Our Evolution Capacity has Built us Stronger

ANNUAL REPORT 2010

HOMEX

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OUR VISION

Building Successful Communities

OUR MISSION

To improve the quality of life of our community through superior quality real estate developments.

OUR VALUES AND PRINCIPLES

Our Ethics and Values help Homex to choose the right decisions for the common wealth. As well it allows us to build a healthy relation and team work to succeed in our objectives and commitments. As such, at Homex our daily work is dictated by the following values:

Commitment

Is what we promise to do. We honour our word. What we say that we will do, we do.

Responsibility

Is being the source and origin of things, or the reason or motive for which things happen. An attribute of serious and trustworthy persons.

Clear, Honest and Open Communication

Transparent untainted, precise and straightforward, spontaneous and frank, incapable of deceit.

Innovation and Vanguard

The capacity to constantly bring new ideas into every stage of our work, allowing us to stand ahead of our competition as we blaze new trails and implement new trends for our company.

Integrity

Is being true to our word. Being consistent in what we think, what we say and what we do--in a word, being reliable.

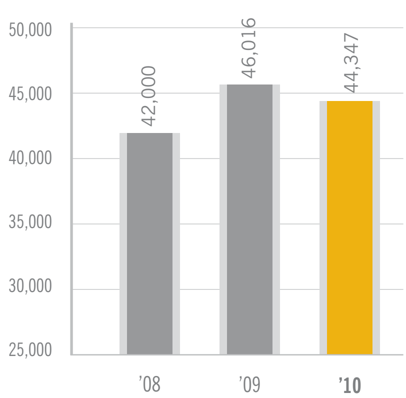
Quality

Satisfying the requirements of internal and external clients.

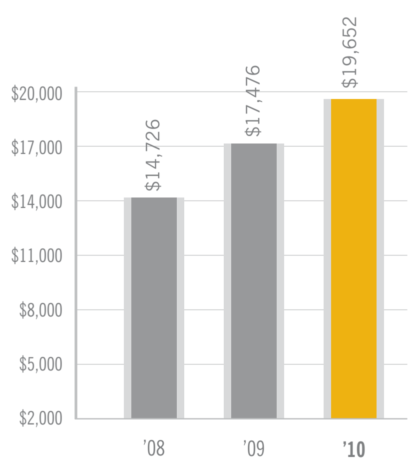
Financial and Operating Highligths

Thousands of pesos		2010		2009	% Chg.
Volume (Homes)		44,347		46,016	-3.6%
Revenues	$	19,652,309	$	17,476,489	12.4%
Gross profit	$	6,683,157	$	5,728,084	16.7%
Operating income	$	3,702,778	$	3,256,404	13.7%
Net income	$	1,579,942	$	1,581,393	-0.1%
EBITDA [1]	$	4,104,084	$	3,768,335	8.9%
Gross margin		34.0%		32.8%	
Operating margin		18.8%		18.6%	
Net income margin		8.0%		9.0%	
EBITDA margin		20.9%		21.6%	
Earnings per share	$	4.52	$	4.68	
EBITDA / Net Interest		3.2x		4.3x	
Net Debt / EBITDA		2.3x		1.8x	
Accounts receivable period-end as % of total revenues		10.1%		3.0%	
Inventory turnover period-end as % of total revenues		141.6%		136.6%	
Inventory (w/o land) turnover period-end as % of total revenues		79.5%		61.6%	
Payables turnover as % of total revenues		21.5%		20.7%	

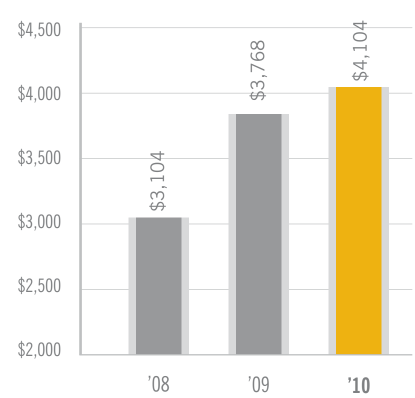
Gross Profit and Operating income figures and margins are presented adjusted by the application of MFRS D-6: "Capitalization of Comprehensive Financing Cost"
[1] EBITDA is defined as net income plus depreciation and amortization, net comprehensive financing cost, income tax expense, employee statutory profit sharing expense and capitalized interest.



VOLUME



REVENUES (Millions of pesos)



EBITDA (Millions of pesos)

Our History

89
Homex was founded in Culiacán, Sinaloa.

91
The Company expands its operations into the Affordable Entry – Level housing segment.

92
Initiates expansion into other states.

93
Intensifies strategic planning and geographical expansion. Starts development of proprietary information systems.

97
Ten branches under operations.

99
ZN México Funds acquires a minority stake.

02
Equity International Properties acquires a minority stake.

03
Homex re-entry to the Middle-Income housing segment.

04
Completes dual listing of shares on the New York Stock Exchange and Mexican Bolsa.

05
Casas Beta acquisition and Emission of US $250 Senior Guaranteed Notes due 2015.

06
Emphasizes on Corporate Governance initiatives.

07
Strategic purchases for a new construction technology based on aluminum moulds.

08
Integration of two new divisions: International and Tourism.

09
5th Anniversary as a Public Company and 20 years of un-stopped operations.
Delivery of the first homes at Brazil.

10
Creation of the Government Division which focus is to serve as subcontractor of the Mexican government.

Geographic Distribution

MEXICO
Baja California Norte
Baja California Sur
Chiapas
Chihuahua
Coahuila
Durango
Estado de México
Guanajuato
Guerrero
Hidalgo
Jalisco
Michoacán
Morelos
Nuevo León
Puebla
Querétaro
Quintana Roo
Sinaloa
Sonora
Tamaulipas
Veracruz

BRAZIL
Sao Paulo
Mato Grosso do Sul

77.0% OF MEXICO'S POPULATION AND
22.9% OF BRAZIL'S POPULATION COVERED BY OUR OPERATING FOOTPRINT.

"...the fittest win...
is because they
succeed in adapting
themselves best to
their environment"...

-CHARLES DARWIN

DEAR SHAREHOLDERS AND FRIENDS

Those of you who know us well, will undoubtedly agree that evolution has been integral to Homex' DNA since our inception, some 21 years ago. Indeed, we are proud that Homex has successfully adapted to the changing dynamics of its customers and the housing market. In this year's annual report to you, we would like to reflect on our evolution as a company and corporate citizen. Through the years, we have mindfully adapted our business model and processes to the changing economic landscape, to the realities of our markets and to the ever-changing needs and desires of our customers, among other issues, and this has kept us attuned to innovative thinking.

We believe that evolution is a living business process that stands for progress.

We believe that evolution is a living business process that stands for progress. Throughout our constant evolution, we have found new and interesting opportunities, some that enable us to grow our business, others to change and improve a process that often results in a more efficient way of doing things…while always leveraging acquired experience throughout our own and unique evolution process.

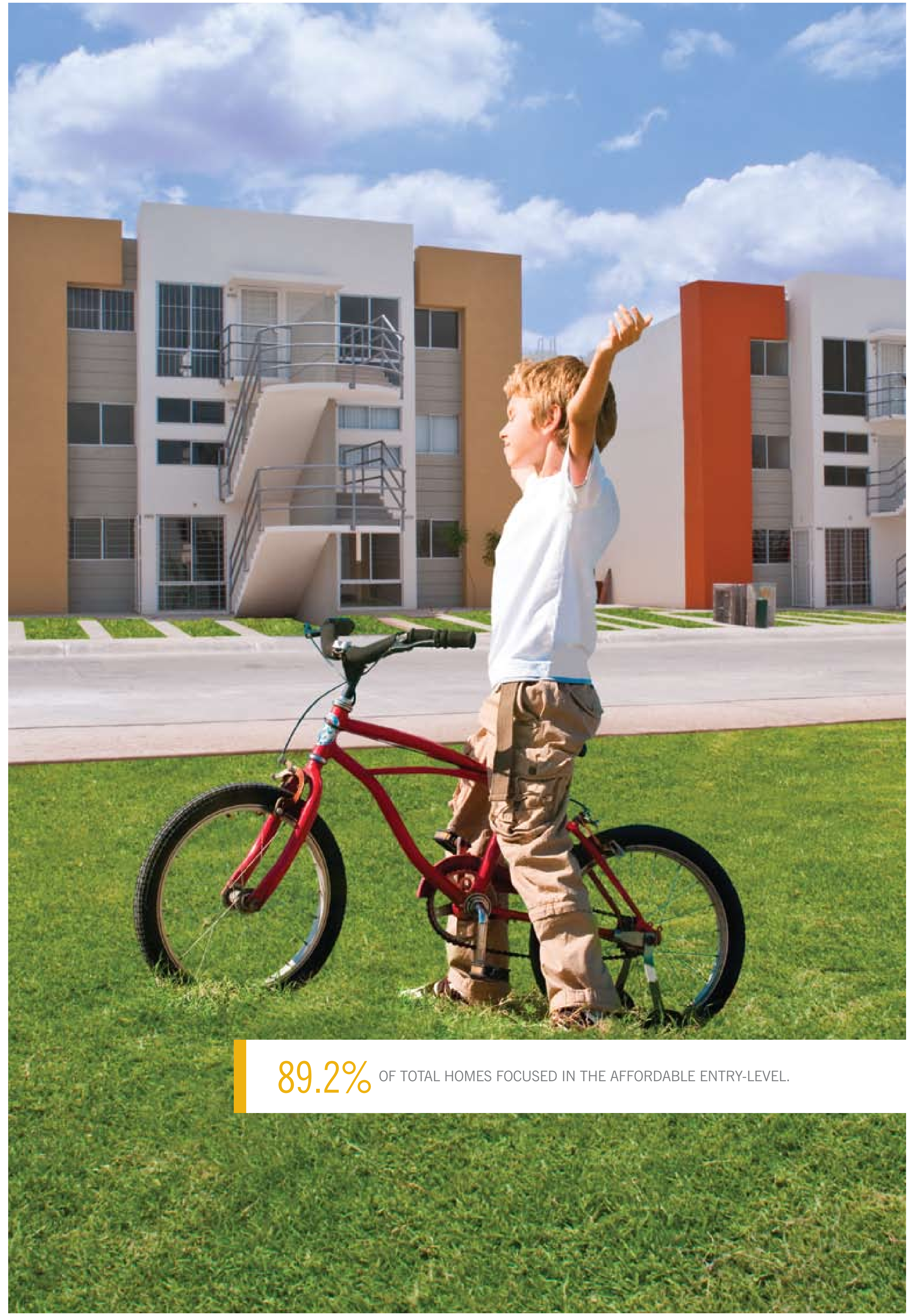
Having an attentive and flexible business mindset, always open to change, has been a driver of our success, and everyone at Homex has embraced the changes of evolution as an integral part of our culture and who we are. There are many appropriate examples of how Homex has successfully adapted to change and opportunity ranging from human needs, to business and financial management, to new construction technology. What follows is a discussion of Homex' initiatives which we believe have had the most impact on our growth and success, and that today differentiate us from others in our industry.

[01]

FLEXIBILITY

The Evolution of Our Product Offering

We have been distiguished by our ability to shift our product offering thanks to the flexibility of our business model, including our construction technology and housing prototypes and experience.



89.2% OF TOTAL HOMES FOCUSED IN THE AFFORDABLE ENTRY-LEVEL.

For the year, the affordable entry-level represented 89.2 percent of our total homes sold and 67.6 percent of total revenues.

1. Adapting our Product Offering

Historically, and thanks to the flexibility of our business model, including our land bank policy, construction technology and housing prototypes and experience, we have been distinguished by our ability to shift our product offering and mix to follow mortgage and demand trends. At the same time we have dedicated appropriate time to communicate directly with our customers, learning firsthand about their needs and preferences to provide them the best housing solution.

During 2010, we remained focused on the affordable entry-level market, our core business, strategically adapting our product offering to serve unattended markets in Mexico where we continue to see strong mortgage availability through INFONAVIT and FOVISSSTE. Additionally, during the year this market segment additionally benefitted from a recovery of 730 thousand jobs in México and by the continued economic challenges facing small- and medium-sized homebuilders who typically attended the higher segment of the affordable entry–level, and where we continue to gain market share.

For the year, the affordable entry-level represented 89.2 percent of our total homes sold and 67.6 percent of total revenues.

At the same time, we continued to reduce our exposure to the high middle income segment, as a result of tighter origination criteria at commercial banks and lower participation in the segment from Sofoles. We have concentrated our efforts to serve the middle income market through co-financing products from INFONAVIT and FOVISSSTE, maintaining an average price for the segment below Ps.1.0 million. The middle income segment represented 10.8 percent of our total homes sold and 26.3 percent of total revenues.

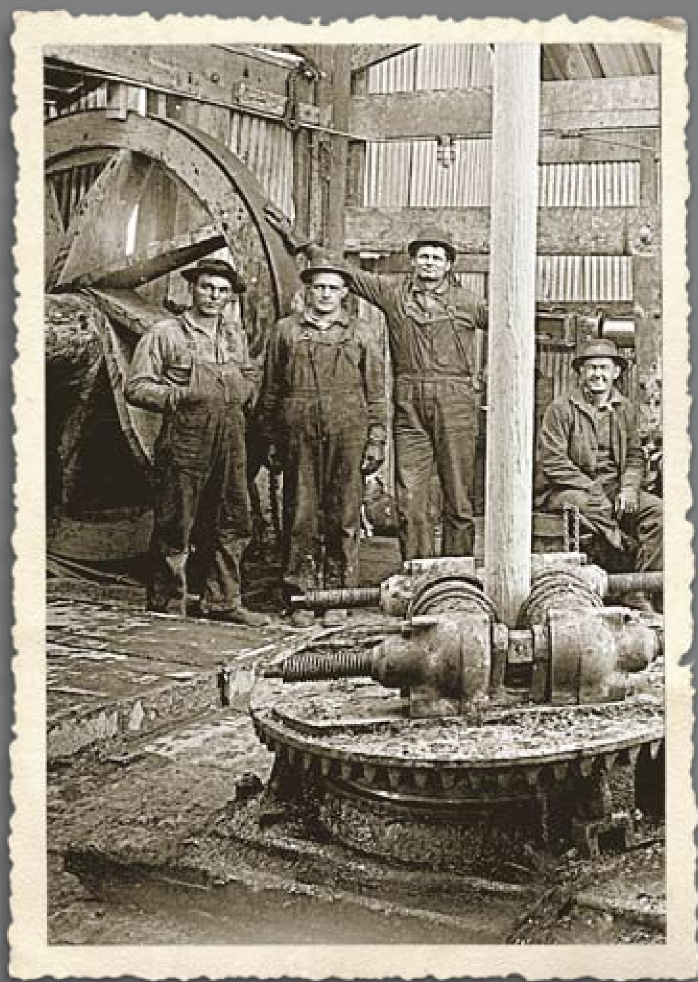
The Evolution of our Community

The Homex Community is the result of our awareness and proactive decision to improve the urban planning of our communities to offer our customers integrated communities that complement a younger population.

We are proud as pioneers and promoters in many Mexican cities in introducing vertical prototypes.

2. Developing the Homex Community Concept

As a company constantly mindful of change and improvement, during the year we continued to expand our Homex Community concept, which we first envisioned in 2008. The Homex Community is the result of our awareness and proactive decision to improve the urban planning of our communities to offer our customers integrated communities that complement the new dynamics of a younger population that often prefers to live closer to the city, yet in an environment where their families can enjoy a living experience that promotes social interaction and is advantaged by economic development. The Homex Community is a concept for constructing cities which apply modern urban development models, as well as innovative techniques for social development, primarily focused on improving the quality of life and enhancing home and project appraisal. Homex' communities include commercial areas, special and general services and recreational spaces that facilitate social interaction. In addition, Homex' communities integrate the concepts promoted by the Mexican Housing Commission (CONAVI) and INFONAVIT initiatives to promote the implementation of green attributes in homes, as well as orderly urban planning through increased project density through the integration of vertical prototypes. As of year-end 2010, vertical prototypes represented approximately 30 percent of total Homex homes under construction. We are proud as pioneers and promoters in many Mexican cities in introducing this new concept, which has helped us drive sales and generate economies of scale. In a very clear way, we return much of these savings to our customers, through improved, tailored product offerings that through our close and constant conversation with clients and acquired knowledge we had been able to have a home that serves our customers' needs and preferences.



The Evolution of Construction

The use of our construction technology based on aluminum moulds helped us to industrialize the construction process achieving a more efficient and less labor intensive, while at the same time improving the quality of our homes and generating important savings.

3. Finding New Construction Technologies to Streamline Efficiency

With the aluminum moulds a more efficient construction process and less labor intense is achieved.

The use of aluminum mould technology is not new to Homex, as we started using this innovative construction technology in 2007. At that time, we identified the need for a strategic transformation of our construction process, industrializing the process from traditional concrete blocks to aluminum moulds, thereby achieving a more efficient and less labor intensive edification process, while at the same time improving the quality of our homes and generating important savings due to the standardization of prototypes and reduction in time of construction.

Even though we have been using this technology for three years, the continuous and increased use of our construction technology is a clear testimony to our non-stop evolution. During the year we continued to identify new and better ways to obtain higher efficiency by increasing the effective working hours at each home, thus using each mould up to two times daily. At the same time, we improved materials logistics delivery to further streamline working hours, continuing to apply our modular building concept to reduce the number of project phases. This has been key to obtaining a more efficient working capital structure that has helped us to sustain our growth at the same time of mitigating the impact from an increased participation in vertical building prototypes, which take longer to build and collect, and the increased investments in relation to the company's strategy to advance housing infrastructure investments to complete the edification and infrastructure process at the same time.

The Evolution of Business

The backbone of our flexible business model, which has been replicated several times in Mexico; since 2009 has been adapted to our business model internationally in markets with similar general conditions as Mexico.

6,000 HOMES TO BE BUILT IN 3 CITIES IN BRAZIL.

Our proprietary IT platform is used and adapted to each of our divisions and projects.

4. Strengthening our Ability to Replicate our Business Model

Our ability to efficiently and successfully replicate our business model has been fine-tuned throughout the years, as a result of the continuous expansion of our footprint in the affordable entry-level and middle income segment in Mexico. Today, we successfully cover 77.0 percent of the total population in the country, with 140 projects under operations. This experience has been strategically important to our ability to further expand our business model to other niches, such as the tourism segment, where we see a long-term opportunity for Homex to attend this attractive market. Mexico continues to be well positioned as a preferred retirement location for U.S. and Canadian citizens. Our tourism initiative is concentrated in three strategic locations: Loreto Bay, Los Cabos and Cancún, where our prototypes and overall product offering has been adapted to changing market conditions, where affordable price points of prospective clients has been affected by the recent global financial crisis.

The backbone of our flexible business model, which has been replicated several times in Mexico; since 2009 has been adapted to our business model internationally in markets with similar general conditions as Mexico including home deficits in the affordable entry-level, stable macroeconomic conditions and political stability, government-sponsored housing policies and liquid mortgage markets. Today, Brazil is our first international project, and as of December 31, 2010 we had three projects under construction equivalent to approximately 6,000 homes in the Cities of Sao Jose Dos Campos, Marilia and Campo Grande.

The replication of our business model is strongly supported by our integrated and proprietary IT system, which strategically supports sales and construction and keeping real-time track of both, helping us to attain more efficient and timely working capital management. Importantly, our proprietary IT platform is used and adapted to each of our divisions and projects.

While our IT systems have helped us support our growth and costs in Mexico and now also in Brazil, as a result of the reliability of our systems capacity, we have also been responsible at both markets, for gathering and uploading all necessary and timely information for the mortgage origination process, thus further controlling efficiency. This also speaks to our innovative spirit, where we always see room for improvement and “doing things better.”

The Evolution of our Organization

We pursued a transformation process in relation to organizational structure in order to become a more efficient and more profitable company and for the first time in history the Company is integrated by 4 different divisions: México, International, Government and Tourism.

21 YEARS OF EXPERIENCE AS HOMEBUILDERS IN MEXICO.

By unifying our operations we will be better able to manage projects and customer service.

5. Re-Organizing the Company and Finding New Avenues of Growth

During the year, we pursued a transformation process in relation to organizational structure in order to become a more efficient and more profitable company. As a strategy to achieve this goal, we have consolidated our affordable entry-level and middle income operations into one, new division -- Homex Mexico. By unifying our operations we will be better able to manage projects and customer service, while enjoying economies of scale and leveraging operational efficiencies across all developments. At the same time, this consolidation has provided us with more flexibility and enabled us to sustain important market share gains in our target markets. Alberto Menchaca, who has been with Homex for more than 15 years, is a living example of evolution and success, has been appointed to oversee this division.

At the same time, during the year a new and separate division was created: the Homex Government Division. This division was created when, as a result of our 21 years of experience as homebuilder, the Mexican government invited us to participate in different federal projects as their subcontractor. The division brings a new and important dimension and revenue stream to our operations. During 2010, it represented 5.3 percent of our total revenues, and we are expecting good growth from the division for the intermediate term.

As a result of the consolidation of the affordable entry-level and middle income division and the surge of a new division that is attending a new and sustainable source of revenue for the company, we have evolved into a new Homex, that for the first year in our history of operations is integrated through four different and separate divisions: Homex Mexico, Homex International, Homex Government and Homex Tourism. Once again we have proved our ability to rapidly adapt to change and to new opportunities, and today we are proud to be recognized

not only for being the only Mexican homebuilder with a dual listing in the Mexican Stock Exchange and the New York Stock Exchange but also as the only Mexican homebuilder that is actively and successfully attending four different and promising avenues of growth.

We keep our innovative spirit alive and open to change that could bring about efficiencies and enable growth in each of our divisions.

Looking to the Horizon…

As always, we keep our innovative spirit alive and open to change that could bring about efficiencies and enable growth in each of our divisions.

At our Homex Mexico Division, we will continue to build on our leadership position in the homebuilding industry, using our flexible business model to attend to the most attractive segments and markets where we identify positive mortgage and demand dynamics. We will pay close attention to the evolution of sustainable and effective mortgage programs, from the main mortgage suppliers in México, intended to attend those potential costumers that for diverse reasons today are not active subscribers of the mortgage institutes, and that could represent an important avenue for long-term growth.

Importantly, we will continue to guard our position as the homebuilder of choice among prospective customers, by providing better, more efficiently planned communities, and exceeding our customers' expectations for quality and on-time delivery. At the same time, we aim to be one step ahead of the curve, pioneering new ways to improve our communities through i) advanced construction technology that also brings better working capital management and a capital structure that is supportive of continued growth, ii) better planned urban communities, using vertical construction to optimize public spaces and accessibility, where families can benefit from an integrated community that promotes and enhances both economic and social development.

At our International Division, we foresee a bright future for our operations in Brazil. Today, we have a much clearer and experienced understanding of mortgage market dynamics in Brazil, more specifically we have worked closely with the Caixa Econômica Federal to learn and understand the nuance of their processes. We know our Brazilian customers likes and dislikes; and today we feel even more excited about the opportunities ahead. Nonetheless, we will continue to grow cautiously, carefully evaluating our growth prospects in the country and other prospective markets, and maintaining a conservative working capital policy.

Homex' newly-born division, the Government Division, is today the clearest example of our capacity to adapt to change and leverage the experience and knowledge acquired from our other three divisions. For 2011, we have the clear visibility of additional contracts with the Mexican government that gives us confidence in the division's continued growth for the foreseeable future.

Today, at our Homex Tourism Division, even though we see a more favorable macroeconomic scenario for our prospective customers, we will continue to be conservative in our growth expectations and maintain our focus on an affordable product offering in the price range of US$250,000 to US$450,000 at all three locations currently under development: Loreto, Los Cabos and Cancún.

Every day we think what about our responsibility to create and enhance value on behalf of all our stakeholders, and make Homex a more profitable investment. As we have mentioned before, for us evolution is a living business process and an integral part of all who work at Homex. You have our commitment that we will continue to look for opportunities to improve our business focused on higher returns, while balancing our growth with the optimal working capital structure.

Once again, we thank for your continued support and trust,

Sincerely,

Eustaquio Tomás de Nicolás Gutiérrez
CHAIRMAN OF THE BOARD OF DIRECTORS

Gerardo de Nicolás Gutiérrez
CHIEF EXECUTIVE OFFICER

Construction Process

HOME CONSTRUCTION WITH ALUMINUM MOULDS

Why industrializing the construction process?

Homex acquired a mould-formwork system in 2007 to have a standardized, uniform and controlled mass production of homes.

What is the mould?

The mould is one of the most advanced construction systems in the housing industry for massive home production.

It is an integrated system that allows pouring one hundred percent of the house: interior and exterior walls, roof slabs, parapets and construction joints. It also gives Homex the capacity to produce monolithically at least one house per day, depending on the mould design, and with a reduced group of workers.

How is the home built with aluminum moulds?

The construction system with aluminum moulds is divided in two main stages: Foundation and Mould assembly.

STAGE 1: FOUNDATION

By producing our homes with moulds, precision is a key element. Reason why the Homex construction team improved the first process to guarantee the exact leveling of the foundation slab.

The steps to build a foundation slab are:
Step 1: Trace and Leveling: Step 2: Trench digging Step 3: Hydraulic and Sewage Installations placement Step 4: Electric installations placement Step 5: Placement of Isolating Polyethylene Step 6: Placement of the steel reinforcement Step 7: Placement of the foundation formwork Step 8: Leveling of the foundation formwork Step 9:Placement of leveling rulers Step 10: Pour of the foundation slab Step 11: Removal of the foundation formwork.

At this point, the foundation slab has been finalized. This stage is the base to achieve a home free of reprocessing activities.

The precision we use on each of these previous steps, will determine the exact leveling of the full home.

STAGE 2: MOULD ASSEMBLY

Step 1: Trace for the mould placement

The purpose of this trace is to guarantee a quick and precise alignment of the forms during the assembly of the mould.

Step 2: Placement of "U" stop plate

Once the trace is finished, we place the "U" stop plates with the fixing tool. This help us give a perfect alignment to the mould and prevents the home to be off square during the mould assembly.

Step 3: Steel Walls:

A welded steel mesh is placed which is attached to the foundation rebar anchors. As well, a diagonal reinforcement on doors and window clearances, which cannot be removed, is placed which guarantees the reduction of fissures on the house.

Step 4: Hydraulic, Sewage and Electric Installations

It is very important that the alignment of the installations is supervised to guarantee the perfect alignment with the wall axis.

A temporary blocking of electric, water and sewage an outlet is placed prior to the enclosing of the mould forms to avoid, during the concrete pouring, blockings the outlets.

