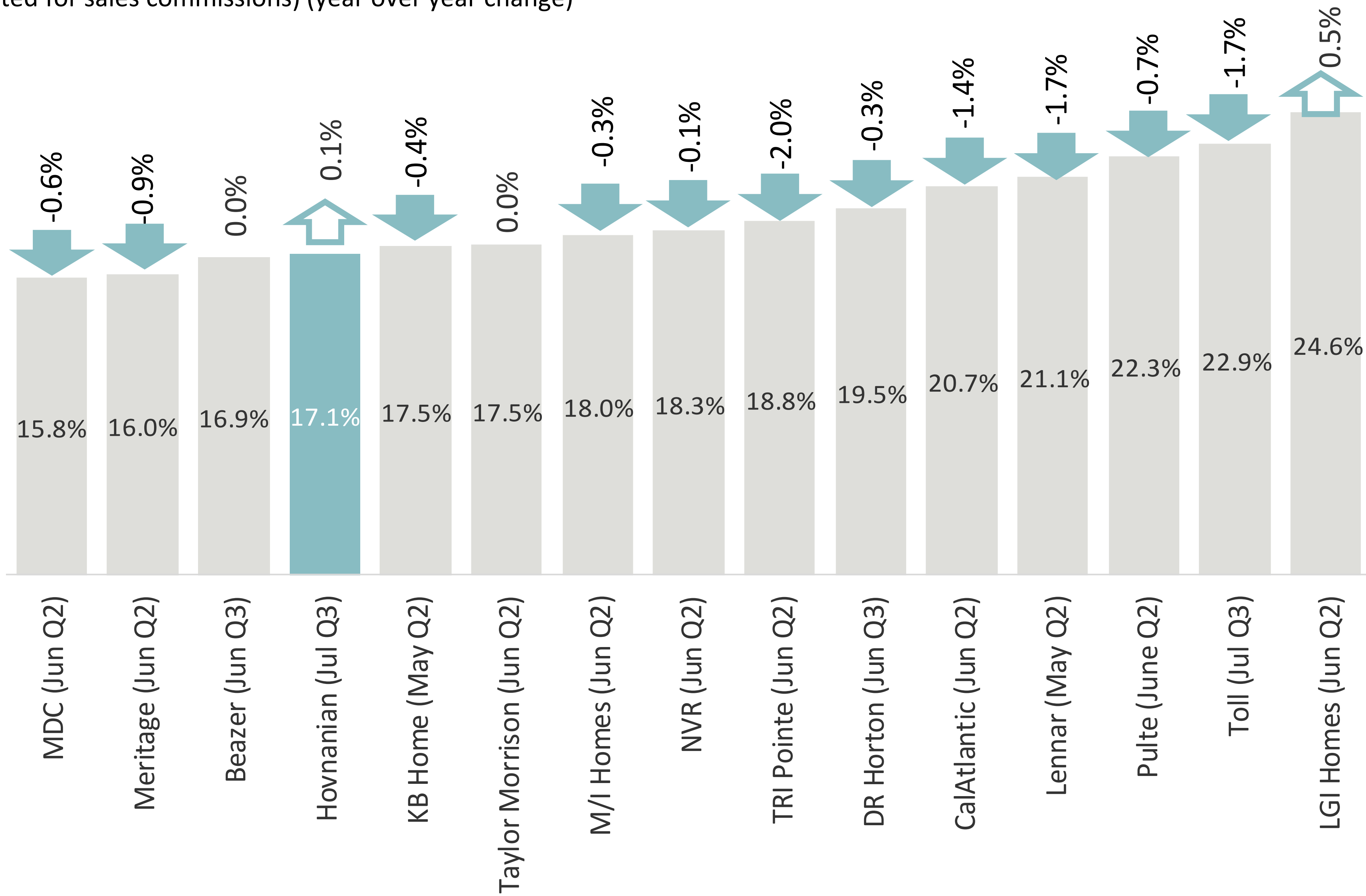
Adjusted Homebuilding Gross Margin[1]



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

Adjusted Gross Margin Percentage, Trailing Twelve Months

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



Note: Hovnanian sales commission was 3.5% 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 3.5% because all of their sales commissions are reported in SG&A. Reduced DR Horton and Toll publicly reported results by 1.8% because only some of their sales commissions were reported in SG&A. Beazer reports commission separately and is reduced by 4.0%.

Source: Company SEC filings and press releases as of 09/07/17.

Note: Excluding interest and impairments.

Communities & Growth in Contracts per Community

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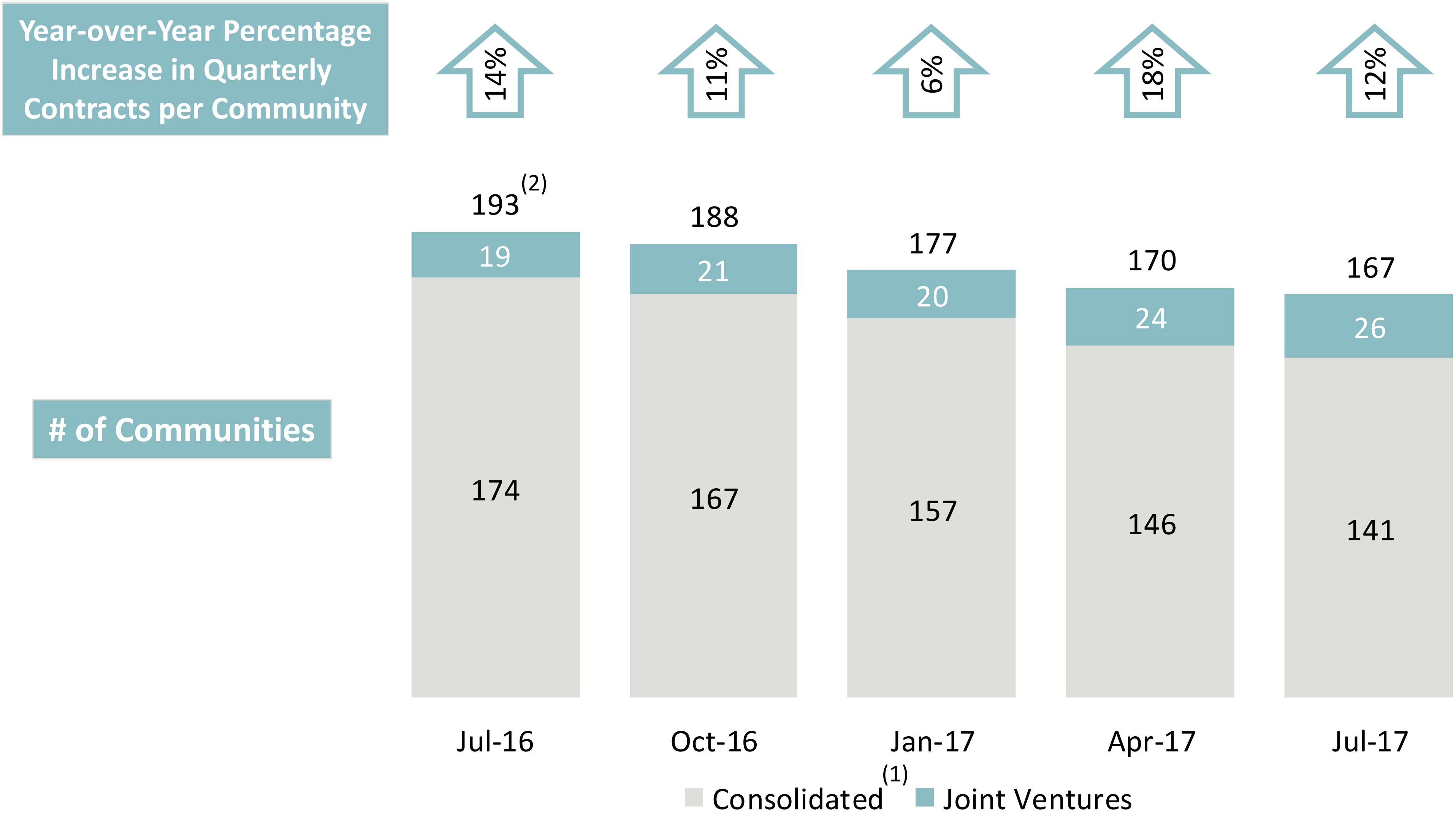


(1) In the trailing twelve months five communities were transferred to a joint venture.

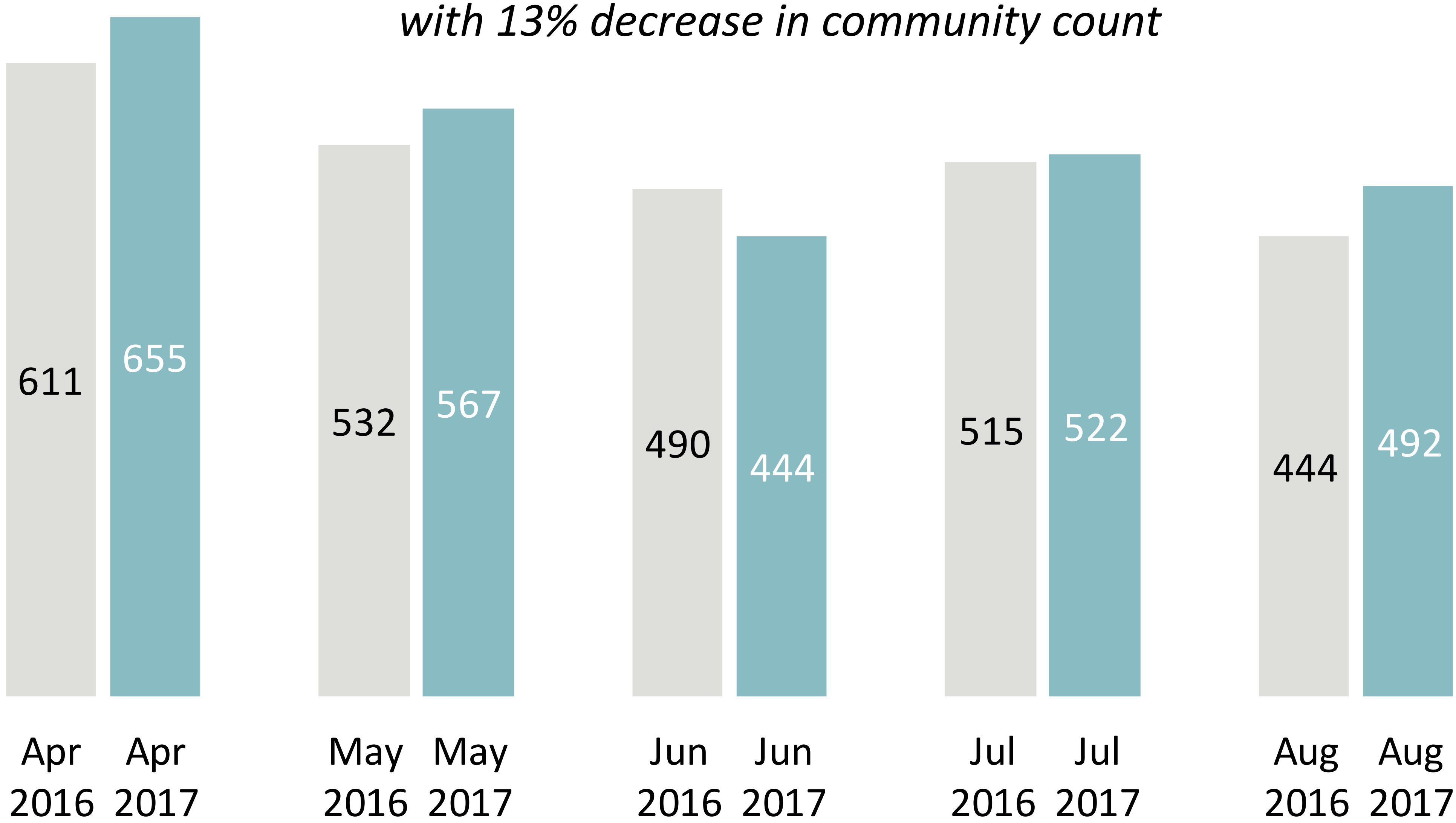
(2) Third quarter 2016 communities impacted by sale of ten communities in Minneapolis, MN and Raleigh, NC.

