



## Review of Financial Results Third 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.

(\$ in millions)

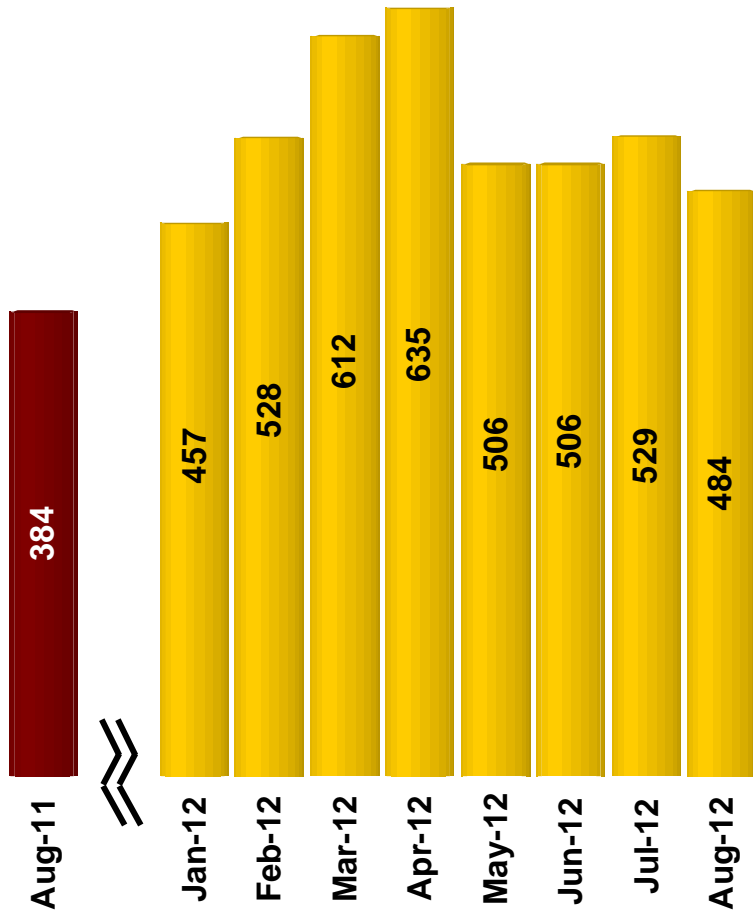
	<u>2012</u>	<u>2011</u>	<u>% Change</u>
1) Net Contracts (\$ value) <sup>1</sup>	\$507	\$385	32%
2) Net Contracts (units) <sup>1</sup>	1,541	1,297	19%
3) Communities <sup>1</sup>	194	202	-4%
2) Contracts per Community <sup>1</sup>	7.9	6.4	23%
3) Deliveries <sup>1</sup>	1,387	1,112	25%
4) Backlog <sup>1</sup>	2,452	1,736	41%
5) Total Revenues	\$387	\$286	35%
6) Land Related Charges <sup>2</sup>	\$1	\$11	-91%
7) Homebuilding Gross Margin	18.2%	15.3%	+290 bps
8) Total SG&A as a Percentage of Total Revenues	12.4%	16.3%	-390 bps
9) Pre-Tax Loss	(\$2)	(\$56)	
10) Net Income (Loss)	\$35	(\$51)	

(1) Includes unconsolidated joint ventures.

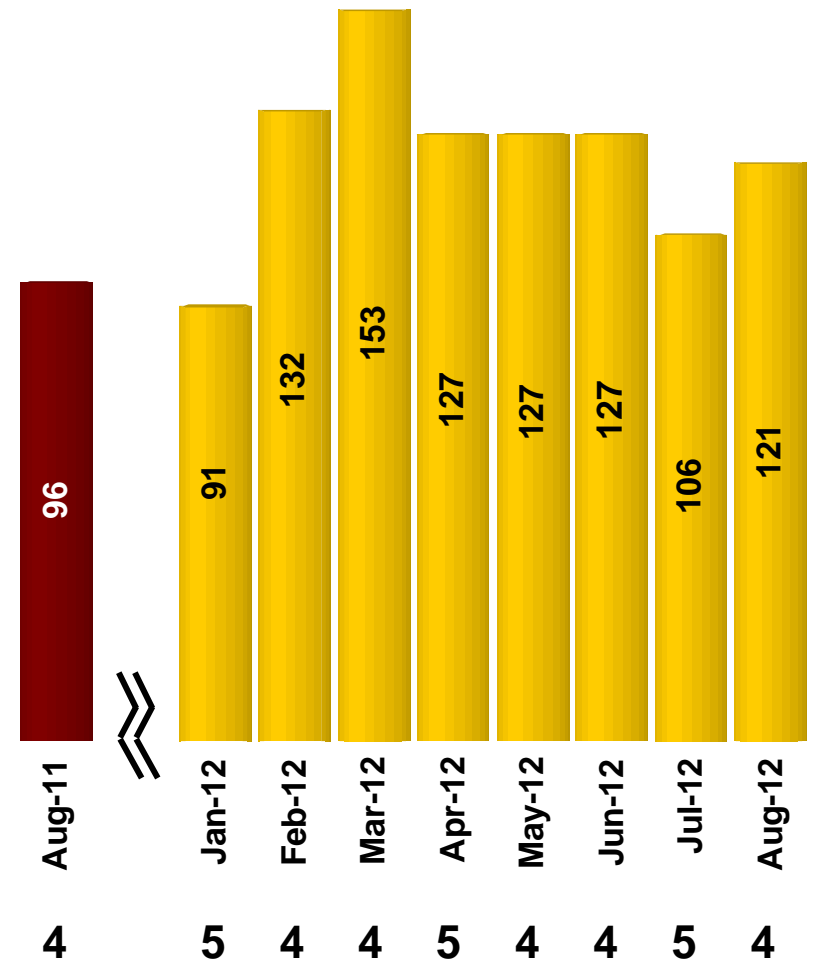
(2) Includes inventory impairment loss and lot option write-offs, as well as unconsolidated joint venture investment and land-related charges.

# Net Contracts and Weekly Sales Pace per Month

## Monthly Net Contracts



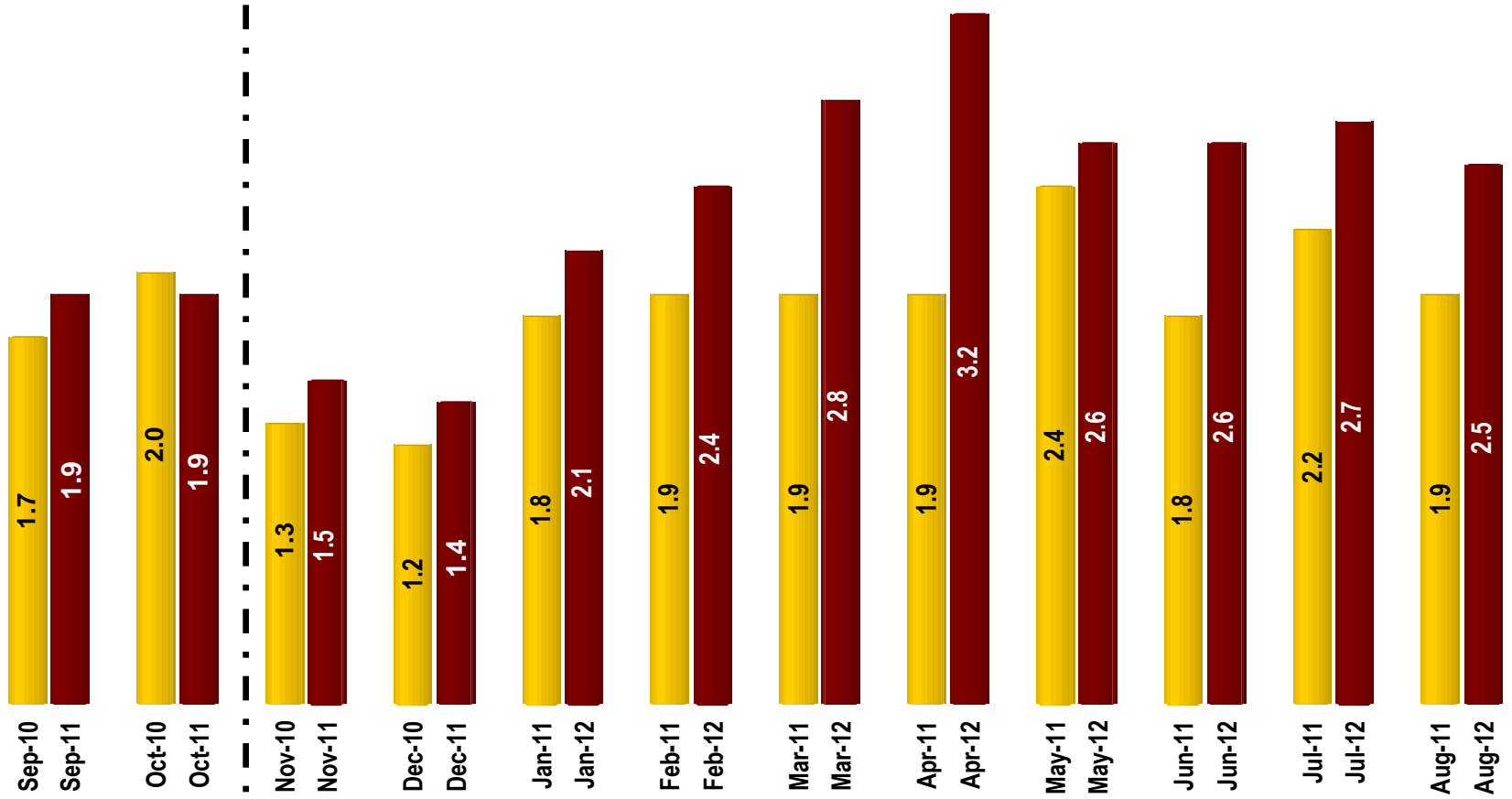
## Average Weekly Sales Pace per Month <sup>(1)</sup>



