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**HOVNANIAN ENTERPRISES REPORTS FISCAL 2013 RESULTS**

RED BANK, NJ, December 12, 2013 – Hovnanian Enterprises, Inc. (NYSE: HOV), a leading national homebuilder, reported results for its fourth quarter and twelve months ended October 31, 2013.

**RESULTS FOR THE THREE AND TWELVE MONTH PERIODS ENDED OCTOBER 31, 2013:**

- Total revenues were \$591.7 million during the fiscal 2013 fourth quarter, an increase of 21.5% compared with \$487.0 million in last year's fourth quarter. For the full year, total revenues increased 24.2% to \$1.85 billion compared with \$1.49 billion in the prior year.
- Homebuilding gross margin percentage, before interest expense and land charges included in cost of sales, increased 430 basis points to 22.6% for the fiscal 2013 fourth quarter compared with 18.3% during the fourth quarter of 2012, and was up 230 basis points compared to the 20.3% reported for the third quarter of 2013. For the full year ended October 31, 2013, homebuilding gross margin percentage, before interest expense and land charges included in cost of sales, increased 230 basis points to 20.1% compared with 17.8% in all of fiscal 2012.
- Pre-tax income for the three months ended October 31, 2013 was \$35.9 million, excluding land-related charges and loss on extinguishment of debt, compared with \$8.1 million in the fourth quarter of the prior year. For all of 2013, pre-tax income, excluding land-related charges, expenses associated with the debt exchange offer and loss on extinguishment of debt, was \$27.7 million compared with a pre-tax loss of \$55.0 million in fiscal 2012.
- Net income was \$32.8 million, or \$0.21 per diluted common share, for the fourth quarter of fiscal 2013, compared with a net loss of \$84.4 million, or \$0.59 per common share, in the fourth quarter of the prior year. For the year ended October 31, 2013, net income was \$31.3 million, or \$0.22 per diluted common share, compared with a net loss of \$66.2 million, or \$0.52 per common share, for all of last year.
- Deliveries, including unconsolidated joint ventures, were 1,816 homes during the fourth quarter of 2013, up 3.8% compared with 1,750 homes in the same period of the prior year. For the twelve months ended October 31, 2013, deliveries, including unconsolidated joint ventures, were 5,930 homes compared with 5,356 homes during the twelve month period a year ago, an increase of 10.7%.
- The dollar value of net contracts, including unconsolidated joint ventures, during the fiscal 2013 fourth quarter decreased 4.5% to \$490.5 million compared with \$513.4 million in last year's fourth quarter. The number of net contracts decreased 8.9% to 1,315 homes in the fiscal 2013 fourth quarter from 1,443 homes in the prior year's fourth quarter. The dollar value of net contracts, including unconsolidated joint ventures, for all of fiscal 2013 increased 14.6% to \$2.20 billion compared with \$1.92 billion during all

of 2012. The number of net contracts increased 5.8% to 6,177 homes for the year ended October 31, 2013 from 5,838 homes in fiscal 2012.

- Contract backlog, as of October 31, 2013, including unconsolidated joint ventures, was \$848.4 million for 2,392 homes, which was an increase of 14.3% and 11.5%, respectively, compared to October 31, 2012.
- Total interest expense as a percentage of total revenues declined 150 basis points to 6.7% for the fourth quarter of fiscal 2013 compared with 8.2% in the fourth quarter of the prior year. For all of fiscal 2013, total interest expense as a percentage of total revenues declined 250 basis points to 7.8% compared with 10.3% in the prior year.
- Total SG&A was \$63.0 million, or 10.6% of total revenues, during the three months ended October 31, 2013 compared to \$48.7 million, or 10.0% of total revenues, in the fourth quarter of the prior year. The quarter included \$8.5 million of unusually high expenses due to a substantial increase in our construction defect reserves based on an annual actuarial study, as well as a reserve for a receivable from a prior year land sale. In fiscal 2013, total SG&A was \$220.2 million, or 11.9% of total revenues, compared with \$190.3 million or 12.8% of total revenues in the previous year.
- Adjusted EBITDA increased to \$77.4 million for the fourth quarter ended October 31, 2013 compared to \$50.2 million in last year's fourth quarter. During all of fiscal 2013, Adjusted EBITDA was \$179.6 million compared with \$107.4 million in the prior year.
- The contract cancellation rate, including unconsolidated joint ventures, for the three months ended October 31, 2013 was 23%, compared with 23% during the same quarter a year ago.
- The valuation allowance was \$927.1 million as of October 31, 2013. The valuation allowance is a non-cash reserve against the tax assets for GAAP purposes. For tax purposes, the tax deductions associated with the tax assets may be carried forward for 20 years from the date the deductions were incurred.