Note: Communities are open for sale communities with 10 or more home sites available.

Note: In the trailing twelve months, we opened 60 communities and closed out 93 communities.

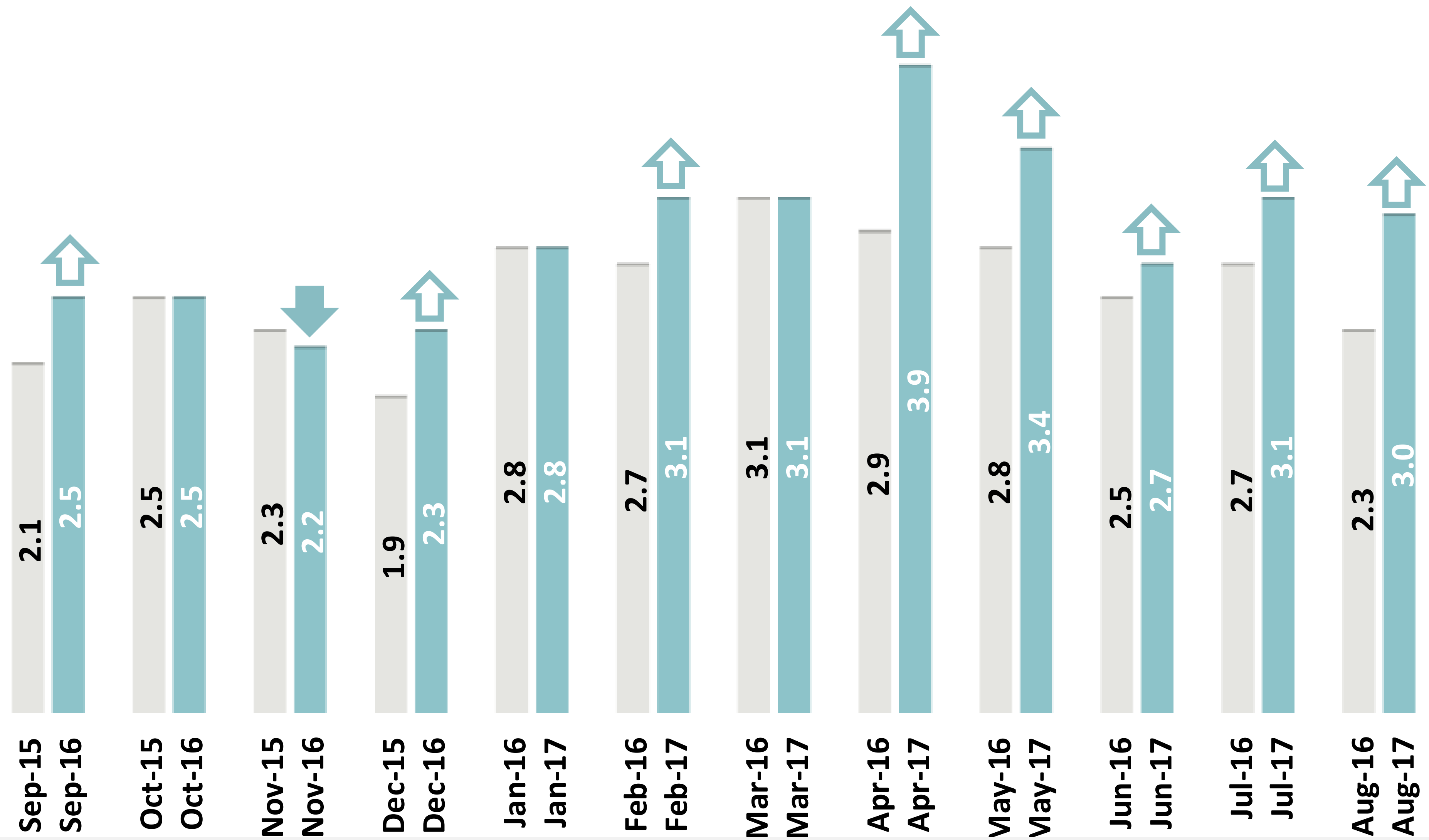
Monthly Wholly Owned and Joint Venture Contracts

- *Four of the five months increased, with 13% decrease in community count*



Note: Including joint ventures.

Number of Monthly Contracts Per Community, Includes Joint Ventures



	Sep-15	Sep-16	Oct-15	Oct-16	Nov-15	Nov-16	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
Number of Sundays	4	4	4	5	5	4	4	4	5	5	4	4	4	4	4	5	5	4	4	4	5	5	4	4
Monthly contracts	475	475	581	470	517	400	446	415	629	497	603	562	648	531	611	655	532	567	490	444	515	522	444	492

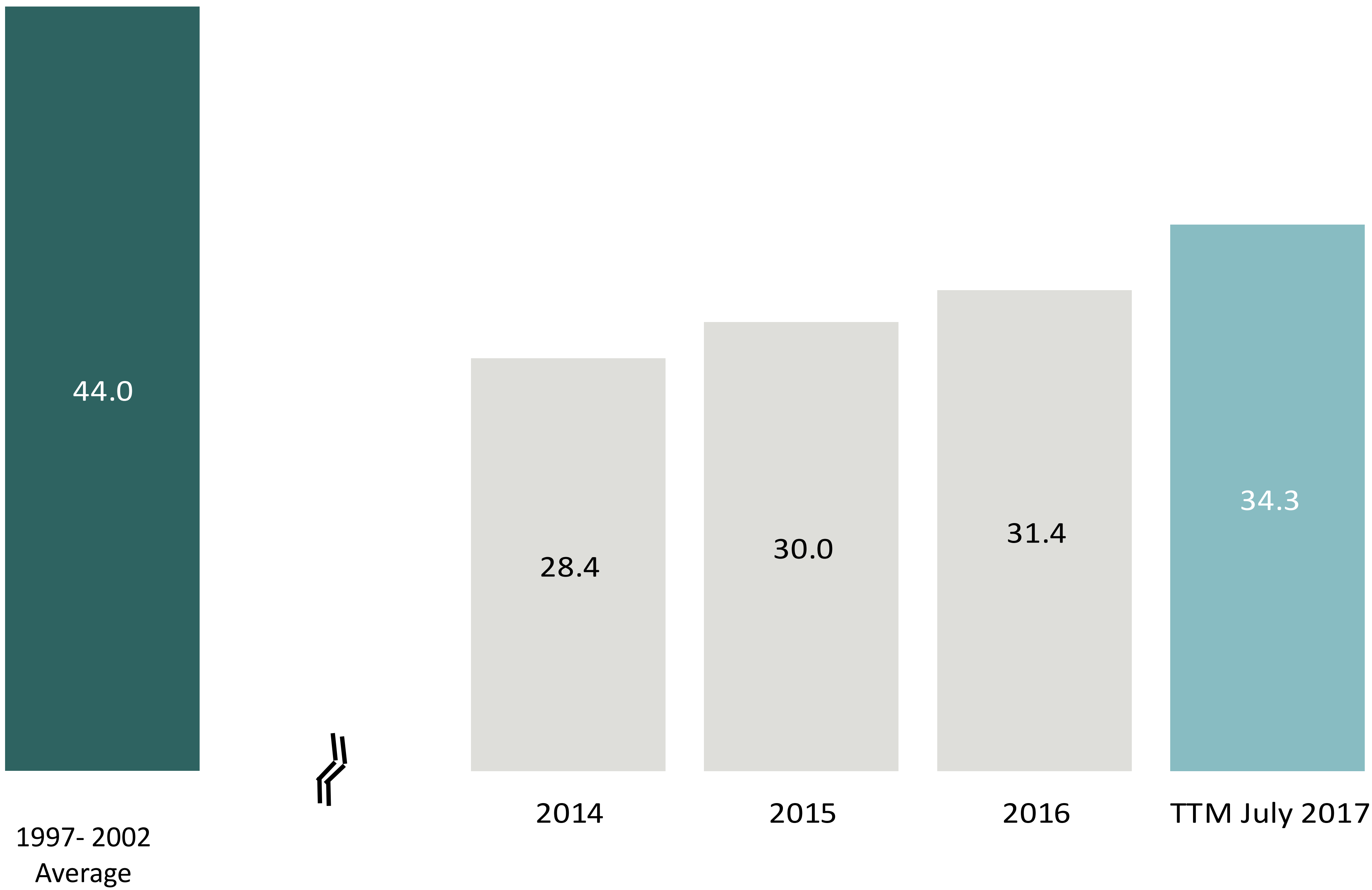
Note: Includes joint ventures.

Contracts per Community

Segments	Q3 2017	Q3 2016	% Change
Northeast	15.7	11.8	33.1%
Mid-Atlantic	6.2	6.3	-1.6%
Midwest	9.6	7.9	21.5%
Southeast	8.8	5.8	51.7%
Southwest	7.9	8.7	-9.2%
West	15.5	9.2	68.5%
Total	**9.2**	**8.0**	**15.0%**

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.