Number of  
Sundays

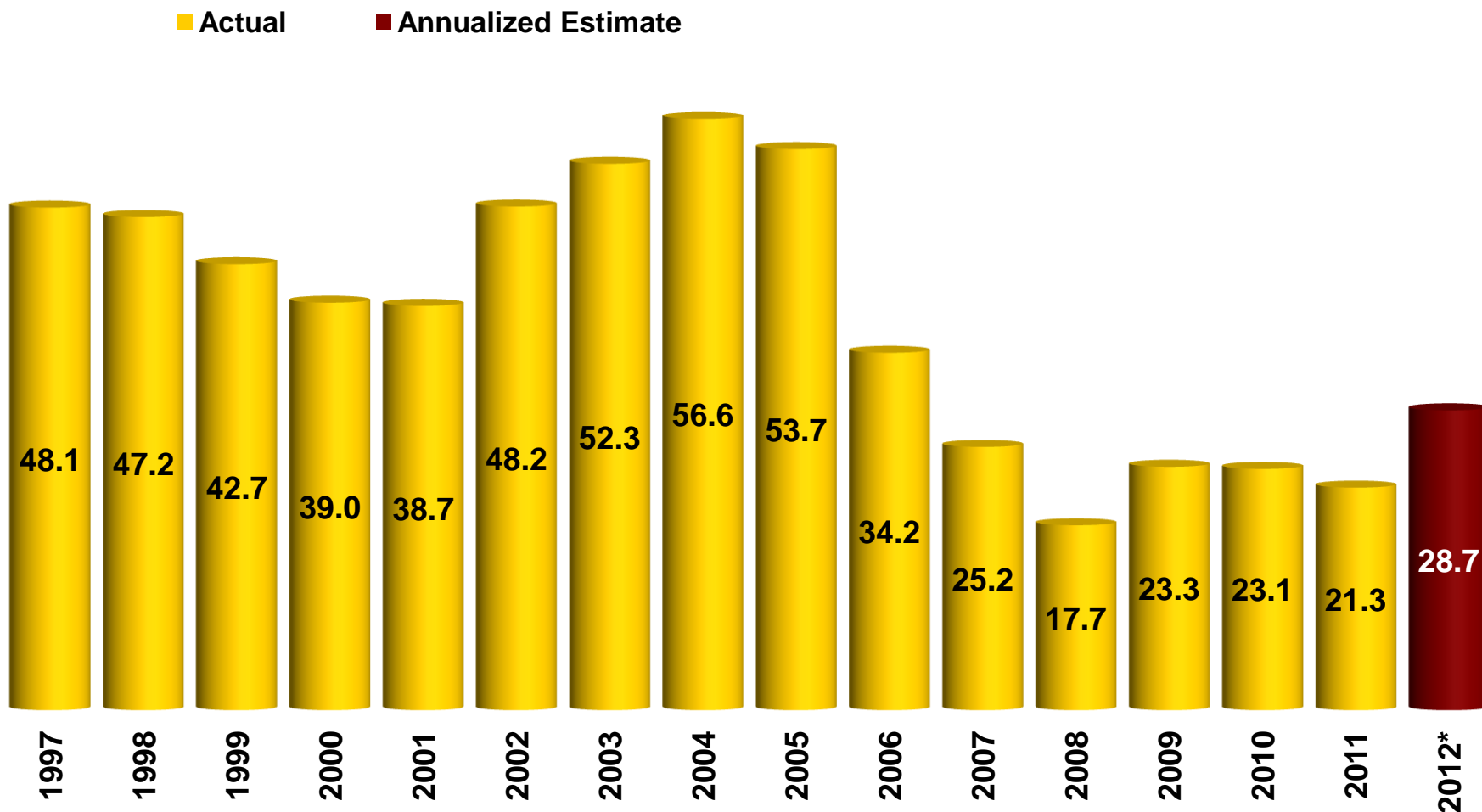
<sup>(1)</sup> Based on number of Sundays.  
Includes unconsolidated joint ventures.

## Fiscal 2012



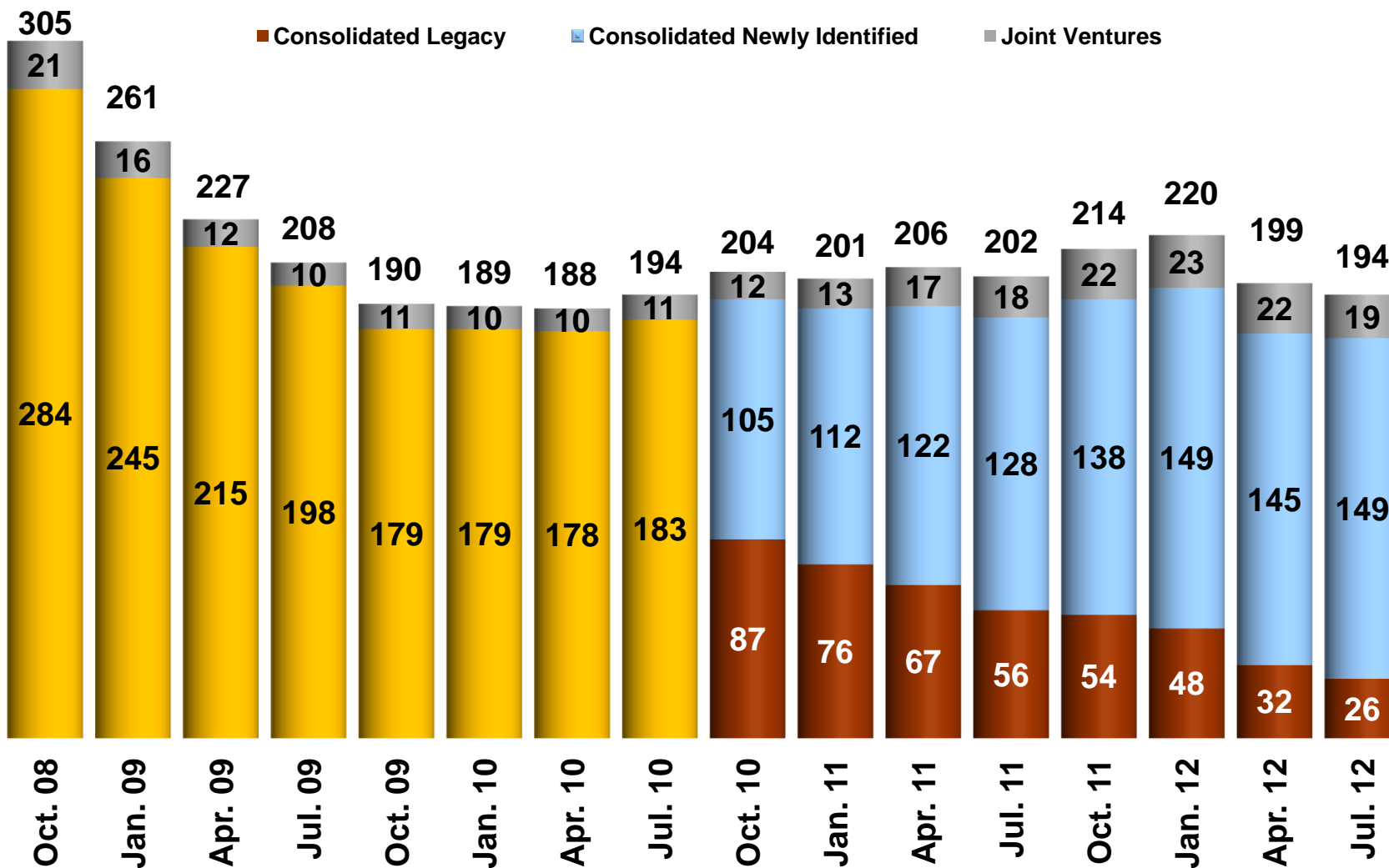
Number of Sundays	4	4	5	5	4	4	4	4	5	5	4	4	4	4	4	5	5	4	4	5	5	4	4	
	Sep-10	Sep-11	Oct-10	Oct-11	Nov-10	Nov-11	Dec-10	Dec-11	Jan-11	Jan-12	Feb-11	Feb-12	Mar-11	Mar-12	Apr-11	Apr-12	May-11	May-12	Jun-11	Jun-12	Jul-11	Jul-12	Aug-11	Aug-12
Monthly Net Contracts	359	382	403	409	248	325	239	297	363	457	384	528	390	612	392	635	501	506	359	506	437	529	384	484

*Includes unconsolidated joint ventures.*



*Calculated based on a five quarter average of active selling communities, excluding unconsolidated joint ventures. 2012\* is annualized net contract pace based on sales pace in first nine months of fiscal 2012.*

# Active Selling Communities



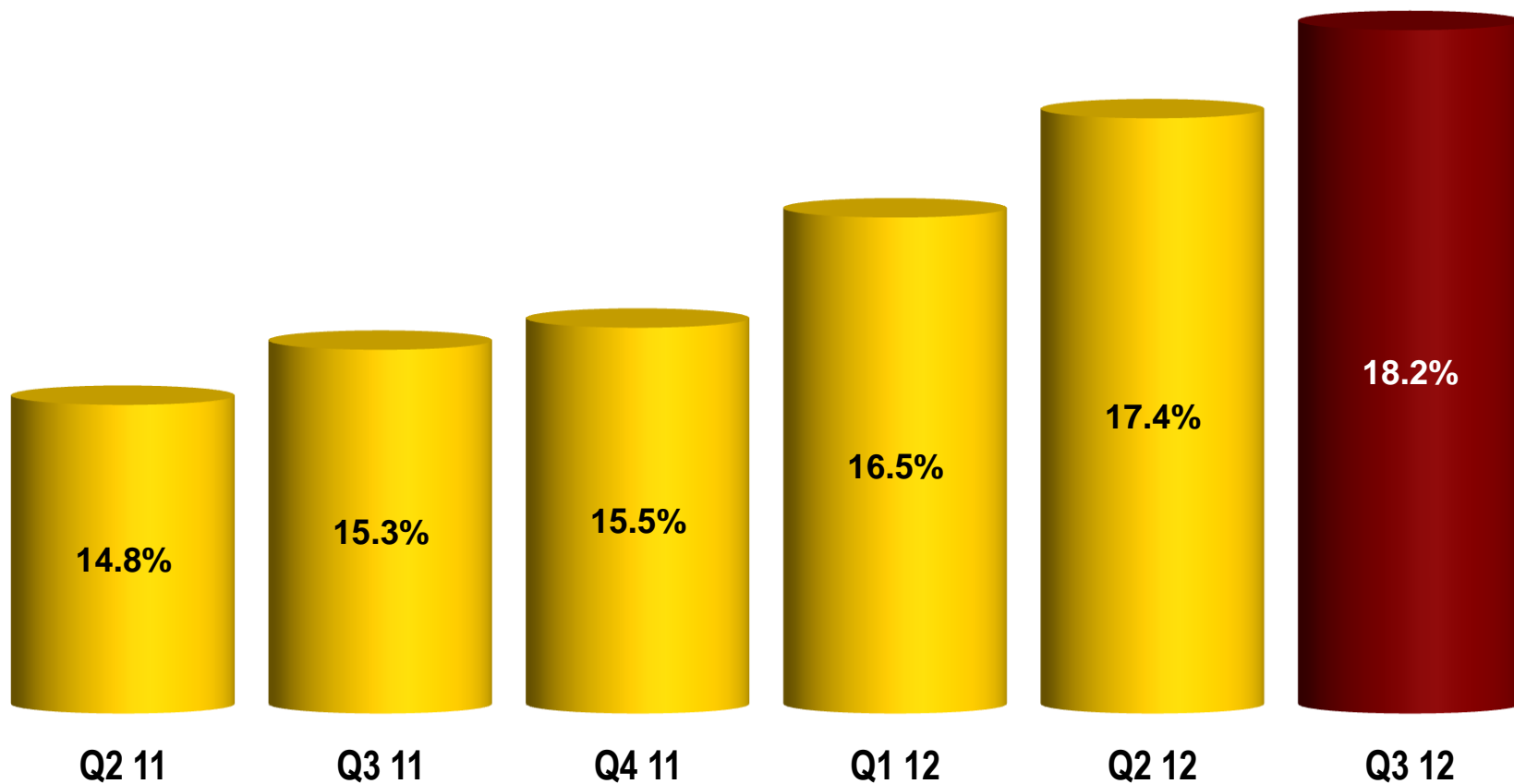
Active selling communities are open for sale communities with 10 or more home sites available.

