

Operator:

Good morning, and welcome to Homex's 3Q results conference call.

Before we begin, I would like to remind you that this call is being recorded, and the information discussed today may include forward-looking statements regarding the company's financial and operating performance. All projections are subjected to risks and uncertainties, and actual results may differ materially. After the speaker's remarks are over, there will be a Q&A session. At that time, further instructions will be given.

I would now like to introduce the conference over to Mr. Carlos Montesuma, head of IR at Homex. Sir, you may begin.

Carlos Montesuma:

Thank you. Good morning, and welcome to the Homex 3Q06 results conference call. My name is Carlos Montesuma, the IR Officer of the company. Joining us for today's conference call I have Gerardo de Nicolas, head of the Board Executive Committee, David Sánchez-Tembleque, our CEO, and Mario González, our CFO.

I would like to remind you that certain statements made during the course of this conference call about future events and financial results constitute forward-looking statements that are made under the Safe Harbor of Provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subjected to these kinds of uncertainties; discussion of factors that may affect future results or contain filings with the Securities and Exchange Commission, and we undertake no obligation to correct or update any forward-looking statements provided as a result of information, future events or any changes in our expectations.

Now, I would like to turn the call over to Mario González.

Mario González:

Thank you, Carlos. Good morning, and thank you for joining us for this call to discuss 3Q06 results for Homex. The company continues to achieve strong results in the 3Q06. Homex reported for this quarter: record quarterly revenues; strong EBITDA growth and margins; efficiency gains in our working capital cycle; and, as a consequence, a large positive free cash flow for CAPEX and land acquisition.

Homex also reported in this quarter improved liquidity as well as average ratios, resulting in a strong balance sheet position. Third thing, starting with the revenue line, Homex reported for 3Q06 record quarterly revenues of P\$ 3.2 billion, compared to P\$ 2.6 billion reported in the 3Q05.

Housing revenue increased 29.5% for the quarter. Note that we no longer need to report with pro forma quarterly figures after having consolidated Beta a year ago, specifically in the 3Q05. In terms of revenue of our [inaudible] segment, affordable entry-level segment, quarterly revenues increased 28.3% as of September of 2006; while 3Q revenue growth for this year in the middle-income segment increased 35.5% as a consequence of the company's efforts in expanding rapidly in the growing middle-income segment.

Gross margin increased 20 basis points to 32.2% in this quarter, driven by the company's ongoing cost reduction initiatives, mainly in the construction processes and the price of supplies. Operating margin remained relatively stable at 22.9% in the 3Q06.

Net comprehensive financing costs declined to 2% as a percentage of revenues in this quarter, from 5.5% in the same period of 2005. This significant decline was mainly due to a non-cash, higher foreign exchange gain in the quarter, derived from the 3% peso appreciation in the period over the foreign debt we mentioned.

In addition, Homex reported 5% decrease in net interest expense in the 3Q06, derived from a higher interest income coming from high cash and investment positions.

Taking up all of the books into account, we have achieved a 3Q net income of P\$ 462 million, a 47.7% increase over the P\$ 313 million net income reported in the same quarter of 2005. All the efficiency efforts are reflected on the company's improved EBITDA margins, that reached 24% in the 3Q06 compared to 23.4% reported in the 3Q05.

As we have stated in the past, we will continue to focus in improving efficiency with our construction and collection processes. As a result of these efforts, accounts receivable at the end of the 3Q were P\$ 5.1 billion, or 23.8% of revenues for the last 12 months. This demonstrates a significant improvement from the 78.5% reported at the end of the 3Q05. This improvement resulted in an accounts receivable turnover of 158 days, using end of period's information, down from 224 days in the same period of 2005.

Inventory turnover, without land, was 51 days in September 30th of this year, again using period-end information, also an improvement from the 59 days reported in the same period of last year. Considering land inventory, turnover was 254 days as of September 30th 2006, compared to 207 days in the same period of last year. This is a result mainly of [inaudible] larger land banking in our books, as well as higher advance payments for auctioned lands, which increased during the reporting quarter when compared to the same period of last year.

As of September 30th 2006, the company reported a land bank of approximately 300,000 lots, including own and auctioned land, which

represents five years of future sales. Homex reported year-to-date 3Q06 free cash flow after land purchases and CAPEX of approximately P\$ 580 million, maintaining our sustainable growth for the year.