#### **LIQUIDITY AND INVENTORY AS OF OCTOBER 31, 2013:**

- During the fourth quarter of fiscal 2013, \$125.4 million was spent on land and land development. Homebuilding cash was \$324.3 million as of October 31, 2013, including \$5.2 million of restricted cash required to collateralize letters of credit, compared to \$226.7 million and \$289.0 million at the end of July 31, 2013 and October 31, 2012, respectively. In addition to the homebuilding cash, there was \$49.2 million of availability under the revolving credit facility as of October 31, 2013.
- As of October 31, 2013, the land position, including unconsolidated joint ventures, was 34,462 lots, consisting of 16,311 lots under option and 18,151 owned lots, an increase of 4,843 lots compared with a total of 29,619 lots as of October 31, 2012.
- We continued our successful partnership with GSO Capital Partners LP, the credit arm of The Blackstone Group, by announcing a \$150 million increase of our land banking arrangement, which brings the total since July 2012 to \$400 million.

## **COMMENTS FROM MANAGEMENT:**

“We are pleased to report a year of solid profitability, driven by revenue growth, gross margin improvement and operating efficiencies,” stated Ara K. Hovnanian, Chairman of the Board, President and Chief Executive Officer. “Although our sales slowed from July through September due to the adverse impacts of higher mortgage rates, the sequester and the government shutdown, we are happy to report that our sales improved back to prior year levels in October and exceeded last year’s levels in November. Entering 2014 with a higher backlog, gross margin and community count, gives us optimism that, excluding any expenses related to early retirement of debt, fiscal 2014 should result in greater levels of profitability and continued leveraging of our fixed costs. Further, we continue to believe that household formations, the primary driver of housing demand, will ultimately lead to increased demand for new homes and we continue to believe that our industry is still in the early stages of a housing recovery.”

## **WEBCAST INFORMATION:**

Hovnanian Enterprises will webcast its fiscal 2013 fourth quarter financial results conference call at 11:00 a.m. E.T. on Thursday, December 12, 2013. The webcast can be accessed live through the “Investor Relations” section of Hovnanian Enterprises’ Website at <http://www.khov.com>. For those who are not available to listen to the live webcast, an archive of the broadcast will be available under the “Audio Archives” section of the Investor Relations page on the Hovnanian Website at <http://www.khov.com>. The archive will be available for 12 months.

## **ABOUT HOVNANIAN ENTERPRISES<sup>®</sup>, INC.:**

Hovnanian Enterprises, Inc., founded in 1959 by Kevork S. Hovnanian, is headquartered in Red Bank, New Jersey. The Company is one of the nation’s largest homebuilders with operations in Arizona, California, Delaware, Florida, Georgia, Illinois, Maryland, Minnesota, New Jersey, North Carolina, Ohio, Pennsylvania, South Carolina, Texas, Virginia, Washington, D.C. and West Virginia. The Company’s homes are marketed and sold under the trade names K. Hovnanian<sup>®</sup> Homes<sup>®</sup>, Brighton Homes, Parkwood Builders, Town & Country Homes and Oster Homes. As the developer of K. Hovnanian’s<sup>®</sup> Four Seasons communities, the Company is also one of the nation’s largest builders of active adult homes.

Additional information on Hovnanian Enterprises, Inc., including a summary investment profile and the Company’s 2012 annual report, can be accessed through the “Investor Relations” section of the Hovnanian Enterprises’ website at <http://www.khov.com>. To be added to Hovnanian's investor e-mail or fax lists, please send an e-mail to [IR@khov.com](mailto:IR@khov.com) or sign up at <http://www.khov.com>.

## **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, expenses associated with debt exchange offer 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 income (loss). The reconciliation of EBIT, EBITDA and Adjusted EBITDA to net income (loss) is presented in a table attached to this earnings release.**

**Income (Loss) Before Income Taxes Excluding Land-Related Charges, Expenses Associated with the Debt Exchange Offer 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 of **Income (Loss) Before Income Taxes Excluding Land-Related Charges, Expenses Associated with the Debt Exchange Offer and Loss on Extinguishment of Debt** to **Income (Loss) Before Income Taxes** is presented in a table attached to this earnings release.

## **FORWARD-LOOKING STATEMENTS**

All statements in this press release 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, 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, 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.

(Financial Tables Follow)

**Hovnanian Enterprises, Inc.****October 31, 2013**

Statements of Consolidated Operations

(Dollars in Thousands, Except Per Share Data)

|   | Three Months Ended<br>October 31, |                   | Twelve Months Ended<br>October 31, |                   |
|---|-----------------------------------|-------------------|------------------------------------|-------------------|
|   | 2013                              | 2012              | 2013                               | 2012              |
|   | (Unaudited)                       |                   | (Unaudited)                        |                   |
| Total Revenues                            | \$591,687                         | \$487,045         | \$1,851,253                        | \$1,485,353       |
| Costs and Expenses (a)                    | 562,547                           | 487,296           | 1,840,598                          | 1,562,936         |
| Loss on Extinguishment of Debt            | (760)                             | (87,033)          | (760)                              | (29,066)          |
| Income from Unconsolidated Joint Ventures | 5,234                             | 3,077             | 12,040                             | 5,401             |
| Income (Loss) Before Income Taxes         | 33,614                            | (84,207)          | 21,935                             | (101,248)         |
| Income Tax Provision (Benefit)            | 795                               | 203               | (9,360)                            | (35,051)          |
| Net Income (Loss)                         | <u>\$32,819</u>                   | <u>\$(84,410)</u> | <u>\$31,295</u>                    | <u>\$(66,197)</u> |