## Lots Purchased or Optioned Since January 31, 2009

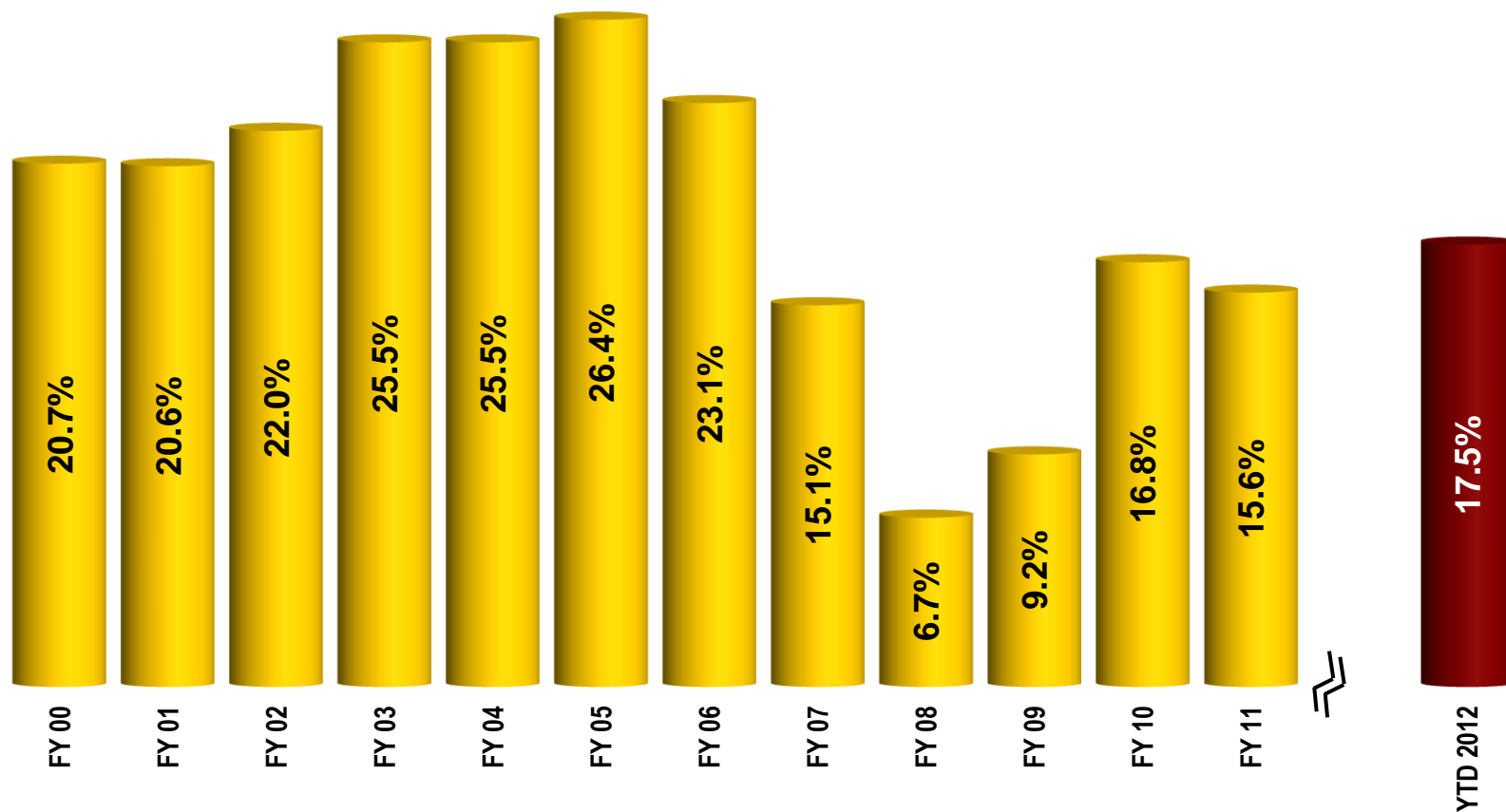
	<u>Lots</u>	<u>Communities</u>
Purchased	8,600	316 <sup>(1)</sup>
Optioned	7,800	
Joint Venture	3,100	28
<b>Total</b>	<b>19,500</b>	<b>344</b>

Notes: (1) Excludes 83 communities where we walked away from all of the lots in those communities.





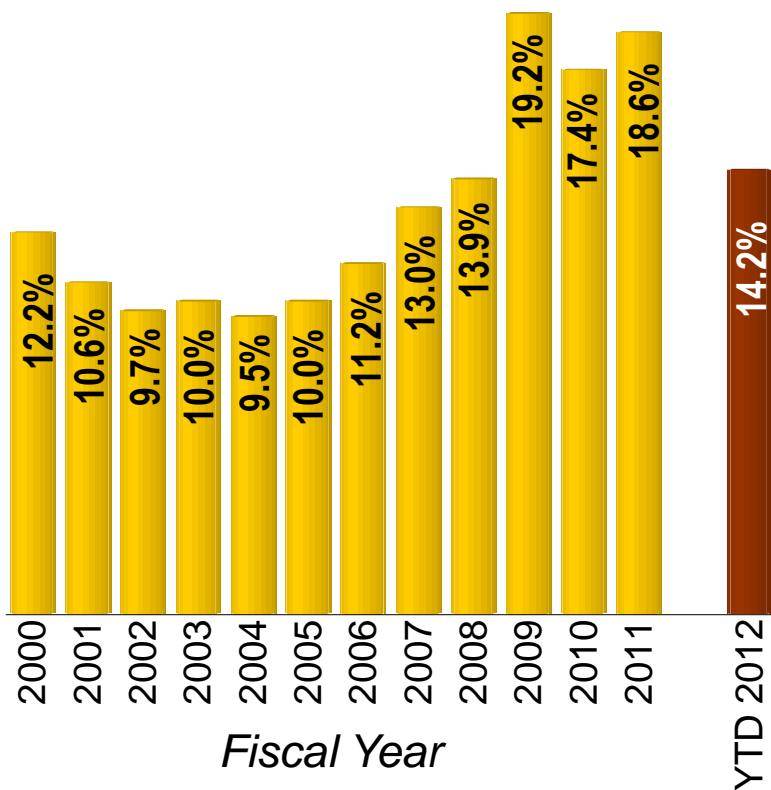
*Excludes interest related to homes sold.*



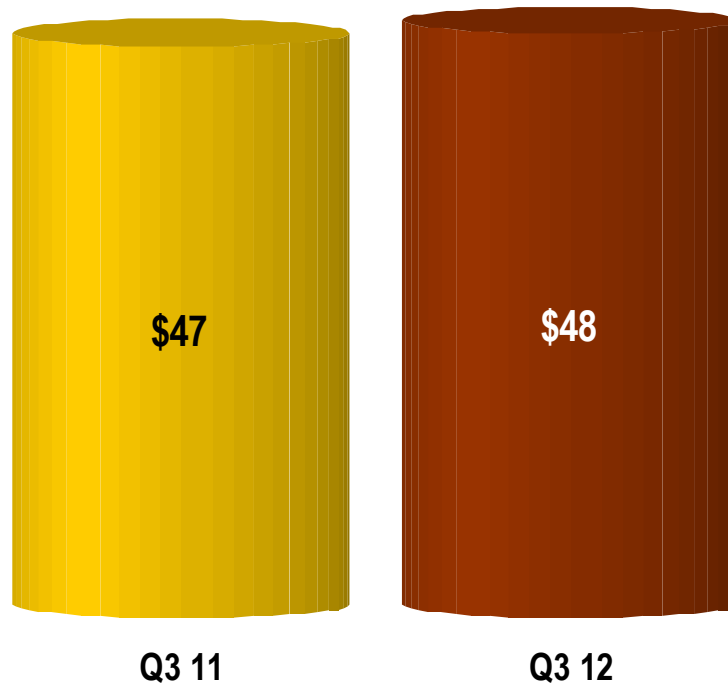
Excludes interest related to homes sold.