Step 5: Placement of steel spacer disks

In the walls it is very important to center the steel with the centering disks to provide the exact placement of the reinforcing steel inside the concrete walls as well as to guarantee the perfect performance of the concrete, avoiding the contact within the mould.

Step 6: Forming the Mould

We proceed to the preparation of the sleeves for the ties. These sleeves are synthetic covers that allow us to recover the ties once the pour has been done without damaging, neither the tie, nor the concrete structure.

The ties are components that receive the total loads of the concrete pour. They establish the spacing of the forms to guarantee the wall thickness of the home.

Then the release agent is applied to the forms to protect the mould.

Once the previous activities are completed, the assembly of the forms is started, beginning from an interior corner to give stability to the setup.

Once finished the setup process the next step is the quality control process to ensure that the process has been completed without defects.

Step 7: Beams and EPS (Expanded Polystyrene) filler panel

The next step is the placement of the beams and EPS filler panels over the forms to make the slab ready to be poured monolithically

Step 8: Industrialized Metallic Shoring

A metallic shoring poles and engineered wood beams is used for the temporary shoring. The main purpose is to facilitate the assembly process.

Step 9: Steel on roof Slab

The reinforcing steel must be placed at this point on the roof, according to the project specifications. It is very important to use the proper rebar chairs to guarantee the proper placement of the steel.

Step 10: Casting of the Mould

The placement of concrete must be first through the perimeter, which means that the concrete load must be continuously moving all around the mould to avoid the accumulation of concrete in just one zone. During the casting process, it is very important to keep checking the proper filling of the mould to guarantee the quality of the pouring.

Step 11: Mould Washing Process

During the casting process, the mould is washed. A proper care must be taken when washing the forms once the pour is finished. The water spurt must be directed to the forms diagonally to avoid the water erodes the concrete structure.

Step 12: Casting off the Mould

We must take perfect care when removing the connecting accessories; it should be done with the proper tools.

Step 13: Cleaning of the Mould

The daily process of cleaning the mould equipment is to guarantee its durability and proper use. Having clean moulds allows us to have minimum imperfections and the correct performance of the release agent. It also reduces the build-up concrete that increases significantly the weight of the equipment and consequently reduces the productivity.

At this point, we have now finalized the mould stage, obtaining one home ready to receive the selected finishes.

2010 Corporate Social Responsibility Report

As Homex' business model has evolved throughout the years, as a vital component of adjusting to new market conditions, so have our Corporate Social Responsibility (CSR) practices. Thanks to this evolution, our relationships with stakeholders are more meaningful. Since our inception, Homex has been a company where ethical behavior is integrated into our business and where daily actions, both internally and externally, are centered on CSR practices.

In 2010, for the eighth consecutive year, we received the Socially Responsible Corporation award from the Alliance for the CSR in Mexico (AliaRSE) and the Mexican Philanthropy Institute (CEMEFI). This honor is evidence of our commitment to our stakeholders and an example of our evolutionary approach toward making a greater impact on every program we implement and improve.

In line with our commitment to keep you informed about the results of our CSR initiatives we have published our fourth annual sustainability report, which was developed using the standards defined by the Global Reporting Initiative (GRI) and the United Nation's Global Compact principles, which addresses three major standards: economic, social and environmental performance. This document aims to showcase the main results from different programs and initiatives with our stakeholders- employees, clients, shareholders and government- which is aligned with the following five comprehensive measures: employee well-being, happy customers and communities, satisfied suppliers, financial health and corporate governance.

1. EMPLOYEE WELL-BEING

At Homex, we believe that employees' well-being is the cornerstone of our company and the fuel for our success. Using this vision as a business standard, everything we do at Homex is to ensure the well-being of employees, including a long-term career plan with fair compensation based on their performance and responsibility.

To this end, we have ensured that everyone at Homex has the opportunity to create, and share responsibility for their own workplace success, thus positively impacting their personal development and family life.

In addition, our employees' behavior is dictated by the company's Code of Ethics, which adheres to the highest stan-

dards of corporate ethics and serves as a guideline for our workers' internal and external behavior.

One example of our ongoing internal communications programs is "Chat with Me", which has helped us to create an open forum for a constant communication across all levels of the organization. This program has shown us how to identify and rectify areas of opportunity in relation to employee well-being, resulting in a better workplace environment.

Additionally, during 2010, we created a forum where Homex' employees had the opportunity to communicate directly with the Human Resources and Corporate Social Responsibility department. This innovative communication tool results from our evolutionary approach through which we strive to create a more transparent dialogue with our employees while improving their well-being.

Homex University:

Homex University was created in 2007 to support the development of human talent and provide ongoing training as our business processes evolve and our employees' careers progress. During 2010, 855 training programs were offered across Homex' branches and corporate headquarters. Some 483 scholarships were granted for postgraduate education, seminars and master degrees and 1,264 male and female employees were promoted.

Through these and other initiatives we aspire to create a better workplace, where Homex employees know they can openly and directly express their ideas and concerns.

2. HAPPY CUSTOMERS AND COMMUNITIES

In line with our objective of not only offering a home with the highest quality of standards, but also going one step beyond we maintain the sustainable growth in every community that we develop. We have created successful communities that provide our clients with the opportunity to improve their quality of life, such as access to health care, education and sport programs.

During 2010 we participated in the formation of 185 "neighbor committees" at our developments. In addition, 2,264 students completed the "Homex High School" program out of the 6,012 students who were enrolled. As a result, we launched three new community centers, bringing to a total

of 12 centers that we have built in conjunction with the National Institute for Adult Education (INEA).

Additionally, we have continued to support sports programs within our Homex communities. During 2010, we organized 66 tournaments for our "Homex Fut" league, which is comprised of kids and youth teams in our developments. We also organized 54 fairs and 367 health campaigns at all of our developments nationwide, in conjunction with the Mexican Social Security Institute (IMSS), health centers and the municipal and state ministry of health.

Through our "Im joa" (my house) program, we built 800 homes in the states of Sinaloa and Michoacán. This effort was made possible by the joint collaboration of all three levels of government - federal, state and municipal - and the support of donors and the community. This program has enabled us to offer very low-income families the possibility of having a home built with their own hands, thus also contributing to the community development.

3. SATISFIED SUPPLIERS

We support our suppliers, by proactively working to meet their preference and satisfaction. In 2010, we further increased our commitment to be the best client to our suppliers. According to this principle we have implemented several mutually beneficial alternatives with our suppliers, especially with PyMEs (small and medium enterprises) which are the engine of the country's growth. During 2010 we maintained 3,182 active suppliers and 525 suppliers were added into our electronic invoice system. We continued working with the "productive chain" program with the National Development Bank (NAFIN) to support them by offering flexible payment structures to secure their business stability.

4. FINANCIAL HEALTH

Our primary goal is to protect and increase the investment value of Homex while maintaining its financial health; Homex' decisions are deeply rooted in this commitment and abide by the proverb "as you sow, so shall you reap." Accordingly, we give our employees the chance to maximize their potential; we also instill loyalty in our suppliers by building homes with the highest quality of standards while affording clients access to recreation areas, communication services, access roads, schools and health centers. The end result is a successful community where clients live happily and benefit from the increase in value of their homes.

5. CORPORATE GOVERNANCE

Our main objective on this measure is to be recognized as a solid and responsible company at the municipal, state and federal levels, and by the different institutions with whom we work.

At Homex, we embrace and follow the highest level of corporate governance standards recommended by the Mexican Securities Commission (Comisión Nacional Bancaria y de Valores, or CNBV), the Mexican Stock Exchange (BMV) and the New York Stock Exchange (NYSE).

At the same time that we follow the Best Practices Code recommended by the CNBV, we are also committed to aligning our company with the best international practices to be more competitive and transparent in our businesses practices and to ultimately generate a greater confidence among investors and stakeholders.

Homex' Board of Directors, the majority of which are independent, meets four times a year to analyze financial and operating information. They make vital recommendations in their areas of expertise, which affect the company's decision making thus protecting the interest of Homex' shareholders, suppliers, clients and workers. The Board is composed of six committees: Executive Committee, Audit Committee, Corporate Governance and Compensation Committee, Risk Committee, Disclosure Committee and Ethics Committee.

During 2010, we were recognized by the Organization for Economic Cooperation and Development (OECD) as one of the companies with the best corporate governance practices, demonstrating our commitments to responsibly follow the best practices every day.

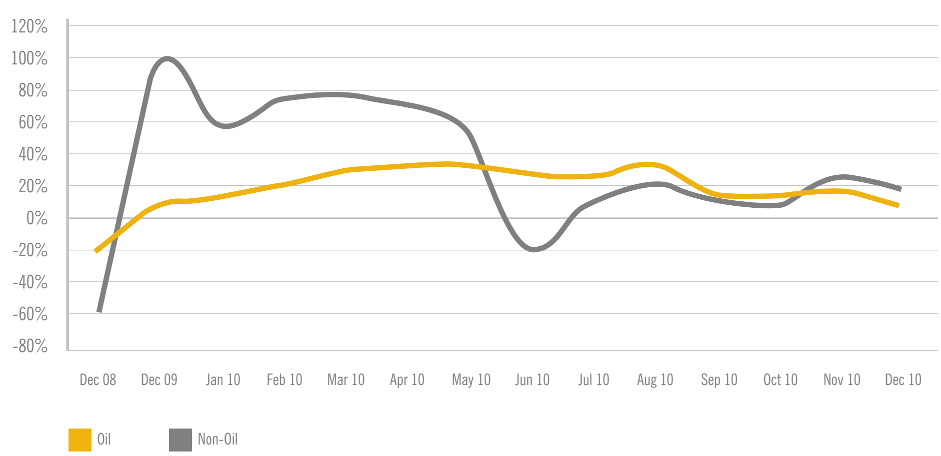
Mexican Economy and Homebuilding Sector Performance in 2010

During 2010, Mexico, as well as many other emerging and developed markets, embarked on the road back to a more stable and sustainable economic recovery from the recession provoked by the global financial crisis during 2008 and 2009. During the year, Mexico expanded at the fastest pace in a decade, driven by both internal and external factors.

2010 ECONOMIC OVERVIEW:

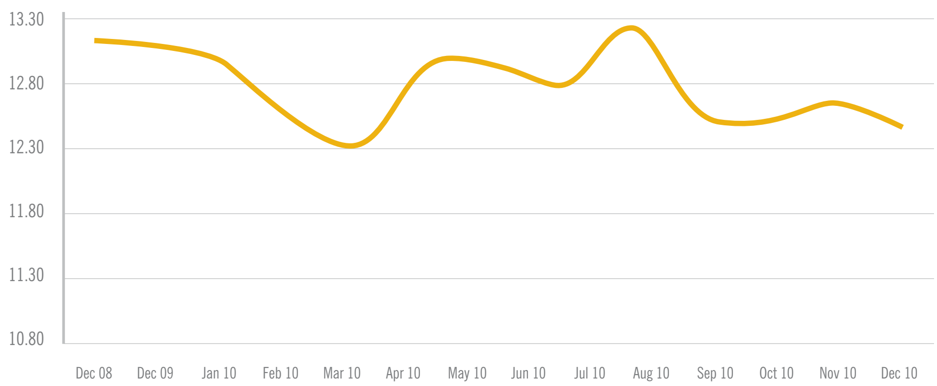
An improving U.S. economy helped Mexico achieve a strong economic rebound as the country's economy was well-positioned to benefit trade-wise from the improvement in the U.S. As a reflection, during 2010, Mexico's market share of total U.S. imports increased to 12.1 percent during 2010 from 11.4 percent during 2009. The U.S. recovery had a ripple-effect on Mexico's export sector, which for the year rose to a record high level, totaling U.S$298.4 billion (30 percent year-over-year growth), derived from a 40 percent increase in oil exports and a 29 percent increase in the non-oil sectors. Mexican exports were favored especially in the manufacturing sector, which accounted for 77.6 percent of total exports.

EXPORTS ANNUAL VARIATION



In addition, Mexico's current account deficit dropped by more than 30 percent in 2010, when compared to 2009; Mexico's peso also appreciated by more than 10 percent since the recession. It is worth noting that among emerging economies exporting to the U.S. (Mexico, China, ASEAN countries, the Latin America region), Mexico is the only economy whose export price index declined compared to the previous year: therefore, Mexico's manufactured goods, compared to other exporters, were more competitive than before. This relative advantage to other emerging economies would draw more investments to Mexico during 2011.

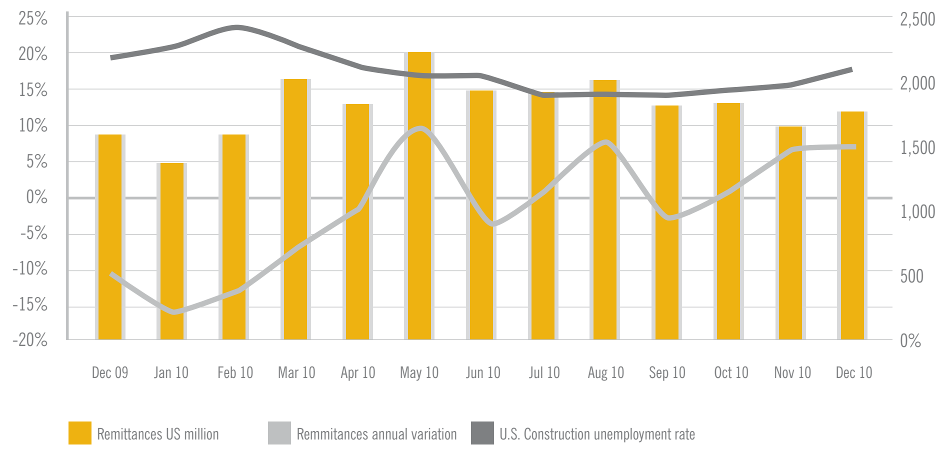
MEXICAN PESO- US DOLLAR EXCHANGE RATE



During 2010, remittances (contributions sent by Mexicans living abroad to their families at home in Mexico), which represent 3 percent of Mexico's total GDP, were at a five-year low. This drop is mainly attributable to factors in the U.S. including the recovery in employment and the performance of the construction industry, which undermined remittances. The U.S. Latin labor force unemployment rate during 2010 was 12.5 percent compared to 12.1 percent in 2009. These figures are significantly higher than the U.S. unemployment rate of 9.4 percent in 2010 and 9.3 percent during 2009. Consequently, and in spite of a slight increase on the U.S. construction unemployment rate, total revenue from remittances in the year amounted to U.S$21.2 billion, up 0.1 percent over 2009. A potential recovery is expected to materialize during 2011. As of the first quarter of 2011, and for the sixth consecutive month, remittances recorded a growth of 5.8 percent. It is worth nothing that remittances are not an important factor for the homebuilding industry performance as remittances are mainly used for consumption purposes and are not recognized as a formal income from mortgage dedicated funds such as INFONAVIT and FOVISSSTE nor commercial banks.

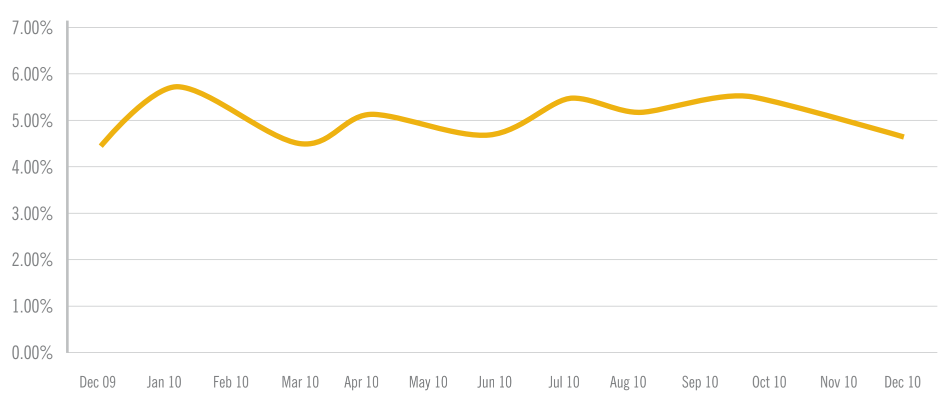
Mexico's domestic sector showed important signs of a strong revival, supported by an improvement in the unemployment rate which decreased in December 2010 to 4.94 percent from a yearly average of 5.41 percent, where 730,348 formal jobs (registered at Mexico's social security institute) rebounded from 2009 levels. The overall recovery of the formal labor market led Mexico's consumer confidence index to rise more than expected in December to its highest reading in three months, 91.2 basis points compared to 80.1 basis points as of December 2009.

REMITTANCES AND U.S CONSTRUCTION EMPLOYMENT ANNUAL VARIATION



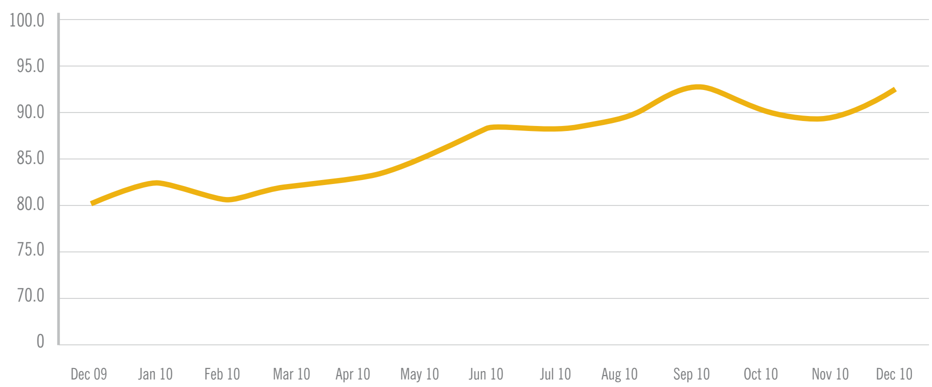
Employment growth, consumer confidence and a more dynamic consumption trend translated into an increase in productivity at the end of the year and reflected in Mexico's economic activity indicator (IGAE) which registered an improvement of 5.5 percent for the full year compared to 2009. In addition, industrial activity grew 6.0 percent as a result of the positive performance of three of its four components. The manufacturing sector led the improvement with a growth of 10.0 percent followed by an increase in electricity production, water and gas supply and the mining industry of 2.5 percent and 2.4 percent, respectively.

UNEMPLOYMENT RATE IN MEXICO %



As important as a sustained growth and financial stability are, a stable exchange rate and inflation are important indicators in evaluating the health of a country's economy. While most emerging economies across the world are struggling to contain inflation, there are few exceptions and one of these exceptions is Mexico. The December inflation rate in Mexico was 4.4 percent, and during the fourth quarter, Mexico's inflation level increased to 4.2 percent from 3.7 percent during 3Q10, which was still below the long-term average inflation rate of 5.1 percent since 2000. On the other hand, during 2010, the peso/dollar exchange rate remained below Ps.12.50 per 1 US dollar, registering a year-end exchange rate parity of 12.38 pesos per U.S. dollar as of December 2010.

CONSUMER CONFIDENCE INDEX



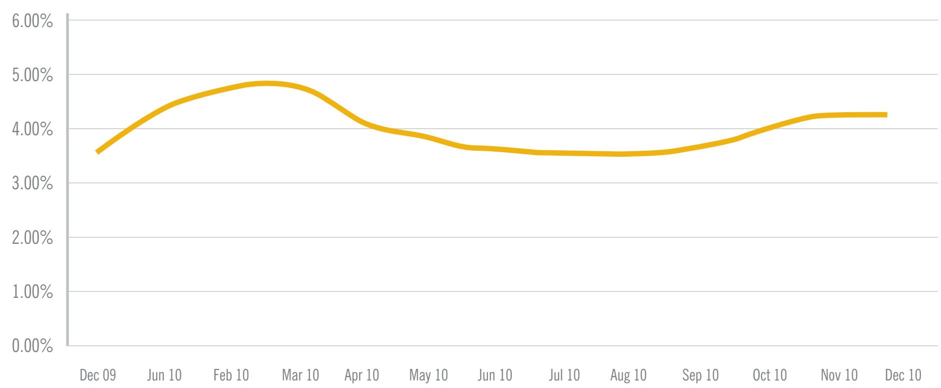
All in all, and as a reflection of the previously discussed factors, during the fourth quarter, Mexico's GDP grew by 4.6 percent, resulting in a yearly growth rate of 5.4 percent compared to a plunge of 6.5 percent during 2009 due to the global recession.

MEXICAN ECONOMY 2011 OUTLOOK

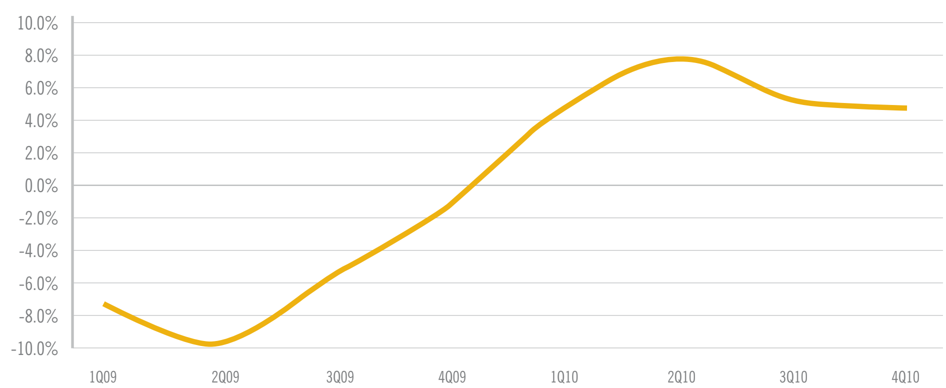
According to analysts expectations, emerging economies will experience slower growth during 2011. Positively, Mexico should maintain its growth pace, leveraging on the strong commodity export sector and a relatively competitive manufacturing sector, where Mexico's peso and Mexican assets continue to appear attractive. In addition, while export growth was the main driver of the economy last year, domestic demand is expected to play an equally important role this year. After ending 2010 at 4.4 percent, Ernesto Cordero, Mexico's Finance Minister, said he sees consumer price inflation of 2 percent to 4 percent this year. Moreover, the central bank kept its benchmark lending rate at 4.50 percent for a 19th straight meeting on May 11, 2011, in view of a contained inflation and favorably supporting liquidity in financial market.

Mexico is a country that is clearly on the road to a continuing economic recovery after the difficult years it has had. After the crisis of October 2008, which resulted in economic losses during the 2009 recession, 2010 was a year of adjustments, and it seems 2011 will be a year of strong economic recovery for the country.

MONTHLY INFLATION - ANNUAL VARIATION



GDP VARIATION (PERCENT)



Homebuilding Sector Performance

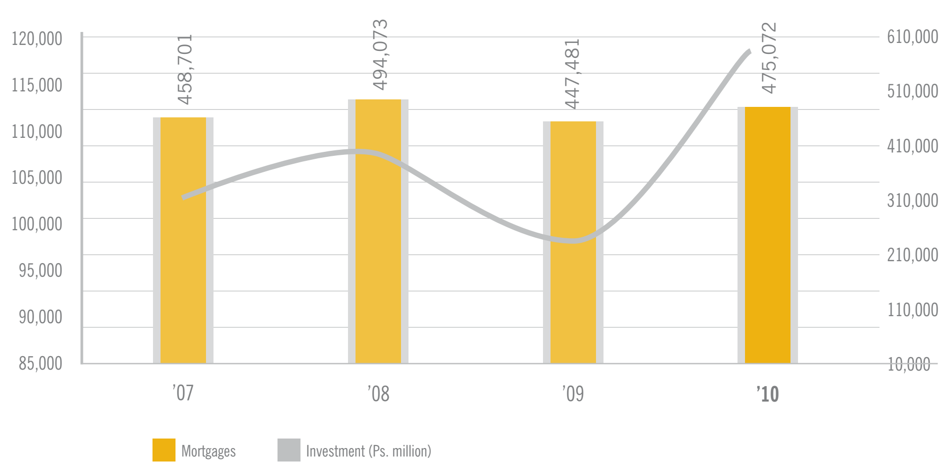
HOMEBUILDING INDUSTRY TRENDS

The homebuilding industry in Mexico has historically been characterized by dynamic growth supported by population dynamics, a deep home deficit and the strong support from the two main mortgage banking dedicated funds in Mexico: INFONAVIT and FOVISSSTE. During 2010 the Mexican Housing sector remained dynamic and healthy, with a market value of around U.S$ 20,000 million, where approximately 1.1 million homes were financed during the year.

AFFORDABLE ENTRY-LEVEL LENDING:

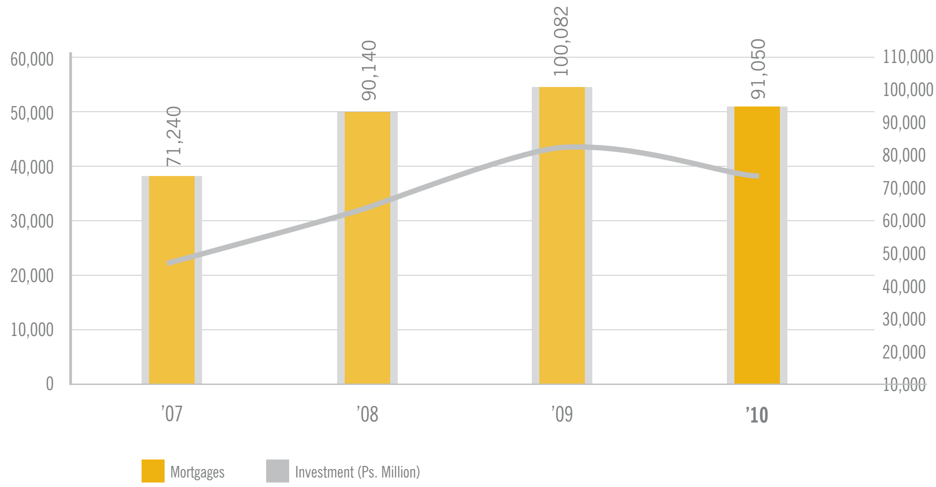
During 2010, INFONAVIT formalized 475,072 mortgages, a 6.2 percent increase when compared to 2009. As a result of a positive and growing housing industry, INFONAVIT reached its 2010 lending goal of 475,000 credits. At the same time, INFONAVIT's non-performing loan (NPL) rate remained stable for the year at 5.1 percent, on target with its goal of 5.0 percent. This is due to the institute's "Garantia INFONAVIT" program where subscribers who have lost their jobs and/or purchasing power can gain access to mortgage restructuring programs.