## Per Share Data:

## Basic:

|   |         |          |         |          |
|---|---------|----------|---------|----------|
| Income (Loss) Per Common Share                              | \$0.22  | \$(0.59) | \$0.22  | \$(0.52) |
| Weighted Average Number of<br>Common Shares Outstanding (b) | 145,821 | 142,249  | 145,087 | 126,350  |
| Assuming Dilution:  |         |          |         |          |
| Income (Loss) Per Common Share                              | \$0.21  | \$(0.59) | \$0.22  | \$(0.52) |
| Weighted Average Number of<br>Common Shares Outstanding (b) | 162,100 | 142,249  | 162,329 | 126,350  |

(a) Includes inventory impairment loss and land option write-offs.

(b) For periods with a net loss, basic shares are used in accordance with GAAP rules.

**Hovnanian Enterprises, Inc.****October 31, 2013**

Reconciliation of Income (Loss) Before Income Taxes Excluding Land-Related

Charges, Expenses Associated with the Debt Exchange Offer and

Loss on Extinguishment of Debt to Income (Loss) Before Income Taxes

(Dollars in Thousands)

|   | Three Months Ended<br>October 31, |                | Twelve Months Ended<br>October 31, |                   |
|---|-----------------------------------|----------------|------------------------------------|-------------------|
|   | 2013                              | 2012           | 2013                               | 2012              |
|   | (Unaudited)                       |                | (Unaudited)                        |                   |
| Income (Loss) Before Income Taxes   | \$33,614                          | \$(84,207)     | \$21,935                           | \$(101,248)       |
| Inventory Impairment Loss and Land Option Write-Offs  | 1,486                             | 5,300          | 4,965                              | 12,530            |
| Expenses Associated with the Debt Exchange Offer  | -                                 | -              | -                                  | 4,694             |
| Loss on Extinguishment of Debt  | 760                               | 87,033         | 760                                | 29,066            |
| Income (Loss) Before Income Taxes Excluding<br>Land-Related Charges, Expenses Associated with the<br>Debt Exchange Offer and Loss on Extinguishment of Debt (a) | <u>\$35,860</u>                   | <u>\$8,126</u> | <u>\$27,660</u>                    | <u>\$(54,958)</u> |

(a) Income (Loss) Before Income Taxes Excluding Land-Related Charges, Expenses Associated with the Debt Exchange Offer 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, 2013**

Gross Margin

(Dollars in Thousands)

|   | Homebuilding Gross Margin<br>Three Months Ended<br>October 31, |                 | Homebuilding Gross Margin<br>Twelve Months Ended<br>October 31, |                  |
|---|--|-----------------|---|------------------|
|   | 2013   | 2012            | 2013  | 2012             |
|   | (Unaudited)  |                 | (Unaudited)   |                  |
| Sale of Homes                                 | \$578,094  | \$469,275       | \$1,784,327   | \$1,405,580      |
| Cost of Sales, Excluding Interest (a)         | 447,723  | 383,275         | 1,426,032   | 1,155,643        |
| Homebuilding Gross Margin, Excluding Interest | 130,371  | 86,000          | 358,295   | 249,937          |
| Homebuilding Cost of Sales Interest           | 16,850   | 14,014          | 51,939  | 48,843           |
| Homebuilding Gross Margin, Including Interest | <u>\$113,521</u>   | <u>\$71,986</u> | <u>\$306,356</u>  | <u>\$201,094</u> |
| Gross Margin Percentage, Excluding Interest   | 22.6%  | 18.3%           | 20.1%   | 17.8%            |
| Gross Margin Percentage, Including Interest   | 19.6%  | 15.3%           | 17.2%   | 14.3%            |
|   | Land Sales Gross Margin<br>Three Months Ended<br>October 31,   |                 | Land Sales Gross Margin<br>Twelve Months Ended<br>October 31,   |                  |
|   | 2013   | 2012            | 2013  | 2012             |
|   | (Unaudited)  |                 | (Unaudited)   |                  |
| Land Sales                                    | \$2,493  | \$3,051         | \$17,711  | \$31,788         |
| Cost of Sales, Excluding Interest (a)         | 1,959  | 2,358           | 16,012  | 24,158           |
| Land Sales Gross Margin, Excluding Interest   | 534  | 693             | 1,699   | 7,630            |
| Land Sales Interest                           | 69   | 433             | 291   | 5,695            |
| Land Sales Gross Margin, Including Interest   | <u>\$465</u>   | <u>\$260</u>    | <u>\$1,408</u>  | <u>\$1,935</u>   |

(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.