We also reported improved liquidity and leverage figures. Homex reported an approximate P\$ 1.8 billion cash and investments, and that is a result of net debt/EBITDA ratio, lower to 0.55x. And the reported company's net interest coverage was of 4.84x as of September 30th this year. The company reported improved total debt to capitalization of 32.7% as of September 30th this year.

Overall, we are pleased to report Homex performance for the 3Q and thus far in 2006, particularly in terms of revenue growth, margin expansion, working capital efficiencies, and strong free cash flow position, that contributed to a reduction of the company's net leverage.

I will now turn the call to Gerardo de Nicolas.

Gerardo de Nicolas:

Thank you, Mario.

We reported another strong quarter, as we achieved double digit top land growth in both affordable-entry level and middle-income segment, as well as improved margins for the quarter.

These accomplishments demonstrate our ongoing effort to further improve Homex products mix and our working capital management. Throughout the quarter we remained focusing on our geographic diversification strategy to have a leading presence in the 30 most attractive housing markets in Mexico by the end of 2008.

As a consequence of this strategy, we opened two new branches during the quarter: Puebla and Mexicali. Puebla is the 5th largest city in Mexico, and the largest without Homex presence. We opened this branch with the development of 2,500 homes including both affordable and middle-income. Mexicali is the state capital of Baja California, with a strong maquiladora activity, and we are opening this branch with a development 485 homes, including both affordable and middle-income.

During this quarter we started a vacation home development in Acapulco, and 18 new faces on [inaudible] communities nationwide. This strategy, along with all the efficiencies and scale benefits that are reflected in the financials, as Mario pointed out, drove to a total revenue growth of 25.9% for the quarter.

Affordable-entry level contributed with 82.3% of these revenues, and middle-income with 16.4%, an improvement over the 15.3% on the same quarter last year. We were able to make further progress in increasing our

profitability this quarter, as indicated by our 28.8% improvement in EBITDA versus the comparable quarter of 2005; and the EBITDA margin of 24%, a 16 basis point increase over 3Q05.

As a reflection of this profitability, our improvement in collections, better qualification of costumers and construction time during the year, resulted in the positive generation of P\$ 580 million of free cash flow for the year-to-date period. In the 3Q alone, the company generated close to P\$ 219 million of free cash flow.

I also want to add as one of the most important events in Homex's history the expansion of our management team. David Sanchez-Tembleque has joined Homex as our new Chief Executive Officer, the third CEO in the 17-years Homex history, and the first non-related to the family.

David joins us from Infonavit, where he served as the Deputy General Director of strategic planning and finance. David is an extremely experienced executive, with a vast knowledge of the housing and mortgage market, and we are certain that his experience, enthusiasm and fresh perspective will help drive the company to the next level of profitable growth.

I have taken on the role of Head of the Executive Committee and Chief Strategist. Going forward, I will focus my attention on growth opportunities for Homex, including the strategic planning and accessing new markets for the company. Homex has a strong industry leadership, and generates free cash flow that we can [inaudible] sustainable growth in the future.

I am excited to take on this opportunity, and I am extremely pleased that David has joined our leadership team. Now, I would like to turn the call to our new CEO, David Sanchez.

David Sánchez:

Thank you, Gerardo. Good morning to everyone. First of all, I want to join Mario and Gerardo in reconfirming our 2006 guidance. With the strong nine-month results, we are comfortable that the company will reach approximately P\$ 11.8 billion, cost on pesos of 2005 in revenues, and obtain an EBITDA margin of between 23.5% and 24%.

We also anticipate ending 2006 with positive free cash flow after land acquisitions, and a net debt/EBITDA of below 1x. During 2006, Homex has been a leader in the Mexican housing industry, and I anticipate Homex's growth to continue to surpass the overall industry growth.

Today I also want to take the opportunity to talk about my intermediate term agenda. Over the next few months, I will focus on two areas: in strengthening our management team and building an aggressive 2007 operating plan. As for our operating plan, the Mexican housing market is very strong, and we see this growth going forward into 2007.