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Increases in Optioned Lots

	YTD 2016	YTD 2017
New Option Lots Contracted	4,945	7,844
Option Lots Walk Aways	-5,089	-2,739
Net New Option Lots	**-144**	**5,105**

An increase of 5,249 lots

	Q3 2016	Q3 2017
New Option Lots Contracted	996	2,860
Option Lots Walk Aways	-1,570	-1,200
Net New Option Lots	**-574**	**1,660**

An increase of 2,234 lots

Note: Including joint ventures.

Increases in Purchased Lots

	YTD 2016	YTD 2017
Total Lots Purchased	3,910	4,894

An increase of 984 lots

	Q3 2016	Q3 2017
Total Lots Purchased	919	1,470

An increase of 551 lots

Note: Including joint ventures.

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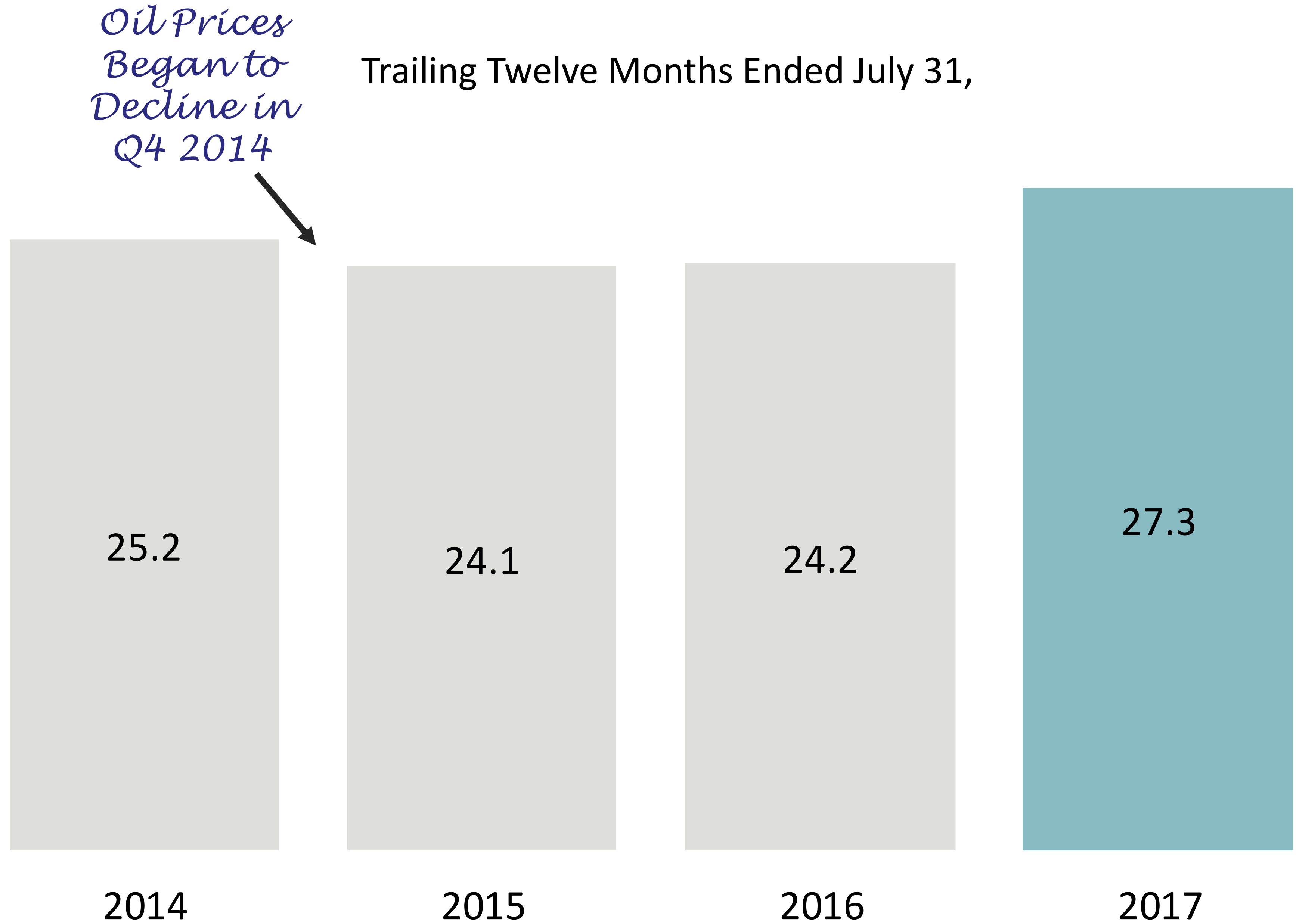
Houston Contracts Per Community



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

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Land Positions by Geographic Segment

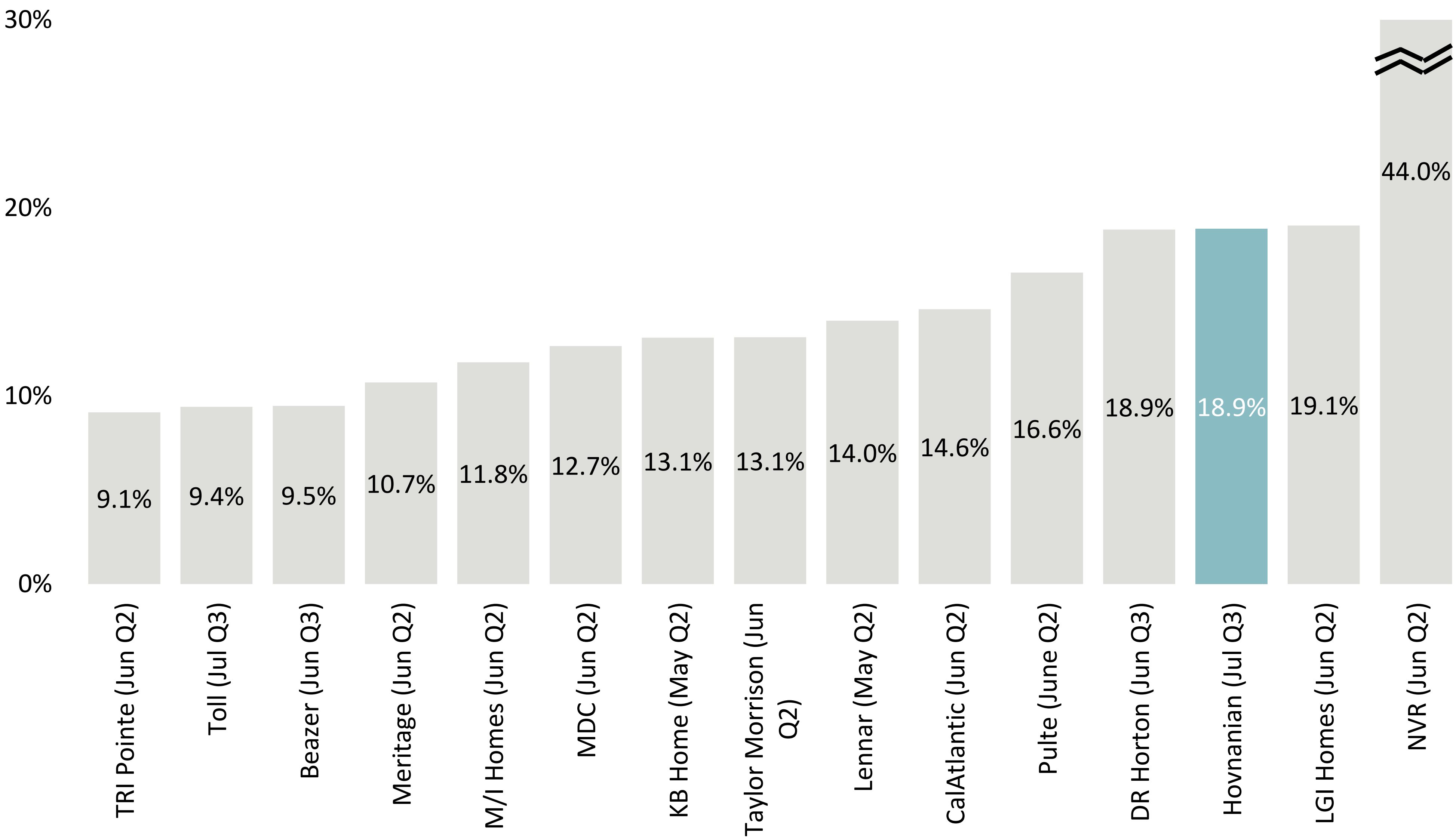
July 31, 2017

Segment	Owned: Excluding Mothballed Lots	Owned: Mothballed Lots	Optioned Lots	Total Lots
Northeast	645	408	3,301	4,354
Mid-Atlantic	1,708	280	2,024	4,012
Midwest	1,580	127	1,870	3,577
Southeast	1,460	0	1,981	3,441
Southwest	1,747	0	3,833	5,580
West	1,437	2,914	519	4,870
Consolidated Total	8,577	3,729	13,528	25,834
Joint Ventures	4,370	0	939	5,309
Grand Total	12,947	3,729	14,467	31,143

- *Option deposits as of July 31, 2017 were $49 million*
- *$10 million invested in pre-development expenses as of July 31, 2017*

Note: Option deposits and pre-development expenses refers to consolidated optioned 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 09/07/17.