# Continued Reductions in Overhead

Total SG&A as a % of Total Revenues



Total SG&A <sup>(1)</sup>



Total SG&A as a % of Total Revenues

**16.3%**

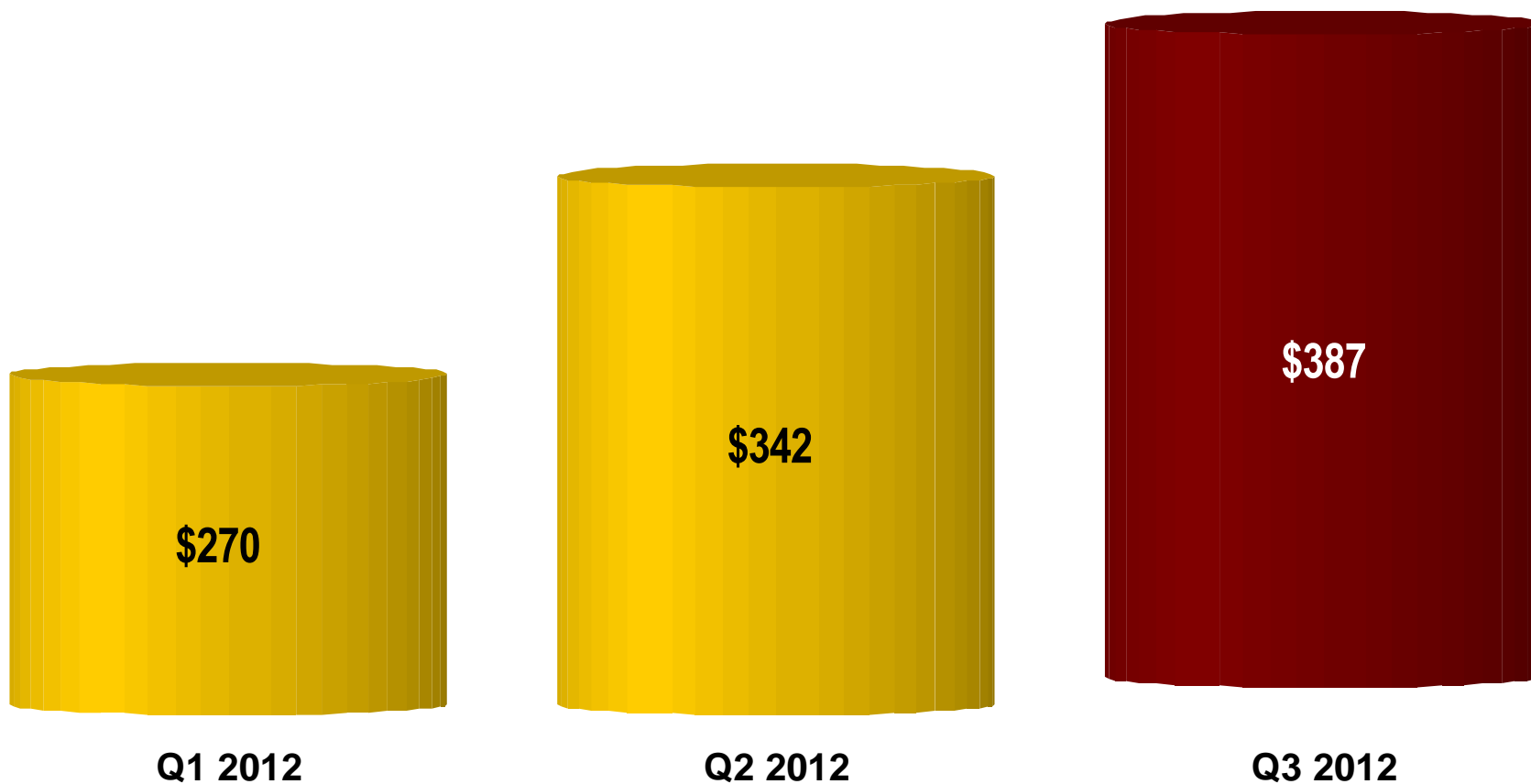
**12.4%**

◆ 1,519 full time associates at July 31, 2012, a 78% 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.

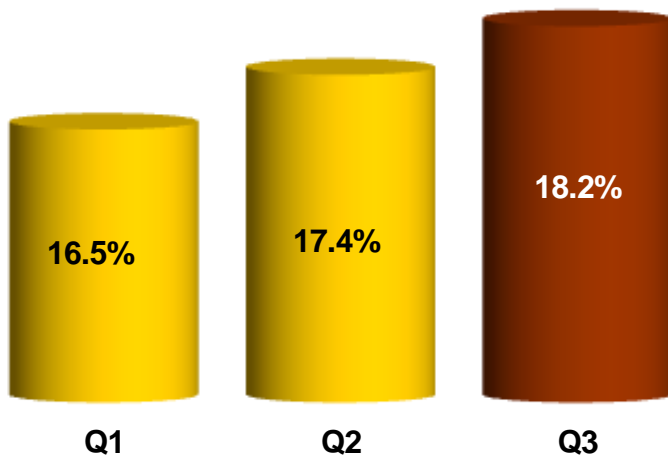
## Total Revenues

\$ in millions

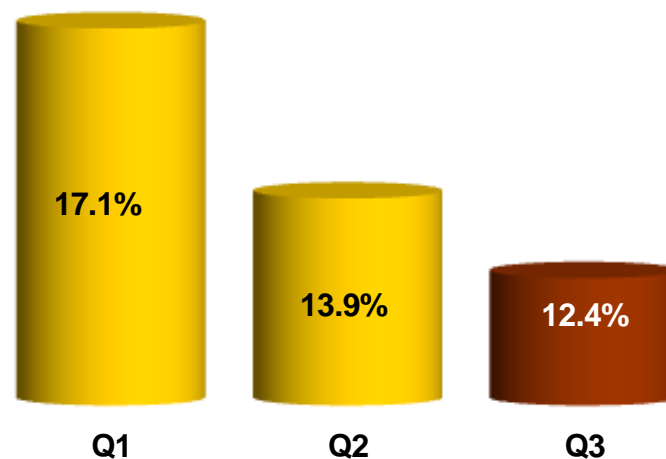


# Improving Operating Results

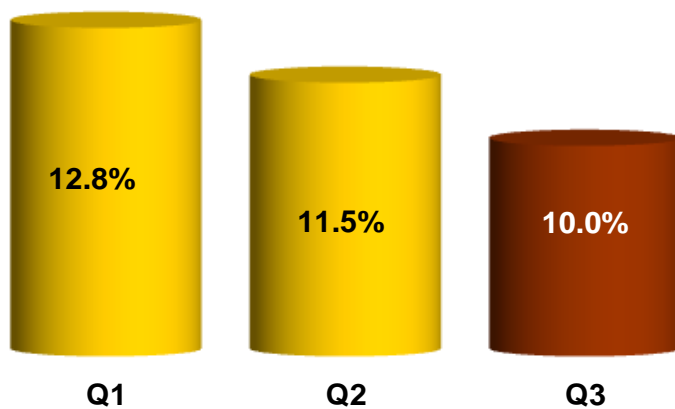
**Homebuilding Gross Margin**



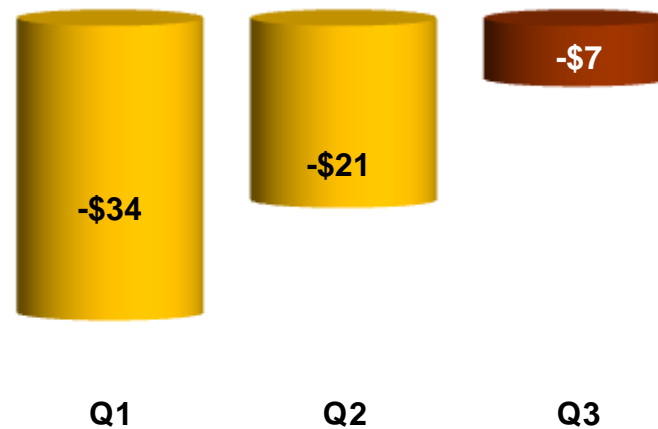
**Total SG&A as a % of Total Revenues**



**Interest Expense as a % of Total Revenues**



**Loss Before Income Taxes Excluding Land Related Charges and (Gain) Loss on Extinguishment of Debt**



## Lots Purchased or Optioned Since January 31, 2009

	<u>Lots</u>	<u>Communities</u>
Purchased	8,600	316 <sup>(1)</sup>
Optioned	7,800	
Joint Venture	3,100	28
<b>Total</b>	<b>19,500</b>	<b>344</b>

### Roll Forward First Quarter<sup>(2)</sup>

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

### Roll Forward Second Quarter<sup>(3)</sup>

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

### Roll Forward Third Quarter<sup>(4)</sup>

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

Notes: (1) Excludes 83 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

# Land Positions by Geographic Segment

July 31, 2012

# Lots

Owned

Segment	Excluding Mothballed Lots	Mothballed Lots	Optioned	Total
Northeast	1,671	948	1,957	4,576
Mid-Atlantic	3,031	305	2,654	5,990
Midwest	1,167	102	717	1,986
Southeast	676	625	524	1,825
Southwest	2,073	0	3,856	5,929
West	1,056	4,846	889	6,791
<b>Total</b>	<b>9,674</b>	<b>6,826</b>	<b>10,597</b>	<b>27,097</b>