**Hovnanian Enterprises, Inc.****October 31, 2013**

Reconciliation of Adjusted EBITDA to Net Income (Loss)

(Dollars in Thousands)

|  | Three Months Ended<br>October 31, |                 | Twelve Months Ended<br>October 31, |                  |
|--|-----------------------------------|-----------------|------------------------------------|------------------|
|  | 2013                              | 2012            | 2013                               | 2012             |
|  | (Unaudited)                       |                 | (Unaudited)                        |                  |
| Net Income (Loss)                                    | \$32,819                          | \$(84,410)      | \$31,295                           | \$(66,197)       |
| Income Tax Provision (Benefit)                       | 795                               | 203             | (9,360)                            | (35,051)         |
| Interest Expense                                     | 39,682                            | 39,701          | 143,574                            | 152,433          |
| EBIT (a)   | 73,296                            | (44,506)        | 165,509                            | 51,185           |
| Depreciation   | 930                               | 1,513           | 4,712                              | 6,223            |
| Amortization of Debt Costs                           | 940                               | 905             | 3,659                              | 3,713            |
| EBITDA (b)   | 75,166                            | (42,088)        | 173,880                            | 61,121           |
| Inventory Impairment Loss and Land Option Write-offs | 1,486                             | 5,300           | 4,965                              | 12,530           |
| Expenses Associated with Debt Exchange Offer         | -                                 | -               | -                                  | 4,694            |
| Loss on Extinguishment of Debt                       | 760                               | 87,033          | 760                                | 29,066           |
| Adjusted EBITDA (c)                                  | <u>\$77,412</u>                   | <u>\$50,245</u> | <u>\$179,605</u>                   | <u>\$107,411</u> |
| Interest Incurred                                    | \$34,798                          | \$36,733        | \$132,611                          | \$147,048        |
| Adjusted EBITDA to Interest Incurred                 | 2.22                              | 1.37            | 1.35                               | 0.73             |

(a) EBIT is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income (loss). EBIT represents earnings before interest expense and income taxes.

(b) EBITDA is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income (loss). EBITDA represents earnings before interest expense, income taxes, depreciation and amortization.

(c) Adjusted EBITDA is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income (loss). Adjusted EBITDA represents earnings before interest expense, income taxes, depreciation, amortization, inventory impairment loss and land option write-offs, expenses associated with debt exchange offer and loss on extinguishment of debt.

**Hovnanian Enterprises, Inc.****October 31, 2013**

Interest Incurred, Expensed and Capitalized

(Dollars in Thousands)

|   | Three Months Ended<br>October 31, |                  | Twelve Months Ended<br>October 31, |                  |
|---|-----------------------------------|------------------|------------------------------------|------------------|
|   | 2013                              | 2012             | 2013                               | 2012             |
|   | (Unaudited)                       |                  | (Unaudited)                        |                  |
| Interest Capitalized at Beginning of Period | \$109,977                         | \$119,024        | \$116,056                          | \$121,441        |
| Plus Interest Incurred                      | 34,798                            | 36,733           | 132,611                            | 147,048          |
| Less Interest Expensed                      | 39,682                            | 39,701           | 143,574                            | 152,433          |
| Interest Capitalized at End of Period (a)   | <u>\$105,093</u>                  | <u>\$116,056</u> | <u>\$105,093</u>                   | <u>\$116,056</u> |

(a) Capitalized interest amounts are shown gross before allocating any portion of inventory impairments to capitalized interest.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In Thousands)

|  | October 31,<br>2013<br>(Unaudited) | October 31,<br>2012<br>(1) |
|--|------------------------------------|----------------------------|
| <b>ASSETS</b>  |                                    |                            |
| Homebuilding:  |                                    |                            |
| Cash   | \$319,142                          | \$258,323                  |
| Restricted cash and cash equivalents                         | 10,286                             | 41,732                     |
| Inventories:   |                                    |                            |
| Sold and unsold homes and lots under development             | 752,749                            | 671,851                    |
| Land and land options held for future development or sale    | 225,152                            | 218,996                    |
| Consolidated inventory not owned:                            |                                    |                            |
| Specific performance options                                 | 792                                | -                          |
| Other options  | 100,071                            | 90,619                     |
| Total consolidated inventory not owned                       | 100,863                            | 90,619                     |
| Total inventories  | 1,078,764                          | 981,466                    |
| Investments in and advances to unconsolidated joint ventures | 51,438                             | 61,083                     |
| Receivables, deposits, and notes – net                       | 45,085                             | 61,794                     |
| Property, plant, and equipment – net                         | 46,211                             | 48,524                     |
| Prepaid expenses and other assets                            | 59,351                             | 66,694                     |
| Total homebuilding   | 1,610,277                          | 1,519,616                  |
| Financial services:  |                                    |                            |
| Cash   | 10,062                             | 14,909                     |
| Restricted cash and cash equivalents                         | 21,557                             | 22,470                     |
| Mortgage loans held for sale at fair value                   | 112,953                            | 117,024                    |
| Other assets   | 4,281                              | 10,231                     |
| Total financial services                                     | 148,853                            | 164,634                    |
| Total assets   | \$1,759,130                        | \$1,684,250                |

(1) Derived from the audited balance sheet as of October 31, 2012.



HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In Thousands Except Share Amounts)

|   | October 31,<br>2013 | October 31,<br>2012 |
|---|---------------------|---------------------|
|   | (Unaudited)         | (1)                 |
| <b>LIABILITIES AND EQUITY</b>   |                     |                     |
| <b>Homebuilding:</b>  |                     |                     |
| Nonrecourse mortgages   | \$62,903            | \$38,302            |
| Accounts payable and other liabilities  | 307,764             | 296,510             |
| Customers' deposits   | 30,119              | 23,846              |
| Nonrecourse mortgages secured by operating properties   | 17,733              | 18,775              |
| Liabilities from inventory not owned  | 87,866              | 77,791              |
| Total homebuilding  | 506,385             | 455,224             |
| <b>Financial services:</b>  |                     |                     |
| Accounts payable and other liabilities  | 32,874              | 37,609              |
| Mortgage warehouse lines of credit  | 91,663              | 107,485             |
| Total financial services  | 124,537             | 145,094             |
| <b>Notes payable:</b>   |                     |                     |
| Senior secured notes  | 978,611             | 977,369             |
| Senior notes  | 461,210             | 458,736             |
| Senior amortizing notes   | 20,857              | 23,149              |
| Senior exchangeable notes   | 66,615              | 76,851              |
| TEU senior subordinated amortizing notes  | 2,152               | 6,091               |
| Accrued interest  | 28,261              | 20,199              |
| Total notes payable   | 1,557,706           | 1,562,395           |
| Income taxes payable  | 3,301               | 6,882               |
| Total liabilities   | 2,191,929           | 2,169,595           |
| <b>Equity:</b>  |                     |                     |
| <b>Hovnanian Enterprises, Inc. stockholders' equity deficit:</b>  |                     |                     |
| Preferred stock, \$.01 par value - authorized 100,000 shares; issued and outstanding 5,600 shares with a liquidation preference of \$140,000 at October 31, 2013 and at October 31, 2012  | 135,299             | 135,299             |
| Common stock, Class A, \$.01 par value – authorized 400,000,000 shares; issued 136,306,223 shares at October 31, 2013 and 130,055,304 shares at October 31, 2012 (including 11,760,763 shares at October 31, 2013 and October 31, 2012 held in Treasury)                                    | 1,363               | 1,300               |
| Common stock, Class B, \$.01 par value (convertible to Class A at time of sale) – authorized 60,000,000 shares; issued 15,347,615 shares at October 31, 2013 and 15,350,101 shares at October 31, 2012 (including 691,748 shares at October 31, 2013 and October 31, 2012 held in Treasury) | 153                 | 154                 |
| Paid in capital - common stock  | 689,727             | 668,735             |
| Accumulated deficit   | (1,144,408)         | (1,175,703)         |
| Treasury stock - at cost  | (115,360)           | (115,360)           |
| Total Hovnanian Enterprises, Inc. stockholders' equity deficit  | (433,226)           | (485,575)           |
| Noncontrolling interest in consolidated joint ventures  | 427                 | 230                 |
| Total equity deficit  | (432,799)           | (485,345)           |
| Total liabilities and equity  | \$1,759,130         | \$1,684,250         |

(1) Derived from the audited balance sheet as of October 31, 2012.

HOVNIANIAN ENTERPRISES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(In Thousands Except Per Share Data)  
(Unaudited)