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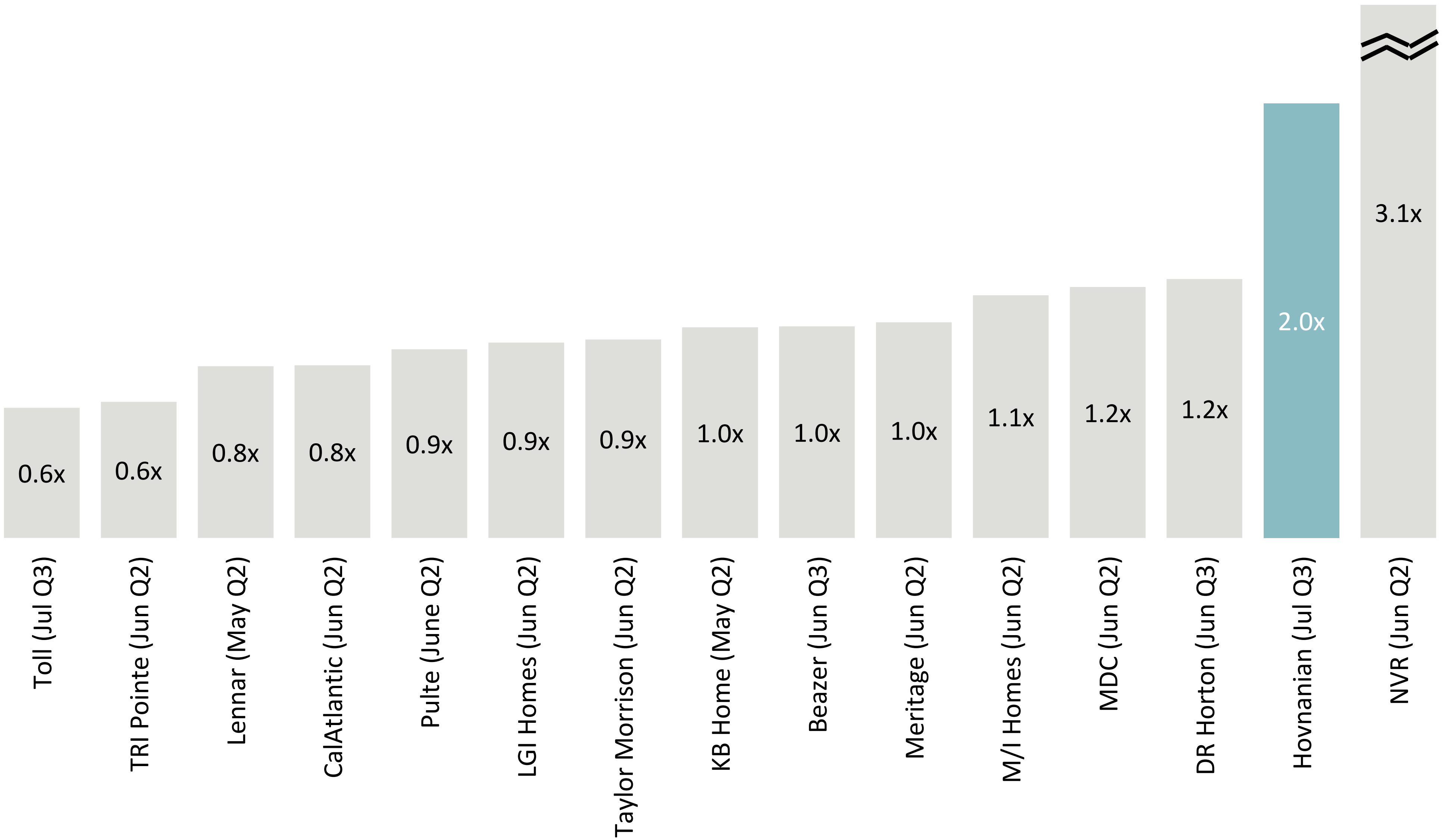
Inventory Turns (COGS), Last Twelve Months

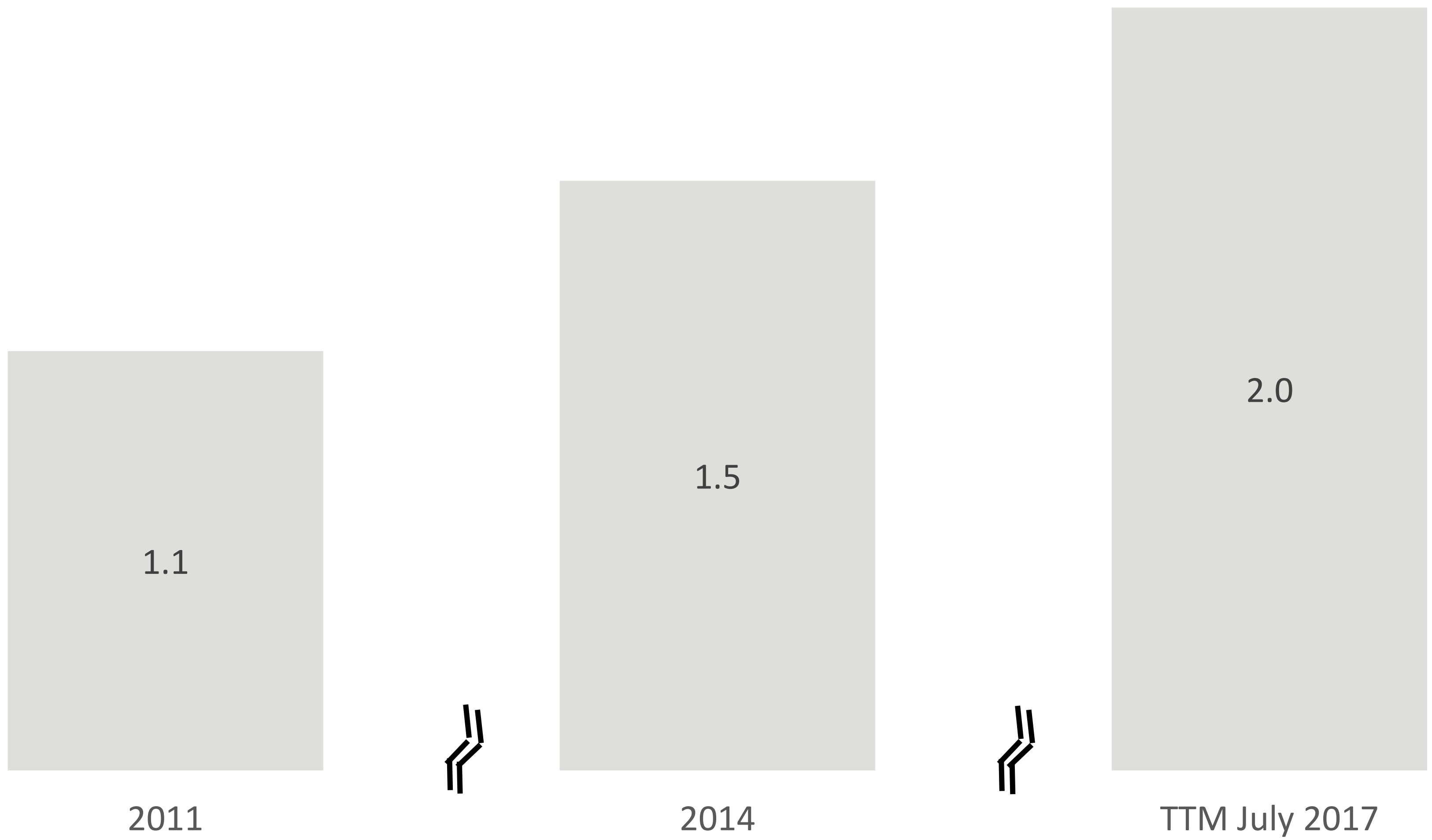


Note: Inventory turns derived by dividing cost of sales, excluding capitalized interest, by a five quarter average homebuilding inventory, excluding inventory not owned and capitalized interest.

Source: Company SEC filings and press releases as of 09/07/17.

Inventory Turnover Trends

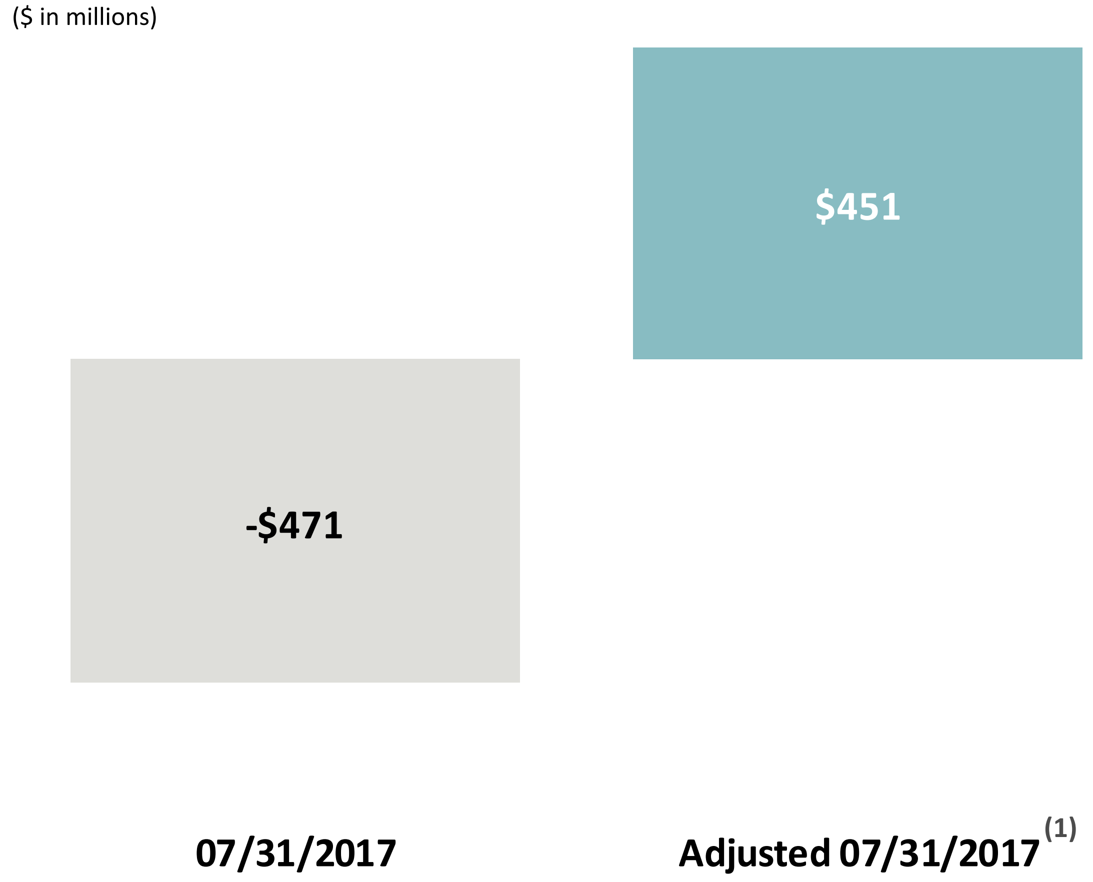
Continuing to make improvements.



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*



As of September 6, 2017, HOV was trading at 39% discount to adjusted book value (2)

(1) Total Hovnanian Stockholders' Deficit of $(471) million with $922 million valuation allowance added back to Stockholders' Equity. The $922 million valuation allowance consisted of a $724 million federal valuation allowance and a $198 million state valuation allowance.