Homex is fully prepared to take advantage of the growth trend in both the affordable-entry level and the middle-income market and, although the affordable-entry level segment will remain the largest portion of our business, we are working to build importance on the more profitable mid-income housing market within our product mix.

In addition, we are finding opportunities to increase our operating and administrative efficiencies, which will also translate into a linear working capital cycle. I believe in December, with a clear plan in place, we will be giving more detailed guidance on 2007.

Finally, I want to add that I feel fortunate to have joined Homex, and I am confident that we will shortly begin to realize more of the company's tremendous potential.

Thank you for your time, and I will now open the lines for any questions you may have for Mario, Gerardo, or myself.

Juan Carlos Fernández, Santander:

Hi, good morning and congratulations on your results. One question: you have improved significantly the collection and inventory turnover ratios on September. For the end of the year, do you expect these levels to continue going down? Or should we expect stable levels from the ones you have already reached in September?

Mario González:

Yes, we have been [inaudible] every single quarter improving the [inaudible] turnover, and we are happy to end this quarter with 158 days. We are still eight days ahead of the goals that we have internally, which is 150 days. So there are some other improvements that we may continue doing, materials as well; inventory of materials have a decrease to 51 days, which is one of the lowest levels that we have reported. So the answer is yes.

Juan Carlos Fernández:

Thank you, Mario.

Marianela Nájera, Credit Suisse:

Hi, good morning. Congratulations on the great results. I just have two very brief questions. One, how much have you spent in land acquisitions in 2006? And how much do you expect to spend for the rest of the year? That is my question number one.

My second question is: with all this new management team, are you considering expanding your operations outside of Mexico? If you can, please comment a little bit about this. Thank you.

Mario González:

Marianela, yes. We have reported the total inventory so far – P\$ 5.6 billion. The amount that we have purchased during the year-to-date, as of September 30th, is very close to US\$ 110 million. We will continue, as we move forward into the 4Q, to increase in both sides: in the auctioned land as well as in the inventory lands that we have in our books.

We have up to this moment in September 30th, one of the highest auctioned land figures, which is very close to two and a half more years.

Homex:

Hi, Marianela. In terms of your second question on international expansion, at this time, we are not considering any international expansion, we are fully concentrated in all the opportunities that we are facing here in Mexico. The addition of David is to improve our efficiencies, to increase our market share in the actual market, and my main job in the future will be to analyze the opportunities in terms of homes in Mexico for other markets, like foreigners, and analyzing opportunities on vertical integration that we are now offering, in the future. But we are very happy with the addition of David Sanchez to our management team.

Marianela Nájera:

OK, perfect. Thank you very much.

Dan McGowan, Deutsche Bank:

Good morning, gentlemen. Congratulations on the strong quarter. I have two questions. First, on the price increases that you experienced in the affordable segment; I presume that that is just shifting towards the higher and middle-range, but maybe you can add a little bit of background on why there was such a significant increase in average price in the affordable segment.

And then secondly, just a question for David, on your comments about development of the opportunities, particularly in the middle-income space in 2007, you seem to be suggesting or indicating that middle-income revenues, as a percentage of total, could expand in 2007. I am wondering how significantly and how aggressively you might go after that market.

Mario González:

Hello, Dan. Yes, regarding the prices, 3Q05 includes the prices that, at the time, we had at the affordable-entry level. The prices in the affordable-entry level, as of the 3Q, increased 17% vis-à-vis that quarter. Beta used to have lower prices, and that is why the impact that you see is reflected.

David Sánchez:

What I mean is exactly what I said, even if redundant. Homex has a very strong social interest on low-income business right now. 92% of the houses that we are selling today are affordable-entry level houses.

What we are doing right now is taking advantage of a very well streamline, profit line, to [inaudible] that we have in this massive segment, to go into expanding into a higher profitability middle-income segment. We will continue to do so, we are going to leverage our systems and capabilities, to pursue a much more profitable, at this point in time, middle-market segment.

Dan McGowan:

Thanks, David. Just a couple of follow-ups. When you think of middle-income, the areas that, maybe, you find more attractive...are we talking about single family homes? Are we talking about urban residential high-rise? Gerardo mentioned vacation homes... Can you elaborate a little bit? Is it one area or is it broad-based in terms of those higher priced homes.