*Excluding unconsolidated joint ventures.*

As of July 31, 2012

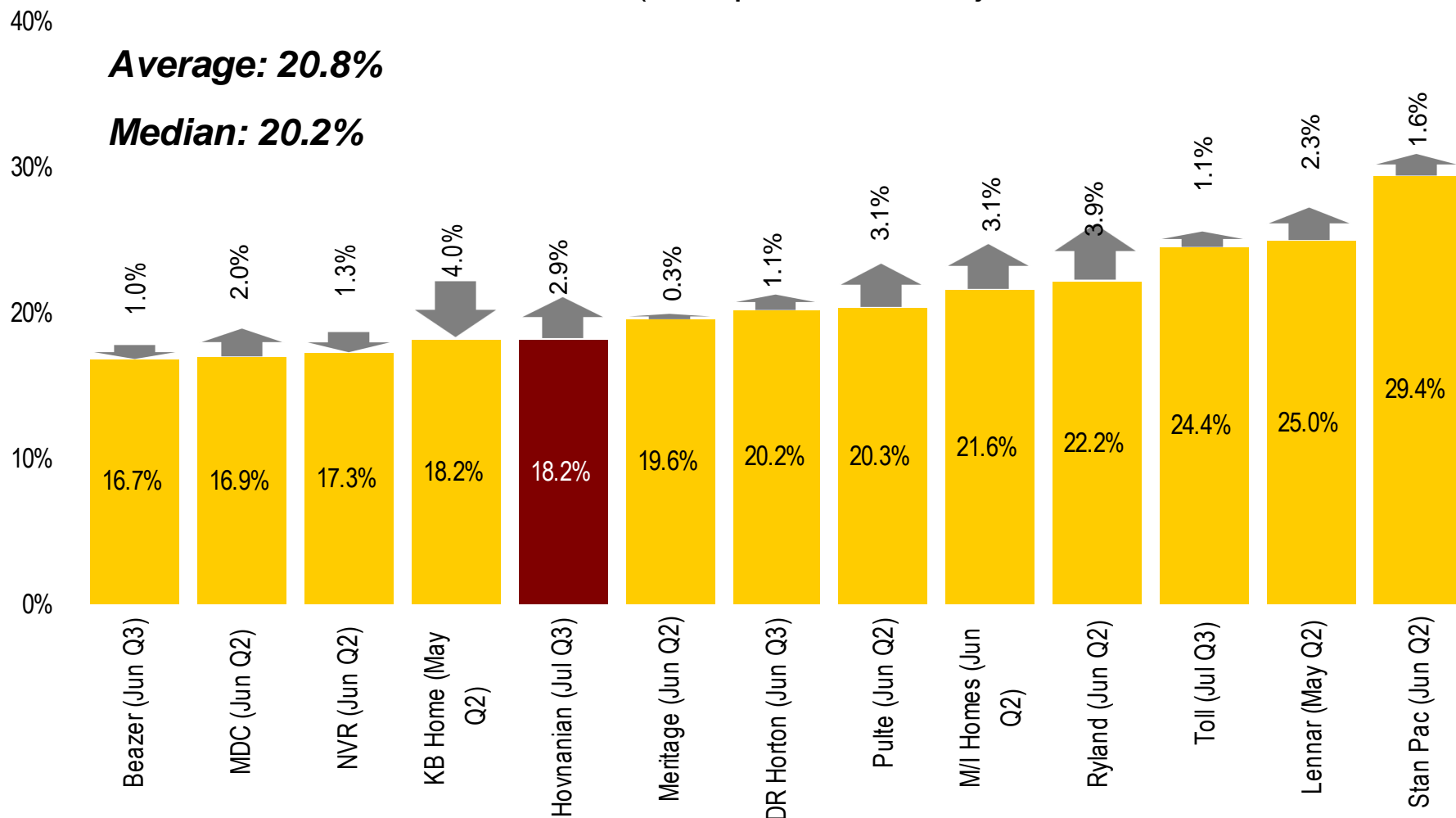
	<u># of Lots</u>
<b>Northeast (NJ, PA)</b>	<b>948</b>
<b>Mid-Atlantic (DE, MD, VA, WV)</b>	<b>305</b>
<b>Midwest (IL, MN, OH)</b>	<b>102</b>
<b>Southeast (FL, GA, NC, SC)</b>	<b>625</b>
<b>Southwest (AZ, TX)</b>	<b>0</b>
<b>West (CA)</b>	<b>4,846</b>
<b>Total</b>	<b>6,826</b>

- ◆ *In 54 communities with a book value of \$128 million net of impairment balance of \$465 million*
- ◆ *Unmothballed approximately 3,400 lots in 58 communities since January 31, 2009*



# Gross Margin Percentage, Year-Over-Year Change, **Most Recent Quarter**

(as reported, not adjusted for sales commissions)

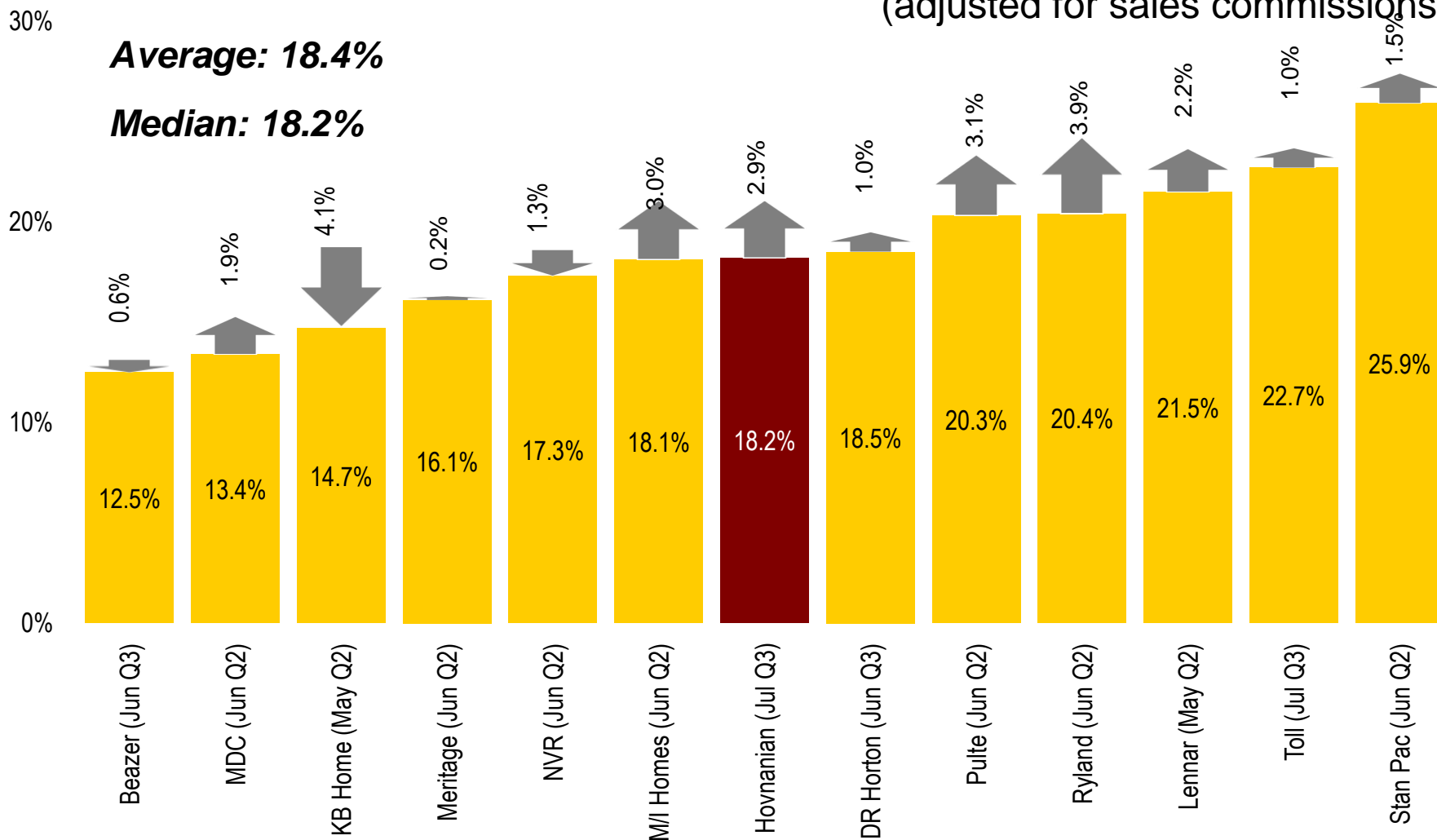


Note: Excluding interest and impairments.

Source: Company SEC filings and press releases as of 09/06/12.

# Adjusted Gross Margin Percentage, Most Recent Quarter

(adjusted for sales commissions)



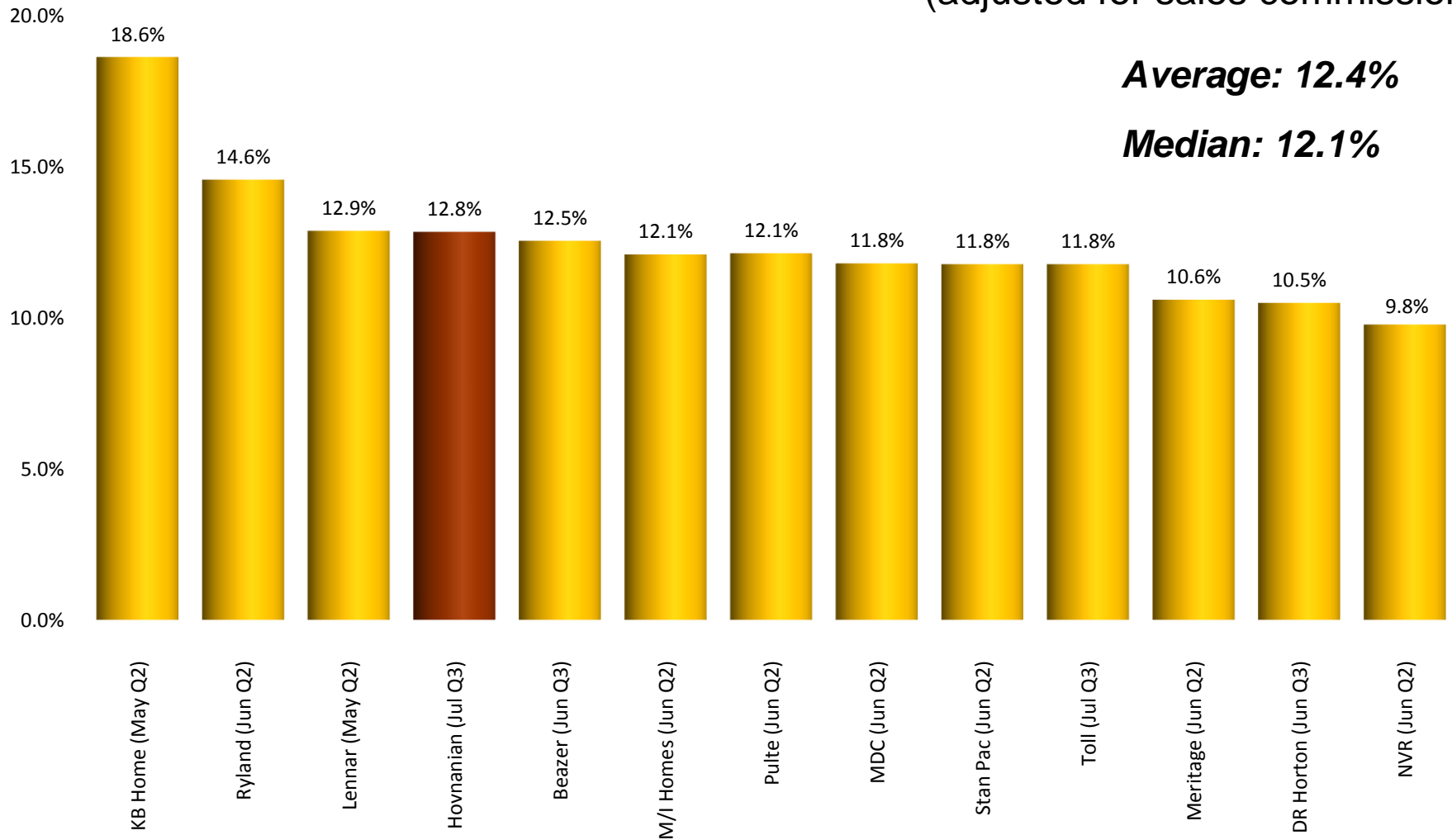
**Note:** Hovnanian sales commission 3.5% in most recent fiscal year. Reduced KB Home, Lennar, MDC, Meritage, M/I Homes and Standard Pacific publicly reported results by full 3.5% because all of their sales commissions are reported in SG&A. Reduced DR Horton, Toll and Ryland publicly reported results by 1.8% because only some of their sales commissions were reported in SG&A. Beazer reports commission separately and is reduced by 4.3%.