INFONAVIT 2007-2010 FORMALIZED MORTGAGES



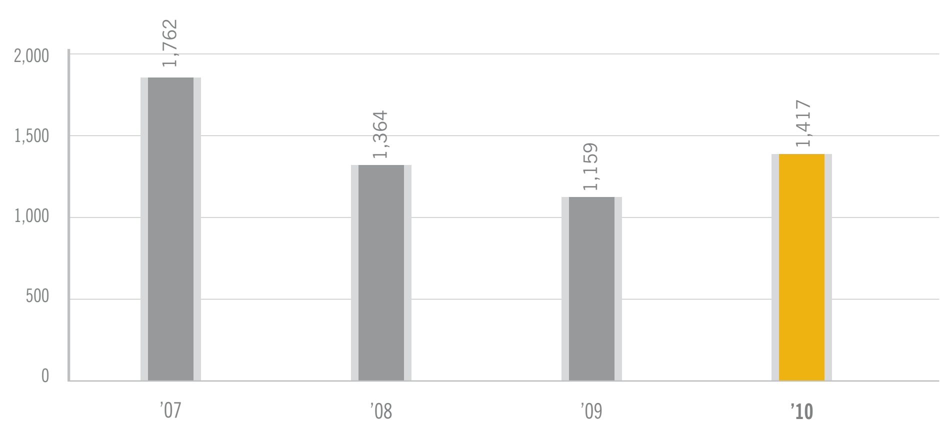
FOVISSSTE, formalized 91,050 mortgages during the year, in line with its annual goal of 90,000 to 100,000 mortgages, nonetheless a 9.0 percent decrease when compared to 2009 performance.

FOVISSSTE 2007-2010 FORMALIZED MORTGAGES



As a result of the financial crisis, the homebuilding industry went into a consolidation phase, where homebuilders with more solid financial positions and specialized construction technology were able to strengthen their positions in the market, both by absorbing projects that were left without financing sources for their completion, and by the fact that the dynamics of the market favor the affordable entry-level segment, where the price obliges builders to generate economies of scale in order to be competitive.

NUMBER OF REGISTERED HOMEBUILDERS

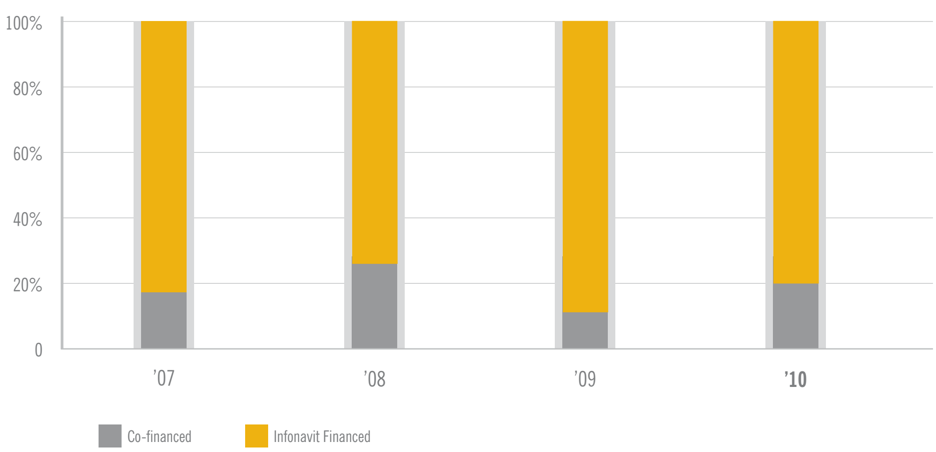


According to Mexico's Housing Comission (CONAVI) database, 2007 was the year with the greatest number of homebuilders with registered projects, with 1,762, and since that time, the number has dropped to approximately 1,417 in 2010. The consolidation occurred mainly among medium and large sized companies: between 2008 and 2010, the number of builders that registered more than 1,000 housing units fell from 14 percent to 3 percent; also, the companies that registered between 100 and 500 units fell from 29 percent to 22 percent in the same period.

MIDDLE INCOME LENDING:

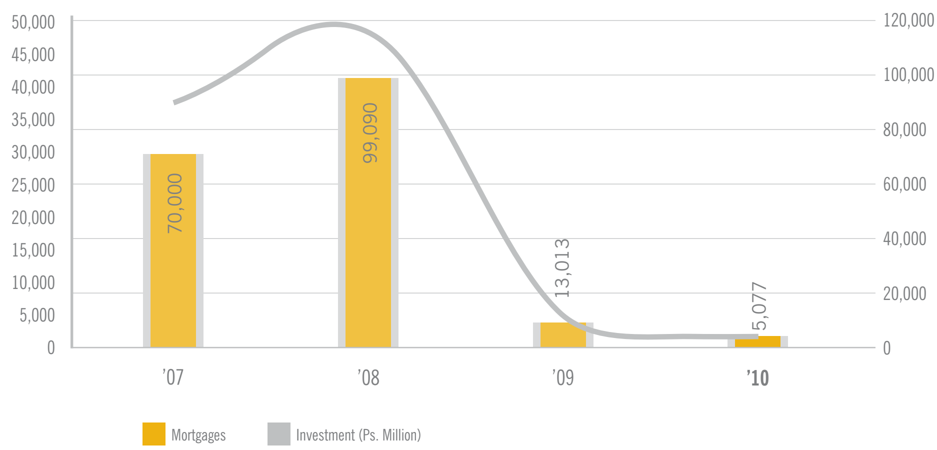
During 2010, mortgages for the middle income segment continued to be constrained, as commercial banks and sofoles continued to be the main source of financing to the segment. Financing to the segment was importantly supported by co-financing products through INFONAVIT and FOVISSSTE. During 2010, INFONAVIT co-financed products represented 19.7 percent of the total mortgages placed or 93,724 mortgages compared to 9.1 percent or 40,655 mortgages during 2009.

INFONAVIT FORMALIZED MORTGAGES 2007 - 2010



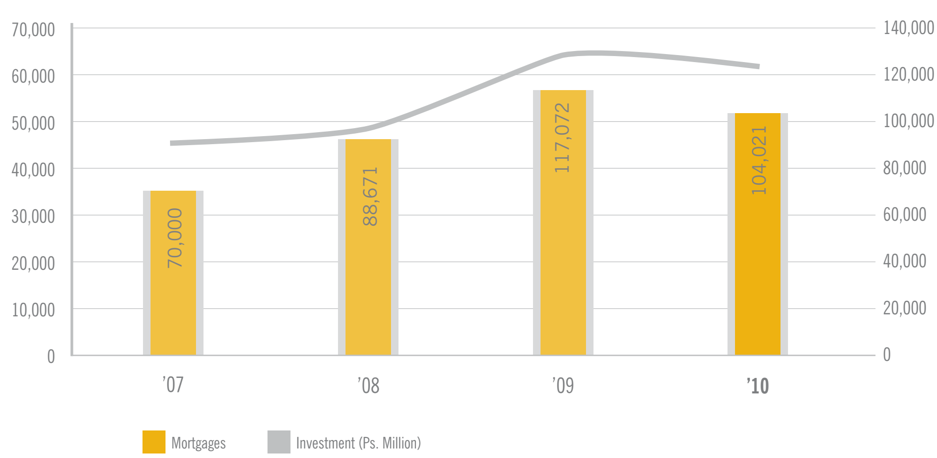
During the year, sofoles contracted their lending by 61.0 percent, as a result of the continued liquidity constraints for these entities which have not been able to access the market through mortgage backed securities in view of their still high non-performing loan ratios. Sofoles formalized 5,077 mortgages.

SOFOLES 2007-2010 FORMALIZED MORTGAGES



Commercial banks' mortgage lending started to slightly recover during the year, and as of December 2010, commercial banks' mortgage portfolios grew 10.6 percent to Ps.363 billion when compared to the year ago period. For the year, commercial banks formalized 104,021 mortgage credits.

COMMERCIAL BANKS 2007- 2010 FORMALIZED MORTGAGES



Source: CNBV, Bloomberg, Banxico, CONAVI, INEGI, ABM.

2011 MORTGAGE LENDING OUTLOOK:

For 2011, based on the main financial entities' expressed goals, the number of mortgage loans could grow around 7 percent, which would imply a real increase of 10 percent in the amount of credit. At the same time, for the year 2011, the main mortgage financing institutions (INFONAVIT, FOVISSSTE, commercial banks and Sofoles) expect to place approximately 764,699 mortgages for the acquisition of homes. Moreover, 89.6 percent of INFONAVIT's 480,000 mortgage origination goal and 89.9 percent of FOVISSSTE's 90,000 mortgage goal for 2011 will be designated for markets where Homex has ongoing operations.

	2011		2010		%	
	Mortgages	Investment Ps. Million	Mortgages	Investment Ps. Million	Mortgages	Investment Ps. Million
INFONAVIT	480,000	107,345	475,072	117,130	1.0%	-8.4%
FOVISSSTE	90,000	30,262	91,050	42,810	-1.2%	-29.3%
Financial Entities	158,600	105,000	117,999	66,134	34.4%	58.8%
Other Entities	36,099	3,927	28,227	3,417	27.9%	14.9%
TOTAL	764,699	246,534	712,348	229,491	7.3%	7.4%

Other Entities: CFE, Fonacot, Habitat. ISSfam, Orevis, PET, Pemex y PEFVM.

A Perspective on Homex Equity Valuation, Ownership Structure and Investor Relations Outreach

After two economically complicated and challenging years (2008 – 2009), during 2010 we witnessed good signals of economic recovery in the majority of the world's regions, particularly in the emerging markets. These included both Mexico and Brazil, where Homex today has operations. Nonetheless, continued economic pressures impacted the capital markets in 2010, including: uncertainties surrounding sovereign concerns in Europe; signs of a renewed recession increasing through April in the U.S; and, in emerging markets, tightening policies to curb foreign fund inflows and currency appreciation, as well as uncertainty around monetary withdrawals. As a result, stock exchange performance around the globe was a day-to-day proposition, strongly impacted by a volatile news environment.

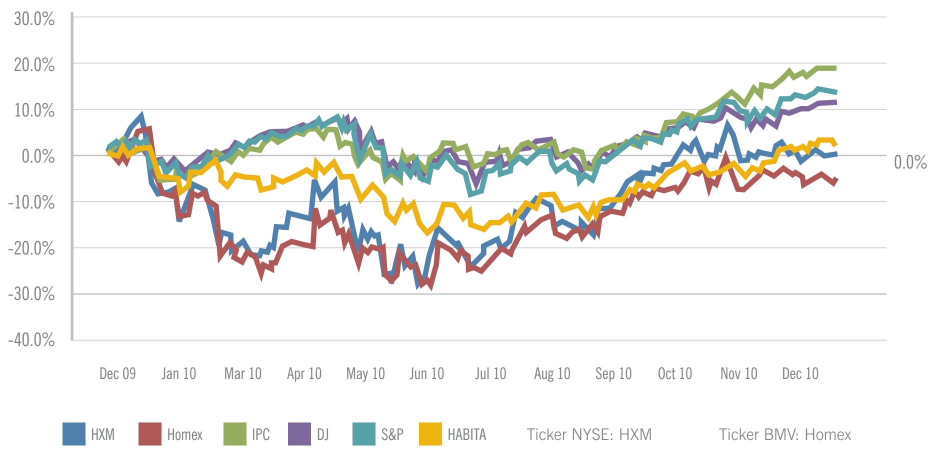
During the first half of 2010, share prices and indicative indices, such as Dow Jones, S&P 500 and IPC for Mexico, showed a negative performance, and it was not until the third quarter of the year that the markets turned, responding to some positive news, while deflecting precedent negative news about concerns of a lagging U.S. economic recovery, a euro crisis, etc. Ultimately, after a slow start and a tough second quarter, most markets in the world ended the year on a positive note.

The Dow Jones Industrial Average closed at 11,577.51 with a gain of 11.0 percent, outpaced slightly by the U.S. S&P 500 Index, with an annual increase of 13.2 percent to 659.13. On the Mexican stock exchange, positive economic indicators for the country supported an upturn in the yearly performance of the IPC index, which closed the year at 38,550.79 reflecting a gain of 20.0 percent.

The Mexican homebuilding industry index, the Habita index, closed the year with an annual performance gain of 3.5 percent lagging the performance of the major indices, mainly driven by investors' initial negative reaction to the application of the INIF 14 accounting rule which became effective on January 1st 2010. Here, Mexican homebuilding companies revenue recognition changed from the percentage of completion accounting method to the date home title transfers to the homebuyer, and this change initially resulted in revenues declining from 15 to 18 percent. At the same time, homebuilding companies' stock performance followed the market's overall negative sentiment during the first half of the year, and it was not until the last months of the year when the cautious stance towards the homebuilding industry in Mexico started to reverse, thus erasing most of the valuation disparity seen during the first half of the year.

Reflecting investors' concerns and cautiousness, Homex share price for the year closed off some 4.8 percent at Ps.70.00, while Homex' ADRs closed the year at US$ 33.81, a 0.6 percent gain. Despite the negative and neutral performance of Homex stock and ADR prices, during 2010 the company grew its revenues by 12.4 percent over 2009.

The value-based trading volumes of Homex common shares and ADRs were stable year-on-year at Ps. 11,354.6 million in 2010 compared to Ps.11,350.4 million in 2009 and US$4,724.7 million in 2010 compared to US$4,715.3 million in 2009, respectively.



KEY DATA

	2008	2009	2010	Chg. % 10-09
Earnings per Share	2.77	4.68	4.52	-3.4%
Earnings per ADR[1] presented in US	1.23	2.15	2.19	1.9%
Share Price High	122.00	96.00	77.90	-18.9%
Share Price Low	26.29	25.90	51.50	98.8%
Share Price Year-End	52.05	73.50	70.00	-4.8%
ADR Price High	70.71	44.38	36.77	-17.1%
ADR Price Low	11.45	9.96	23.06	131.5%
ADR Price End	22.83	33.62	33.81	0.6%
Market Capitalization at year-end, (Ps. Thousand)	17,429,984	24,610,005	23,432,360	-4.8%
Weighted Average Shares Outstanding (thousand)[2]	334,870	334,830	334,748	0.0%
ADR's Outstanding (thousand)[3]	33,542	35,752	33,111	-7.4%

Source: JP Morgan Monthly Board Report and Homex Audited Financial Statements

1 US$ values estimated using an exchange rate of Ps.12.3817 per US$1.00 as of December 31, 2010, Ps.13.0587 per US$1.00 as of December 31, 2009, and Ps.13.5383 per US$1.00 as of December 31, 2008

2 Number of shares outstanding as of December 31

3 Common share/ADR ratio: 6:1. Number of ADR's outstanding as of December 31

OWNERSHIP STRUCTURE

Since June 29, 2004, the date that the company completed its Initial Public Offering through December 31, 2010, Homex has maintained a full dual-listing at the New York Stock Exchange (NYSE) and the Mexican Stock Exchange (BMV). As of year-end 2010, Homex had a total of 334.7 million shares outstanding and a market capitalization of Ps.23,432 million or U.S.$ 1,8921. Of total outstanding shares at year-end, 64.9 percent represented free-floating shares among public individual and institutional investors, while the Homex founding group, the de Nicolas family, held ownership of 35.1 percent. According to publically available fillings, Lazard Lazard Asset Management, L.L.C., a core-value focus investor, based in the U.S., was the company's second largest shareholder with approximately 14.2 percent of total equity ownership. Institutional investors, including Lazard Asset Management, dominate Homex shareholder structure, accounting for 80 percent of the free float ownership.

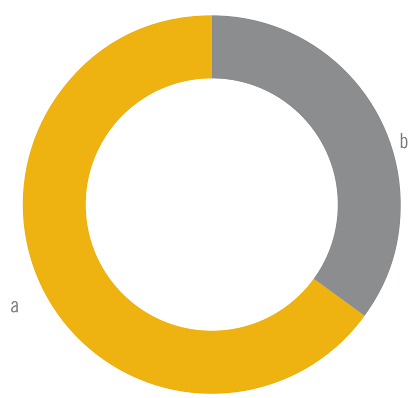
On a by-region analysis, the majority of Homex' investors, (including its common shares and ADR's) were concentrated in the U.S., with 54 percent ownership, followed by the U.K. and Mexico with 10 percent each.

Homex shareholder ownership structure by investment type is concentrated in three major groups: Core Growth oriented investors with 22 percent, Core Value- oriented investors with 17 percent and investors following a Growth at a Reasonable Price (GARP) style represented 15 percent.

INVESTOR RELATIONS OUTREACH

At Homex' Investor Relations department, maintaining active, clear, transparent and timely communications with shareholders, investors and market analysts, is a top priority. It is acknowledged that credibility is critical to the market valuation process. The company's Investor Relations department

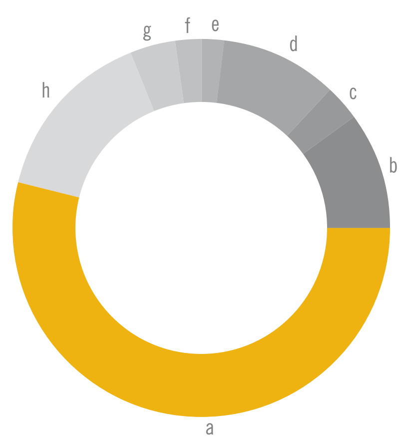
2010 SHAREHOLDER STRUCTURE



a.	Free Float	65%
b.	de Nicolas Family	35%

80% held by Institutional shareholders

2010 SHAREHOLDER STRUCTURE BY COUNTRY



a.	US	54%
b.	UK	10%
c.	Spain	3%
d.	Mexico	10%
e.	Germany	2%
f.	Chile	2%
g.	Canada	4%
h.	Others	15%

reports directly to the Chief Financial Officer, at the same time maintaining a close relationship with the Chief Executive Officer, while ensuring a direct communication channel throughout the Homex Management team.

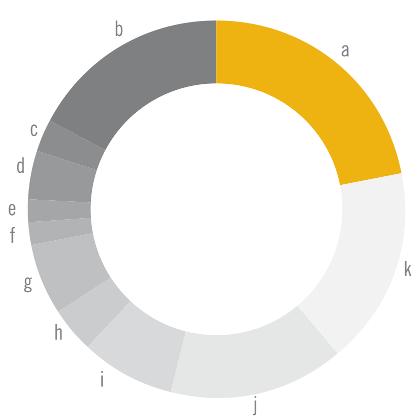
During 2010, Homex participated in several Equity and Fixed income conferences through USA, Europe and Asia including, among others: Morgan Stanley Latin America CEO Conference, Santander's Annual Latin American Conference and Construction and Homebuilding Latin American conference at London, Mexican Housing Day at New York and London, UBS 11th Annual CEO Round Table, ITAU Annual Latin American CEO Conference at New York, Deutsche Bank Global Emerging Markets Conference, Goldman Sachs Latin America One-on-One Conference, HSBC 2nd Latin America China Investors Forum at Hong Kong, Latin Finance 2nd Latin America China Investors Forum at Beijing. In addition, Homex conducted a Non-Deal Road Show with Credit Suisse and Merrill Lynch with key institutional investors.

Importantly, during the second quarter of 2010 we held our Annual Homex Investor and Analyst Day, as a proactive strategy to explain to shareholders, analysts and investors, Homex' main initiatives and results in depth and through operating management. During the 2010 event, Homex' divisional Vice Presidents (Mexico, Tourism and International) presented their strategies and outlook for the year. Additionally, Homex' CFO and CEO discussed the company's long-term corporate and financial strategies.

ANALYST COVERAGE

Homex actively pursues the coverage of well known sell side analysts to maintain the company's visibility within the financial community. As of December 31, 2010, Homex was covered by 19 publishing analysts, including local analysts in Mexico.

2010 SHAREHOLDER OWNERSHIP BY INVESTMENT STYLE



a.	Core Growth	22%
b.	Not disclosed	17%
c.	Income Value	3%
d.	Growth	4%
e.	Others*	2%
f.	Hedge Fund	2%
g.	Broker-Dealer	6%
h.	Deep Value	4%
i.	Index	8%
j.	GARP	15%
k.	Core Growth	17%

Management's Discussion and Analysis of Financial condition and Results of Operations

The following discussion should be read in conjunction with our audited consolidated financial statements and their accompanying notes included elsewhere in this report. Our consolidated financial statements have been prepared in accordance with Mexican Financial Reporting Standards ("MFRS").

Sales volume and Homex' customers' sources of financing

For the year 2010, sales volume totalized 44,347 homes, a decrease of 3.6 percent when compared to 46,016 homes sold during 2009. The decrease is attributable primarily due to the Company's strategy of focusing on home prototypes, in the affordable entry-level and low middle-income segment, which produce higher revenue and profit margins. Thus, while the number of units has decreased, resulting revenues and profits have increased. Affordable entry-level volume decreased 6.9 percent during 2010 representing 89.2 percent of total titled volume compared to 92.4 percent in 2009. Middle-income sales volume increased 10.8 percent to 4,768 homes in 2010 compared to 3,483 homes in 2009, reflecting the Company's strategy of reducing its exposure to the high middle-income segment concentrating its product offerings at more affordable prices where homes can be financed through co-financing mortgage programs with INFONAVIT and FOVISSSTE in response to commercial banks' providing mortgages that are co-financed by such agencies.

The average price for all homes sold was Ps.416 thousand, an increase of 11.2 percent when compared to 2009. The Company's average price reflects Homex' strategy to actively respond to mortgage availability, demand trends and niche opportunities.

AVERAGE

(THOUSANDS)	2010	2009	Change	Low	High
Affordable-	$ 336	$ 324	3.7%	$ 195	$ 540
Middle	$ 1,086	$ 978	11.0%	$ 541	$ 1,885
Average price for all	$ 416	$ 374	11.2%		

Revenues

Total housing revenues in 2010 increased 7.4% to Ps.18,465.2 million from Ps. 17,198.7 million in 2009, driven by higher average prices in the affordable entry-level segment and increased volume in the middle-income segment. Affordable entry-level homes (including our operations in Brazil) represented 67.6 percent of total revenues in 2010 compared to 78.9 percent in 2009. Middle-income homes represented 26.3 percent of total revenues in 2010 compared to 19.5 percent in 2009. In 2010, other revenues increased to Ps.1,187.0 million, compared to Ps.277.7 million in 2009. The increase is primarily a result of construction service contracts we entered into with the Mexican federal government.

Gross Profit

Gross profit increased to 30.1 percent in 2010 from 29.7 percent in 2009, which includes the effects of MFRS D-6. Pursuant to the application of MRFS D-6, which was implemented in 2007, the Company is required to capitalize a portion of its CFC, which includes interest expense, exchange gains and losses and monetary position gains and losses and to apply capitalized CFC to cost of sales as the related inventory is sold in future periods.

During the year ended December 31, 2010, the Company's capitalized CFC that was applied to cost of sales increased 41.1 percent to Ps.758.3 million compared to Ps.537.4 million during the same period in 2009 primarily as a result of:

a) a 71 percent increase in capitalized interest expense to Ps.789.8 million during the year ended December 31, 2010 from Ps.463.1 million as of December 31, 2009, reflecting the 28 percent increase in total debt in connection with an increased investment in construction-in-process inventory; and

b) capitalized foreign exchange gain applied to cost of sales of Ps.27.9 million, compared to a loss of Ps.80.2 million during the same period in 2009, reflecting the appreciation of the Mexican peso relative to the US dollar.

Costs of sales increased by 11.7 percent for the year ended December 31, 2010 to Ps.13,727.4 million from Ps.12,285.8 million for the same period in 2009, due primarily to the increase in the Company's capitalized CFC. On a pro-forma basis (without considering the application of MFRS D-6 in 2009 and 2010) Homex's gross margin in 2010 was 34.0 percent, compared to 32.8 percent in 2009. The increase in gross margin was mainly driven by a higher average price in the Company's affordable-entry and middle-income level segments homes as mentioned in the revenues section.

Selling, General and Administrative ("SG&A") Expenses

Selling, general and administrative expenses increased by 20.6 percent to Ps.2,980.3 million in 2010 compared to Ps.2,471.7 million in 2009. As a percentage of total revenues, SG&A expenses increased to 15.2 percent in 2010 compared to 14.1 percent in 2009. The increase in SG&A was primarily a result of the addition of personnel in Homex's international and tourism divisions, an expense which was not yet offset by revenue contributions from those divisions.

Operating Income

In 2010, income from operations increased by 8.3 percent to Ps.2,944.4 million compared to Ps.2,718.9 million in 2009. On a pro-forma basis (without considering the application of MFRS D-6), the Company's operating margin in 2010 increased 21 bps to 18.8 percent compared to 18.6 percent in 2009. The higher margin reflects the Company's increased profitability as a result of higher average prices.

Net Comprehensive Financing Cost

Net comprehensive financing cost (comprised of interest income, interest expense, foreign exchange gains and losses, valuation effects of derivative instruments and monetary position gains and losses) increased to Ps.314.7 million in 2010 compared to Ps.148.5 million in 2009, substantially as a result of the following:

a) net interest expense increased to Ps.177.2 million in 2010 from Ps.141.5 million in 2009, primarily due to an increase in the Company's total debt of 28 percent;

b) the Company had a foreign exchange loss of Ps.97.8 million in 2010 compared to a foreign exchange gain of Ps.59.5 million in 2009; and

c) the net valuation effects of financial instruments decreased from Ps.66.4 million in 2009 to Ps.39.6 million in 2010 as a result of the changes in the mark-to-market of the Company's financial instruments during the year.

Foreign Exchange Exposure and Currency Derivatives

As of December 31, 2010, Homex's US Dollar denominated debt consisted of two US$250 million bonds issued in 2005 and 2009 with single principal payments due at maturity in 2015 and 2019, respectively. In connection with its US$250 million bond maturing in 2015, the Company entered into an interest-only swap to hedge the foreign exchange risk in respect of the interest payable on this debt at an average rate of Ps.13.89 per U.S. dollar through 2012. In connection with its US$250 million bond maturing in 2019, the Company entered into a principal-only swap to hedge the foreign exchange risk associated with the principal amount of this debt at a rate of Ps.12.93 per U.S. dollar through 2019 and at an average weighted cost of 4.39 percent. In addition, the Company entered into an interest-only swap to hedge the foreign exchange risk in respect of the interest payable on this debt at an average rate of Ps.11.67 per U.S. dollar through 2012.

Income Tax Expense

Income tax expense decreased by 8.8 percent to Ps.906.9 million in 2010 compared to Ps.994.3 million in 2009. The effective tax rate was 36 percent in 2010 compared to 39 percent in 2009. The decrease in the effective tax rate was attributable to charges recorded in 2009 related to the adoption of a new tax law in Mexico, along with fewer non-deductible tax items in 2010, partially offset by a higher statutory tax rate in 2010.

Net income for 2010 remained stable at Ps.1,579.9 million compared to Ps.1,581.4 million during 2009.