|  | Three Months Ended October 31,<br>2013 | 2012              | Twelve Months Ended October 31,<br>2013 | 2012              |
|--|--|-------------------|---|-------------------|
| <b>Revenues:</b>   |  |                   |   |                   |
| <b>Homebuilding:</b>                                     |  |                   |   |                   |
| Sale of homes  | \$578,094                              | \$469,275         | \$1,784,327                             | \$1,405,580       |
| Land sales and other revenues                            | 1,085                                  | 5,025             | 19,199                                  | 41,038            |
| <b>Total homebuilding</b>                                | <b>579,179</b>                         | <b>474,300</b>    | <b>1,803,526</b>                        | <b>1,446,618</b>  |
| Financial services                                       | 12,508                                 | 12,745            | 47,727                                  | 38,735            |
| <b>Total revenues</b>                                    | <b>591,687</b>                         | <b>487,045</b>    | <b>1,851,253</b>                        | <b>1,485,353</b>  |
| <b>Expenses:</b>   |  |                   |   |                   |
| <b>Homebuilding:</b>                                     |  |                   |   |                   |
| Cost of sales, excluding interest                        | 449,682                                | 385,633           | 1,442,044                               | 1,179,801         |
| Cost of sales interest                                   | 16,919                                 | 14,447            | 52,230                                  | 54,538            |
| Inventory impairment loss and land option write-offs     | 1,486                                  | 5,300             | 4,965                                   | 12,530            |
| <b>Total cost of sales</b>                               | <b>468,087</b>                         | <b>405,380</b>    | <b>1,499,239</b>                        | <b>1,246,869</b>  |
| Selling, general and administrative                      | 48,905                                 | 37,477            | 165,809                                 | 142,087           |
| <b>Total homebuilding expenses</b>                       | <b>516,992</b>                         | <b>442,857</b>    | <b>1,665,048</b>                        | <b>1,388,956</b>  |
| Financial services                                       | 7,854                                  | 6,998             | 29,059                                  | 23,648            |
| Corporate general and administrative                     | 14,073                                 | 11,271            | 54,357                                  | 48,232            |
| Other interest   | 22,763                                 | 25,254            | 91,344                                  | 97,895            |
| Other operations   | 865                                    | 916               | 790                                     | 4,205             |
| <b>Total expenses</b>                                    | <b>562,547</b>                         | <b>487,296</b>    | <b>1,840,598</b>                        | <b>1,562,936</b>  |
| Loss on extinguishment of debt                           | (760)                                  | (87,033)          | (760)                                   | (29,066)          |
| Income from unconsolidated joint ventures                | 5,234                                  | 3,077             | 12,040                                  | 5,401             |
| <b>Income (loss) before income taxes</b>                 | <b>33,614</b>                          | <b>(84,207)</b>   | <b>21,935</b>                           | <b>(101,248)</b>  |
| <b>State and federal income tax provision (benefit):</b> |  |                   |   |                   |
| State  | 795                                    | 133               | 518                                     | (35,328)          |
| Federal  | -                                      | 70                | (9,878)                                 | 277               |
| <b>Total income taxes</b>                                | <b>795</b>                             | <b>203</b>        | <b>(9,360)</b>                          | <b>(35,051)</b>   |
| <b>Net income (loss)</b>                                 | <b>\$32,819</b>                        | <b>\$(84,410)</b> | <b>\$31,295</b>                         | <b>\$(66,197)</b> |
| <b>Per share data:</b>                                   |  |                   |   |                   |
| <b>Basic:</b>  |  |                   |   |                   |
| Income (loss) per common share                           | \$0.22                                 | \$(0.59)          | \$0.22                                  | \$(0.52)          |
| Weighted-average number of common shares outstanding     | 145,821                                | 142,249           | 145,087                                 | 126,350           |
| <b>Assuming dilution:</b>                                |  |                   |   |                   |
| Income (loss) per common share                           | \$0.21                                 | \$(0.59)          | \$0.22                                  | \$(0.52)          |
| Weighted-average number of common shares outstanding     | 162,100                                | 142,249           | 162,329                                 | 126,350           |