Note: Excluding interest and impairments.

Source: Company SEC filings and press releases as of 09/06/12.

# Adjusted Homebuilding SG&A as a % of Homebuilding Revenue, **Most Recent Quarter**

(adjusted for sales commissions)



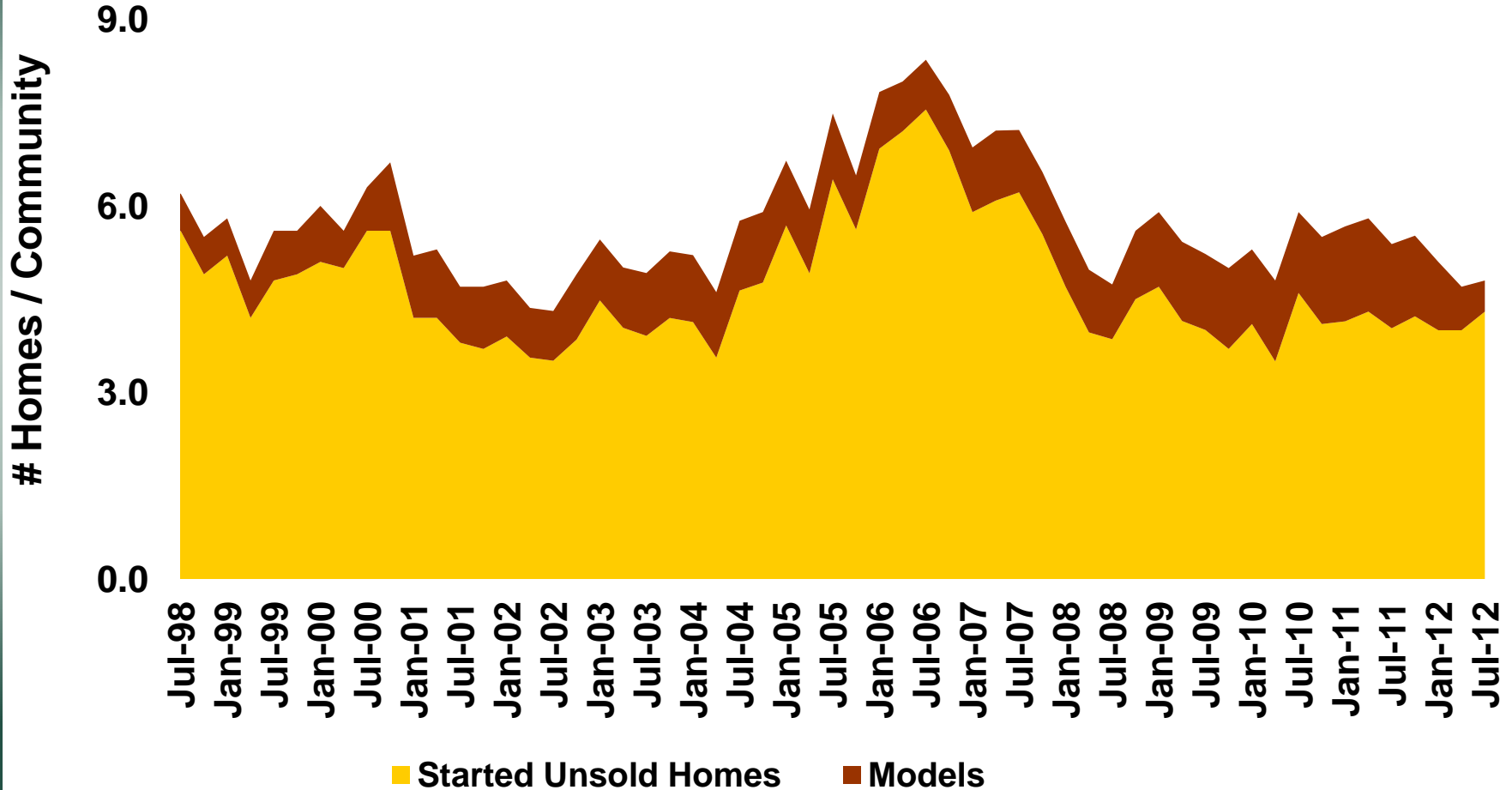
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Note: Excluding interest and impairments.

Source: Company SEC filings and press releases as of 09/06/12.

# Unsold Homes per Community

- ◆ 761 started unsold homes at 07/31/12, excluding models
- ◆ 4.8 average started unsold homes per community since 1997
- ◆ As of July 31 2012, 4.3 started unsold homes per community



Excluding unconsolidated joint ventures.

# Adjusted Hovnanian Stockholders' Equity

\$ in millions



07/31/2012



Adjusted 07/31/2012<sup>(1)</sup>

(1) Total Hovnanian Stockholders' Deficit of \$(404) million with \$909 million valuation allowance added back to Stockholders' Equity .

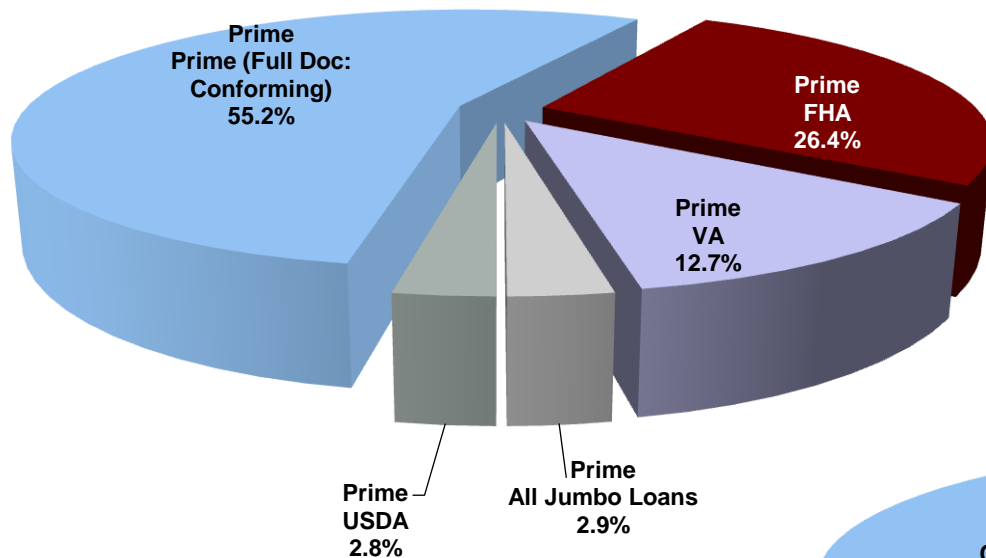
## Third Quarter 2012:

- Average LTV: 86%
- Average CLTV: 87%
- ARMs: 2.54%
- FICO Score: 744
- Capture Rate: 73%

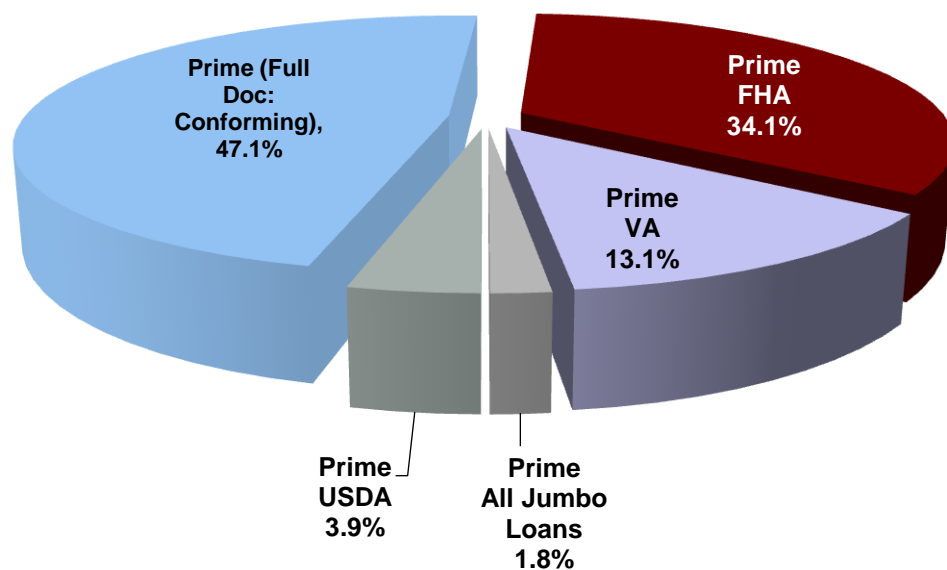
## Fiscal Year 2011:

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

## Third Quarter 2012



## Fiscal 2011



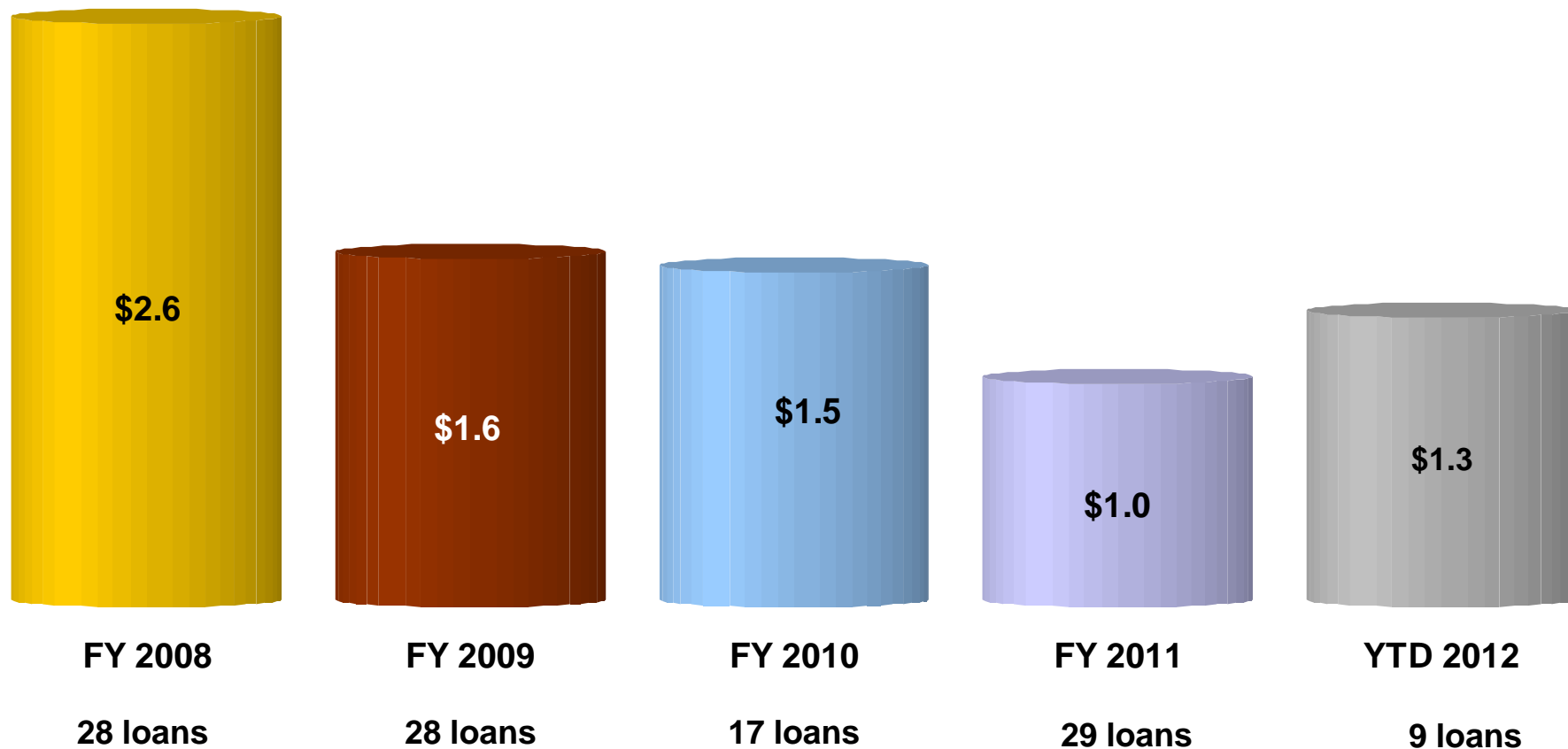
\*Loans originated by our wholly-owned mortgage banking subsidiary.

Note: During the Third Quarter of 2012 and all of Fiscal 2011, there were no Alt-A, Sub-prime, Broker or construction to permanent loans.

# Payments for Loan Repurchases and Make Whole Requests

As of July 31, 2012

\$ in millions



◆ As of July 31, 2012, reserve for loan repurchases and make whole requests was \$7.4 million.

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

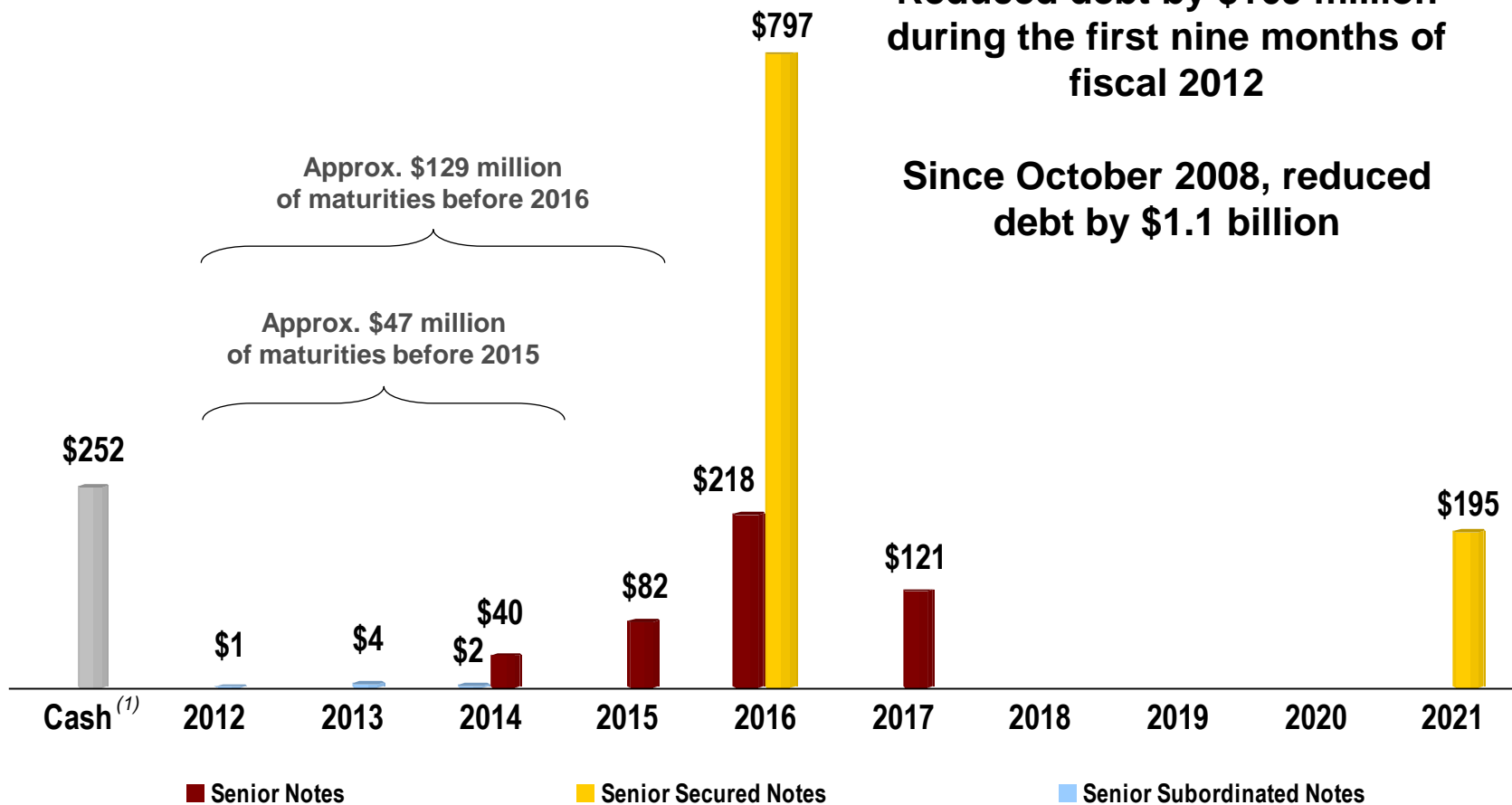


# Actively Managing Our Debt Maturity Profile

As of July 31, 2012 (\$ in millions)

**Reduced debt by \$169 million during the first nine months of fiscal 2012**

**Since October 2008, reduced debt by \$1.1 billion**

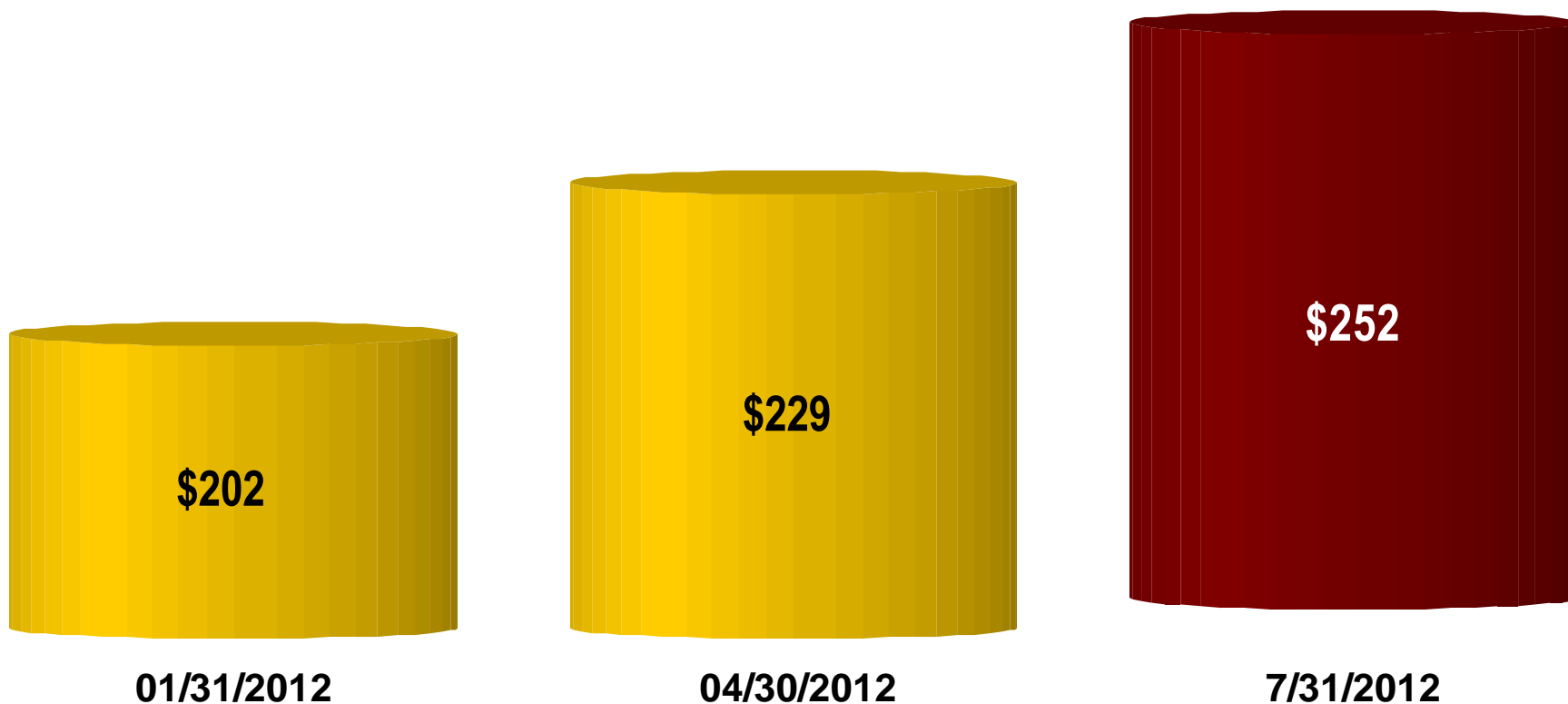


Note: shown on a calendar year basis.