Earnings per share for the full year were Ps.4.52, compared with Ps.4.68 in 2009

EBITDA

For 2010 EBITDA increased 8.9 percent to Ps.4,104.1 million compared to Ps. 3,768.3 million registered during 2009. EBITDA margin during 2010 was 20.9 percent compared to 21.6 percent during 2009.

Land reserve

The Company believes that its geographic diversity is one of the most competitives among home builders in Mexico, reflected by its operations in 34 cities located in 21 Mexican states as of December 31, 2010.

As of December 31, 2010, Homex' land reserve was 82.3 million square meters, which includes primarily land reserves in Mexico and approximately 2.7 million square meters of land reserves for our operations in Brazil. Our land reserves include both titled land and land in the process of being titled. We estimate we could build approximately 366,680 affordable entry-level homes, approximately 29,680 middle-income homes and approximately 2,230 homes targeting the tourism market on our land reserves.

Liquidity

Homex' total indebtedness increased to Ps.12,921.1 million as of December 31, 2010 from Ps.10,093.9 million as of December 31, 2009, mainly as a result of working capital requirements.

As of December 31, 2010, our short-term debt was Ps.1,898.1 million, mainly as a result of Ps.982.1 million of various revolving credit lines and financial leases granted by financial institutions in Mexico and Brazil. Our long-term debt was Ps.11,023.0 million, which includes mainly the long-term portion of our equipment lease obligations in the amount of Ps.235.4 million, a line of credit granted by Bancomer, S.A. for Ps. 833.3, a line of credit granted by Banco Nacional de México, S.A. for Ps.1,462.6, a line of credit granted by Grupo Financiero Inbursa S.A. for Ps.2,078.0 million, the Senior Guaranteed Notes due 2015 in the aggregate principal amount of Ps.3,095.4 million and the Senior Guaranteed Notes due 2019 in the aggregate principal amount of Ps. 3,095.4 million.

On September 28, 2005, we issued US$250 million of Senior Guaranteed Notes due 2015 with a coupon rate of 7.50 percent, payable semiannually.

On December 11, 2009, we issued US$250 million of Senior Guaranteed Notes due 2019 with a coupon rate of 9.50 percent, payable semiannually.

Covenants

Financial covenants, derived from the Senior Guaranteed Notes due 2015, the Senior Guaranteed Notes due 2019, the credit lines with Inbursa, Banamex and BBVA Bancomer require the Company to maintain:

- a total equity of at least Ps.10,000 million; the actual equity as of December 31, 2010 was Ps.12,320.5 million;
- a ratio of interest coverage Earnings Before Interest, Taxes, Depreciation and Amortization, or "EBITDA" to the net financing expense of at least 3.0 to 1.0. The actual ratio as of December 31, 2010 was 3.17 to 1.0;
- a ratio of leverage (liabilities with cost) to EBITDA of less than 3.25 to 1.0. The actual ratio as of December 31, 2010 was 3.15 to 1.0;
- a ratio of leverage (liabilities) to equity of less than 2.50 to 1.0. The actual ratio as of December 31, 2010 was 1.97 to 1.0; and
- a ratio of leverage (liabilities with cost) to equity of less than 1.50 to 1.0. The actual ratio as of December 31, 2010 was 1.05 to 1.0.
- a liquidity ratio of current assets to short-term liabilities no less than 1.50 to 1.0. The actual ratio as of December 31, 2010 was 2.81 to 1.0;
- a financing ratio of total liabilities to equity no greater than 1.70 to 1.0. The actual ratio as of December 31, 2010 was 1.60 to 1.0; and

As of December 31, 2010 and 2009, the Company was in compliance with the financial covenants of its debt agreements.

The Company will utilize cash from operations and new debt financings to finance working capital needs throughout 2011.

In 2011, the Company intends to follow a conservative strategy to improve cash generation and maintain a stable debt level while minimizing land investments and capital expenditures.

Working Capital Cycle

Homex reported total receivables of 10.1 percent of revenues as of December 31, 2010, representing an increase when compared to the 3.0 percent reported as of December 31, 2009, partly as a result of accounts receivable from Homex infrastructure division and as a result of a low base comparison, since during 4Q09 the company reduced its construction-in-process investments to privilege cash generation during the year ago period.

Homex reported a total inventory of 141.6 percent of revenues as of December 31, 2010, an increase of 502 bps compared to 136.6 percent of revenues as of December 31, 2009. The yearly inventory increase reflects the Company's strategy to advance housing infrastructure investments to complete the edification and infrastructure process at the same time in view that Homex' building pace -as a result of the efficiencies generated through the use of its aluminum mould technology-, has surpassed the speed of construction of its subcontractors who are in charge of the urbanization process.

Accounts payable, calculated as of December 31, 2010, increased 85 bps to 21.5 percent of revenues, from 20.7 percent of revenues as of December 31, 2009. The days of credit improvement derives from Homex' improved financial terms with its suppliers.

RESTATED CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

CONTENTS

Report Of Independent Auditors

TO THE STOCKHOLDERS OF
DESARROLLADORA HOMEX, S.A.B. DE C.V.

We have audited the accompanying consolidated balance sheets of Desarrolladora Homex, S.A.B. de C.V. and subsidiaries as of December 31, 2010 and 2009 (as restated), and the related consolidated statements of income, changes in equity and cash flows for each of the three years ended December 31, 2010 (2009 and 2008 as restated). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are prepared in conformity with Mexican Financial Reporting Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the financial reporting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Desarrolladora Homex, S.A.B. de C.V. and subsidiaries at December 31, 2010 and 2009 (as restated), and the consolidated results of their operations, changes in equity and cash flows for each of the three years ended December 31, 2010 (2009 and 2008 as restated), in conformity with Mexican Financial Reporting Standards.

As disclosed in Note 3a to the accompanying consolidated financial statements, during 2010, the Company adopted Interpretation to Mexican Financial Reporting Standard ("IMFRS") 14 *Construction, Sales and Services Agreements related to Real Estate*. The application of this

IMFRS is retrospective in nature; therefore the consolidated financial statements were restated according to the provisions of Mexican Financial Reporting Standard (“MFRS”) B-1 *Accounting Changes and Error Corrections*. Refer to the above mentioned Note 3a to see the effects. As is also disclosed in Note 3a to the accompanying consolidated financial statements, during 2008, the Company adopted the provisions of MFRS B-2 *Statement of Cash Flows*, MFRS B-10 *Effects of Inflation*, MFRS D-3 *Employee Benefits*, and certain other *MFRS*; The application of these standards were prospective in nature.

Our audit opinion and the accompanying consolidated financial statements and footnotes have been translated from original Spanish version into English for convenience purposes only.

Mancera, S.C.
A Member Practice of
Ernst & Young Global

C.P.C. Alejandro Valdez Mendoza

Culiacán, Sinaloa, México
April 27, 2011

Desarrolladora Homex, S.A.B. de C.V. and Subsidiaries

Restated consolidated balance sheets

(Figures in thousands of Mexican pesos (Ps.))

	As of December 31, 2010	As of December 31, 2009 as restated
Assets		
Current assets:		
Cash and cash equivalents (Note 5)	Ps. 3,435,222	Ps. 3,251,416
Trade accounts receivable, net (Note 6)	1,975,203	519,474
Inventories (Note 7)	17,236,366	12,104,350
Prepaid expenses and other current assets, net (Note 8)	633,650	770,635
Total current assets	23,280,441	16,645,875
Land held for future development (Note 7)	10,591,499	11,765,197
Property and equipment, net (Note 9)	1,002,572	1,110,582
Goodwill (Note 3j)	731,861	731,861
Other assets, net (Note 10)	255,843	324,393
Deferred income taxes (Note 24)	779,268	643,640
Total assets	Ps. 36,641,484	Ps. 31,221,548
Liabilities and equity		
Current liabilities:		
Current debt and current portion of long-term debt (Note 11)	Ps. 1,728,513	Ps. 270,595
Current portion of leases (Note 13)	169,604	108,437
Trade accounts payable (Note 15)	3,410,579	2,200,081
Land suppliers (Note 16)	778,141	1,338,226
Advances from customers	624,644	1,277,810
Taxes other than income taxes	754,264	744,780
Income taxes	37,531	143,920
Employee statutory profit-sharing	1,540	16,989
Provision for uncertain tax positions (Note 24f)	775,946	248,781
Total current liabilities	8,280,762	6,349,619
Long-term debt (Note 11)	10,787,601	9,460,163
Long-term leases (Note 13)	235,430	254,679
Financial instruments (Note 12)	508,160	119,084
Long-term land suppliers (Note 16)	41,441	74,659
Employee benefits obligations (Note 14)	90,478	98,187
Deferred income taxes (Note 24)	4,377,101	3,959,345
Total liabilities	24,320,973	20,315,736
Equity (Note 17):		
Common stock	528,011	528,011
Additional paid-in capital	3,290,861	3,290,861
Treasury stock, at cost	(98,412)	(103,928)
Retained earnings	8,657,851	7,146,088
Derivative instruments (Note 12)	(330,709)	(87,872)
Other equity accounts	82,984	10,906
Equity of controlling interest	12,130,586	10,784,066
Non-controlling interest in consolidated subsidiaries	189,925	121,746
Total equity	12,320,511	10,905,812
Total liabilities and equity	**Ps. 36,641,484**	Ps. 31,221,548

See accompanying notes to these consolidated financial statements.

Desarrolladora Homex, S.A.B. de C.V. and Subsidiaries

Restated consolidated statements of income

(Figures in thousands of Mexican pesos (Ps.) except earnings per share)

	For the years ended December 31,		
	2010	2009 as restated	2008 as restated
Revenues (Note 3b)	Ps. 19,652,309	Ps. 17,476,489	Ps. 14,725,828
Cost of sales (Note 3b)	13,727,484	12,285,836	10,356,329
Gross profit	5,924,825	5,190,653	4,369,499
Operating expenses (Note 21)	2,980,379	2,471,680	2,303,402
Income from operations	2,944,446	2,718,973	2,066,097
Other (expenses) income, net (Note 22)	(142,765)	5,320	(140,238)
Net comprehensive financing cost (Note 7):			
Interest expense (Note 23)	340,115	325,710	187,221
Interest income	(162,887)	(184,140)	(157,351)
Exchange loss (gain)	97,860	(59,510)	164,841
Valuation effects of derivative instruments (Note 12)	39,654	66,451	313,962
	314,742	148,511	508,673
Income before income tax	2,486,939	2,575,782	1,417,186
Income tax (Note 24)	906,997	994,389	456,256
Consolidated net income	Ps. 1,579,942	Ps. 1,581,393	Ps. 960,930
Net income of controlling interest	Ps. 1,511,763	Ps. 1,565,869	Ps. 926,635
Net income of non-controlling interest	68,179	15,524	34,295
Consolidated net income	Ps. 1,579,942	Ps. 1,581,393	Ps. 960,930
Weighted average shares outstanding (in thousands)	334,748	334,830	334,870
Basic and diluted earnings per share of controlling interest	Ps. 4.52	Ps. 4.68	Ps. 2.77

See accompanying notes to these consolidated financial statements.

Desarrolladora Homex, S.A.B. de C.V. and Subsidiaries

Restated consolidated statements of changes in equity for the years ended December 31, 2010, 2009 and 2008

(Figures in thousands of Mexican pesos (Ps.))

	Common stock	Additional paid-in capital	Treasury stock, at cost (Note 17)
Balances as of January 1, 2008 before adjustments due to IMFRS 14 adoption	Ps. 528,011	Ps. 3,280,223	Ps. (99,342)
Effects in prior periods from changes due to IMFRS 14 adoption (Note 3a)			
Balances as of January 1, 2008 as restated	528,011	3,280,223	(99,342)
Reclassification to retained earnings from the accumulated monetary position (Note 3a)			
Initial adoption of MFRS D-3 Employee benefits (Notes 3a and 14)			
Comprehensive income as restated			
Balances as of December 31, 2008 as restated	528,011	3,280,223	(99,342)
Shares repurchased for employee stock option plan			(3,188)
Shares repurchased (Note 17e)			(1,398)
Share-based compensation transactions (Note 17d)		10,638	
Changes in fair value of derivative instruments, net of deferred taxes (Note 12)			
Comprehensive income as restated			
Balances as of December 31, 2009 as restated	528,011	3,290,861	(103,928)
Share-based payments exercised (Note 17d)			5,516
Changes in fair value of derivative instruments, net of deferred taxes (Note 12)			
Comprehensive income			
Balances as of December 31, 2010	Ps. 528,011	Ps. 3,290,861	Ps. (98,412)

Las notas adjuntas son parte integrante de los estados financieros consolidados.

Retained earnings	Derivative instruments	Other equity accounts	Equity of controlling interest	Equity of non-controlling interest	Total equity (Note 17)
Ps. 5,581,198	Ps. -	Ps. 342,828	Ps. 9,632,918	Ps. 208,212	Ps. 9,841,130
(1,274,255)			(1,274,255)	(136,285)	(1,410,540)
4,306,943	-	342,828	8,358,663	71,927	8,430,590
346,641		(346,641)			
		33,764	33,764		33,764
926,635		23,356	949,991	34,295	984,286
5,580,219	-	53,307	9,342,418	106,222	9,448,640
			(3,188)		(3,188)
			(1,398)		(1,398)
			10,638		10,638
	(87,872)		(87,872)		(87,872)
1,565,869		(42,401)	1,523,468	15,524	1,538,992
7,146,088	(87,872)	10,906	10,784,066	121,746	10,905,812
			5,516		5,516
	(242,837)		(242,837)		(242,837)
1,511,763		72,078	1,583,841	68,179	1,652,020
Ps. 8,657,851	Ps. (330,709)	Ps. 82,984	Ps. 12,130,586	Ps. 189,925	Ps. 12,320,511

Desarrolladora Homex, S.A.B. de C.V. and Subsidiaries

Restated consolidated statements of cash flows

(Figures in thousands of Mexican pesos (Ps.))

	For the years ended December 31,		
	2010	2009 as restated	2008 as restated
Cash flows (used in) generated by operating activities			
Income before income tax	Ps. 2,486,939	Ps. 2,575,782	Ps. 1,417,186
Items related to investing activities:			
Depreciation and amortization	465,614	483,409	425,021
(Gain) loss on sale of property and equipment	(4,246)	26,706	(8,771)
Interest income	(162,887)	(184,140)	(157,351)
Gain on sale of other investment	-	(11,676)	-
Items related to financing activities:			
Interest	1,290,903	886,149	663,765
Share-based payment transactions	-	10,638	-
Valuation effects of derivative instruments	39,654	66,451	313,962
Deferred profit-sharing	-	26,606	3,061
Exchange (gain) loss	(170,830)	(184,346)	715,500
	3,945,147	3,695,579	3,372,373
(Increase) decrease in trade accounts receivable	(1,455,729)	756,012	(171,232)
Increase in inventories and land held for future developments	(3,669,816)	(2,021,042)	(5,995,116)
Decrease (increase) in prepaid expenses and other assets	154,845	(271,821)	18,360
Interest income collected	162,887	184,140	157,351
Increase (decrease) in trade accounts payable	1,210,498	(1,665,751)	409,198
Decrease in accounts payable to land suppliers	(593,303)	(1,318,577)	(1,016,245)
(Decrease) increase in other liabilities	(813,374)	1,246,549	418,151
(Decrease) increase in employee benefits obligations	(7,709)	13,037	40,242
Payments of derivative instruments	-	(123,271)	(340,912)
Income tax (paid) recovered	(33,658)	43,272	(123,531)
Net cash flows from operating activities	(1,100,212)	538,127	(3,231,361)

	For the years ended December 31,		
	2010	2009 as restated	2008 as restated
Cash flows used in investing activities			
Increase in the investment in associate	-	-	(27,727)
Business acquisition	(290,478)	-	-
Acquisition of property and equipment	(279,644)	(89,352)	(563,723)
Proceeds from sale of property and equipment	81,192	30,625	98,720
Net cash flows from investing activities	(488,930)	(58,727)	(492,730)
Cash flows generated by financing activities			
Proceeds from new borrowings	20,969,560	15,749,151	9,145,280
Payments of notes payable	(17,912,788)	(13,337,871)	(5,861,061)
Interest paid	(1,265,649)	(874,911)	(665,807)
Shares repurchased	-	(4,586)	-
Share-based payments exercised	5,516	-	-
Net cash flows from financing activities	1,796,639	1,531,783	2,618,412
Net increase (decrease) of cash and cash equivalents	207,497	2,011,183	(1,105,679)
Translation adjustment	(23,691)	(27,952)	10,940
Cash and cash equivalents at the beginning of the year	3,251,416	1,268,185	2,362,924
Cash and cash equivalents at the end of the year	Ps. 3,435,222	Ps. 3,251,416	Ps. 1,268,185

See accompanying notes to these consolidated financial statements.

Desarrolladora Homex, S.A.B. de C.V. and Subsidiaries

Notes to restated consolidated financial statements for the years ended December 31, 2010 and 2009

(Figures in thousands of Mexican pesos (Ps.), except as otherwise indicated)

1. Nature of business

Desarrolladora Homex, S.A.B. de C.V. and its subsidiaries (the "Company") is comprised of a group of companies engaged mainly in the promotion, design, development, construction and sale of affordable entry level and middle income residential housing. Substantially all sales are made in Mexico.

To carry out its activities, the Company engages in land acquisition, obtaining permits and licenses, designing, constructing, marketing and selling homes, obtaining individual financing for its customers and developing communities to satisfy housing needs in Mexico.

The Company participates in housing supply offers from the main housing funds in Mexico, such as the National Workers' Housing Fund, or Instituto Nacional del Fondo de Ahorro para la Vivienda de los Trabajadores ("INFONAVIT"), the Social Security and Services Institute Public-Segment Workers' Housing Fund, or Fondo de la Vivienda del Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado ("FOVISSSTE") and the governmental mortgage providers such as the Federal Mortgage Society, or Sociedad Hipotecaria Federal ("SHF"). Additionally, the Company participates in the market, where mortgage financing is provided by commercial banks and cash transactions.

For the years ended December 31, 2010, 2009 and 2008, revenues obtained through INFONAVIT mortgage financing accounted for 75%, 76% and 76% respectively, of the Company's total revenues, with other sources accounting for 25%, 24% and 24%, respectively.

Homex's operations include 140 developments in 34 cities located in 21 Mexican states, which states represent 78% of Mexico's population, according to the Mexican Institute of Statistics, Geography and Computer Sciences, or INEGI (Instituto Nacional de Estadística, Geografía e Informática). In 2009, 19% of Homex's revenues originated in the Mexico City Metropolitan Area, the largest city in Mexico, and 9% in the state of Jalisco. The remaining revenues were originated throughout 31 cities.

Approximately Ps. 173,272 of the Company's 2010 revenue originated in Brazil. For its Brazilian operations, the Company participates in housing supply offers with the governmental institution Caixa Economica Federal ("Caixa") that is similar in nature to the INFONAVIT in Mexico in that it provides financing to lower income homebuyers.

The Company's operations are on a seasonal basis: normally, the highest volume of sales takes place in the second half of the year. Construction times of real-estate developments vary depending on the type of housing: entry-level, middle-income or upper-income.

On April 27, 2011, the Financial Director (CFO), Carlos Moctezuma Velasco, and the Administrative and Accounting Officer, Ramón Lafarga Bátiz, authorized the issuance of the Company's restated consolidated Mexican Financial Reporting Standards (Mexican FRS) financial statements and notes as of December 31, 2010 and 2009 and for each of the three years in the period ended December 31, 2010. Those consolidated financial statements have been approved by the Audit Committee and the Board of Directors on April 27, 2011, and by the Company's stockholders at its meeting held on April 29, 2011.

2. Basis of preparation

Consolidation of financial statements

The consolidated financial statements include those of

Desarrolladora Homex, S.A.B. de C.V. and its subsidiaries, whose shareholding percentage in their capital stock is shown below:

	OWNERSHIP PERCENTAGE		
Company	2010	2009	Activity
Proyectos Inmobiliarios de Culiacán, S.A. de C.V. ("PICSA")	100%	100%	Promotion, design, construction and sale of entry-level, middle-income and upper-income housing
Nacional Financiera, S.N.C. Fid. del Fideicomiso AAA Homex 80284	100%	100%	Financial services
Administradora Picsa, S.A. de C.V.	100%	100%	Administrative services and promotion related to construction industry
Altos Mandos de Negocios, S.A. de C.V.	100%	100%	Administrative services
Aerohomex, S.A. de C.V.	100%	100%	Air transportation and lease services
Desarrolladora de Casas del Noroeste, S.A. de C.V. (DECANO)	100%	100%	Construction and development of housing complexes
Homex Atizapán, S.A. de C.V.	67%	67%	Promotion, design, construction and sale of entry-level and middle-income
Casas Beta del Centro, S. de R.L. de C.V.(1)	100%	100%	Promotion, design, construction and sale of entry-level and middle-income
Casas Beta del Norte, S. de R.L. de C.V.	100%	100%	Promotion, design, construction and sale of entry-level
Casas Beta del Noroeste, S. de R.L. de C.V.	100%	100%	Promotion, design, construction and sale of entry-level
Hogares del Noroeste, S.A. de C.V.(2)	50%	50%	Promotion, design, construction and sale of entry-level and middle-income housing.
Opción Homex, S.A. de C.V.	100%	100%	Sale, lease and acquisition of properties
Homex Amuéblate, S.A. de C.V.	100%	100%	Sale of housing related products
Homex Global, S.A. de C.V.(3)	100%	100%	Holding company for foreign investments
Sofhomex, S.A. de C.V. S.F.O.M. E.R.	100%	100%	Financial services
Nacional Financiera, S.N.C. Fid. del Fideicomiso Homex 80584	100%	100%	Employee stock option plan administration
HXMTD, S.A. de C.V.	100%	100%	Promotion, design, construction and sale of upper-income tourism housing
Homex Central Marcaria, S.A. de C.V.	100%	100%	Administration of industrial and intellectual property
Homex Infraestructura, S.A. de C.V.(4)	100%	-%	Design and construction services for public or private services
CRS Morelos, S.A. de C.V.(4)	100%	-%	Construction services to government
CT Prop, S. de R.L de C.V.(5)	100%	-%	Promotion, design, construction and sale of tourism housing.
CT Loreto, S. de R.L. de C.V.(5)	100%	-%	Promotion, design, construction and sale of tourism housing.

Significant intercompany balances and transactions have been eliminated during the consolidation of these entities.

(1) Casas Beta del Centro, S. de R.L. de C.V. (CBC) owns 100% of the outstanding stock of Super Abastos Centrales y Comerciales, S.A. de C.V. and 50% of the outstanding stock of Promotora Residencial Huehuetoca, S.A. de C.V. (Huehuetoca), which are engaged in the promotion, design, construction and sale of entry-level housing. Huehuetoca is fully consolidated in accordance MFRS B-8 *Consolidated or Combined Financial Statements*, since the Company has control over this subsidiary. Through October 20, 2009, CBC owned 100% of the outstanding stock of Comercializadora Cántaros, S.A. de C.V. That company was sold to a third party on that date.

(2) Hogares del Noroeste, S. A. de C.V. is a 50% owned and controlled subsidiary of Desarrolladora Homex, S.A.B. de C.V., which is engaged in the promotion, design, construction and sale of entry-level and middle-income housing. This entity is fully consolidated in accordance with MFRS B-8, since the Company has control over this subsidiary.

(3) Homex Global, S.A. de C.V, (Homex Global) owns the outstanding stock of the following companies:

(a) Effective March 2008, Homex Global owns 100% of the outstanding stock of Homex India Private Limited, a subsidiary located in India and that is to perform the construction and development of entry-level and middle-income housing in India. This company had no significant operations during 2008, 2009 and 2010.

(b) Effective September 2007, Homex Global owned 15% of the outstanding stock of Orascom Housing Communities "S.A.E.", a company located in Cairo, Egypt that performs the construction and development of entry-level and middle-income housing in Egypt. Pursuant the application of MFRS C-7, *Investments in Associates and Other Permanent Investments, effective* January 1, 2009, this company was no longer considered an associate but another permanent investment. On December 31, 2009 the Company sold its total investment in this company to a third party.

(c) Effective February 2008, Homex Global owns 100% of the outstanding stock of Desarrolladora de Sudamérica, S.A. de C.V., a Mexican company that had no operations from 2008 to 2010.

(d) Effective November 2008, Homex Global owns 100% of the outstanding common stock of Homex Brasil Incorporacoes a Construcoes Limitada (Homex Brasil), through its subsidiaries Éxito Construcoes e Participacoes Limitada and HMX Empreendimentos Imobiliarios Limitada. Through twenty three subsidiaries, Homex Brasil performs construction and development of entry-level housing in Sao Paulo, Brasil. During 2009, Homex Brasil started operations in Brazil with a 1,300-unit affordable entry-level development in San Jose dos Campos, northeast of Sao Paulo. As of December 31, 2010 and 2009 the Company had recognized revenues from its Brazilian operations of Ps. 173,272 and Ps. 7,741, respectively.

(4) These companies were incorporated in 2010; however they had no significant operations during the year.

(5) These companies were acquired in 2010 through the Loreto Bay business combination explained in Note 4 to the consolidated statements. CT Prop, S. de R.L. de C.V, owns 100% of the outstanding stock of CT Commercial Properties, S. de R.L. de C.V.

3. Summary of significant accounting policies

The accompanying consolidated financial statements were prepared in conformity with Mexican Financial Reporting Standards (MFRS).

a) New accounting standards Effective in 2010:

Interpretation to Mexican Financial Reporting Standards (IMFRS) 14, Construction, Sales and Services Agreements related to Real Estate

In December 2008 IMFRS 14 was issued by the Consejo Mexicano para la Investigación y Desarrollo de Normas de la Información Financiera, A.C. (Mexican Financial Information Standards Research Development Board or "CINIF") to complement Bulletin's D-7, *Construction Agreements and Manufacturing of Certain Capital Assets*. This Interpretation is applicable to the recognition of revenues, costs and expenses for all entities that undertake the construction of capital assets directly or through sub contractors.

Due to the application of this Interpretation, effective January 1, 2010, the Company stopped recognizing its revenues, costs and expenses based on the percentage-of-completion method. At that date, the Company began to recognize them based on methods mentioned in this Interpretation. Revenue and cost recognition will then more closely approximate what is often referred to as a "completed contract method" in which revenues, costs and expenses should be recognized, when all of the following conditions are fulfilled:

a) the Company has transferred the control to the homebuyer, in other words, the significant risks and benefits due to the property or the assets ownership;
b) the Company does not keep for itself any continue involvement on the actual management of the sold assets, in the usual grade associated with the property, nor does retain the effective control of the sold assets;

c) the revenues amount can be estimated reliably;

d) it is probable that the Company receives the economic benefits associated with the transaction; and

e) the costs and expenses incurred or to be incurred related to the transaction can be estimated reliably.