David Sánchez:

Our current business, Dan, is focused mainly in family homes. We have a very reduced, very small vertical operation, and we will continue to focus, in the short-term and also in the mid-term, in this type of housing, which is our expertise.

The important thing here is that we have to focus on what we do best, we have to leverage our work capabilities, and we have a great opportunity ahead. We are actually – out of the other companies that I know of similar size here in Mexico – the one that has a lower middle market housing, and that is going to be our focus, to get a more balanced mix, with the positive impact on our revenue growth.

Dan McGowan:

Great, thanks. And, Mario, just a follow-up for you. On the average price comment, I think I understood your comment about comparing it with the price from Casas Beta but, if I am not mistaken, even if you look [inaudible] to the last couple of quarters, where the average price was closer to P\$ 230,000, I think there was a significant jump to closer to P\$ 260,000 in the 3Q.

I was just wondering whether there was something in particular, this quarter, that created such an increase.

Mario González:

Dan, regarding the prices, when you compare, actually, year to date figures, as of September 30th 2006, vis-à-vis 2005, average price in the affordable-entry level actually increased a very small 3.4%. In 2006 year-to-date we have an average of P\$ 245,000 per home, and it is growing from the 3Q05, when we used to have P\$ 220-221 thousand per home. Would that clarify you?

Dan McGowan:

Sure, I guess there is nothing in terms of new mortgage products or regional differences that is creating an opportunity to sell more, I guess you would say, traditional Infonavit, or more co-financing, that would have created such a jump quarter-on-quarter, nothing out of the ordinary.

Mario González:

Yes, in this quarter, we are showing a higher exposure to co-financing with Infonavit, on the top range of the affordable-entry level, P\$ 400,000. And now we are going to start showing the same exposure in the next quarter to co-financing of FOVISTE, for the same product range and for the lower portion of middle-income.

As you know, co-financing from FOVISTE is a relatively new product, and we are very concentrated on this, because of the new possibilities of the Federal Government employees to choose their homes and their mortgage from an easier way, without waiting to auction, and that will speed up the allocation of homes to FOVISTE in the next quarters.

Dan McGowan:

Great. Thank you very much.

Ivan Borono, GBM:

Good morning, everyone, and congratulations on your report.

I was wondering whether the P\$ 11.8 billion year-end guidance for 2006... is it in pesos as of December 2005 or 2006?

Mario González:

2005.

Ivan Borono:

2005, alright. So, I was wondering, as you have accumulated during the whole year a large number in revenues, are you expecting a slow down for the 4Q? And, if so, why would it be or are you expecting a similar performance this quarter?

Mario González:

Ivan, as you have noticed, we are year-to-date well ahead of the improvement that we provide those guidances. We were considering a potential slow down in December, because of the presidential transition, but now we feel comfortable that we are going to comply with the guidance of P\$ 11.8 billion of revenues for the year.

And David will complement this information.

David Sánchez:

Actually, the guidance is very clear. We were expecting and we are still expecting to finish the year at those levels. Our revenue is growing, still increasing quarter-to-quarter. But, at this point in time, we feel certain that we will comply with the guidance.

If there is something that we need to communicate to the market, we will do it on a timely basis and we will be very specific about it.

Ivan Borono:

OK. And just a follow-up; do you already have any guidance for 2007? Or are you still expecting for the transition to happen?

David Sánchez:

As I said before, Ivan, what we are expecting today, after what has happened in the country in the past months, is that the high growth that the housing industry sector has had over the past will continue, and hopefully will strengthen, given the macroeconomic stability that the country is showing, despite any type of political distortion or disruption.

So, we are very optimistic on market growth trends and we are also, like I said before, very confident on our capabilities to take advantage of this market or industry growth. As we have done in the past, you have seen that we have been able of growing at higher than average market rates, and we expect to continue doing so, both improving our product mix, focusing more on the middle market segment, and improving also our efficiency, in which we have room to go, compared to our competitors – our main competitors or similar companies of the similar size as we have.

That is the guidance I can give you right now. We are in the process of finalizing our 2007 operating plan, in which we will have more certain numbers. And, at that time, when we are completely certain, or more sure of what we can do internally here, we expect to be giving guidance in line with these positive expectations that we see, overall, for the industry and regarding the capabilities of our company.