<sup>(1)</sup>Includes \$32.8 million of restricted cash used to collateralize letters of credit.

# Sequential Increase in Homebuilding Cash<sup>(1)</sup>

\$ in millions



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

# Appendix

# Land Positions by Geographic Segment

July 31, 2012

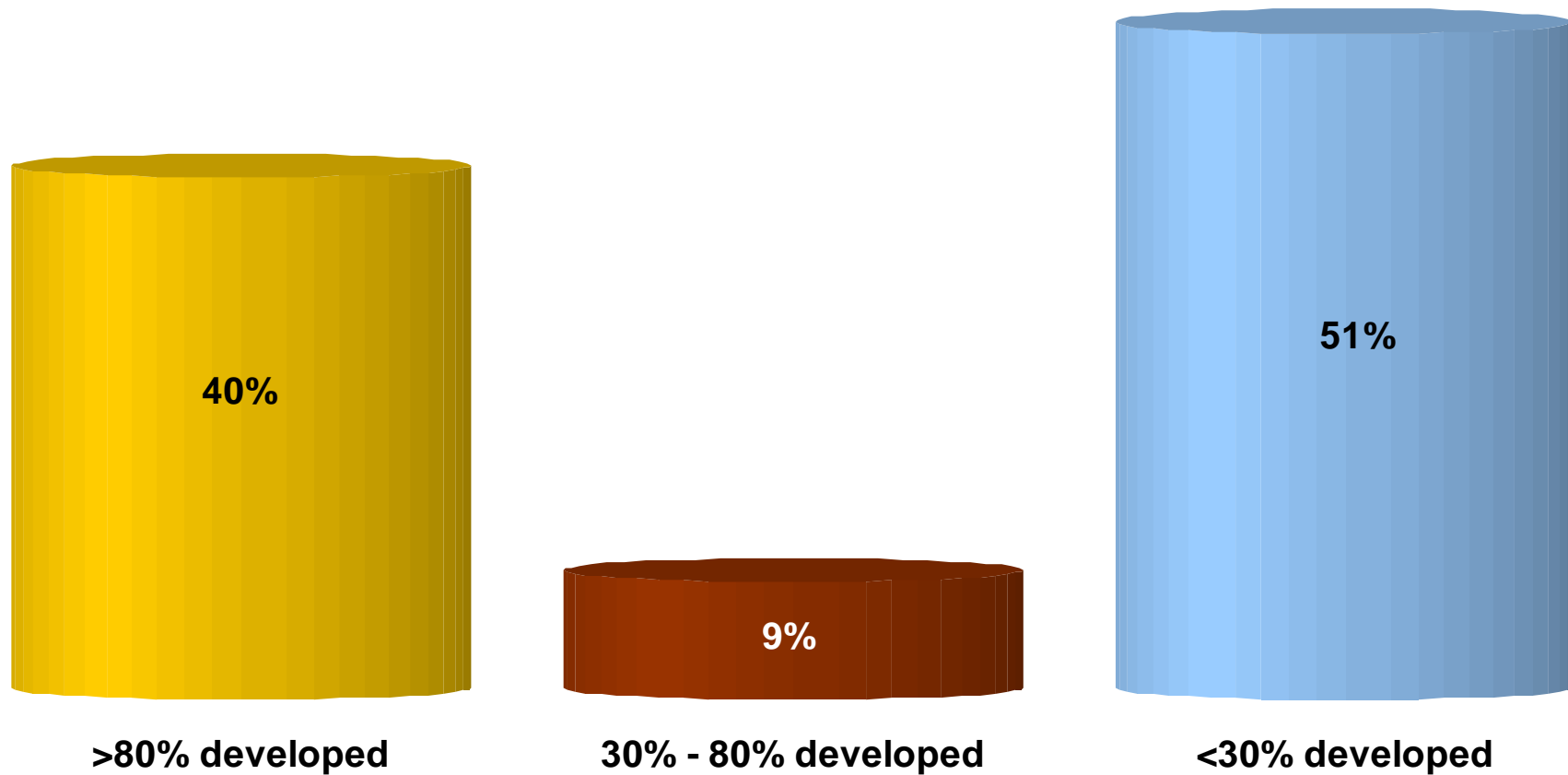
Years Supply

Owned

Segment	TTM Deliveries	Excluding Mothballed Lots	Mothballed Lots	Optioned	Total	Investment in Land (raw land, finished lots and lots under development)
						(\$ in millions)
Northeast	456	3.7	2.1	4.3	10.0	\$219
Mid-Atlantic	591	5.1	0.5	4.5	10.1	\$72
Midwest	420	2.8	0.2	1.7	4.7	\$21
Southeast	406	1.7	1.5	1.3	4.5	\$22
Southwest	1,865	1.1	0.0	2.1	3.2	\$66
West	501	2.1	9.7	1.8	13.6	\$69
<b>Total</b>	<b>4,239</b>	<b>2.3</b>	<b>1.6</b>	<b>2.5</b>	<b>6.4</b>	<b>\$469</b>

# Owned Lots % Development Costs Spent

As of July 31, 2012



*Excluding unconsolidated joint ventures.*

# Land Related Charges by Segment

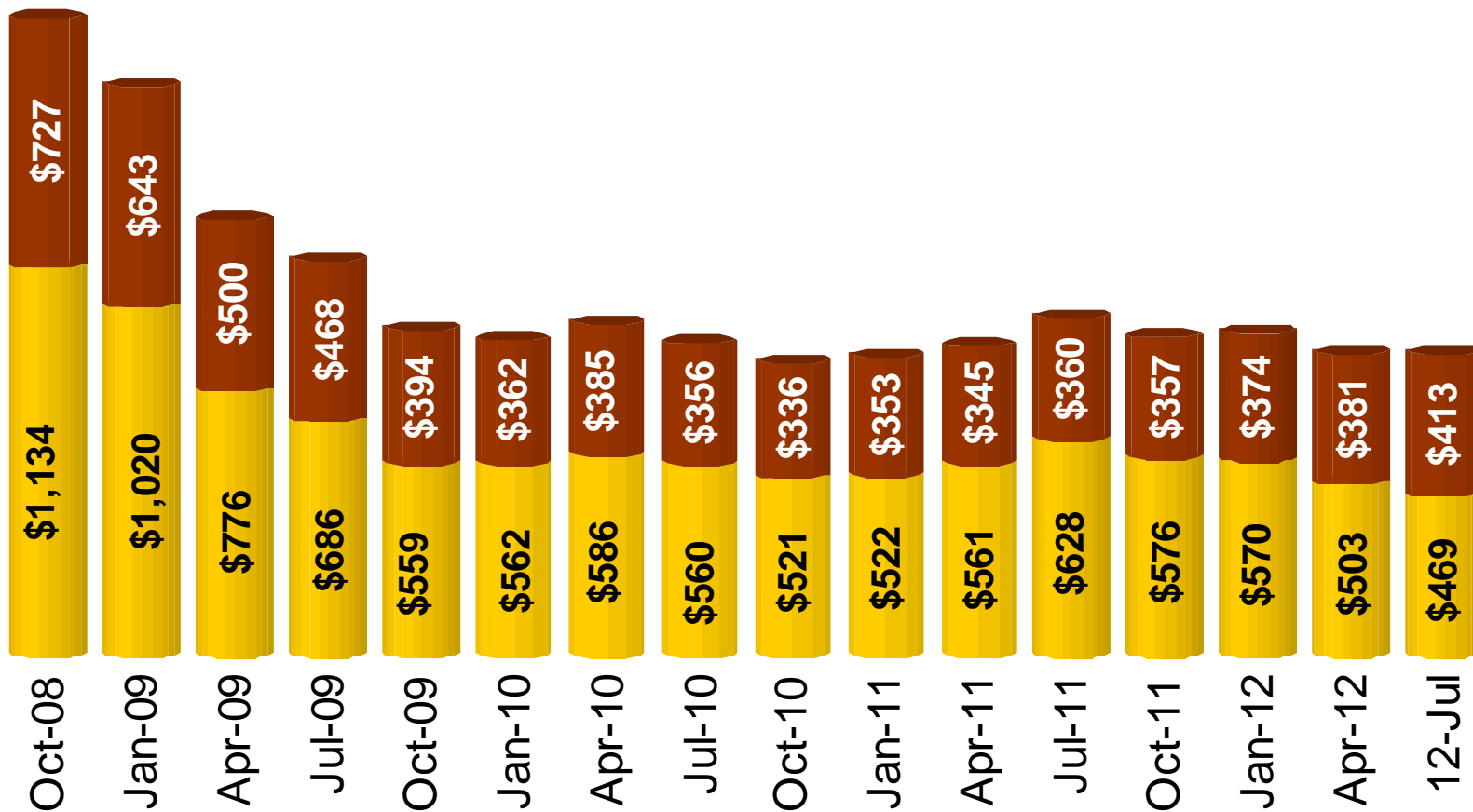
(\$ in millions)

**Third Quarter 2012**

	<u>Impairments</u>	<u>Walk-Aways</u>	<u>Total</u>
<b>Northeast (NJ, PA)</b>	<b>\$0.1</b>	<b>\$0.1</b>	<b>\$0.2</b>
<b>Mid-Atlantic (DE, MD, VA, WV)</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>Midwest (IL, MN, OH)</b>	<b>\$0.0</b>	<b>\$0.1</b>	<b>\$0.1</b>
<b>Southeast (FL, GA, NC, SC)</b>	<b>\$0.1</b>	<b>\$0.0</b>	<b>\$0.1</b>
<b>Southwest (AZ, TX)</b>	<b>\$0.0</b>	<b>\$0.3</b>	<b>\$0.3</b>
<b>West (CA)</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>Total</b>	<b>\$0.2</b>	<b>\$0.5</b>	<b>\$0.7</b>

\$ in Millions

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



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