The above conditions are typically met upon the completion of construction, and signing by the Company, the customer and (if applicable) the lender the legal contracts and deeds of ownership (escritura) over the property. At that time, the customer would have the legal right to take possession of the home.

This Interpretation was adopted as of January 1, 2010, with retrospective application to prior accounting periods presented with these 2010 consolidated financial statements as required by MFRS B-1 *Accounting Changes and Error Corrections*. The application of IMFRS 14 to the consolidated financial statements had the following effects with respect to the year ended December 31, 2009 consolidated balance sheet:

	As originally issued	Adjustment	As restated 2009
Assets:			
Cash and cash equivalents (including restricted cash)	Ps. 3,251,416	Ps. -	Ps. 3,251,416
Trade accounts receivable	13,038,211	(12,518,737)	519,474
Inventories and land held for development	14,919,763	8,949,784	23,869,547
Property and equipment	1,110,582	-	1,110,582
Other assets	2,245,192	225,337	2,470,529
Total assets	Ps. 34,565,164	Ps. (3,343,616)	Ps. 31,221,548
Liabilities and equity:			
Current liabilities	6,383,019	(33,400)	6,349,619
Long-term liabilities	10,006,772	-	10,006,772
Deferred income taxes	4,952,410	(993,065)	3,959,345
Equity	13,222,963	(2,317,151)	10,905,812
Total liabilities and equity	Ps. 34,565,164	Ps. (3,343,616)	Ps. 31,221,548

The application of IMFRS 14 to the consolidated financial statements had the following effects with respect to the years ended December 31, 2009 and 2008 consolidated statements of income:

For the year ended December 31, 2009		As originally issued		Adjustment		As restated 2009
Revenues	Ps.	19,425,182	Ps.	(1,948,693)	Ps.	17,476,489
Costs		13,748,416		(1,462,580)		12,285,836
Gross profit		5,676,766		(486,113)		5,190,653
Operating income		3,170,010		(451,037)		2,718,973
Income before income taxes		3,012,919		(437,137)		2,575,782
Income taxes		1,182,992		(188,603)		994,389
Consolidated net income	Ps.	1,829,927	Ps.	(248,534)	Ps.	1,581,393

For the year ended December 31, 2008		As originally issued		Adjustment		As restated 2008
Revenues	Ps.	18,850,496	Ps.	(4,124,668)	Ps.	14,725,828
Costs		13,473,257		(3,116,928)		10,356,329
Gross profit		5,377,239		(1,007,740)		4,369,499
Operating income		2,999,593		(933,496)		2,066,097
Income before income taxes		2,331,182		(913,996)		1,417,186
Income taxes		712,175		(255,919)		456,256
Consolidated net income	Ps.	1,619,007	Ps.	(658,077)	Ps.	960,930

Basic and diluted earnings per share (EPS) of controlling interest before IMFRS 14 adjustments for the years ended December 31, 2009 and 2008 were Ps.5.50 and Ps. 4.72, respectively; after IMFRS adjustments EPS were Ps. 4.68 and Ps. 2.77, for the same periods, respectively.

The application of IMFRS 14 did not have significant effects on the consolidated statements of cash flows for the years ended December 31, 2009 and 2008, except for the presentation of the following items related to the operating activities: income before income tax, trade accounts receivable, inventories and land held for future developments, prepaid expenses and other assets and trade accounts payable.

MFRS C-1, Cash and cash equivalents

Mexican FRS C-1 was issued by the CINIF in November 2009 to replace Mexican accounting Bulletin C-1, *Cash*, and is effective for fiscal years beginning on or after January 1, 2010. The main differences between Mexican FRS C-1 and Mexican accounting Bulletin C-1 lie in the presentation of restricted cash and the substitution of the term “short-term investments” by the new term “liquid investments”, which are those investments whose maturities do not exceed three months.

The adoption of this MFRS did not have significant effects on the Company’s consolidated financial statements, except for the reclassification of restricted cash to cash and cash equivalents in the consolidated balance sheets as of December 31, 2010 and 2009 (see Note 5).

IMFRS 19, Changes derived from the adoption of International Financial Reporting Standards

On August 31, 2010, CINIF issued Interpretation to Mexican FRS 19, *Changes derived from the adoption of International Financial Reporting Standards (IFRS)* which became effective for financial statements issued on or after September 30, 2010 and requires the disclosures that must be made in the notes to the financial statements prepared under MFRS prior to the adoption of International Financial Reporting Standards. Since the Company is listed in the Mexican Stock

Exchange it has the obligation to prepare and present its financial information under IFRS beginning 2012.

At the date of the financial statements the Company is in the process of evaluating the effects that the adoption of this new standard will have on its consolidated financial statements.

Effective in 2009:

The most relevant standards that came into force in 2009 are described below:

MFRS B-7, Business Acquisitions

This MFRS substitutes Bulletin B-7 *Business Acquisitions* and was issued by the CINIF to replace Mexican accounting Bulletin B-7 *Business Acquisitions*. This standard establishes general rules for the initial recognition of net assets, non-controlling interests and other items, as of the acquisition date.

According to this statement, purchase and restructuring expenses resulting from acquisition process, should not be part of the consideration, because these expenses are not an amount being shared by the business acquired.

In addition, MFRS B-7 requires a company to recognize non-controlling interests in the acquiree at fair value as of the acquisition date.

MFRS B-8, Consolidated or Combined Financial Statements

The CINIF issued in December 2008, MFRS B-8 *Consolidated or Combined Financial Statements* which replaces Mexican Bulletin B-8 *Consolidated Financial Statements* and describes general rules for the preparation, presentation and disclosure of consolidated and combined financial statements.

The main changes of this MFRS are as follows: (a) this rule defines "Specific-Purpose Entity" (SPE), establishes the cases in which an entity has control over a SPE, and when a company should consolidate this type of entity; (b) addresses that potential voting rights should be analyzed when evaluating the existence of control over an entity; and, (c) set new terms for "controlling interest" instead of "majority interest," and "non-controlling interest" instead of "minority interest."

The adoption of this MFRS did not have any effect on the Company's consolidated financial statements.

MFRS C-7, Investments in Associates and Other Permanent Investments

MFRS C-7 was issued by CINIF in December 2008 and describes the accounting treatment for investments in associates and "other permanent investments", which were previously treated within Bulletin B-8 *Consolidated Financial Statements*. This MFRS requires the recognition of a Specific-Purpose Entity, through equity method. Also, this MFRS establishes that potential voting rights should be considered when analyzing the existence of significant influence.

In addition, this rule defines a procedure and a limit for the recognition of losses in an associate.

The adoption of this MFRS required the Company to consider the associate in Egypt as another permanent investment effective January 1, 2009, and no longer as an associate, and therefore to stop applying the equity method of accounting to this company.

MFRS C-8, Intangible Assets

This rule substitutes Bulletin C-8 *Intangible Assets*. The new rule defines intangible assets as non-monetary items and broadens the criteria of identification, indicating that an intangible asset must be separable; this means that such asset could be sold, transferred, or used by the entity. In addition, intangible asset arises from legal or contractual rights, whether those rights are transferable or separable from the entity.

On the other hand, this standard establishes that preoperative costs should be eliminated from the capitalized balance, affecting retained earnings, and without restating prior financial statements.

This amount should be presented as an accounting change in consolidated financial statements.

The adoption of this MFRS did not have any effect on the Company's consolidated financial statements.

MFRS D-8, Share-Based Payments

MFRS D-8 establishes the recognition of share-based transactions. When an entity purchases goods or pay services through share-based transactions, the entity is required to recognize those goods or services at fair value and the corresponding increase in equity. According with MFRS D-8, if share-based payments cannot be settled with equity instruments, they have to be settled using an indirect method considering MFRS D-8 parameters, and thus recorded as a liability.

The adoption of this MFRS did not have material effect on the Company's consolidated financial statements.

IMFRS 18, Effects on Recognition from the 2010 Tax Reform Bill in Income Taxes

On December 15, 2009 the CINIF published the Interpretation 18 of Mexican Financial Reporting Standards with the objective to provide guidance in regards to the 2010 Tax Reform Bill about the accounting recognition that should be completed in the companies' financial statements.

This IMFRS establishes certain parameters for the recognition of changes to the new Tax Reform, mainly in regards to Income Tax rates changes, changes to the consolidation regime (fundamentally related to tax losses), losses on stock transfers, special consolidation terms, distributed dividends not from Net Tax Profit Account (CUFIN), consolidation tax benefits and differences between CUFIN. The effects of the application of IMFRS 18 are disclosed in Note 24.

Effective in 2008:

The most relevant standards that came into force in 2008 are described below:

MFRS B-2, Statement of Cash Flows

In November 2007, MFRS B-2 was issued by the CINIF to replace Mexican accounting Bulletin B-12, *Statement of Changes in Financial Position*. This standard establishes that the statement of changes in financial position is substituted by a statement of cash flows as part of the basic financial statements. The main differences between both statements lie in the fact that the statement of cash flows shows the entity's cash receipts and disbursements for the period, while the statement of changes in financial position showed the changes in the entity's financial structure rather than its cash flows. In an inflationary environment, the amounts of both financial statements are expressed in constant Mexican pesos. However, in preparing the statement of cash flows, the entity must first eliminate the effects of inflation for the period and, accordingly, determine cash flows at constant Mexican pesos, while in the statement of changes in financial position, the effects of inflation for the period were not eliminated.

MFRS B-2 establishes that in the statement of cash flows, the entity must first present cash flows derived from operating activities, then from investing activities, the sum of these activities and finally cash flows derived from financing activities. The statement of changes in financial position first shows the entity's operating activities, then financing activities and finally its investing activities. Under this new standard, the statement of cash flows may be determined by applying the direct or indirect method.

The transitory rules of MFRS B-2 establish that the application of this standard is prospective.

MFRS B-10, Effects of Inflation

In July 2007, the CINIF issued MFRS B-10, *Effects of Inflation*. MFRS B-10 defines the two economic environments in Mexico that will determine whether or not entities must recognize the effects of inflation on financial information: i) inflationary, when inflation is equal to or higher than 26%; accumulated in the preceding three fiscal years (an 8% annual average); and ii) non-inflationary, when accumulated inflation for the preceding three fiscal years is less than the aforementioned accumulated 26%. Based on these definitions, the effects of inflation on financial information must be recognized only when entities operate in an inflationary environment.

This standard also establishes the accounting rules applicable whenever the economy changes from any type of environment to another. When the economy changes from an inflationary environment to a non-inflationary one, the entity must maintain in its financial statements the effects of inflation recognized through the immediate prior year, since the amounts of prior periods are taken as the base amounts of the financial statements for the period of change and subsequent periods. Whenever the economy changes from a non-inflationary environment to an inflationary one, the effects of inflation on the financial information are recognized retrospectively, meaning that all information for prior periods must be adjusted to recognize the accumulated effects of inflation of the periods in which the economic environment was considered non-inflationary.

This standard also abolishes the use of the specific-indexation method for the valuation of imported fixed assets and the replacement-cost method for the valuation of inventories, thus eliminating the result from holding non-monetary assets.

The Interpretation 9 of MFRS establishes that comparative financial statements for years prior to 2008 must be expressed in Mexican pesos with purchasing power at December 31, 2007, which was the last date on which the effects of inflation were recognized.

The realized result from holding non-monetary assets must be reclassified to retained earnings, while the unrealized portion must be maintained as such within equity, and reclassified to results of operations when the asset giving rise to it is realized. Whenever it is deemed impractical to separate the realized from the unrealized result from holding non-monetary assets, the full amount of this item may be reclassified to the retained earnings.

The effect of the adoption of this standard on the Company's 2008 consolidated financial statements is the Company's ceasing to recognize the effects of inflation on its financial information; therefore no monetary result was determined. The accumulated monetary position as of December 31, 2007 that was Ps. 346,641 was reclassified to the retained earnings.

MFRS B-15, Foreign Currency Translation

MFRS B-15 incorporates the concepts of recording currency, functional currency and reporting currency, and establishes the methodology to translate financial information of a foreign entity, based on those terms. Additionally, this rule is aligned with NIF B-10, which defines translation procedures of financial information from subsidiaries that operate in inflationary and non-inflationary environments. Prior to the application of this rule, translation of financial information from foreign subsidiaries was according to inflationary environments methodology.

The Company's foreign operations in India and Brazil were measured in accordance with this MFRS and their figures are included in the consolidated financial statements.

MFRS D-3, Employee Benefits

MFRS D-3, *Employee Benefits* replaces the previous MFRS accounting Bulletin D-3, *Labor Obligations*. The most significant changes contained in MFRS D-3 are as follows:

i) shorter periods for the amortization of unamortized items such as transition obligations, with the option to credit or charge actuarial gains or losses directly to results of operations, as they accrue. As further disclosed in Note 14, during 2008 the Company prospectively changed the amortization periods for its transition liability from those of 10-22 year periods in prior years, to a four year period starting in 2008, resulting in Ps. 5,559 in additional labor costs being recognized in its 2008 statement of income;

ii) elimination of the recognition of an additional liability and resulting recognition of an intangible asset and comprehensive income item. As further disclosed in Note 14, upon the adoption of MFRS D-3 the Company reversed its intangible asset of Ps. 30,092 and additional liability of Ps. 34,189 resulting in a credit to equity of Ps. 4,097 in 2008;

iii) accounting treatment of current-year and deferred employee profit-sharing, requiring that deferred employee profit-sharing be recognized using the asset and liability method established under MFRS D-4. The Company recorded a deferred profit sharing asset of Ps. 29,667 upon adoption of MFRS D-3. That asset has been adjusted to a value of Ps. 26,606 as of December 31, 2008. As of December 31, 2010 and 2009 there was no deferred profit sharing.

iv) current-year and deferred employee profit-sharing expense is to be presented as an ordinary expense in the income statement rather than as part of taxes on profits.

The impact of the adoption of MFRS D-3 is as indicated above.

MFRS D-4, Taxes on Profit

The CINIF also issued Mexican FRS D-4, *Taxes on Profits* which replaces Mexican accounting Bulletin D-4 *Accounting for Income Taxes, asset Tax and Employee Profit-sharing*. The most significant changes attributable to MFRS D-4 are as follows:

i) the concept of permanent differences is eliminated. The asset and liability method requires the recognition of deferred taxes on all differences in balance sheet accounts for financial and tax reporting purposes, regardless of whether they are permanent or temporary;

ii) because current and deferred employee profit-sharing is now considered as an ordinary expense under MFRS D-3, it is excluded from this standard;

iii) asset taxes are required to be recognized as a tax credit and, consequently, as a deferred income tax asset only in those cases in which there is certainty as to its future realization; and

iv) the cumulative effect of adopting Mexican accounting Bulletin D-4 is to be reclassified to retained earnings, unless it is identified with comprehensive items in equity not yet taken to income.

The adoption of this MFRS did not have any effect on the Company's consolidated financial statements.

b) Revenue and cost recognition

Home sales

Revenues, costs and expenses from the Company's homes sales are recognized when all of the following conditions are fulfilled:

a) the Company has transferred the control to the homebuyer, in other words, the significant risks and benefits due to the property or the assets ownership.

b) the Company does not retain any continued participation of the actual management of the sold assets, in the usual grade associated with the property, nor does retain the effective control of the sold assets;

c) the revenues amount can be estimated reliably;

d) it is probable that the Company will receive the economic benefits associated with the transaction; and

e) the costs and expenses incurred or to be incurred related to the transaction can be estimated reliably.

The above conditions are typically met upon the completion of construction, and signing by the Company, the customer and (if applicable) the lender, the legal contracts and deeds of ownership (escritura) over the property. At that time, the customer would have the legal to take possession of the home.

The cost of sales represents the cost incurred in the development of housing revenues by the Company during the year. These costs include land, direct materials, labor and all the indirect costs related to the development of the project such as indirect labor, equipment, repairs, depreciation and the capitalization of the comprehensive financing costs.

Construction services

Construction services revenues and costs are recorded pursuant to the percentage-of-completion method, measured by the percentage of actual costs incurred to total estimated costs for each development and each project, in accordance to Bulletin D-7. Under this method, the estimated revenue for each development and project is multiplied by such percentage to determine the amount of revenue to be recognized. Management periodically evaluates the fairness of estimates used to determine the percentage of completion. If, as a result of such evaluation, it becomes apparent that estimated costs on uncompleted projects exceed expected revenues, a provision for estimated costs is recorded in the period in which such costs are determined.

During the years ended December 31, 2010 and 2009 the Company provided construction services only to Mexican government entities.

c) Recognition of the effects of inflation

Effective January 1, 2008 the Company adopted MFRS B-10, *Effects of Inflation*. Based on this Standard, the Company did not recognize the effects of inflation in the financial information for the years ended December 31, 2010, 2009 and 2008.

Cumulative inflation in Mexico over 2008, 2009 and 2010 is less than 26% and therefore, in conformity with MFRS B-10, Mexico's current economic environment is considered non-inflationary. Furthermore, the three year cumulative inflation in both of the Company's foreign locations (Brazil and India) is also less than 26% through December 31, 2010. Accordingly, the Company's financial information for 2010, 2009 and 2008 was prepared without recognizing the effects of inflation.

d) Use of estimates

In conformity with MFRS, the preparation of financial statements requires the use of estimates and assumptions in certain areas. Actual results could differ from these estimates.

e) Cash and cash equivalents

Cash and cash equivalents consist basically of bank deposits and highly liquid investments with purchased maturities of less than 90 days. These investments are stated at cost plus accrued interest, which is similar to their market value.

f) Allowance for doubtful accounts

The Company's policy is to provide for doubtful accounts based on balances of uncollected accounts receivable, applying several percentages based on their aging status.

g) Inventories and costs of sales

Construction-in-process, construction materials and land for development and future development are recorded at acquisition cost.

Land for future developments refers to land reserves to be developed by the Company.

MFRS D-6 establishes the determination of the amount from the comprehensive financing cost (CFC) that shall be capitalized. The land under development inventories and construction-in-process include the capitalized CFC. The Company capitalizes the CFC that results from the application of the weighted average rate of the debt to the weighted average of the construction-in-process investment and the land under development during the acquisition period. In regards to debt in foreign currency, the capitalized CFC includes the corresponding exchange gains and losses (see Note 7).

The Company reviews the carrying amounts of its inventories annually or earlier when an impairment indicator suggest that such amounts might not be recoverable. If events or changes in circumstances indicate that the carrying value may not be recoverable an assessment is undertaken to determine whether carrying values are in excess of their net realizable value. Net realizable value is the estimated sales price in the ordinary course of business, less estimated costs for completion and effecting a sale.

Net realizable value for development properties is based on internal project evaluations where assumptions are made about the project's expected revenues and expenses. Valuation of these projects is performed according to lower cost of market principle. If the carrying amount of project exceeds the net realizable value, a provision is recorded to reflect the inventory at the recoverable amount in the balance sheet.

Impairment losses are recognized in the income statement.

As of December 31, 2010, 2009 and 2008, no impairment has been recognized with respect to the Company's inventories.

h) Property and equipment

Property and equipment is recorded at acquisition cost. Depreciation is calculated using the straight-line method based on the remaining useful lives of the related assets, as follows:

	Years
Buildings	20
Machinery and equipment	4 y 10
Transportation equipment	4
Air transportation equipment	10
Office furniture and equipment	10
Computers	4
Communication equipment	4

The value of property and equipment is reviewed whenever there are indications of impairment. When the recovery value of an asset, which is the greater of its selling price and value in use (the present value of future cash flows), is lower than its net carrying value, the difference is recognized as an impairment loss. At December 31, 2010 and 2009, no impairment losses have been recognized with respect to the Company's property and equipment.

i) Leases

The Company classifies agreements to lease property and equipment as operating or capital, in conformity with the guidelines of Bulletin D-5, *Leases*.

Lease arrangements are recognized as capital leases if they meet at least one of the following conditions:

a) Under the agreement, the ownership of the leased asset is transferred to the lessee upon termination of the lease.

b) The agreement includes an option to purchase the asset at a reduced price.

c) The term of the lease is basically the same as the remaining useful life of the leased asset.

d) The present value of minimum lease payments is at least 90% of the market value of the leased asset, net of any benefit or scrap value.

When the lessor retains the risks or benefits inherent to the ownership of the leased asset, the agreements are classified as operating leases and rent is charged to results of operations.

j) Goodwill

Goodwill represents the difference between the purchase price and the fair value of the net assets acquired at the date of purchase in accordance with the purchase method of accounting.

Goodwill is recorded initially at acquisition cost.

Goodwill is not amortized; however, it is subject to annual impairment tests, and is adjusted for any impairment losses. Goodwill is allocated to the affordable entry-level segment.

Goodwill as of December 31, 2010 and 2009 was Ps. 731,861.

k) Impairment of indefinite lived assets

The Company reviews the carrying amounts of assets with indefinite useful life annually or earlier when an impairment indicator suggests that such amounts might not be recoverable, considering the greater of the present value of future net cash flows using an appropriate discount rate, or the net sales price upon disposal. Impairment is recorded when the carrying amounts exceed the greater of the amounts mentioned above. The impairment indicators considered for these purposes are, among others, the operating losses or negative cash flows in the period if they are combined with a history or projection of losses; depreciation and amortization charged to results, which in percentage terms in relation to revenues are substantially higher than that of previous years; obsolescence; reduction in the demand for the products manufactured; competition; and other legal and economic factors.

As of December 31, 2010 and 2009, no impairment has been recognized with respect to the Company's assets with indefinite lives.

l) Other assets

Expenses related to the placement of the various borrowings disclosed in Note 11 are recorded at cost. These amounts will be amortized under the straight-line method over the respective loan terms and disclosed in Note 10.

m) Employee retirement obligations

The Company grants seniority premiums and termination pay, covering all its employees. The related calculations are based on the provisions of the Mexican Federal Labor Law (FLL). Under FLL, workers are entitled to certain benefits at the time of their separation from the Company under certain circumstances. Seniority premiums and termination payments are recognized periodically using the projected unit-credit method and financial assumptions.

As disclosed in Note 14, effective January 1, 2008 the Company adopted MFRS D-3. As a result of this adoption, the transition liability of labor obligations is now being amortized over a four-year period.

n) Derivative financial instruments

Derivative financial instruments are used for hedging purposes. At December 31, 2010 and 2009, all derivative instruments were recognized in the balance sheet at fair value, initially represented by the amount of consideration agreed (both assets and liabilities). Transaction costs and cash flow received or delivered to adjust these instruments to fair value at the beginning of the transaction, not related to premiums on options, are amortized during the respective term. The changes in the fair value of derivative financial instruments that do not qualify as hedging instruments are recognized in income in valuation effects of derivative instruments caption. Financial instruments that qualify as hedging instruments are recognized in equity as part of other comprehensive income.

o) Liabilities, provisions, contingent assets and liabilities and commitments

Liability provisions are recognized whenever (i) the Company has current obligations (legal or assumed) derived from past events, (ii) the liability will probably give rise to a future cash disbursement for its settlement and (iii) the liability can be reasonably estimated.

The Company recognizes a liability for a loss contingency when it is probable (i.e. the probability that the event will occur is greater than the probability that it will not). That certain effects related to past events, will materialize and can be reasonably quantified. These events and the financial impact are also disclosed as lost contingencies in the consolidated financial statements when the risk of loss is deemed to be other than remote. The Company does not recognize an asset for a gain contingency until the gain is realized.

p) Deferred taxes

The Company recognizes deferred taxes using the asset and liability method. Under this method, deferred taxes are recognized on all temporary differences between the book and tax values of assets and liabilities, using the enacted income tax or flat rate business tax (IETU) rate at the time the financial statements are issued, which is the enacted rate that will be in effect at the time the temporary differences giving rise to deferred tax assets and liabilities are expected to be recovered or settled.

Deferred tax assets are evaluated periodically in order to determine their recoverability.

q) Deferred employee statutory profit sharing

Beginning January 1, 2008 the Company uses MFRS D-3, *Employee Benefits* that considers the accounting treatment for Employee Statutory Profit-Sharing. This Standard establishes the Companies to use the asset and liability method to compute and recognize the deferred liability or asset for profit-sharing, in a similar manner as the deferred income tax computation, and establishes the initial recognition of the deferred profit-sharing, if any, to be reclassified to retained earnings, unless it is identified with comprehensive items in equity not yet taken to income.

Current year and deferred employee profit-sharing expense is to be presented as an ordinary expense in the statement of income rather than as part of taxes on profits.

At year ended December 31, 2008, the deferred profit-sharing amounted Ps. 26,606. The initial recognition of the deferred profit-sharing under MFRS D-3 amounts Ps. 29,667 that was recorded in the other equity account. The deferred asset effect generated during 2008 amounts to Ps. 127,305, of which the Company created a valuation allowance of Ps. 100,699, which according with the Company's projections were more likely than not to not be recovered. The deferred asset effect generated during 2009 was Ps. 52,392. The Company created a valuation allowance of Ps. 78,998 (Ps. 26,606 of 2008 and Ps. 52,392 of 2009), which according with the Company's projections were more likely than not to not be recovered. At the year ended December 31, 2010, there was not deferred profit-sharing to be recognized.

r) Foreign currency balances and transactions

Foreign currency transactions are recorded at the applicable exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Mexican pesos at the applicable exchange rate in effect at the balance sheet date. Exchange fluctuations are recorded as a component of net comprehensive financing cost (income) in the consolidated statements of income.

See Note 18 for the Company's consolidated foreign currency position at the end of each year and the exchange rates used to translate foreign currency denominated balances.

s) Stock option plan

The Company implemented a plan through which certain of its executives and company officials receive remuneration in the form of share-based payment transactions, whereby these individuals render services as consideration for equity instruments.

Given the settlement feature contained within the plan, the awards were treated as "Liability Awards" from its implementation and through December 31, 2008. Compensation cost was measured by reference to the fair value of the awards at each balance sheet date. During 2009 and as a result of certain modifications made to the plan, the awards were modified so as to become equity-settled. The fair value of share based compensation is determined using an appropriate pricing model (see Note 17d).

t) Earnings per share

Earnings per share are calculated by dividing net income of controlling interest by the weighted average number of shares outstanding during the year. The Company does not have any dilutive securities beyond the stock options disclosed in Note 17d, the effects of which were immaterial in all periods. Accordingly basic and diluted earnings per share presented were the same during such periods.

u) Comprehensive income

Comprehensive income is represented by net income, the effect of the translation of the financial statements of the foreign subsidiaries and the effect of the change in the fair value of financial instruments that meet the criteria of hedge accounting.

v) Statement of income presentation

The costs and expenses reflected in the statement of income are presented according to their function, since this classification allows an adequate analysis of gross profits and operating margins. The Company's operating income is presented because it is an important indicator of its overall performance and results, and includes ordinary income, operating costs and expenses. Other ordinary income (expenses) is therefore excluded.

w) Reclassifications

Certain amounts in the 2009 and 2008 statements of income have been reclassified in order to conform with 2010 presentations. The effects of these reclassifications were recognized with retrospective application, in accordance with MFRS B-1, *Accounting changes and error corrections*.