(2) Based on closing price of $1.86 on September 6, 2017.

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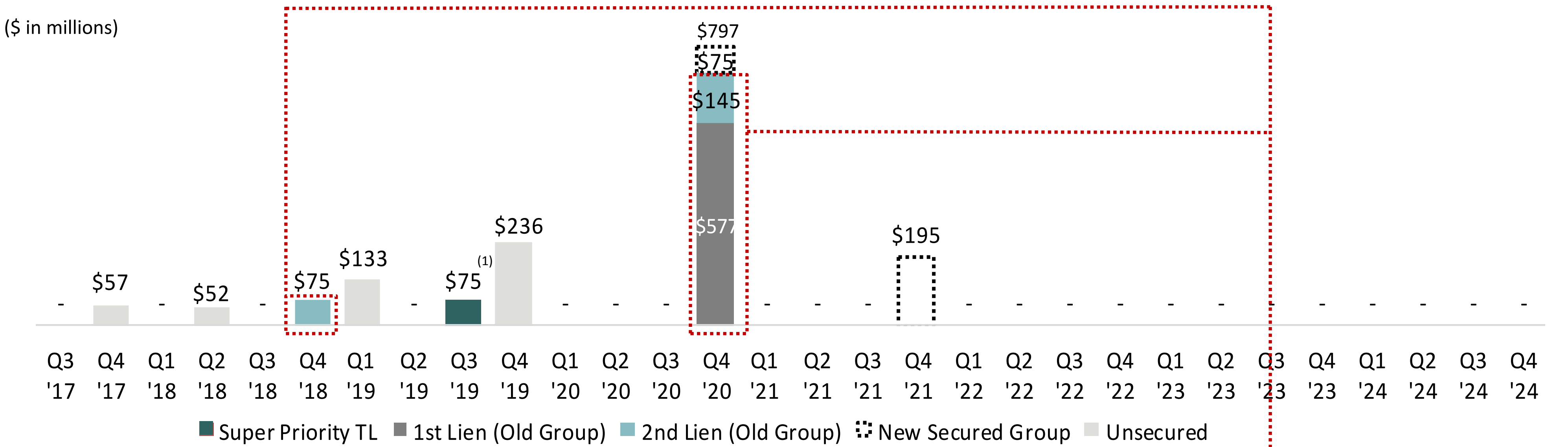
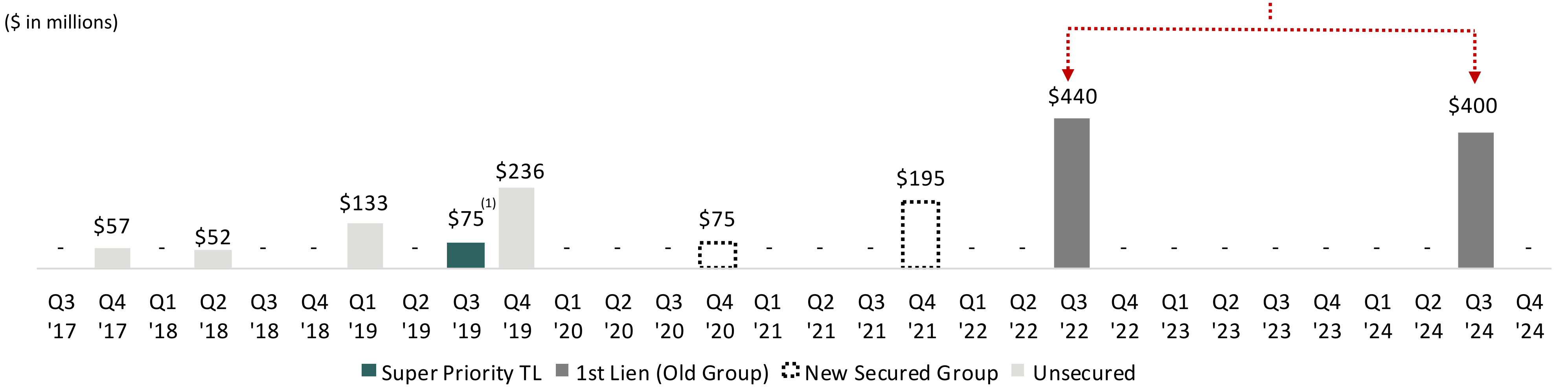
Maturity Profile

As of April 30, 2017



As of July 31, 2017



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.

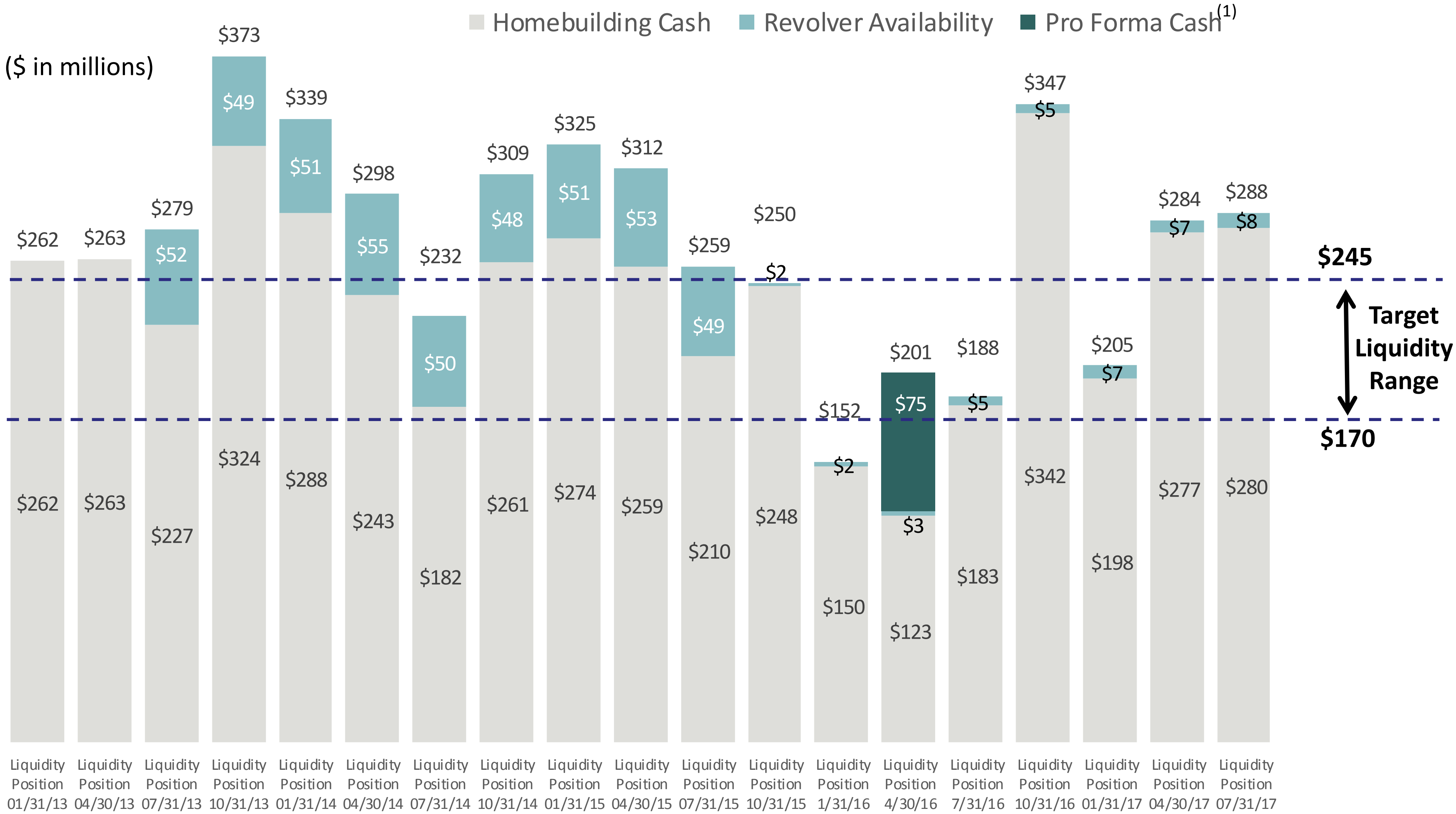
Liquidity Levers

- Additional land banking
  - Newly identified communities
  - Land we already own
- More joint ventures
- Increase use of non-recourse project specific loans
- Additional model sale leasebacks

Land and Land Development Spend

	Year-to-date July 31,		
	2015	2016	2017
Gross land and land development spend	$493	$383	$429
Net cash for changes in non-recourse debt	($29)	$53	$11
Net land and land development spend	$464	$436	$440

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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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)	April 30, 2017	July 31, 2017
Cash and cash equivalents	$190,400	$202,500
Mortgaged Inventory	$564,300	$544,300
Pledged equity value of subsidiaries without inventory liens[2]	$85,500	$107,100
Total Collateral	**$840,200**	**$853,900**
Plus equity value of subsidiaries with non-recourse loans[3]	$117,700	$91,100
Total Adjusted Collateral	**$957,900**	**$945,000**
Total principal amount of secured debt	$872,000	$915,000
Adjusted Collateral Ratio	**1.10x**	**1.03x**
Assets in excess of total principal amount of secured debt	$85,900	$30,000

(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)

	April 30, 2017	July 31, 2017
Cash and cash equivalents	$86,300	$77,700
Mortgaged Inventory	$146,500	$150,900
Pledged equity value of subsidiaries without inventory liens[(1)]	$6,000	$19,600
Total Collateral	**$238,800**	**$248,200**
Plus equity value of subsidiaries with non-recourse loans[(2)]	$7,300	$7,800
Total Adjusted Collateral	**$246,100**	**$256,000**
Total principal amount of secured debt	$270,000	$270,000
Adjusted Collateral Ratio	**0.91x**	**0.95x**
Total Adjusted Collateral	**$246,100**	**$256,000**
Plus equity interests in joint ventures[(3)]	$89,900	$84,500
Total Assets Available for secured debt	**$336,000**	**$340,500**
Total principal amount of secured debt	$270,000	$270,000
Asset Coverage Ratio	**1.24x**	**1.26x**
Assets in Excess of total principal amount of secured debt	$66,000	$70,500

(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)

	April 30, 2017	July 31, 2017
Total Assets	$2,133,600	$1,822,300
less Income Tax Receivables	($284,500)	-
less Inventory Not Owned	($154,600)	($138,500)
less Financial Services Assets	($119,500)	($109,700)
Assets Available to All Notes	**$1,575,000**	**$1,574,100**
less non-recourse mortgages	($66,400)	($70,800)
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	($872,000)	($915,000)
Assets available to All Unsecured Notes	**$366,600**	**$318,300**