**HOVNANIAN ENTERPRISES, INC.**  
**(DOLLARS IN THOUSANDS EXCEPT AVG. PRICE)**  
**(UNAUDITED)**

**Communities Under Development**  
**Three Months - October 31, 2013**

|  | Net Contracts <sup>(1)</sup><br>Three Months Ended<br>Oct 31, |           |           | Deliveries<br>Three Months Ended<br>Oct 31, |           |           | Contract<br>Backlog<br>Oct 31, |           |           |         |
|--|---|-----------|-----------|---|-----------|-----------|--------------------------------|-----------|-----------|---------|
|  | 2013  | 2012      | % Change  | 2013  | 2012      | % Change  | 2013                           | 2012      | % Change  |         |
| <b>Northeast</b><br>(includes unconsolidated joint ventures)<br><b>(NJ, PA)</b>            | Home  | 162       | 174       | (6.9)%                                      | 255       | 202       | 26.2%                          | 233       | 294       | (20.7)% |
|  | Dollars   | \$79,862  | \$94,408  | (15.4)%                                     | \$129,439 | \$100,906 | 28.3%                          | \$111,248 | \$140,954 | (21.1)% |
|  | Avg. Price  | \$492,973 | \$542,575 | (9.1)%                                      | \$507,604 | \$499,535 | 1.6%                           | \$477,459 | \$479,435 | (0.4)%  |
| <b>Mid-Atlantic</b><br>(includes unconsolidated joint ventures)<br><b>(DE, MD, VA, WV)</b> | Home  | 184       | 203       | (9.4)%                                      | 262       | 275       | (4.7)%                         | 341       | 366       | (6.8)%  |
|  | Dollars   | \$90,895  | \$88,474  | 2.7%  | \$124,712 | \$115,262 | 8.2%                           | \$175,390 | \$163,198 | 7.5%    |
|  | Avg. Price  | \$493,994 | \$435,833 | 13.3%                                       | \$476,000 | \$419,135 | 13.6%                          | \$514,341 | \$445,896 | 15.3%   |
| <b>Midwest</b><br>(includes unconsolidated joint ventures)<br><b>(IL, MN, OH)</b>          | Home  | 219       | 176       | 24.4%                                       | 256       | 215       | 19.1%                          | 654       | 499       | 31.1%   |
|  | Dollars   | \$64,080  | \$48,795  | 31.3%                                       | \$68,367  | \$52,299  | 30.7%                          | \$163,933 | \$115,918 | 41.4%   |
|  | Avg. Price  | \$292,603 | \$277,244 | 5.5%  | \$267,057 | \$243,251 | 9.8%                           | \$250,663 | \$232,301 | 7.9%    |
| <b>Southeast</b><br>(includes unconsolidated joint ventures)<br><b>(FL, GA, NC, SC)</b>    | Home  | 155       | 197       | (21.3)%                                     | 198       | 224       | (11.6)%                        | 393       | 283       | 38.9%   |
|  | Dollars   | \$52,301  | \$54,466  | (4.0)%                                      | \$58,948  | \$55,639  | 5.9%                           | \$125,734 | \$79,340  | 58.5%   |
|  | Avg. Price  | \$337,426 | \$276,477 | 22.0%                                       | \$297,718 | \$248,388 | 19.9%                          | \$319,934 | \$280,353 | 14.1%   |
| <b>Southwest</b><br>(includes unconsolidated joint ventures)<br><b>(AZ, TX)</b>            | Home  | 501       | 511       | (2.0)%                                      | 706       | 640       | 10.3%                          | 677       | 506       | 33.8%   |
|  | Dollars   | \$149,593 | \$153,700 | (2.7)%                                      | \$220,947 | \$170,913 | 29.3%                          | \$216,367 | \$160,840 | 34.5%   |
|  | Avg. Price  | \$298,589 | \$300,783 | (0.7)%                                      | \$312,956 | \$267,052 | 17.2%                          | \$319,597 | \$317,866 | 0.5%    |
| <b>West</b><br>(includes unconsolidated joint ventures)<br><b>(CA)</b>                     | Home  | 94        | 182       | (48.4)%                                     | 139       | 194       | (28.4)%                        | 94        | 197       | (52.3)% |
|  | Dollars   | \$53,749  | \$73,566  | (26.9)%                                     | \$72,050  | \$76,143  | (5.4)%                         | \$55,703  | \$81,973  | (32.0)% |
|  | Avg. Price  | \$571,800 | \$404,209 | 41.5%                                       | \$518,343 | \$392,490 | 32.1%                          | \$592,590 | \$416,107 | 42.4%   |
| <b>Grand Total</b>   | Home  | 1,315     | 1,443     | (8.9)%                                      | 1,816     | 1,750     | 3.8%                           | 2,392     | 2,145     | 11.5%   |
|  | Dollars   | \$490,480 | \$513,409 | (4.5)%                                      | \$674,463 | \$571,162 | 18.1%                          | \$848,375 | \$742,223 | 14.3%   |
|  | Avg. Price  | \$372,989 | \$355,793 | 4.8%  | \$371,401 | \$326,378 | 13.8%                          | \$354,672 | \$346,025 | 2.5%    |
| <b>Consolidated Total</b>  | Home  | 1,206     | 1,289     | (6.4)%                                      | 1,608     | 1,532     | 5.0%                           | 2,167     | 1,889     | 14.7%   |
|  | Dollars   | \$443,345 | \$440,865 | 0.6%  | \$578,094 | \$469,275 | 23.2%                          | \$762,439 | \$632,318 | 20.6%   |
|  | Avg. Price  | \$367,616 | \$342,021 | 7.5%  | \$359,511 | \$306,315 | 17.4%                          | \$351,841 | \$334,737 | 5.1%    |
| <b>Unconsolidated Joint Ventures</b>   | Home  | 109       | 154       | (29.2)%                                     | 208       | 218       | (4.6)%                         | 225       | 256       | (12.1)% |
|  | Dollars   | \$47,135  | \$72,544  | (35.0)%                                     | \$96,369  | \$101,887 | (5.4)%                         | \$85,936  | \$109,905 | (21.8)% |
|  | Avg. Price  | \$432,431 | \$471,065 | (8.2)%                                      | \$463,323 | \$467,372 | (0.9)%                         | \$381,938 | \$429,316 | (11.0)% |

**DELIVERIES INCLUDE EXTRAS**

Notes:

(1) Net contracts are defined as new contracts signed during the period for the purchase of homes, less cancellations of prior contracts.