	Original amounts 2009	Reclassified amounts 2009
Interest expense	Ps. 207,796	Ps. 163,641
Other expenses	-	44,155

	Original amounts 2008	Reclassified amounts 2008
Interest expense	Ps. 90,007	Ps. 59,695
Other expenses	-	30,312

x) **Segment reporting**

Segment reporting is presented in accordance with the information prepared for the internal decision making process. The information is presented according to the type of housing on sale by the Company and others.

4. Business acquisition

On December 22, 2009 the Company entered into an Equity Interest Purchase Agreement of three companies (all together Loreto Companies). In accordance to the agreement, the Company was to deposit US $5 million into an escrow account. At December 31, 2009 the Company had deposited US $0.5 million (equivalent to Ps. 6,533); the rest was deposited on January 15, 2010. Depending on the satisfaction of diverse legal requirements, of which the most relevant was to evidence that the title of the asset transferred to the entities that will own them, is free and clear from any encumbrance, the Company was going to acquire through the Loreto companies different assets (hotel, golf course and land). On July 20, 2010 the legal requirements for the majority of the assets were satisfied, and the Company was able to acquire 100% of the common shares of CT Prop, S. de R.L. de C.V., which owns 100% of the outstanding stock of CT Commercial Properties, S. de R.L. de C.V.

On December 31, 2010 the legal requirements for rest of the assets were fulfilled and the Company acquired the 100% of the common shares of CT Loreto, S. de R.L. de C.V.

At that date the Company had fully paid the total purchase price of US$ 22.5 million (Ps. 290,478). Part of the payment was done through a credit line granted by Banco Nacional de México, S.A. which outstanding balance as of December 31,2010 was Ps. 99,358 and will be paid during 2011 (see Note 11).

The fair value of the net assets and liabilities identified at the acquisition date is shown as follows:

	Fair value recognized at the date of the acquisition	Adjustment to purchase price	Purchase price
Land inventory	Ps. 288,502	Ps. -	Ps. 288,502
Golf course	242,066	(240,090)	1,976
Hotel	119,073	(119,073)	-
Other minor fixed assets	14,918	(14,918)	-
Net assets at fair value	Ps. 664,559	Ps. (374,081)	Ps. 290,478

This business acquisition was recorded using the purchase method. Since net assets at fair value were greater than the purchase price, the Company adjusted the value of the acquired assets in accordance to the order established in MFRS B-7, allocating the adjustment to the non-monetary assets that were the hotel, golf course and other minor assets.

The results of operations of the three Loreto companies have been included in the Company's consolidated financial statements since the date of the acquisition. Among the main reasons for the acquisition of these companies was the Company to be able to develop a tourism development of 850 units including amenities such as a golf course and a hotel in the city of Loreto, Baja California Sur. The acquisition of these companies is expected to strength the Company's position in the tourism domestic market, enhancing its presence in the Baja California Sur state. Pro-forma financial information as if this business combination has been completed as of January 1, 2009 has not been presented as the pro-forma statement of operations figures for 2009 and 2010 would not be materially different from those presented herein.

5. Cash and cash equivalents

	2010	2009
Cash	Ps. 121,593	Ps. 143,851
Cash equivalents	3,313,629	3,107,565
	Ps. 3,435,222	Ps. 3,251,416

Cash and cash equivalents consist basically of bank deposits and highly liquid investments. Cash equivalents include restricted cash as of December 31, 2010 and 2009 for Ps. 127,530 and Ps. 129,342, respectively.

6. Trade accounts receivable

	2010	2009 as restated
As promoter:		
Due from customers and financing institutions[(1) (2) (3)]	Ps. 1,581,158	Ps. 403,925
Construction services[(4)]	488,169	198,755
Services and other	46,894	48,919
	2,116,221	651,599
Allowance for doubtful accounts	(78,852)	(57,279)
	2,037,369	594,320
Trade accounts receivable, long-term[(5)]	(62,166)	(74,846)
	Ps. 1,975,203	Ps. 519,474

The Company does not believe that it has a significant concentration of credit risk. While some of its receivables are from homebuyers, the majority are from entities in the home finance business, whose characteristics differ from other receivables.

(1) These amounts include balances due from INFONAVIT, FOVISSSTE, SOFOLES (Sociedades Financieras de Objeto Limitado), commercial banks and homebuyers. With the exception of commercial banks, all such categories exceed 10% of accounts receivable balances as of December 31, 2010 and 2009.

(2) The Company participates in a program referred to as "Programa de Entrega Anticipada de Vivienda INFONAVIT". This program provides for factoring of INFONAVIT receivables without recourse, thereby providing for more timely collection.

(3) The Company participates in a factoring program with Mexico's National Development Bank (NAFIN), which provided FOVISSSTE with a funding source to complement its housing programs. This program provides for factoring of FOVISSSTE receivables without recourse, thereby providing for more timely collection.

(4) This receivable is related to construction services provided by the Company to the Mexican Federal Government accounted using the percentage of completion method.

(5) The long-term trade account receivable is due to an agreement with the Housing Institute of the Federal District, or Instituto de Vivienda del Distrito Federal ("INVI"), on which it was agreed that the Company will receive monthly payments, including interest at a rate of TIIE plus 4%, during a five-year period, beginning June 2009, due to the sale of houses in Mexico City.

7. Inventories

	2010	2009 as restated
Land:		
Titled land	Ps. 9,701,296	Ps. 10,042,657
Contracted land	2,467,273	2,673,289
Advances to land suppliers	43,818	391,868
	12,212,387	13,107,814
Land held for future developments	(10,591,499)	(11,765,197)
Land	1,620,888	1,342,617
Other inventories:		
Construction-in-process	14,968,289	10,166,205
Construction materials	576,499	512,355
Advances to suppliers	70,690	83,173
Total other inventories	15,615,478	10,761,733
Total inventories	Ps. 17,236,366	Ps. 12,104,350

The Company's policy is to locate and acquire land each year, classifying land currently being developed and land planned to be developed within the next year as part of current assets, and classifying all remaining land as non-current assets.

Due to the application of MFRS D-6 during 2010, 2009 and 2008, the net comprehensive financing cost (CFC) related to qualified assets for the same periods was Ps. 965,008, Ps. 563,154 and Ps. 1,250,080, respectively. Total CFC related to inventories sold and subsequently applied to cost of sales was Ps. 758,332 during 2010 (of which Ps. 432,819 is related to the current year CFC and Ps. 325,513 is related to prior years), Ps. 537,431 during 2009 (of which Ps. 239,597 is related to the current year CFC and Ps. 297,834 is related to prior years) and Ps. 662,080 during 2008 (of which Ps. 607,622 is related to 2008 CFC and Ps. 54,458 is related to prior year), respectively. The average period for the amortization of the capitalized comprehensive financing cost is 9 months. The annual capitalization rates are 8.50%, 6.50% and 24.30%, during each of 2010, 2009 and 2008, respectively.

During the years ended December 31, 2010, 2009 and 2008, the net comprehensive financing cost capitalized in inventories was as follows:

	2010	2009 as restated	2008 as restated
Total accrued net comprehensive financing cost before capitalization	Ps. 1,279,750	Ps. 711,665	Ps. 1,758,753
Comprehensive financing cost capitalized in inventories	(965,008)	(563,154)	(1,250,080)
Comprehensive financing cost after capitalization	Ps. 314,742	Ps. 148,511	Ps. 508,673

8. Prepaid expenses and other current assets

	2010	2009 as restated
Sales commissions paid in advance	Ps. 321,415	Ps. 387,170
Sundry debtors	73,555	126,927
Refundable taxes	199,275	208,908
Other current assets	27,033	32,049
Insurance and bond contracts	6,404	9,613
Prepaid interest	5,968	5,968
	Ps. 633,650	Ps. 770,635

9. Property and equipment

	2010	2009
Buildings	Ps. 253,412	Ps. 253,412
Machinery and equipment	1,633,351	1,458,178
Transportation equipment	114,471	102,251
Air transportation equipment	75,203	75,203
Office furniture and equipment	133,330	101,781
Computers	123,416	99,802
Communication equipment	43,189	38,490
	2,376,372	2,129,117
Accumulated depreciation	(1,407,667)	(1,050,426)
	968,705	1,078,691
Land	33,867	31,891
	Ps. 1,002,572	Ps. 1,110,582

The amount of assets acquired via capitalized leases during the years ended December 31, 2010, 2009 and 2008, was Ps. 49,667, Ps. 47,035 and Ps. 97,131, respectively.

Depreciation expense for the years ended December 31, 2010, 2009 and 2008 was Ps. 362,351, Ps. 371,402 and Ps. 323,727, respectively.

10. Other assets

	2010		2009	
Debt issuance costs, net	Ps.	148,166	Ps.	158,364
Trade accounts receivable, long-term (see Note 6)		62,166		74,846
Financial instruments (see Note 12)		19,804		4,375
Other		13,032		11,976
Guarantee deposits		12,675		29,305
Net value of the “BETA” trademark(1)		-		45,527
	Ps.	255,843	Ps.	324,393

Amortization expense for the years ended December 31, 2010, 2009 and 2008 was Ps. 103,263, Ps. 112,007 and Ps. 101,294, respectively. The amortization of debt issuance of Ps. 57,736, Ps. 20,953 and Ps. 10,240 was allocated as interest expense as part of commissions and financing cost for the years ended December 31, 2010, 2009 and 2008 respectively (see Note 23(3)). The expected amortization of debt issuance costs for the years 2011 to 2015 is as follows:

Year	Amortization	
2011	Ps.	34,302
2012		22,855
2013		19,210
2014		18,419
2015 and thereafter		53,380
	Ps.	148,166

(1) “BETA” Trademark was allocated to the affordable entry-level segment. The amortization of Ps. 45,527, Ps. 91,054 and Ps. 91,054, for the years ended December 31, 2010, 2009 and 2008, respectively, was allocated as part of the operating expenses.

11. Debt

a) As of December 31, 2010 and 2009, the outstanding balances of short-term indebtedness with financial institutions consist of the following:

	2010	2009
HSBC México, S.A. A credit line granted by HSBC México, S.A. on October 12, 2010 for Ps. 50,000. The borrowing matures on January 10, 2011 and bears interest at the Mexican interbank equilibrium interest rate (TIIE) plus 5.50%.	Ps. 50,000	Ps. -
BBVA Bancomer, S.A. Four credit lines granted by BBVA Bancomer, S.A. in December 2010 for Ps. 300,000. The borrowings mature in April 2011 and bear interest at TIIE plus 3.20%.	300,000	-
Banco Nacional de México, S.A. Three credit lines granted by Banco Nacional de México, S.A. in November and December 2010 for Ps. 78,000. The borrowings ultimately mature in January and February 2011 and bears interest at TIIE plus 4.25% and 5.00%, respectively.	73,570	-
Banco Nacional de México, S.A. A credit line granted by Banco Nacional de México, S.A. on July 16, 2010 for Ps. 141,941. The borrowing ultimately matures on July 15, 2011 and bears interest at TIIE plus 5.00%. (see note 4)	99,358	-
Banco Nacional de México, S.A. Three credit lines granted by Banco Nacional de Mexico, S.A. for Ps. 95,000 in December 23, 2010. The borrowings ultimately mature in February 21, 2011 and bear interest at TIIE plus 5.00%	62,640	-
Banco Nacional de México, S.A. Two credit lines granted by Banco Nacional de México, S.A. on October 25 and December 8, 2010 for Ps. 71,966. The borrowings ultimately mature on January 7 and September 23, 2011 and bears interest at TIIE plus 1.00% and TIIE plus 5.00%, respectively.	6,394	
Banco Itaú BBA, S.A. Seven credit lines granted by Banco Itau BBA, S.A. (Brazilian financial institution) from March through December 2010 for 11.7 million Brazilian Reals. The borrowings mature from February through June 2011 and bear interest at 6.68%. The aforementioned credit lines replaced seven credit lines granted on May, September and October 2009 for 9.1 million Brazilian Reals. The borrowings matured on March, April, May and July 2010, and bore interest at 6.50%.	86,723	68,535
Banco Fibra, S.A. Three credit lines granted by Banco Fibra, S.A. (Brazilian financial institution) from January through September 2010 for 5.8 million Brazilian Reals. The borrowings mature in January, July and August 2011 and bear interest at 7.44%. The aforementioned credit line replaced a revolving credit line granted on July 22, 2009 for 1.3 million Brazilian Reals. The borrowing matured on July 20, 2010, and bore interest at 9.90%.	24,737	9,569

	2010	2009
Banco ABC Brasil, S.A.		
A revolving credit line of credit granted by Banco ABC Brasil, S.A. (Brazilian financial institution) on March 25, 2010 for 1 million Brazilian Reals. The borrowing matures on October 21, 2011 and bears interest at 7.19%. The aforementioned credit lines partially replaced three credit lines granted in August, October and November 2009 for 12 million Brazilian Reals. The borrowings matured on February, October, and November 2010, and bore interest at 8.50%.	22,310	90,171
Banco HSBC, S.A.		
Two credit lines granted by Banco HSBC, S.A. (Brazilian financial institution) for 11.5 million Brazilian Reals on February 4, 2010. The borrowings mature in January and November 2011 and bear interest at 9.09%. The aforementioned credit lines replaced a revolving credit line granted on November 23, 2009 for 1.5 million Brazilian Reals. The borrowing matured on November 18, 2010, and bore interest at 3.10%.	85,521	11,277
Banco Industrial e Comercial, S.A.		
A revolving credit line granted by Banco Industrial e Comercial, S.A. (Brazilian financial institution) for 5.0 million Brazilian Reals on May 7, 2010. The borrowing matures on October 28, 2011 and bears interest at 10.03%.	22,686	-
Banco Pine, S.A.		
Two credit lines granted by Banco Pine, S.A. (Brazilian financial institution) for 10.0 million Brazilian Reals in March and April 2010. The borrowings mature in March 2011 and bear interest at 8.41%.	49,577	-
Banco Votorantim, S.A.		
A revolving credit line granted by Banco Votorantim, S.A. (Brazilian financial institution) for 7.0 million Brazilian Reals on December 20, 2010. The borrowing matures on December 20, 2011 and bears interest at 7.82%.	52,056	-
Banco Bradesco, S.A.		
Three credit lines granted by Banco Bradesco, S.A. (Brazilian financial institution) for 2.5 million Brazilian Reals in July, September and November 2010. The borrowings mature in July, September and December 2011 and bear interest at 10.13%.	17,623	-
Interest payable	28,921	881
Total	Ps. 982,116	Ps. 180,433

b) As of December 31, 2010 and 2009, the outstanding balances of long-term debt with financial institutions consist of the following:

	2010	2009
Bond issuance ("Senior Guaranteed Notes due 2015") by Credit Suisse First Boston and Merrill Lynch. These obligations are guaranteed by PICSA, DECANO and other subsidiary companies. They are USD denominated in the amount of US $250 million, with a fixed annual interest rate of 7.5%, payable on September 28, 2015. Interest is payable semiannually.	Ps. 3,095,425	Ps. 3,260,925
Bond issuance ("Senior Guaranteed Notes due 2019") by Credit Suisse Securities LLC and HSBC Securities Inc. These obligations are guaranteed by PICSA, DECANO and CBC. They are USD denominated in the amount of US $250 million, with a fixed annual interest rate of 9.5%, payable on December 11, 2019. Interest is payable semiannually.	3,095,425	3,232,500
Banco Nacional de México, S.A.		
A line of credit granted by Banco Nacional de México, S.A. on July 16, 2009 for Ps.1,000 million and renewed to Ps. 1,500 million on March 25, 2010. The borrowing matures on July 16, 2013 and bears interest at the Mexican interbank equilibrium interest rate (TIIE) plus 5.00%.	1,462,613	888,738
GE Capital, S.A.		
A line or credit granted by GE Capital, S.A. on July 29, 2005 for US$2.3 million. The borrowing ultimately matured on July 29, 2010, and bore interest at an annual rate of 7.40%.	-	4,520
Grupo Financiero Inbursa, S.A.		
A line of credit granted by Grupo Financiero Inbursa, S.A. on June 26, 2008 for Ps. 2,078 million. The borrowing ultimately matures on June 26, 2013 and bears interest at TIIE plus 1.50%.	2,078,000	2,078,000
Bancomer, S.A.		
A credit line granted by Bancomer, S.A. for Ps. 833,333 on July 26, 2010. The borrowing matures on January 28, 2013 and bears interest at TIIE plus 3.60%.	833,333	-
Banco BTG Pactual, S.A.		
Five lines of credit granted by Banco BTG Pactual, S.A. (Brazilian financial institution) from May through November 2010 for 50.0 million Brazilian Reals. The borrowings ultimately mature from June through November 2013, and bear interest at 8.73%.	369,576	-
Banco ABC Brasil, S.A.		
Three lines of credit granted by Banco ABC Brasil, S.A. (Brazilian financial institution) in October and November 2010 for 16.5 million Brazilian Reals. The borrowings ultimately mature in October 2012, and bear interest at 7.35%.	122,704	-
Banco Bradesco, S.A.		
Six lines of credit granted by Banco Bradesco, S.A. (Brazilian financial institution) from June through December 2010 for 53.2 million Brazilian Reals. The borrowings mature during 2012 and 2013, and bear interest at 6.02%.	389,547	-
Banco BNDES Brasil, S.A.		
Line of credit line granted by BNDES Brasil, S.A. (Brazilian financial institution) on June 29, 2010 for 0.2 million Brazilian Reals. The borrowing ultimately matures on June 29, 2014 and bear interest at12.12%.	5,993	-

	2010	2009
Interest payable, primarily Senior Guaranteed Notes	81,382	85,642
Total long-term debt	11,533,998	9,550,325
Current portion of long-term debt	(746,397)	(90,162)
Long-term debt balances	Ps. 10,787,601	Ps. 9,460,163

Covenants

Loan covenants require the Company and its guarantor subsidiaries to meet certain obligations. These covenants cover changes in ownership control, restrictions on incurring additional debt that does not meet certain requirements established in the loan contracts, restrictions on the sale of assets and the sale of capital stock in subsidiaries, unless they meet certain requirements, and restricted payments where dividends cannot be paid or capital reimbursed to equity unless they are made between the guarantor subsidiaries.

Most significant financial covenants, contained within loan agreements, require the Company to maintain:

- A total of equity of at least Ps. 10,000,000;
- A ratio of interest coverage (EBITDA/net financing expense) over 3.0 times; and
- A ratio of leverage (liabilities with cost/EBITDA) of less than 3.25 to 1.0;
- A ratio of leverage (liabilities/equity) of less than 2.50 to 1.0;
- A ratio of leverage (liabilities with cost/equity) of less than 1.50 to 1.0;

There are also restrictions applicable to additional debt based on EBITDA levels. In the event the Company does not comply with any of the above provisions, it will be limited in its ability to pay dividends to its stockholders.

As of December 31, 2010 and 2009, the Company was in compliance with the financial covenants contained within its debt agreements.

Debt maturities

As of December 31, 2010, long-term debt matures as follows:

Year	Amount
2012	Ps. 729,916
2013	3,865,874
2014	961
2015	3,095,425
2019	3,095,425
	Ps. 10,787,601

The TIIE rates published in the Federal Official Gazette as of December 31, 2010 and 2009 were 4.8750% and 4.9150%, respectively. The exchange rate used to convert debt denominated in US Dollars and Brazilian Reals for the year ended December 31, 2010 were 12.3817 Mexican pesos and 7.4366 Mexican pesos, respectively. The exchange rate used to convert debt denominated in US Dollars and Brazilian Reals for the year ended December 31, 2009 were 13.0437 Mexican pesos and 7.5183 Mexican pesos, respectively.

12. Financial instruments

Financial Instruments Related to the Senior Guaranteed Notes due 2015

On July 6, 2008 the Company entered into derivative instruments in order to cover the possible changes in the exchange rate of future interest payments of the Senior Guaranteed Notes due 2015 for US$250 million ("Interest-Only Swap"). This transaction does not meet hedge accounting requirements, and thus changes in the fair value of the underlying derivative have been and will be recorded in the Company's current earnings as a component of comprehensive financing cost within the valuation effects of derivative instruments account. As of December 31, 2010 the fair value of this derivative was a liability position of Ps. 60,917 (US$ 4.9 million). As of December 31, 2009 the fair value of this derivative was a favorable asset position of Ps. 4,375 (US$ 0.3 million) (see Note 10).

The net accumulated expense in the statement of income of the Interest-Only Swap for the year ended December 31, 2010 and 2009 was Ps. 68,572 and Ps. 61,600, respectively. The net accumulated income of the Interest-Only Swap was Ps. (90,639) for the year ended December 31, 2008.

Financial Instruments Related to the Senior Guaranteed Notes due 2019

As disclosed in Note 11, the Company's Senior Guaranteed Notes due 2019 are U.S. dollar denominated. In order to decrease the risk of future changes in the exchange rate between U.S. dollar and Mexican pesos, in December 11, 2009 the Company entered into a "Principal-Only Swap" with a notional value of US$250 million, which entitled the Company to receive this amount in 2019 in return for a payment in Mexican pesos at a fixed exchange rate of 12.93 Mexican pesos per U.S. Dollar. As part of this agreement,the Company will pay interest of 3.87% a year on the total notional amount of Ps. 3,232.5 million Mexican Pesos, in semiannual payments. In order to increase the amount of thresholds of these financial instruments and to avoid collateral margin calls, in May 2010 the Company changed its PO Swap rate from 3.87% to 4.39%.

In addition, on December 11, 2009 the Company entered into an "Interest-Only Swap" in order to cover the possible changes in the exchange rate of the first six interest payments of the Senior Guaranteed Notes due 2019 for US$250 million ("Interest-Only Swap").

The Principal-Only Swap transaction met hedge accounting requirements. As of December 31, 2010 and 2009, the fair value of this derivative was Ps. 447,243 (US$ 36.1 million) and Ps. 109,970 (US$ 8.4 million), respectively, and represented a liability.

The Interest-Only Swap transaction did not meet hedge accounting requirements. As of December 31, 2010, the fair value of this derivative was Ps. 19,804 (US$ 1.6 million) and represented a favorable asset position (see Note 10). As of December 31, 2009, the fair value of this derivative was Ps. 9,114 (US$ 0.7 million) and represented a liability. The net accumulated gain in the statement of income of the Interest-Only Swap for the year ended December 31, 2010 was Ps. (28,918), and for the year ended December 31, 2009 was an expense of Ps. 4,851.

As of December 31, 2010 and 2009 the Company had the following financial instruments:

As of December 31, 2010					
Financial instruments	Type	Notional (in US $)	Fair value asset (liability) (in Ps.)	Changes in comprehensive income, net of taxes (in Ps.)	Changes in statement of income (in Ps.)
Interest-only swap ("2019")	No hedge accounting	47.50 million	Ps. 19,804	Ps. -	Ps. (28,918)
Principal-only swap ("2019")	Hedge accounting	250.00 million	Ps. (447,243)	Ps. (242,837)	Ps. -
Interest-only swap ("2015")	No hedge accounting	37.50 million	(60,917)	-	68,572
			Ps. (508,160)	Ps. (242,837)	Ps. 39,654

As of December 31, 2009					
Financial instruments	Type	Notional (in US $)	Fair value asset (liability) (in Ps.)	Changes in comprehensive income, net of taxes (in Ps.)	Changes in statement of income (in Ps.)
Interest-only swap ("2015")	No hedge accounting	56.25 million	Ps. 4,375	Ps. -	Ps. 61,600
Principal-only swap ("2019")	Hedge accounting	250.00 million	Ps. (109,970)	Ps. (84,592)	Ps. -
Interest-only swap ("2019")	No hedge accounting	71.25 million	(9,114)	(3,280)	4,851
			Ps. (119,084)	Ps. (87,872)	Ps. 66,451

Other Financial Instruments

During the normal course of operations the Company maintains net liability positions in foreign currency (US dollars) which are originated by its operations' short and long-term liabilities. During 2008, the Company entered into hedging derivative financial instruments that were expected to mitigate the risk associated with the exchange loss in the acquisition of foreign currencies. However, due to the recent volatility in the exchange rate between the Mexican Peso and US dollar, the Company decided to cancel and or otherwise restructure all its hedging derivative financial instruments. The Company had an impact in its statement of income of approximately Ps. 404,601. The Company did not have these financial instruments during 2009 and 2010; therefore it did not have any impact in its statements of income for those years.

The net valuation effects of financial instruments for the years ended December 31, 2010, 2009 and 2008, were Ps. 33,094, Ps. 66,451 and Ps. 313,962, respectively.