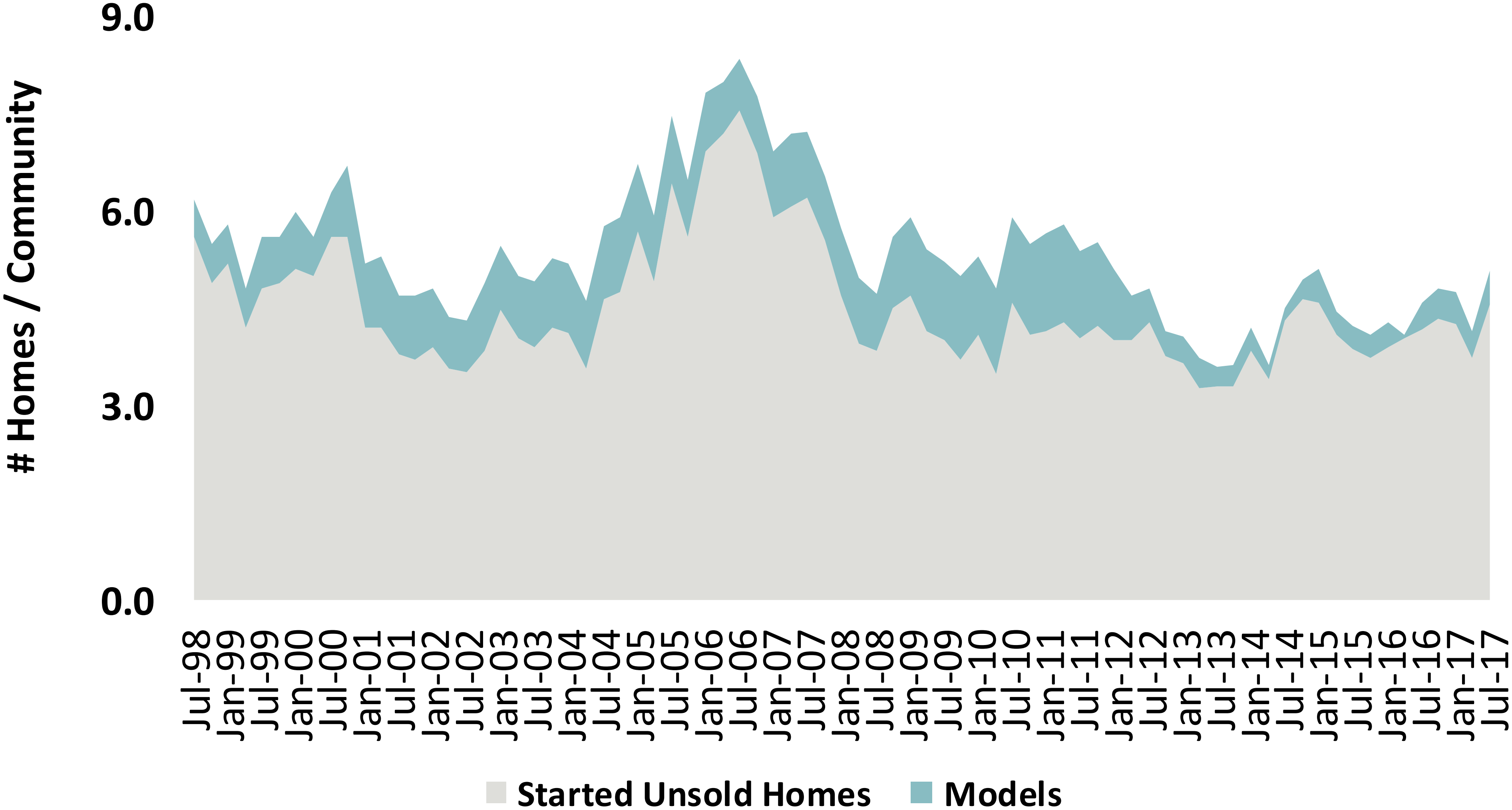
Consolidated Contracts per Community

Segments	Q3 2017	Q3 2016	% Change
Northeast	13.0	14.2	-8.5%
Mid-Atlantic	6.7	6.3	6.3%
Midwest	10.6	8.4	26.2%
Southeast	10.1	6.5	55.4%
Southwest	8.0	8.7	-8.0%
West	17.8	10.9	63.3%
Total	**9.4**	**8.4**	**11.9%**

Note: Excluding joint ventures.

Unsold Homes per Community

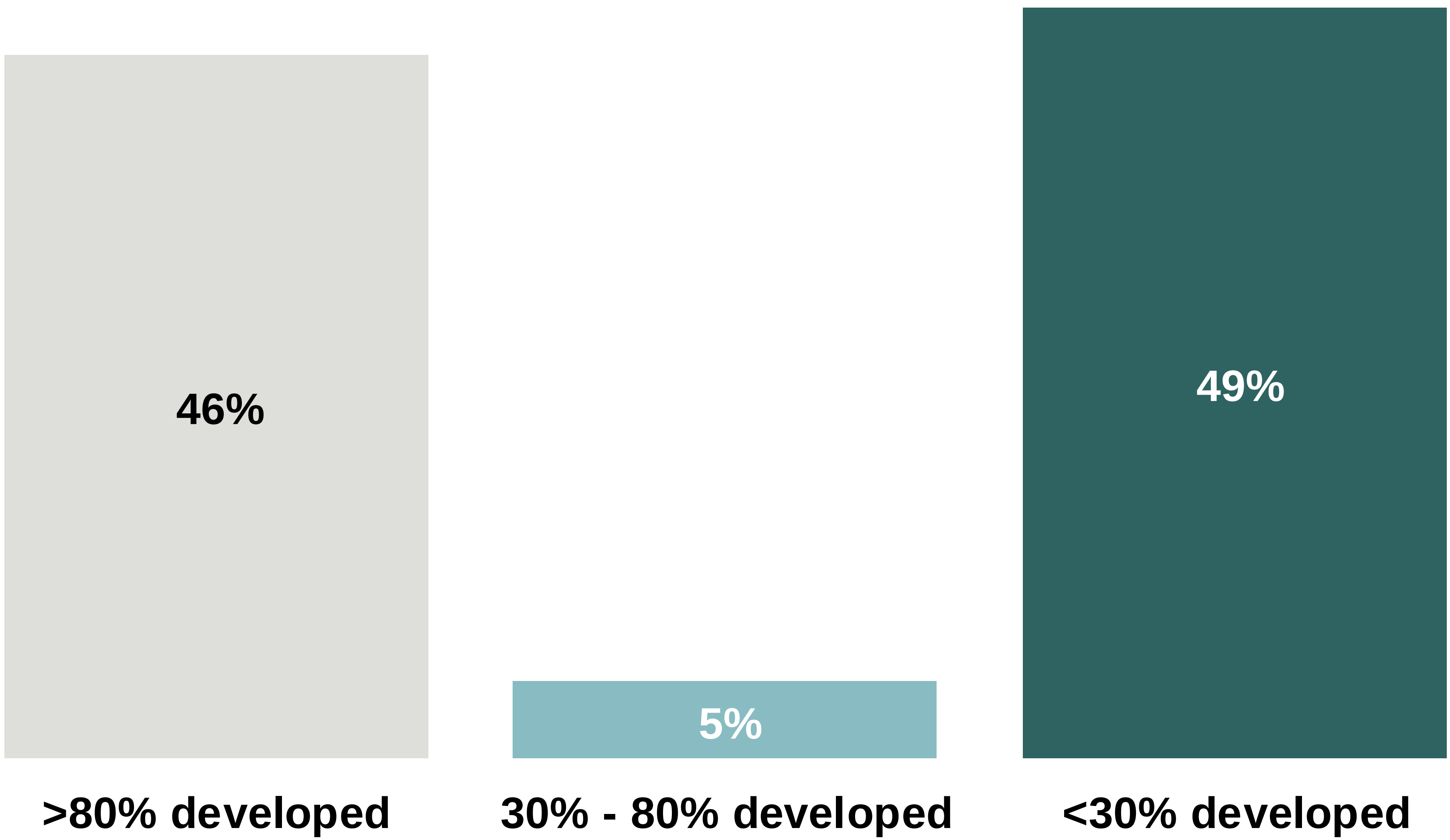
- *644 started unsold homes at 07/31/17, excluding models*
- *4.6 average started unsold homes per community since 1997*
- *As of July 31, 2017, 4.6 started unsold homes per community*



Note: Excluding joint ventures.

Owned Lots % Development Costs Spent

As of July 31, 2017



Note: Excluding joint ventures.