**HOVNANIAN ENTERPRISES, INC.**  
**(DOLLARS IN THOUSANDS EXCEPT AVG. PRICE)**  
**(UNAUDITED)**

**Communities Under Development**  
**Twelve Months - October 31, 2013**

|  | Net Contracts <sup>(1)</sup><br>Twelve Months Ended<br>Oct 31, |             |             | Deliveries<br>Twelve Months Ended<br>Oct 31, |             |             | Contract<br>Backlog<br>Oct 31, |           |           |         |
|--|--|-------------|-------------|--|-------------|-------------|--------------------------------|-----------|-----------|---------|
|  | 2013   | 2012        | % Change    | 2013   | 2012        | % Change    | 2013                           | 2012      | % Change  |         |
| <b>Northeast</b><br>(includes unconsolidated joint ventures)<br><b>(NJ, PA)</b>            | Home   | 659         | 646         | 2.0%   | 720         | 718         | 0.3%                           | 233       | 294       | (20.7)% |
|  | Dollars  | \$334,072   | \$333,788   | 0.1%   | \$363,777   | \$356,611   | 2.0%                           | \$111,248 | \$140,954 | (21.1)% |
|  | Avg. Price   | \$506,938   | \$516,700   | (1.9)%                                       | \$505,246   | \$496,673   | 1.7%                           | \$477,459 | \$479,435 | (0.4)%  |
| <b>Mid-Atlantic</b><br>(includes unconsolidated joint ventures)<br><b>(DE, MD, VA, WV)</b> | Home   | 883         | 828         | 6.6%   | 908         | 832         | 9.1%                           | 341       | 366       | (6.8)%  |
|  | Dollars  | \$425,970   | \$352,048   | 21.0%  | \$413,780   | \$342,802   | 20.7%                          | \$175,390 | \$163,198 | 7.5%    |
|  | Avg. Price   | \$482,412   | \$425,179   | 13.5%  | \$455,705   | \$412,022   | 10.6%                          | \$514,341 | \$445,896 | 15.3%   |
| <b>Midwest</b><br>(includes unconsolidated joint ventures)<br><b>(IL, MN, OH)</b>          | Home   | 949         | 814         | 16.6%  | 794         | 615         | 29.1%                          | 654       | 499       | 31.1%   |
|  | Dollars  | \$250,416   | \$197,040   | 27.1%  | \$202,400   | \$144,439   | 40.1%                          | \$163,933 | \$115,918 | 41.4%   |
|  | Avg. Price   | \$263,873   | \$242,064   | 9.0%   | \$254,912   | \$234,860   | 8.5%                           | \$250,663 | \$232,301 | 7.9%    |
| <b>Southeast</b><br>(includes unconsolidated joint ventures)<br><b>(FL, GA, NC, SC)</b>    | Home   | 745         | 681         | 9.4%   | 635         | 566         | 12.2%                          | 393       | 283       | 38.9%   |
|  | Dollars  | \$227,373   | \$176,735   | 28.7%  | \$180,979   | \$140,965   | 28.4%                          | \$125,734 | \$79,340  | 58.5%   |
|  | Avg. Price   | \$305,198   | \$259,523   | 17.6%  | \$285,007   | \$249,055   | 14.4%                          | \$319,934 | \$280,353 | 14.1%   |
| <b>Southwest</b><br>(includes unconsolidated joint ventures)<br><b>(AZ, TX)</b>            | Home   | 2,502       | 2,178       | 14.9%  | 2,331       | 2,003       | 16.4%                          | 677       | 506       | 33.8%   |
|  | Dollars  | \$739,784   | \$590,208   | 25.3%  | \$684,258   | \$515,757   | 32.7%                          | \$216,367 | \$160,840 | 34.5%   |
|  | Avg. Price   | \$295,677   | \$270,986   | 9.1%   | \$293,547   | \$257,492   | 14.0%                          | \$319,597 | \$317,866 | 0.5%    |
| <b>West</b><br>(includes unconsolidated joint ventures)<br><b>(CA)</b>                     | Home   | 439         | 691         | (36.5)%                                      | 542         | 622         | (12.9)%                        | 94        | 197       | (52.3)% |
|  | Dollars  | \$219,038   | \$266,288   | (17.7)%                                      | \$245,307   | \$225,663   | 8.7%                           | \$55,703  | \$81,973  | (32.0)% |
|  | Avg. Price   | \$498,948   | \$385,366   | 29.5%  | \$452,596   | \$362,802   | 24.8%                          | \$592,590 | \$416,107 | 42.4%   |
| <b>Grand Total</b>   | Home   | 6,177       | 5,838       | 5.8%   | 5,930       | 5,356       | 10.7%                          | 2,392     | 2,145     | 11.5%   |
|  | Dollars  | \$2,196,653 | \$1,916,107 | 14.6%  | \$2,090,501 | \$1,726,237 | 21.1%                          | \$848,375 | \$742,223 | 14.3%   |
|  | Avg. Price   | \$355,618   | \$328,213   | 8.3%   | \$352,530   | \$322,300   | 9.4%                           | \$354,672 | \$346,025 | 2.5%    |
| <b>Consolidated Total</b>  | Home   | 5,544       | 5,137       | 7.9%   | 5,266       | 4,676       | 12.6%                          | 2,167     | 1,889     | 14.7%   |
|  | Dollars  | \$1,914,448 | \$1,597,698 | 19.8%  | \$1,784,327 | \$1,405,580 | 26.9%                          | \$762,439 | \$632,318 | 20.6%   |
|  | Avg. Price   | \$345,319   | \$311,018   | 11.0%  | \$338,839   | \$300,595   | 12.7%                          | \$351,841 | \$334,737 | 5.1%    |
| <b>Unconsolidated Joint Ventures</b>   | Home   | 633         | 701         | (9.7)%                                       | 664         | 680         | (2.4)%                         | 225       | 256       | (12.1)% |
|  | Dollars  | \$282,205   | \$318,409   | (11.4)%                                      | \$306,174   | \$320,657   | (4.5)%                         | \$85,936  | \$109,905 | (21.8)% |
|  | Avg. Price   | \$445,822   | \$454,221   | (1.8)%                                       | \$461,105   | \$471,554   | (2.2)%                         | \$381,938 | \$429,316 | (11.0)% |

**DELIVERIES INCLUDE EXTRAS**

Notes:

(1) Net contracts are defined as new contracts signed during the period for the purchase of homes, less cancellations of prior contracts.