13. Leases

a) Capital leases

As of December 31, 2010 there are contracts of capital leases of machinery and equipment for a 5 year period. The capital leases as of December 31, 2010 and 2009 are shown as follows:

	2010	2009
Financial leases provided by Bancomer, S.A. in June 2007, with maturity in January 2013 and an interest rate at TIIE plus 0.80%.	Ps. 149,540	Ps. 221,550
Financial leases provided by Bancomer, S.A. in September 2008, with maturity in October 2013 and interest rate at TIIE plus 0.80%.	34,713	44,524
Financial leases provided by Bancomer, S.A. in December 2008, with maturity in January 2014 and interest rate at TIIE plus 3.50%.	39,141	48,565
Financial leases provided by Bancomer, S.A. in March 2009, with maturity in April 2014 and interest rate at TIIE plus 3.50%.	15,928	19,481
Leases provided by Leasing Operations de México, S. de R.L. de C.V. in April, May and August 2010, with maturities in April, May and October 2013 at an discounted interest rate of 13.39%.	100,578	-
Financial leases provided by GE Financial Mexico, S.A. de C.V. in September 2010, with maturity in October 2013 and interest rate of 12.98%.	554	-
Financial leases provided by Banco Itau, S.A. (Brazilian financial institution) from May through October 2009 and from May through September 2010 with maturities from May through November 2013 at an average interest rate of 20.69%.	11,934	8,534
Financial leases provided by Banco Bradesco, S.A. (Brazilian financial institution) in November and December 2009 as well as in November 2010 with maturities from November and December 2012 through December 2013 at an average interest rate of 15.91%.	48,088	18,751
Financial leases provided by Banco Consorcio, S.A. (Brazilian financial institution) from July through December 2010 with maturities from January 2014 through November 2016 at an average interest rate of 23.91%.	1,373	-
Interest payable	3,185	1,711
Total capital leases	405,034	363,116
Current portion of long-term capitalized leases	(169,604)	(108,437)
Total long-term capital leases	Ps. 235,430	Ps. 254,679

Minimum compulsory payments relating to these contracts as of December 31, 2010, including interest payable monthly, are as follows:

Year		Total
2011	Ps.	169,604
2012		160,686
2013		71,239
2014		3,402
2015 and thereafter		103
Total	Ps.	405,034

Covenants

The most significant financial covenants of the leases require the Company and its subsidiaries to maintain:

- A liquidity ratio of current assets to short-term liabilities no less than 1.50 to 1.0;
- A financing ratio of total liabilities (excluding deferred income taxes) to equity (excluding deferred income taxes) no greater than 1.70 to 1.0;
- A relation of operational income to net comprehensive financing cost at a minimum level of 2.0;

As of December 31, 2010 and 2009, the Company was in compliance with these financial covenants.

b) Operating leases

As of December 31, 2010 the Company had entered into agreements for the operating lease of machinery and equipment for a period of 5 to 6 years. The minimum compulsory payments relating to these agreements are as follows:

Year		2010
2011	Ps.	67,977
2012		49,873
2013		30,204
2014		10,796
2015		8,672
Total	Ps.	167,522

Operating leases expensed for the years ended December 31, 2010, 2009 and 2008 amounted to Ps. 64,982, Ps. 50,426 and Ps. 52,833, respectively.

14. Employee benefits obligations

The Company has a plan for covering seniority premiums which consists of a lump sum payment of 12 days' wages for each year worked, calculated using the most recent salary, not to exceed twice the legal minimum wage established by law. Since 2005, the Company has recognized a liability for personal severance pay. The related liability and annual cost of such benefits are calculated by an independent actuary on the basis of formulas defined in the plans using the projected unit credit method.

As mentioned in Note 3, during 2008 the Company applied the provisions of new MFRS D-3, *Employee Benefits* which replaces the previous MFRS accounting Bulletin D-3, *Labor Obligations*. The most significant effects of its application were as follows:

i) Additional labor cost of Ps. 5,559 being recognized in its 2008 statement of income as compared to prior period.

ii) Elimination of the recognition of an additional liability and resulting recognition of an intangible asset and comprehensive income item. Upon the adoption of MFRS D-3 the Company reversed its intangible asset of Ps. 30,092 and additional liability of Ps. 34,189 resulting in a credit to shareholders equity of Ps. 4,097 in 2008.

During 2010 the Company reduced its employee benefits obligations by canceling the non-statutory indemnity benefit contained its retirement plan. This curtailment resulting in a reduction of the net period pension cost during the year ended December 31, 2010. The benefit obligation that remains recorded as of December 31, 2010 corresponds to the legal indemnity benefit due to termination or severance as well as seniority premiums.

As of December 31, 2009 and 2008 and for the years ended 2010, 2009 and 2008, the present values of these obligations and the rates used for the calculations are as follows:

	For the year ended December 31, 2010		
	Severance pay	Seniority premium	Total
Integration of Net Period Cost:			
Labor cost	Ps. 22,949	Ps. 1,875	Ps. 24,824
Financial cost	10,964	562	11,526
Transition liability	4,512	139	4,651
Amortization of prior services and changes to the plan	6,341	156	6,497
Actuarial losses	48,328	2,674	51,002
Settlement effect / Curtailment	(86,507)	(1,802)	(88,309)
Net period cost	Ps. 6,587	Ps. 3,604	Ps. 10,191

	For the year ended December 31, 2009		
	Severance pay	Seniority premium	Total
Integration of Net Period Cost:			
Labor cost	Ps. 23,428	Ps. 1,932	Ps. 25,360
Financial cost	10,605	478	11,083
Transition liability	3,643	140	3,783
Amortization of prior services and changes to the plan	6,341	156	6,497
Actuarial gains	(3,437)	(825)	(4,262)
Net period cost	Ps. 40,580	Ps. 1,881	Ps. 42,461

	For the year ended December 31, 2008		
	Severance pay	Seniority premium	Total
Integration of Net Period Cost:			
Labor cost	Ps. 14,002	Ps. 1,748	Ps. 15,750
Financial cost	9,084	309	9,393
Transition liability	3,643	139	3,782
Amortization of prior services and changes to the plan	9,144	306	9,450
Actuarial losses (gains)	78,392	(367)	78,025
Net period cost	Ps. 114,265	Ps. 2,135	Ps. 116,400

	Balances as of December 31, 2010		
	Severance pay	Seniority premium	Total
Vested benefit obligations	Ps. 87,002	Ps. 8,122	Ps. 95,124
Transition liability	(2,108)	(211)	(2,319)
Prior services and changes to the plan	(1,976)	(350)	(2,326)
Non-recognized actuarial gain	-	(1)	(1)
Net projected liability	Ps. 82,918	Ps. 7,560	Ps. 90,478

	Balances as of December 31, 2009		
	Severance pay	Seniority premium	Total
Vested benefit obligations	Ps. 116,356	Ps. 5,273	Ps. 121,629
Transition liability	(10,930)	(418)	(11,348)
Prior services and changes to the plan	(17,900)	(594)	(18,494)
Non-recognized actuarial gain	6,286	114	6,400
Net projected liability	Ps. 93,812	Ps. 4,375	Ps. 98,187

The changes in the balance of labor obligations for the years ended December 31, 2010 and 2009 are as follows:

	For the year ended December 31, 2010		
	Severance pay	Seniority premium	Total
Initial balance	Ps. 93,812	Ps. 4,375	Ps. 98,187
Labor cost	22,949	1,875	24,824
Financial cost	10,964	562	11,526
Transition liability	4,512	139	4,651
Amortization of prior services and changes to the plan	6,341	156	6,497
Actuarial losses	48,328	2,674	51,002
Settlement effect / Curtailment	(86,507)	(1,802)	(88,309)
Benefits paid	(17,481)	(419)	(17,900)
Ending balance	Ps. 82,918	Ps. 7,560	Ps. 90,478

	For the year ended December 31, 2009		
	Severance pay	Seniority premium	Total
Initial balance	Ps. 82,184	Ps. 2,966	Ps. 85,150
Labor cost	23,428	1,932	25,360
Financial cost	10,605	478	11,083
Transition liability	3,643	140	3,783
Amortization of prior services and changes to the plan	6,341	156	6,497
Actuarial gains	(3,437)	(825)	(4,262)
Benefits paid	(28,952)	(472)	(29,424)
Ending balance	Ps. 93,812	Ps. 4,375	Ps. 98,187

The following is an analysis at December 31 of the Company's liabilities that make up its labor obligations related to seniority premiums and employee termination payments for reasons other than corporate restructuring:

	Seniority premium			Severance pay		
Year	Defined benefit obligations	Plan situation deficit	Pending amortized Items	Defined benefit obligations	Plan situation deficit	Pending amortized Items
2010	Ps. 8,122	Ps. 8,122	Ps. 562	Ps. 87,002	Ps. 87,002	Ps. 4,084
2009	5,273	5,273	1,176	116,356	116,356	35,367
2008	4,122	4,122	1,156	112,617	112,617	30,443
2007	5,125	5,125	1,452	111,052	111,052	35,376
2006	2,685	2,685	1,305	55,469	55,469	39,967

Beginning in 2008, the transition liability is being amortized over a five-year period.

The rates used in the actuarial analysis are as follow:

	2010	2009	2008
Discounts of labor obligations	7.98%	8.50%	8.50%
Salary increases	4.79%	4.50%	4.50%
Inflation rates	3.75%	3.50%	3.50%

At December 31, 2010, the Company has recognized accrued liabilities on trade accounts payable, as of other creditors, for the short-term direct benefits on vacation and vacation premium for Ps. 33,149 and Ps. 4,566, respectively.

15. Trade accounts payable

	2010	2009 As restated
Suppliers	Ps. 2,164,013	Ps. 1,618,256
Revolving credit lines*	867,924	220,853
Other creditors	378,642	360,972
Total accounts payable	Ps. 3,410,579	Ps. 2,200,081

* The Company established a trust that allows its suppliers and land suppliers to obtain financing from various financial institutions, in part through a factoring program sponsored by Nacional Financiera S.N.C. ("Nafinsa"). In relation to this program, the Company established a trust fund called Fideicomiso AAA-Homex with "Nafinsa", which granted a line of credit for Ps.1,000,000 with a guarantee fund of Ps. 127,530 and Ps. 122,809, respectively (investment account), as of December 31, 2010 and 2009. Under this program, the AAA-Homex trust can make use of the Nafinsa line of credit to finance a portion of the accounts receivable of the Company's suppliers. As mentioned in Note 2, the AAA Homex trust is a consolidated subsidiary of the Company. As of December 31, 2010 and 2009, this factoring program encompassed approximately 4,542 and 4,270 suppliers and land suppliers, respectively, where the financing resources are covered by the suppliers themselves.

16. Land suppliers

	2010		2009	
Short-term	Ps.	646,070	Ps.	548,586
Short-term revolving credit line*		132,071		789,640
Total short-term	Ps.	778,141	Ps.	1,338,226
Long-term land suppliers	Ps.	41,441	Ps.	74,659

* See Note 15 above.

Land suppliers represent the outstanding balance payable to the Company's suppliers of land currently in use or estimated to be developed. Long-term land suppliers represent payables with maturities of over twelve months.

17. Equity

a) Common stock issued at par value (historical Pesos) as of December 31, 2010 and 2009 is as follows:

	Number of Shares		Amount			
	2010	2009	2010		2009	
Fixed capital:						
Sole series	335,869,550	335,869,550	Ps.	425,443	Ps.	425,443

b) Retained earnings include the statutory legal reserve. The General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value. The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. The legal reserve as of December 31, 2010 and 2009 amounted Ps. 105,602 and is included as part of the retained earnings.

c) The balances of the equity tax account as of December 31, 2010 and 2009 are:

	2010		2009	
Contributed capital account	Ps.	4,287,837	Ps.	4,107,124

Earnings distributed in excess of the balances of the Net Tax Profit Account (CUFIN) will be subject to income tax payable by the companies at the rate in force. At December 31, 2010 the Company's CUFIN balance is Ps. 835,767.

d) As of December 31, 2010 and 2009, the Company has a stock option plan that consists of 945,741 and 1,072,432 approved stock options of the Company, respectively.

A total of 978,298 stock options were initially granted to the key executives. During 2007 these grants were made at an exercise price of 98.08 Mexican pesos, which was in excess of the shares' underlying fair value at the grant date. During 2008, a total of 29,929 options were exercised, and 335,853 options were cancelled upon separation of the related employees. In addition, during 2009 the Company increased the number of shares available in the stock option plan by 73,232 and granted 321,549 options at an exercise price of 43.54 Mexican pesos. During 2010 the Company did not increase any of the shares underlying its stock options plan, nor did it grant any new options. However a total of 126,691 stock options were exercised in 2010. Also during 2010, 612,516 options were forfeited as the right for them to be exercised concluded.

The executives have the right to exercise one-third of their total options granted per year. The right to exercise the option expires after one year from the grant date or, in some cases, after 180 days from the departure of the executive from the Company. Given the condition of the equity markets in 2008 and 2009, the Company's Compensation Committee authorized the modification of the terms of the awards. Specifically, the duration of the program for options granted up to December 31, 2008, was extended whereby the exercise of awards if not made in the previously specified period, could be exercised one year following but not later than December 31, 2010.

During 2009, the Company also made changes to the underlying option grants made in 2007 and 2009 so as for them to now be ultimately settled with issuance of Company shares rather than with the payment of Company cash. Both of these events were considered substantive changes to the underlying terms of the previous stock option grants, and compensation expense related to these changes has been re-measured accordingly.

The following information is an analysis of stock option activity during the years:

	Options available for grant	**Stock options outstanding**	**Average exercise price**
Balance at January 1, 2007	-	-	-
Stocks repurchased for future grant	999,200	-	99.42
Stock options granted	(978,298)	978,298	98.08
Balance at December 31, 2007	20,902	978,298	98.08
Stock options forfeited	335,853	(335,853)	98.08
Stock options exercised	29,929	(29,929)	98.08
Balance at December 31, 2008	386,684	12,516	98.08
Shares repurchased for future option grants	73,232	-	46.69
Stock options granted	(321,549)	321,549	43.54
Balance at December 31, 2009	138,367	934,065	79.30
Stock options exercised	-	(126,691)	43.54
Stock options forfeited	612,516	(612,516)	98.08
Balance at December 31, 2010	750,883	194,858	Ps. 43.54

The weighted average exercise price of stock options outstanding as of December 31, 2010 is as follows:

	Number of options	Exercise price
Granted in 2009	194,858	Ps. 43.54

The average fair value of all the stock options granted was 39.30, 15.63 and 6.02 Mexican pesos per stock option, during the years ended December 31, 2010, 2009 and 2008, respectively.

During the year ended December 31, 2010, 126,691 of the stock options granted in 2009 were exercised at an exercise price of Ps. 43.54, resulting in an increase of Ps. 5,516 in the equity.

Key assumptions used to calculate the fair value for the years ended December 31, 2010, 2009 and 2008 are as follows:

	2010	2009	2008
Expected dividend yield	0%	0%	0%
Expected stock price volatility	29.56%	59.56%	72.21%
Risk-free interest rate	4.21%	5.54%	7.72%
Expected life of options in years	2 years	3 years	2.5 years
Model used	Black Scholes Merton	Black Scholes Merton	Black Scholes Merton

Total compensation cost related to vested stock option awards not recognized was Ps. 4,212 at December 31, 2010. Compensation cost related to vested stock option awards totaled Ps. 10,638 at December 31, 2009. Total compensation cost related to vested stock option awards not recognized was Ps. 3,687 at December 31, 2008.

e) On March 10, 2008, the Board of Directors authorized the Company to repurchase up to $250 million in treasury stock through market transaction. The Company did not repurchased treasury shares during 2010. During the year ended December 31, 2009, the Company repurchased 49,500 treasury shares for Ps. 1,398.

f) As of December 31, 2010 and 2009, 800,383 and 187,867 shares remain in treasury, respectively. As of December 31, 2008, 999,200 shares legally remain in treasury.

18. Foreign currency balances and transactions

a) As of December 31, 2010 and 2009, the foreign currency monetary position is as follows:

	2010				2009			
	Thousands of U.S. dollars:		Thousands of Brazilian reals:		Thousands of U.S. dollars:		Thousands of Brazilian reals:	
Monetary assets	US$	246	BR$	11,477	US$	6,046	BR$	10,444
Monetary liabilities		(508,901)		(222,177)		(563,074)		(69,880)
Monetary liability position, net	US$	(508,655)	BR$	(210,700)	US$	(557,028)	BR$	(59,436)
Equivalent in Mexican pesos	Ps.	(6,298,014)	Ps.	(1,566,892)	Ps.	(7,265,706)	Ps.	(446,858)

b) The exchange rates in effect at the dates of the consolidated balance sheets and issuance of the consolidated financial statements were as follows:

	(In Mexican pesos)		
	December 31, 2010	December 31, 2009	April 27, 2011
U.S. dollar	12.3817	13.0437	11.5824
Egyptian pound	2.1182	2.3921	1.9545
Brazilian real	7.4366	7.5183	7.4047
Indian rupee	0.2714	0.2728	0.2587

19. Transactions and balances with related parties

a) For the years ended December 31, 2010 and 2009, there are no balances from/to related parties.

b) Compensation paid to the Company's key managerial personnel or relevant directors is as follows:

	2010		2009		2008
Short and long-term direct benefits	$	196,788	$	201,058	191,148
Termination benefits		2,422		6,508	35,276
Stock option compensation expense recorded		-		10,638	616
	$	199,210	$	218,204	$ 227,040

During 2007 and 2009, certain stock option benefits were granted to key employees as disclosed in Note 17d.

There were no post retirement benefits payments during the years presented herein.

20. Segment reporting

The Company generates separate reports by affordable entry-level, middle-income and other. The following segment reporting information is presented according to the information used by management for decision-making purposes. The Company segregates the financial information by segments, (affordable entry-level, middle-income and other) considering the operational and organizational structure of the business despite its geographical localization (which was established by house models as explained in the next paragraph), according to the provisions of Bulletin B-5 *Segment reporting*.

General description of the products or services

Mexico's developer-built housing industry is divided into three segments according to cost: affordable entry-level, middle-income, and residential. The prices of affordable entry-level segment range between Ps. 195 and Ps. 540; those of the middle-income segment are between Ps. 541 and Ps. 1,885 and those of the residential segment are above Ps. 1,885. The Company's focus is to provide affordable entry-level and middle-income housing for its customers. Therefore, the operating segments that are presented in detail are the affordable entry-level and the middle-income segments, in conformity with guidelines of Bulletin B-5.

Affordable entry-level developments range in size from 500 to 20,000 homes and are developed in stages typically comprising 300 homes each. During 2010, 2009 and 2008, affordable entry-level homes had an average price of approximately Ps. 338, Ps. 326 and Ps. 297, respectively. A typical affordable entry-level home consists of a kitchen, living-dining area, one to three bedrooms, and one bathroom.

Middle-income developments range in size from 400 to 2,000 homes and are developed in stages typically comprising 200 homes each. During 2010, 2009 and 2008, middle income homes had an average price of approximately Ps. 1,086, Ps. 978 and Ps. 958, respectively. A typical middle-income home consists of a kitchen, dining room, living room, two or three bedrooms, and two bathrooms.

Other includes revenues from construction services to government, sales and services to third parties and the tourism housing division.

The following table shows the operating results by each segment identified as of December 31, 2010, 2009 and 2008:

Year ending December 31, 2010	Entry-level	Middle-income	Other	Consolidated
Revenues	Ps. 13,288,656	Ps. 5,176,572	Ps. 1,187,080	Ps. 19,652,309
Income from operations	1,990,999	775,590	177,857	2,944,446
Depreciation and amortization	314,843	122,646	28,125	465,614

Year ending December 31, 2009	Entry-level as restated	Middle-income as restated	Other	Consolidated
Revenues	Ps. 13,791,983	Ps. 3,406,806	Ps. 277,700	Ps. 17,476,489
Income from operations	2,145,742	530,027	43,204	2,718,973
Depreciation and amortization	381,494	94,234	7,681	483,409

Year ending December 31, 2008	Entry-level as restated	Middle-income as restated	Other	Consolidated
Revenues	Ps. 11,291,405	Ps. 3,424,362	Ps. 10,061	Ps. 14,725,828
Income from operations	1,584,232	480,453	1,412	2,066,097
Depreciation and amortization	325,896	98,835	290	425,021

The income from operations caption in the tables above were calculated as the total revenue from each segment, less allocated total consolidated operating cost and expenses. The allocation of total consolidated operating costs and expenses into the segments was based on the percentage that the sales in each segment represent of the total consolidated sales. Depreciation and amortization expense is allocated to each segment using the same basis as operating costs and expenses.

The Company has domestic operations in Mexico and international operations in Brazil and India. Mexican operating segments are disclosed above. India assets and operations are immaterial as of December 31, 2010. The Company's operations in Brazil started in 2010. Brazil revenues are disclosed in Note 1, its pre-tax loss from operations is diclosed in Note 24 and, it had approximately Ps.427,466 in current assets and Ps.514,406 in long lived assets as of December 31, 2010.

The Company does not segregate its total assets by operating segment.

21. Operating expenses

	2010	2009	2008
Administrative	Ps. 1,567,707	Ps. 1,332,178	Ps. 1,259,870
Selling	1,367,145	1,048,448	952,478
Amortization expense of BETA trademark	45,527	91,054	91,054
	Ps. 2,980,379	Ps. 2,471,680	Ps. 2,303,402

The table below shows the most significant operating expenses:

	2010	2009	2008
Salaries and other benefits	$ 874,212	$ 711,366	$ 614,560
Office expenses	103,281	88,271	99,411
Advertising	90,944	72,044	203,211

22. Other (expenses) income

	2010		2009		2008	
Brazilian settlement[1]	Ps.	-	Ps.	-	Ps.	(48,536)
Tax surcharges		(136,193)		(44,155)		(30,312)
Current profit-sharing		-		-		(67,707)
Deferred profit-sharing		-		-		(3,061)
Other (expense) income, net		(6,572)		49,475		9,378
	Ps.	(142,765)	Ps.	5,320	Ps.	(140,238)

(1) See Note 25.

23. Interest expense

	2010		2009 as restated		2008 as restated	
Interest expense related to senior guaranteed notes[1]	Ps.	-	Ps.	-	Ps.	-
Other interest expense		173,610		162,069		127,526
Commissions and financing costs[2] [3]		166,505		163,641		59,695
	Ps.	340,115	Ps.	325,710	Ps.	187,221

(1) As of December 31, 2010, 2009 and 2008 the interest expense related to senior guaranteed notes was Ps. 681,871, Ps. 288,156 and Ps. 269,052, respectively; however due to the MFRS D-6 application, these amounts were fully capitalized during the three years (see Note 7).

(2) Includes the commissions paid by the Company to INFONAVIT and Registro Único de Vivienda (RUV), when obtaining approval of individual financing for its customers. The commissions facilitate the home sales and cash inflows recovery, so the Company considers these commissions as part of the financing costs. The amounts expensed in 2010, 2009 and 2008 were Ps. 77,651, Ps. 66,131 (as restated) and Ps. 56,318 (restated), respectively.

(3) Due to anticipated payments made by the Company of short-term lines of credit during December 2010 and 2009 (see Note 11), the Company amortized Ps. 12,888 and Ps. 45,873, respectively, related to debt issuance costs previously capitalized in other assets.

24. Income tax, asset tax and Flat Rate Business Tax (IETU)

In accordance with Mexican tax law, the Company is subject to income tax (ISR) and Flat Rate Business Tax ("IETU") and files its tax returns on an individual entity basis and the related tax results are combined in the accompanying consolidated financial statements. The ISR is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated asset values. Taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through the inflationary component, which is similar to the gain or loss from monetary position.

The Company files ISR and IETU tax returns on an individual entity basis and the related tax results are combined in the accompanying consolidated financial statements.

On December 7, 2009 a tax reform bill was approved and published, which reformed, amended and annulled certain tax dispositions that were effective on January 1, 2010.

This tax reform bill enacted an ISR rate increase that is to be effective as follows:

a) for years 2010 to 2012, 30%;
b) for year 2013, 29%; and
c) for year 2014 and future years, 28%

In addition, certain changes to the consolidation regime are effective. However, the Company is not subject to such regime.

The IETU of the period is calculated applying the rate of 17.5% (16.5% for 2008, 17% for 2009 and 17.5% for 2010) based on income determined by cash flows less authorized credits.

The credits for the IETU are mainly composed of unamortized negative IETU base, salaries and social security contributions, and deductions from assets such as inventories and fixed assets, during the initial transition period.

The payment of IETU is required only to the extent that it exceeds the ISR for the same period. The ISR paid during the period will reduce the total IETU payable for the same period.

When the deductions exceed the accumulated income (negative IETU), no IETU is levied. The amount of the negative IETU multiplied by the applicable rate, results in an IETU credit, which can be offset against the ISR generated in the same period or against the IETU payable, if any, within the next ten years.

Based on projected tax calculations in the future it is estimated that the Company will be subject to the payment of the ISR only.

a) As of December 31, 2010, 2009 and 2008 the ISR consist of the following:

	2010		2009 as restated		2008 as restated	
ISR:						
Current	Ps.	557,395	Ps.	279,974	Ps.	141,569
Deferred		349,602		714,415		314,687
	Ps.	906,997	Ps.	994,389	Ps.	456,256

To determine deferred ISR as of December 31, 2010 and 2009, the Company applied the different tax rates that were in effect beginning in 2010, to temporary differences according to their estimated dates of reversal.

The operations in Brazil generated loss before taxes of Ps. 711,389 and taxes of Ps.28,016 and they were computed and paid under Brazilian Tax regulations.

b) The reconciliation of the statutory and effective ISR rates expressed as a percentage of income before the ISR is:

	2010 %	2009 %	2008 %
Statutory rate:	30	28	28
Add effect of permanent differences mainly:			
Nondeductible expenses	6	3	1
Difference between book and tax inflation effects	(6)	5	2
Tax losses allowance from Brazil operations	6	-	-
Effect of change in statutory rate on deferred ISR*	-	3	-
Effective tax rate	36	39	31

* The effect of change in the statutory rate on deferred ISR represented an additional charge in the consolidated statement of income for 2009 of Ps. 78,624.

c) At December 31, 2010 and 2009 the main items comprising the asset (liability) balance of deferred ISR are:

	2010	2009 as restated
Deferred ISR:		
Effect of tax loss carryforwards	Ps. 930,107	Ps. 617,150
Other creditors	462,420	423,148
Allowance for doubtful accounts	22,830	31,485
Labor obligations	26,143	23,565
Asset tax recoverable	11,311	10,873
PTU liability incurred	462	5,087
Derivative financial instruments	107,346	32,032
Unbilled revenues on developments in progress	(133,680)	(59,627)
Construction-in-process, inventories and taxable inventory(1)	(4,386,163)	(3,772,069)
Property and equipment	(10,143)	(68,429)
Other assets	(20,880)	(134,269)
Prepaid expenses	(3,447)	(2,808)
Deferred ISR liability	(2,993,694)	(2,893,862)
Valuation allowance (see paragraph f below)	(604,139)	(421,843)
Total deferred liability, net	Ps. (3,597,833)	Ps. (3,315,705)
Asset	Ps. 779,268	Ps. 643,640
Liability	(4,377,101)	(3,959,345)
	Ps. (3,597,833)	Ps. (3,315,705)

(1) In conformity with the Mexican Income Tax Law (MITLA) in force through December 31, 2004, the cost of sales was considered as a non-deductible expense and inventory purchases and production costs were considered as deductible items. This tax treatment in the MITLA gave rise to a temporary difference because of the difference in the book value of inventories and its corresponding tax value. Effective January 1, 2005, the MITLA considers cost of sales as a deductible item instead of inventory purchases and production costs. The MITLA established transition rules to be followed to include the December 31, 2004 inventory balance into taxable revenue. However, as result of the interpretation of the transition rules established by the MITLA, the Company did not include its inventory balance at December 31, 2004. Consequently, the Company recorded a taxable inventory as a deferred tax liability of Ps. 187,425 and Ps. 156,555 as of December 31, 2010 and 2009, respectively. This taxable inventory relates to the inventory item and tax law change described above as it is the source of income on which the Company did not pay taxes.

d) As of December 31, 2010 the tax loss carryforward expiring in the following ten years amounted to Ps. 3,099,644.

i. The asset tax, used to be a minimum income tax, was payable based on 1.25% of the average value of most assets net of certain liabilities. The balances as of December 31, 2010 and 2009 of the asset tax were Ps. 11,311 and Ps. 10,873, respectively.

ii. The loss carryforwards and recoverable IMPAC for which the deferred ISR asset and prepaid ISR, respectively, have been recognized can be recovered subject to certain conditions. Tax loss carryforwards and recoverable IMPAC for which the deferred ISR asset and prepaid ISR, respectively, have been recognized can be recovered, subject to certain conditions. The amounts as of December 31, 2010 and expiration dates are:

Year of Expiration	Tax Loss Carry-forwards	Recoverable IMPAC
2012	Ps. -	Ps. 377
2013	-	1,328
2014	-	2,216
2015	-	1,685
2016	49,249	1,550
2017	-	4,155
2018	692,063	-
2019	1,061,281	-
2020	1,297,051	-
	Ps. 3,099,644	Ps. 11,311

Additionally for its Brazilian operations the Company has accumulated tax loss carry forward that at December 31, 2010 amount Ps. 141,374. Due to the uncertainty to recover these tax losses, an allowance for the total amount was recognized as of December 31, 2010.

e) The Federal tax authority has the right to perform reviews of the taxes paid by Mexican companies for a period of five years; therefore tax years beginning with 2005 are subject to possible review.

f) The Company has taken certain positions in its annual tax returns which are classified as uncertain tax positions for financial reporting purposes. Specifically, uncertain tax positions currently outstanding relate to the Company's interpretation of the MITLA related to the inclusion of certain debts in the calculation of the inflation adjustment, and the deduction of land by real estate developers. As of December 31, 2009, uncertain tax positions result in Ps. 421,843 in deferred tax assets which have been provided for through a full valuation allowance, and an additional current liability in the amount of Ps. 248,781. As of December 31, 2010, uncertain tax positions result in Ps. 604,139 in deferred tax assets which have been provided for through a full valuation allowance, and an additional current liability in the amount of Ps. 775,946.