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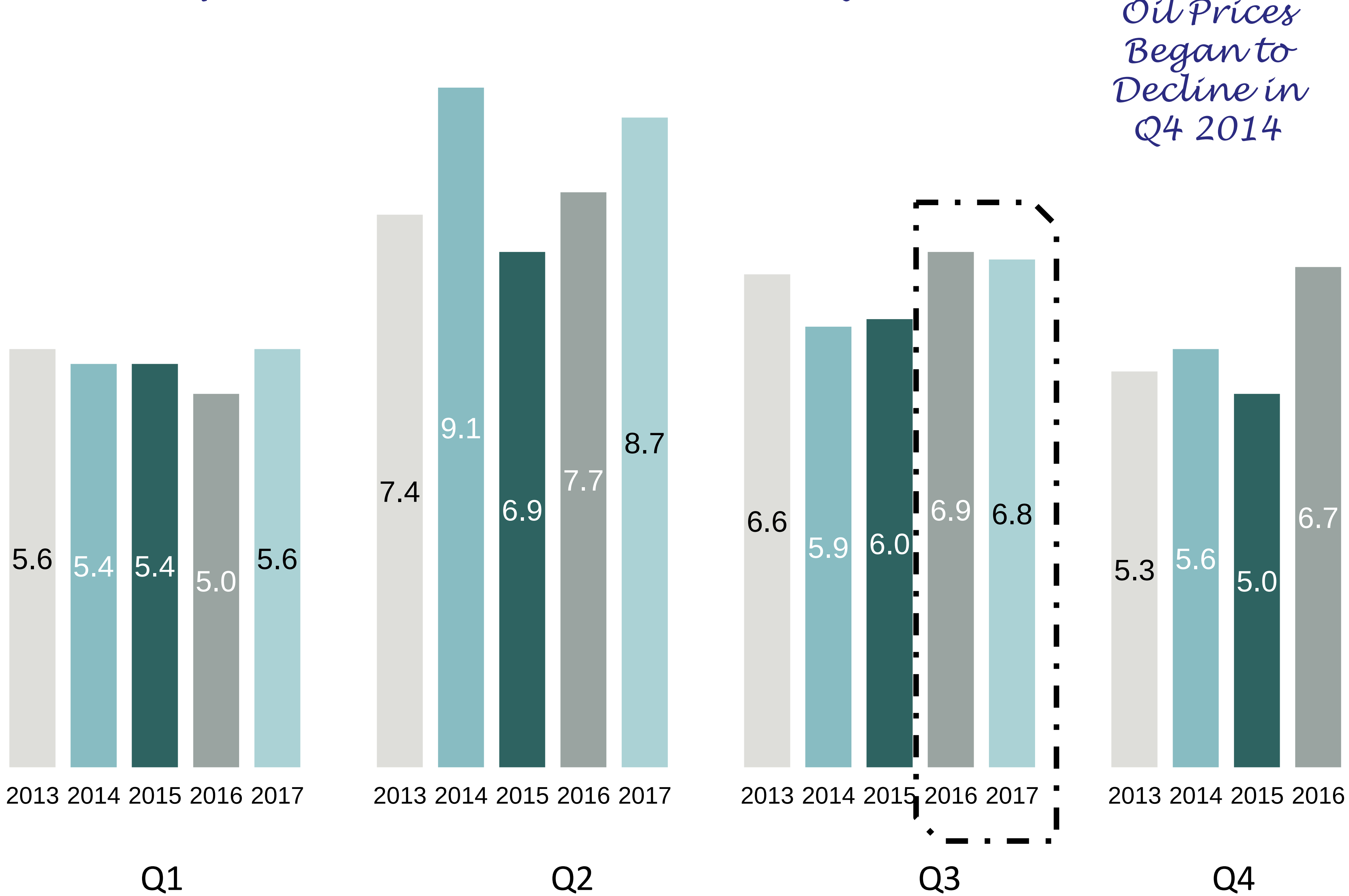
Houston Quarterly Contracts per Community

Number of contracts decreased -10% in Q3 2017



Hovnanian Houston Operations

- Houston Exposure as of July 31, 2017

	Houston as a % of Company Total
TTM Home Sale Revenues	16%
Homebuilding Inventory	11%

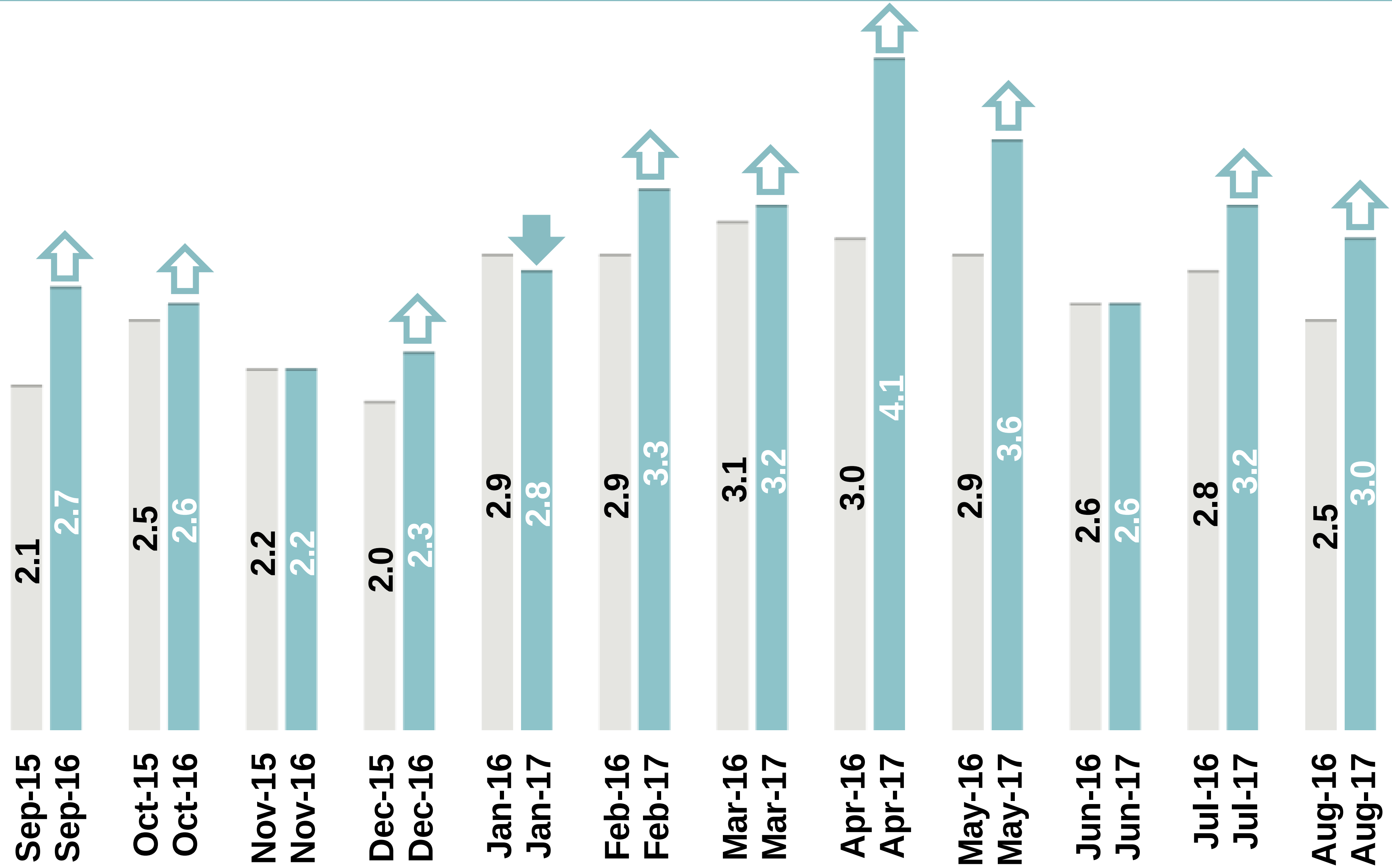
- Houston Lot Position as of July 31, 2017

	Houston # Lots	Months Supply	
		Houston	Company Average[(1)]
Owned Lots	809	7	20
Optioned Lots	1,989	18	30
Total Lots	2,798	25	50

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

[(1)] *Excluding Houston and Mothballed lots*

Number of Monthly contracts Per Community, Excludes Joint Ventures



	Sep-15	Sep-16	Oct-15	Oct-16	Nov-15	Nov-16	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
Number of Sundays	4	4	4	5	5	4	4	4	5	5	4	4	4	4	4	5	5	4	4	4	5	5	4	4
Monthly contracts	460	449	544	427	477	351	426	377	628	445	600	523	625	472	587	595	512	509	463	364	492	448	423	423

Note: Excludes joint ventures.