25. Contingencies and commitments

Construction guarantees

The Company provides a two-year warranty against construction defects to all of its customers which could be due to the Company's own activities, to defects in the construction materials provided by third parties (electrical installations, plumbing, gas, waterproofing, etc.) or to other circumstances not within the control of the Company.

The Company is insured against any defect, hidden or visible, that could occur during the construction, and after the construction for a certain period of time. In addition, the contractors provide a surety against any hidden or visible defects which is refunded on the approval of customers. The contractors also provide a security fund to cover any probable claims from customers during the warranty period, which is returned to them once such period ends.

Insurance coverage expensed for the years ended December 31, 2010, 2009 and 2008 amounted to Ps. 3,584, Ps. 3,226 and 2,904, respectively.

Settlement of Contingency

In July 2007, the Company entered into a Quota holders' Agreement with Empreendimentos Imobiliarios Limitada ("E.O.M"), pursuant to which the Company agreed to contribute 67% and E.O.M. agreed to contribute 33% of the projected 4.0 million Brazilian Reals capital stock of Homex Brasil Incorporacoes and Construcoes Imobiliarios Limitada. Following disagreements with E.O.M., the Company exercised its right to withdraw from the Quota holders' Agreement.

In November 2008, the Company reached an agreement ("Brazilian settlement") to end the Quota holders' Agreement entered into with E.O.M in July 2007, and terminate all litigation that had been taking place in the previous months. The settlement of the dispute included the purchase of the 33% interest of members of the Khafif family in Homex Brasil, through E.O.M., for

8,352,941 Brazilian Reals, equivalent to approximate Ps. 48,536, which has been paid out as of December 31, 2010. The Company has treated the 2008 step acquisition of this non-controlling interest as a transaction between entities under common control, as is appropriate under MFRS. Because E.O.M. had negligible identifiable tangible or intangible assets as of the date of the transaction, the Company has recognized the entire amount of this transaction as a settlement expense (other expense) in the statement of income for 2008 (See Note 22).

The Company now operates in Brazil through its 100% subsidiary.

Commitment

At December 15, 2010 the Company through its subsidiary Homex India Private Limited, celebrated an investment agreement with Kotak Real Estate Fund - I, for which, in case of achieving certain conditions, that are obtaining all the permits, licenses and necessary authorizations for the construction of a development in the city of Chennai, India, the Company will acquire all equity shares of KS Realty Constructions Private Limited (KS Realty), company that owns the land on which the project will be developed.

KS Realty has liabilities and other credits o debt for approximately 1,600 million rupees (US 36 million) that the Company shall pay in five installments, the first one in the closing date (for 50 million rupees) and the following four in six, fourteen, twenty and thirty six months after the closing date for 388 million rupees each.

At the date of the financial statements, the Company is still waiting on the conditions to be achieved in order to acquire all equity shares of KS Realty.

Other Contingencies

The Company is party to various legal disputes as a result of the normal course of construction business. The Company is of the opinion that the ultimate outcome of such matters will not have a material adverse impact on the Company's consolidated financial statements.

26. Subsequent events

In November 12, 2010, the Company entered into a master agreement of cooperation with the Omar Kassem Alesayi Group from the Saudi Arabia Kingdom on which both parties agreed to join efforts in order to develop projects of entry-level homes. The first project will be developed in Al Qara in the city of Jeddah, with a total of 1,450 units under a co-development agreement with Aqarat Real Estate Development Company.

The Company will invest 55% of 10 million riyals (approximately US$ 2.7 million) in the joint venture.

At the date of the financial statements, the Company is still in the process of creating the entity for the joint venture and obtain the corresponding governmental authorization.

On April 27, 2011, the Company through one of its subsidiaries, entered into a short-term Credit Agreement with Credit Suisse AG, in an aggregate principal amount of US$150 million dollars due April 27, 2012, bearing a variable rate of LIBOR plus 3.50%. Upon the execution of this agreement and the proper documentation, the Company will enter into an Interest-Only Swap that will effectively convert floating amounts into peso denominated rate of approximately TIIE minus 0.825%. The use of proceeds is to repay or refinance indebtedness of the parent Company and/or its subsidiaries.

During the first quarter of the year, the Company paid and renewed some of its revolving credit lines. In addition the Company entered into two new revolving credit lines for working capital needs, one for Ps. 200,000 with Grupo Financiero Inbursa, S.A. and the other one for Ps. 200,000 with Banco Mercantil del Norte, S.A.

On May 26, 2011, the Company through its Brazilian subsidiary MCA Incorporacoes, S.A. celebrated a simple guaranteed debentures issuance, through the issuance of 1,279 debentures for which it received R$127,300,000 (approximately Ps. 946.68 million or US$76.46 million). This amount was used to refinance liabilities for the Brazilian operations and is due on April 11, 2016.

27. New accounting principles

During 2009 and 2010, the following new accounting standards were issued under MFRS. All of these standards were adopted by the Company on January 1, 2011, except for the adoption of IFRS, which will be adopted on January 1, 2012. At the date of the financial statements, the Company is evaluating the effect of the observance that these new accounting standards will have on the Company's consolidated results of operations and financial position; as well as disclosures to the consolidated financial statements.

Effective in 2011:

MFRS B-5, Reporting Financial Information by Segment

This MFRS replaces MFRS B-5, *Reporting Financial Information by Segment* and establishes the criteria to identify the entity's segments to disclose as well as the disclosures about those segments. In addition, establishes disclosure requirements of certain of the Entity's information.

The main changes of this MFRS are as follows: (a) MFRS B-5 includes a managerial approach, while previous MFRS B-5, although it referred to managerial approach, required that the information to disclose were referred to identified segments based on the products or services, geographical areas and customers homogenous groups, also requiring that that information would be segregated in primary and secondary information; (b) new MFRS does not require that business areas are subject to different risks amongst them, in order to qualify as operative segments, while previous MFRS B-5 did; (c) in accordance to new MFRS B-5, business areas in development stage could be catalogued as operative segment, while previous MFRS B-5 required operative segments to generate revenues; (d) MFRS B-5 requires to disclose by segments income interest and interest expense, as well as other comprehensive financial cost items, while previous MFRS B-5 did not require this information; and (e) MFRS B-5 requires to disclose the amounts of liabilities that are included in the usual information of an operative segment that the Company normally uses to make decisions, while previous MFRS B-5 did not require this and let management the option to do so or not.

MFRS C-4, Inventories

In November 2010, the CINIF issued MFRS C-4, which will be effective for fiscal years beginning on or after January 1, 2011 and will replace Mexican accounting Bulletin B-4, *Inventories*. Any accounting changes resulting from the adoption of this standard related to changes in the formula for assigning inventory costs are to be recognized retrospectively. Changes in valuation methods must be recognized prospectively.

The principal difference between Mexican accounting Bulletin C-4 and MFRS C-4 is that the new standard does not allow using direct costs as the inventory valuation method nor does it allow using the LIFO cost method as the formulas (former method) for the assignment of unit cost to the inventories. MFRS C-4 establishes that inventories must be valued at the lower of either acquisition cost or net realizable value. Such standard also establishes that advances to suppliers for the acquisition of merchandise must be classified as inventories provided the risks and benefits are transferred to the Company. Lastly, MFRS C-4 includes guidelines for the valuation of the inventories of service suppliers.

At the date of issuance of the consolidated financial statements, the Company is in the process of determining the effects of the adoption of this new standard on its financial information.

MFRS C-5, Prepaid Expenses

In November 2010, the CINIF issued MFRS C-5, which will be effective for fiscal years beginning on or after January 1, 2011. MFRS C-5 will replace Mexican accounting Bulletin B-5. Any accounting changes resulting from the adoption of this standard must be recognized retrospectively.

This standard establishes that the main characteristic of a prepaid expense is that it does not result in the transfer to the entity of the benefits and risks inherent to the goods or services to be received. Consequently, prepaid expenses must be recognized in the balance sheet as either current or non-current assets, depending on the item classification in the statement of financial position. Moreover, MFRS C-5 establishes that prepaid expenses made for good or services whose inherent benefits and risks have already been transferred to the entity must be carried to the appropriate caption.

At the date of issuance of the financial statements, the Company is in the process of determining the effects of the adoption of this new standard on its consolidated financial information.

MFRS C-6, Property, Plant and Equipment

MFRS C-6 was issued by the CINIF in December 2010 to replace Mexican accounting Bulletin C-6, *Property, Machinery and Equipment*, and will be effective for fiscal years beginning on or after January 1, 2011, except for the changes related to the segregation of property, plant and equipment into separate components for those assets with different useful lives. For entities that have not performed this component segregation, the provisions of this new standard will be effective as of January 1, 2012.

Unlike Mexican accounting Bulletin C-6, the scope of this standard includes the accounting treatment for assets to develop or maintain biological assets and assets related to the mining industry. Among other points, it establishes that for acquisitions of free-of-charge assets, the cost of the assets must be null, thus eliminating the option of performing appraisals. In the case of asset exchanges, MFRS C-6 requires entities to determine the commercial substance of the transaction. The depreciation of these assets must be applied against the components of the assets, and the amount to be depreciated is the cost of acquisition less the asset's residual value. Prepaid expenses for the acquisition of assets are to be recognized as a component of the asset as of the time the benefits and risks inherent to such assets are transferred. In the case of retirement of assets, income is recognized when the requirements for income recognition outlined under the standard have been met. MFRS C-6 also outlines specific disclosures for public entities.

The Company is in the process of evaluating the effects that the adoption of these new standards will have on its consolidated financial statements.

Effective in 2012:

International Financial Reporting Standards (IFRS)

On January 27, 2009 the Mexican Securities Commission (Comisión Nacional Bancaria y de Valores or CNBV) established through the Federation Official Gazette the requirements for listed companies to prepare and present their financial information under IFRS beginning in 2012. Likewise it was specified that early adoption for the years 2008, 2009, 2010 and 2011 is allowed.

The Company will begin to prepare and present its financial information under IFRS effective January 1, 2012.

For additional information on our Financial Statements under US GAAP please refer to the Company's Annual Report as form 20-F.

Governance Highlights

The structure and responsibilities of our Board of Directors comply with the highest standards of Corporate Governance at the same time that the operations of the Company follow an internal Code of Ethics through which professional business standards are established.

Governance Highlights

- Strong Board of Directors – institutional and independent – the majority of our Board members are independent
- The Audit, Compensation and Corporate Governance Committees are chaired by independent directors
- International standards of accountability and transparency
- Compliance with Sarbanes Oxley
- Full SEC registration and NYSE listing
- Compliance with the Best Practices Code recommended by the CNBV (the Mexican Securities and Banking Commission) and the BMV (the Mexican Stock Exchange);
- Founders remained committed with 35.1% of ownership

Board of Directors

The Company's administration is trusted to a Board of Directors:

The Board has four committees:

- The Executive Committee, comprised of five directors, three of whom are independent and
- The Audit Committee, comprised of three independent directors,
- The Corporate Governance and Compensation Committee, comprised of two independent directors,
- The Risk Committee comprised of six directors, four of whom are independent.

These committees make vital recommendations in their areas of expertise to the Board's decision making.

Additional to the Board's committees, the Company has a Disclosure and Ethics Committees, as well as a Code of Ethics, which ensure the integrity and transparency of our Company.

Executive Committee

Our Executive Committee consists of Eustaquio Tomás de Nicolás Gutiérrez, Gerardo de Nicolás Gutiérrez, Edward Lowenthal, Luis Alberto Harvey MacKissack and Rafael Matute Labrador. Among other duties and responsibilities, the committee acts on general planning and financial matters not reserved exclusively for action by the Board of Directors, including appointing and removing our CEO, members of management, and any of our employees; entering into credit agreements on our behalf; and convening shareholders' meetings.

Audit Committee

Our Audit Committee consists of Wilfrido Castillo Sánchez-Mejorada (Chairman), Edward Lowenthal, and Z. Jamie Behar. Our Board of Directors has determined that Mr. Castillo has the attributes of an "audit committee financial expert" as defined by the SEC and that each member of the Audit Committee satisfies the financial literacy requirements of the New York Stock Exchange. Our statutory auditor may attend Audit Committee meetings, although he does not have the right to vote. Among other duties and responsibilities, the committee issues opinions to the Board of Directors regarding related party transactions; where it deems appropriate, recommends that independent experts be retained to render fairness opinions in connection with related party transactions and tender offers; reviews the critical accounting policies adopted by the company and advises the Board of Directors on changes to such policies; assists the Board of Directors with planning and conducting internal audits; and prepares a yearly activity report for submission to the Board of Directors. The committee is also responsible for the appointment, retention, and oversight of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit review or attest services and for the establishment of procedures for the receipt, retention, and treatment of complaints received with respect to accounting, internal controls, or auditing matters and the confidential, anonymous submission by employees with regard to the same.

Corporate Governance and Compensation Committee

Our Corporate Governance and Compensation Committee consists of Luis Harvey Mackissack, and Edward Lowenthal. Among other duties and responsibilities, the committee identifies individuals qualified to become Board Members and makes recommendations to the Board of Directors and shareholders regarding director nominees; develops and recommends to the Board of Directors a set of corporate governance principles applicable to the company; and oversees the evaluation of the Board and Management. The committee also reviews and approves corporate goals and objectives relevant to CEO compensation; evaluates the CEO's performance in light of those goals and objectives; determines and approves the CEO's compensation level based on this evaluation; and makes recommendations to the Board with respect to non-CEO compensation, incentive-compensation plans and equity-based plans.

Risk Committee

Our Risk Committee consists of Eustaquio Tomás de Nicolás Gutiérrez, Gerardo de Nicolás Gutiérrez, Edward Lowenthal, Luis Alberto Harvey MacKissack, Rafael Matute Labrador, and Wilfrido Castillo Sánchez-Mejorada. The committee reviews and approves the activities related to the contracting of hedging instruments of the Company.

Disclosure Committee

Our disclosure committee as approved by the Board of Directors is comprised of executives within management. This committee is chaired by the Investor Relations Officer and is comprised of the Chief Executive Officer, Chief Financial Officer, Comptroller Officer, Administrative and Accounting Officer and the General Counsel. Among other duties and responsibilities, the committee establishes the criteria to identify relevant information and reviews before publishing all documents that are to be presented to the general public as well as to buy side and sell side analysts. By doing this, the committee acts to ensure that the relevant information issued by the Company is accurate in all financial, economic and operative aspects.

Ethics Committee

Our ethics committee, as approved by the Board of Directors is comprised of executives within management. This committee is comprised of the Chief Executive Officer, the Executive Director of Human Resources and Corporate Responsibility, the General Counsel, the Executive Director of Internal Control and an external counsel. Among other functions, the committee acts to ensure that the Company complies with its code of ethics and determines the sanctions if certain actions are considered to be not in compliance therewith. The Committee also receives and processes complaints from the Company's personnel.

Code of Ethics

Homex' Code of Ethics is a written set of guidelines issued by the Company to its workers and management team to help them conduct their actions in accordance with its primary values and ethical standards, in benefit of different groups of interest usually related to Homex, such as clients, suppliers, shareholders, community and governmental authorities.

Board of Directors

Eustaquio de Nicolás Gutiérrez
CHAIRMAN OF THE BOARD

Gerardo de Nicolás Gutiérrez
CHIEF EXECUTIVE OFFICER

Dennis López
DIRECTOR

Edward Lowenthal
DIRECTOR

José Ignacio de Nicolás Gutiérrez
DIRECTOR

Luis Alberto Harvey MacKissack
DIRECTOR

Rafael Matute Labrador
DIRECTOR

Wilfrido Castillo Sánchez-Mejorada
DIRECTOR

Z. Jamie Behar
DIRECTOR

Eustaquio Tomas de Nicolás Gutiérrez is Chairman of Homex' Board of Directors. Before co-founding our predecessor in 1989, Mr. de Nicolás founded and managed DENIVE, a clothing manufacturing company. Mr. de Nicolás is a Board Member of the Mexican Stock Exchange since 2005, and has served as regional Chairman and regional Vice Chairman of the Mexican Chamber of Industrial Housing Promoters and Development, or CANADEVI (Cámara Nacional de la Industria de Desarrollo y Promoción de Vivienda) and is member of the regional advisory board of financial institutions such as BBVA Bancomer, Banamex, and HSBC (formerly BITAL). As well, Mr. de Nicolás is board member of IPADE, Business School. Currently, Mr. de Nicolás oversees our main operations, focusing on land acquisition and developing new geographical markets.

Gerardo de Nicolás Gutiérrez is the Company's Chief Executive Officer. Mr. de Nicolás served as Chief Strategic Officer and head of the Executive Committee from October 2006 to June 5, 2007. Mr. de Nicolás also served as the CEO of the Company from 1997 to September 2006. Prior to his appointment as CEO, Mr. de Nicolás served as regional manager, systems manager, and construction manager supervisor. He holds an undergraduate degree in industrial engineering from Universidad Panamericana, in Mexico City and an MBA from Instituto Tecnológico y de Estudios Superiores de Monterrey in Guadalajara.

Dennis López is the Chief Investment Officer of Paris based AXA Real Estate, the second largest Global Real Estate Investment Manager with over $55 billion of property assets under management. Mr. Lopez is responsible for AXA Real Estate's Fund Management activities overseeing a team of 110 fund management professionals. The funds comprise a broad range of real estate investment strategies including: opportunistic, value added, core-plus, core, development properties, listed funds, regulated funds and separate accounts. Previously, Mr. Lopez was CEO of SUN Group, a private equity firm focused on real estate activities in India and Russia. Mr. Lopez has a career of over 25 years in Investment Banking and Real Estate Investment Management, where he has occupied senior positions as Global Head of Real Estate at Cambridge Place Investment Management, a London based hedge fund, and as a Managing Director at JP Morgan in

New York and London. Mr. Lopez received his MBA from the University of California Los Angeles (UCLA).

Edward Lowenthal is President of Ackerman Management LLC, an investment management and advisory Company with particular focus on real estate and other asset-based investments. Previously, Mr. Lowenthal founded and was President of Wellsford Real Properties, Inc., or WRP, a publicly-owned real estate merchant banking Company now merged with Reis, Inc., a real estate market information and analytics provider. He also founded and was trustee and President of Wellsford Residential Property Trust, a publicly-owned multi-family real estate investment trust that was merged into Equity Residential Properties Trust. Mr. Lowenthal is a member of the Board of Directors of several companies, including, Reis, Inc., where he is non-executive Chairman of the Board, Omega Healthcare Investors, Inc., a healthcare real estate investment trust and American Campus Communities, a publicly traded Real Estate Investment Trust which focuses solely on student housing in the United States. He also serves as non-executive Chairman of Tiburon Lockers, Inc., a privately held owner-operator of rental storage lockers for transportation, entertainment, sports and other venues.

José Ignacio de Nicolás Gutiérrez is Chairman of the Board of Directors of Nico Commodities S.A. de C.V. a global food trading company. Nico Commodities has been recognized as a Social Responsible Company, by the Mexican Philanthropy Institute (CEMEFI). Mr. de Nicolás served as Minister of Economic Development for the State Government of Sinaloa from June 2007 to December, 2010. Mr. de Nicolás was founder and Chairman of the Board of Directors of Hipotecaria Crédito y Casa, S.A. de C.V., a sofol that became the third largest mortgage bank in México from 1997 to 2007. Mr. de Nicolás also cofounded Homex and served as CEO from 1989 to 1997. Mr. de Nicolás is a member of the regional advisory board of Nacional Financiera (NAFIN), a Mexican government owned development bank. He is also member of the Board of Directors of Afore Coppel, a retirement fund administrator. As well, Mr. de Nicolás founded and was chairman of a non-profit organization for social assistance in the state of Sinaloa from 2002 to 2005. Mr. de Nicolás received a B.S. in finance and administration from Universidad Panamericana, in México City.

Luis Alberto Harvey Mackissack is Co-founding Partner and Senior Managing Director of Nexxus Capital, S.A. He has more than 20 years of experience in investment banking and private equity. Before founding Nexxus Capital, Mr. Harvey held positions at Grupo Bursatil Mexicano, Fonlyser, Operadora de Bolsa, and Servicios Industriales Peñoles S.A. de C.V. His experience includes several private and public equity transactions and initial public offerings of several major Mexican corporations on the Mexican Stock Exchange (BMV) and international capital markets. Mr. Harvey is a member of the boards of directors of Nexxus Capital, S.A. de C.V., Grupo Sports World, S.A.B de C.V., Genomma Lab Internacional, S.A.B. de C.V., Harmon Hall Holding, S.D.R.L. de C.V., Crédito Real S.A. de C.V. SOFOM, E.N.R., Estudios Clínicos TJ Oriard and Grupo Hotelero Santa Fe, S.A. de C.V., among others. Mr. Harvey is also member of the investment committees of ZN México II, L.P., Nexxus Capital Private Equity Fund III, Nexxus Capital IV and Nexxus Capital Private Equity Fund V. Mr. Harvey received a B.S. in economics from Instituto Tecnológico Autónomo de México (ITAM) and an MBA with a concentration in finance from the University of Texas at Austin.

Rafael Matute Labrador is Executive Vice-President and Chief Financial Officer of Wal-Mart de México. He has been a member of the Board of Directors and the Executive Committee of the Board of Directors for Walmex since 1998; as well, Mr. Matute is a member of the Board of Directors for Banco Wal-Mart de México and Wal-Mart Foundation. He has also been member of Consultative Boards for Banorte, Banamex/Citibank; and Nacional Financiera (NAFIN). He has an MBA from the Instituto de Estudios Superiores de la Empresa (IESE), in Barcelona, Spain. He studied Top Management at IMD in Lausanne, Switzerland and at the Chicago University (GSB).

Wilfrido Castillo Sánchez-Mejorada is CFO of Qualitas Cía. de Seguros, S.A.B de C.V., a Mexican insurance Company. Mr. Castillo is a member of the Board of Directors of Qualitas Compañía de Seguros, S.A.B. de C.V., of Grupo Sports World S.A.B. de C. V., of Banco Autofin México S.A., Institución de Banca Múltiple, of Afianzadora Insurgentes, S.A. de C.V. and Afianzadora Aserta, S.A. de C.V.

Z. Jamie Behar is Managing Director, Real Estate & Alternative Investments, for General Motors Investment Management Corporation (GMIMCo). She manages GMIMCo clients' real estate investment portfolios, including private market and publicly-traded security investments, as well as their alternative investment portfolios, totaling approximately $9.0 billion. Ms. Behar is a member of the Boards of Directors of Sunstone Hotel Investors, Inc., a publicly listed hotel Company operating in the United States, and the Pension Real Estate Association (PREA), and serves on the advisory boards of several domestic and international private real estate investment entities.

Management Team

We have a young and seasoned management team with an average experience of 17 years in the Homebuilding Industry.

Eustaquio de Nicolás Gutiérrez
CHAIRMAN OF THE BOARD

Gerardo de Nicolás Gutiérrez
CHIEF EXECUTIVE OFFICER

Carlos J. Moctezuma Velasco
CHIEF FINANCIAL OFFICER

Alberto Menchaca Valenzuela
VICE PRESIDENT – MÉXICO DIVISION

Alberto Urquiza Quiroz
VICE PRESIDENT
INTERNATIONAL DIVISION

Carolina Silva Sanchez
VICE PRESIDENT – TOURISM DIVISION

Rubén Izábal González
Jorge Miguel Hach Delgado
VICE PRESIDENT – CONSTRUCTION

Ana Cristina Herrera Lasso
VICE PRESIDENT – HUMAN RESOURCES AND
CORPORATE SOCIAL RESPONSIBILITY

Mónica Lafaire Cruz
VICE PRESIDENT – SALES AND MARKETING

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INFORMATION FOR SHAREHOLDERS

Securities
Bolsa Mexicana de Valores
Ticker Symbol: HOMEX
Ordinary Share
Unique series, full rights

New York Stock Exchange
Ticker Symbol: HXM
[ADS]=6 ordinary shares
CUSIP: 230 30W 100

Senior Guaranteed Notes 2015
CUSIP: P35054BD9

Senior Guaranteed Notes 2019
CUSIP: P35053AA8

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SUSTAINABLE FORESTRY INITIATIVE

THIS REPORT WAS PRINTED ON LYNX 118 G PAPER, GROWING IN FORESTS THAT CONTRIBUTE TO THE DEVELOPMENT OF A SUSTAINABLE GROWTH CULTURE, AND FOSTERING THE ECOLOGICAL CONSCIENCE AND COMPROMISE WITH OUR ENVIRONMENT.
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