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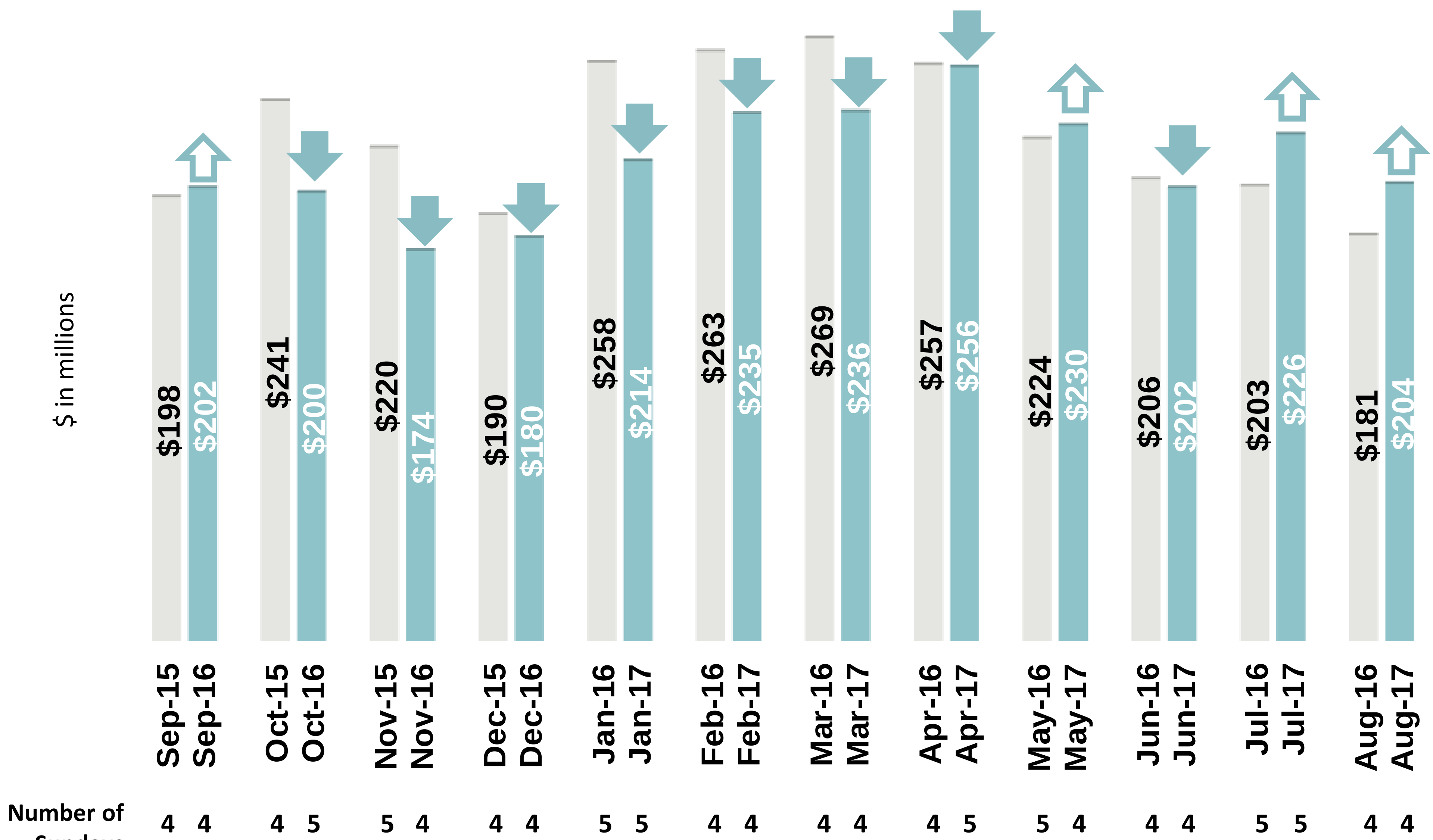
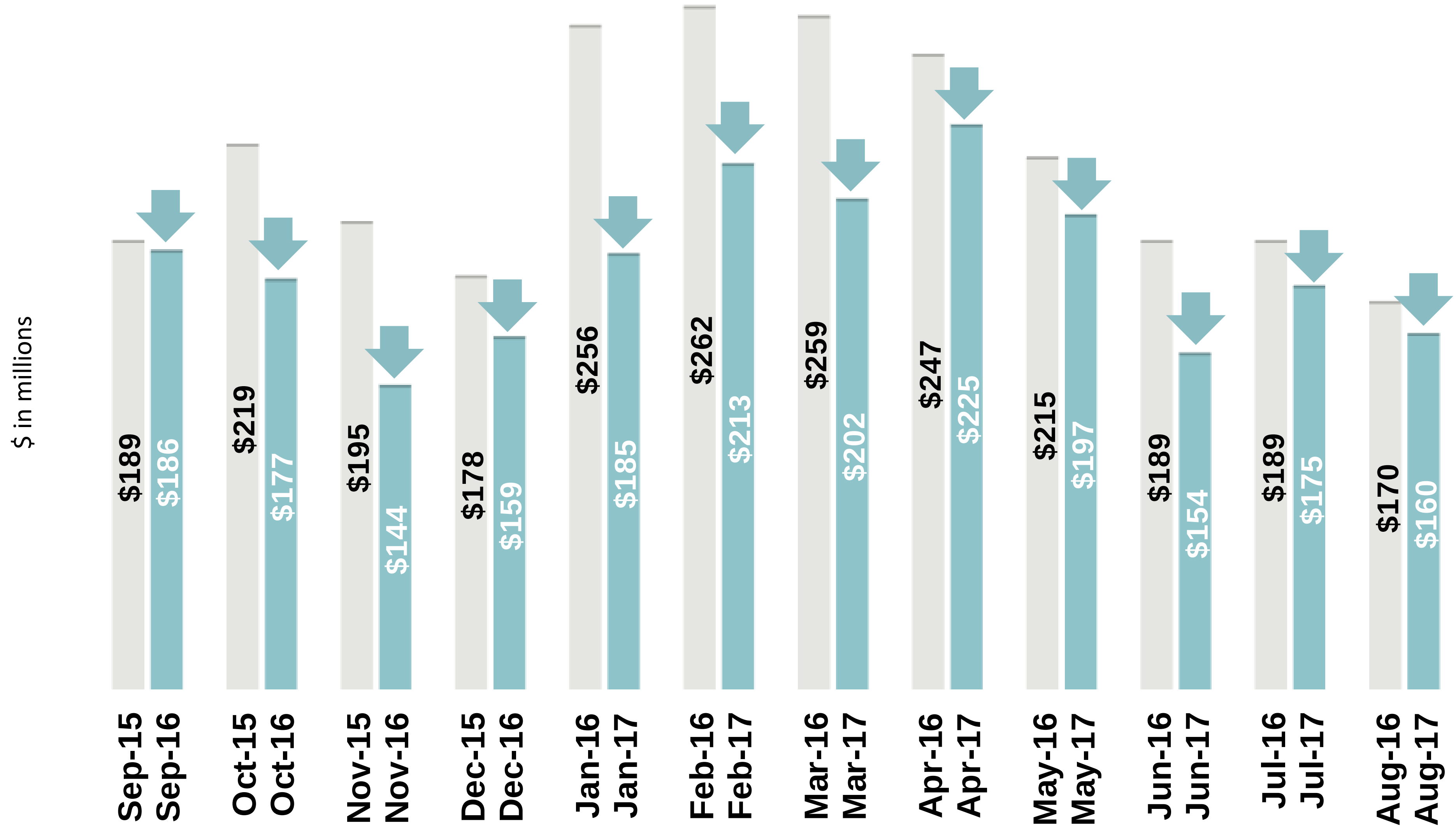
Dollar Amount of contracts Per Month, Includes Joint Ventures



Note: Includes joint ventures.

Dollar Amount of contracts Per Month, Excludes Joint Ventures



Number of Sundays	4	4	4	5	5	4	4	4	5	5	4	4	4	4	4	5	5	4	4	4	5	5	4	4

Note: Excludes joint ventures.

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Reconciliation Of (Loss) Income Before Income Taxes Excluding Land Related Charges, and Loss on Extinguishment of Debt to (Loss) Income Before Income Taxes

Hovnanian Enterprises, Inc.
July 31, 2017
Reconciliation of Loss Before Income Taxes Excluding Land-Related Charges and Loss on Extinguishment of Debt to (Loss) Income Before Income Taxes
(Dollars in Thousands)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
(Loss) Income Before Income Taxes	$(50,173)	$1,093	$(57,549)	$(29,705)
Inventory Impairment Loss and Land Option Write-Offs	4,197	1,565	9,334	22,915
Loss on Extinguishment of Debt	42,258	-	34,854	-
(Loss) Income Before Income Taxes Excluding Land-Related Charges and Loss on Extinguishment of Debt (a)	$(3,718)	$2,658	$(13,361)	$(6,790)

(a) (Loss) Income 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 (Loss) Income Before Income Taxes.

Gross Margin

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

	Homebuilding Gross Margin Three Months Ended July 31,		Homebuilding Gross Margin Nine Months Ended July 31,	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
Sale of Homes	$574,282	$640,386	$1,673,250	$1,823,318
Cost of Sales, Excluding Interest Expense (a)	478,069	532,116	1,391,966	1,521,704
Homebuilding Gross Margin, Before Cost of Sales Interest Expense and Land Charges (b)	96,213	108,270	281,284	301,614
Cost of Sales Interest Expense, Excluding Land Sales Interest Expense	18,397	23,108	55,284	61,291
Homebuilding Gross Margin, After Cost of Sales Interest Expense, Before Land Charges (b)	77,816	85,162	226,000	240,323
Land Charges	4,197	1,565	9,334	22,915
Homebuilding Gross Margin	$73,619	$83,597	$216,666	$217,408
Gross Margin Percentage	12.8%	13.1%	12.9%	11.9%
Gross Margin Percentage, Before Cost of Sales Interest Expense and Land Charges (b)	16.8%	16.9%	16.8%	16.5%
Gross Margin Percentage, After Cost of Sales Interest Expense, Before Land Charges (b)	13.6%	13.3%	13.5%	13.2%

	Land Sales Gross Margin Three Months Ended July 31,		Land Sales Gross Margin Nine Months Ended July 31,	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
Land and Lot Sales	$1,785	$58,897	$11,497	$70,051
Cost of Sales, Excluding Interest and Land Charges (a)	817	51,667	7,387	62,275
Land and Lot Sales Gross Margin, Excluding Interest and Land Charges	968	7,230	4,110	7,776
Land and Lot Sales Interest	974	5,298	2,746	5,402
Land and Lot Sales Gross Margin, Including Interest and Excluding Land Charges	$(6)	$1,932	$1,364	$2,374

(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 Condensed 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.
July 31, 2017
Reconciliation of Adjusted Homebuilding EBIT to Inventory
(dollars in thousands)
(Unaudited)

		For the Three Months Ended				
	LTM(a)	7/31/2017	4/30/2017	1/31/2017	10/31/2016	
Homebuilding:						
Net Loss (Income)	$(321,745)	$ (337,209)	$(6,682)	$(143)	$22,289	
Income Tax Benefit (Provision)	296,337	287,036	(1,017)	466	9,852	
Interest Expense	174,710	42,930	42,634	40,949	48,197	
EBIT (b)	149,302	(7,243)	34,935	41,272	80,338	
Financial Services Revenue	(63,239)	(14,993)	(14,494)	(12,849)	(20,903)	
Financial Services Expense	33,477	8,867	7,360	6,855	10,395	
Homebuilding EBIT (b)	119,540	(13,369)	27,801	35,278	69,830	
Inventory Impairment Loss and Land Option Write-offs	19,772	4,197	1,953	3,184	10,438	
Other Operations	2,852	(26)	(95)	1,587	1,386	
Loss (Gain) on Extinguishment of Debt	38,054	42,258	242	(7,646)	3,200	
Loss (Income) from Unconsolidated Joint Ventures	9,228	3,881	4,562	1,666	(881)	
Adjusted Homebuilding EBIT (b)	$189,446	$36,941	$34,463	$34,069	$83,973	
		As of				
		7/31/2017	4/30/2017	1/31/2017	10/31/2016	7/31/2016
Total Inventories		$1,188,849	$1,209,212	$1,293,426	$1,283,084	$1,466,754
Consolidated Inventory Not Owned		138,529	154,620	171,572	208,701	280,728
Capitalized Interest		87,119	90,960	94,438	96,688	104,544
	Five Quarter Average					
Inventories less Consolidated Inventory Not Owned and Capitalized Interest	$1,002,685	$963,201	$963,632	$1,027,416	$977,695	$1,081,482
Adjusted Homebuilding EBIT to Inventory	18.9%					

(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.

Inventory Turnover

Calculation of Inventory Turnover[1]

						LTM
		For the Quarter Ended				Ended
(Dollars In Thousands)		10/31/2016	1/31/2017	4/30/2017	7/31/2017	7/31/2017
Cost of Sales, Excluding Interest		$646,478	$445,027	$475,440	$478,886	$2,045,831
			As of			
	7/31/2016	10/31/2016	1/31/2017	4/30/2017	7/31/2017	
Total Inventories	$1,466,754	$1,283,084	$1,293,426	$1,209,212	$1,188,849	Five
Consolidated Inventory Not Owned	280,728	208,701	171,572	154,620	138,529	Quarter
Capitalized Interest	104,544	96,688	94,438	90,960	87,119	Average
Inventories less Consolidated Inventory Not Owned and Capitalized Interest	$1,081,482	$977,695	$1,027,416	$963,632	$963,201	$1,002,685
Inventory Turnover						2x

						Year
		For the Quarter Ended				Ended
(Dollars In Thousands)		1/31/2014	4/30/2014	7/31/2014	10/31/2014	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

						Year
		For the Quarter Ended				Ended
(Dollars In Thousands)		1/31/2011	4/30/2011	7/31/2011	10/31/2011	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	19,746	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	$793,924	$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.