Ivan Borono:

Alright. Thank you very much, everybody, and congratulations once again.

Francisco Chávez, Bancomer:

I have a question regarding the free cash flow. Given the very strong free cash flow that you have registered so far, where do you expect to use this free cash flow? Do you expect to reduce debt? Or are you expecting to acquire more land? Or, I do not know if you can give us some color on this.

Mario González:

Well, it is very important for us, even after growing at a higher pace than the market - at the double digit, about 20% range – and a higher rate than the competition, to still have free cash flow after our land acquisitions. Going forward, our main focus is to continue to grow; we will continue leveraging in our systems, our people, our operations. We will strengthen our capabilities; our team will be expanded; and we will focus on growth. And we expect to continue to have positive cash flow. We are going to continue opening branches; we want to be the leaders in the 30 most important cities of the country.

And basically that is what we are going to be doing, and still, after that, we are still going to continue having positive cash flow – that is what we are expecting at this point in time. We are not yet considering [inaudible], but growth for our cash flow.

Carlos, Merrill Lynch:

Congratulations on the impressive quarter. A quick question on operating margins. We saw a margin year-on-year declining 10 basis points, while you had a very impressive increase in units of 11% year-on-year and more important, on prices, you also managed to increase prices more than 13% year-on-year. Can you explain the decrease in margins?

Mario González:

Carlos, operating margins have really been flat in the last quarters, to the same level that we had. We end up the year with 22.3%, and then, right now, we are reporting operating margins of 22.9%. The big difference has been in EBITDA, because EBITDA margins have been very strong, where,

in a way, but also expressed an EBITDA which is the top line, it is the important one, has grown year-on-year from 23.3% to 24%, that we have reported this quarter.

SG&A for the 3Q05 was specifically an impressive figure. If you check the SG&A for the full year, it was 9.4%. That is why, in the comparison, you see what you have seen. We still think, as David said, that in the future we have more room to go, and we believe that operating margin, as well as EBITDA margin, will continue to strengthen as we move forward.

Carlos:

OK, thank you. And congratulations on the quarter.

Gordon Lee, UBS:

Hi, good morning. Just a couple of questions on Beta, actually, now that a full year has passed since the full consolidation of Beta. I guess my question is, do you feel now that all the savings, all the synergies from that transaction have now been extracted? Could there be more to come in 2007?

And I guess this is just a more general question; with the experience of Beta, which was obviously very successful, what is your view now, given your size, on continuing to grow through M&A and acquisitions? Thank you.

David Sánchez:

Gordon, we have finalized the integration of Beta. Not only finalized, I mean, despite having been integrating this company, we have been able to achieve a quarter-to-quarter and year-to-year growth above the market levels, and continue gaining market share.

That is basically with Beta. What we have gotten from Beta, you will very well see some management, specially in the area of construction, and also another way of building homes, based more on an industrial way of doing it, because they were building many lower price or even economy housing in Beta.

We are going to leverage on that also, to continue using that type of technique, to be able to improve the cost structure of our low-income segment. And obviously we are already having good benefits with the integration of [inaudible] management in our team.

Going forward, we do not rule out any type of auction. We are always going to be looking at the market for opportunities to [inaudible] our focus. Going ahead, obviously, we see a very strong macroeconomic performance on the country. We are, again, very well positioned to take advantage of the growth

in the industry, and we feel confident that we will use our strength to continue growing and producing value for our shareholders.

Gordon Lee:

Perfect, thank you very much.

Mike:

A couple of questions, hopefully quick ones. The first one is, I know you mentioned that you will continue to improve the mix, or move the mix a little bit more towards middle-income. I wonder whether you have a numerical target about either you want to be long-term, or where you think you will be in 2007. And, if not, if you could just maybe talk qualitatively about it. Just how you see that, and maybe mention some things about how you see opportunities in the middle-income and maybe upper-middle-income segment.

And the second question is, are you considering if you do not already have something – a JV type of structure to acquire more lands, like some of your competitors have done. Those are the questions.

David Sánchez:

Yes, as I said before, we started our business in the affordable-entry level segment. We have developed processes and systems that are industrialized, that we will continue improving. And, what we are doing right now is targeting in the very short term to get to the same revenue mix level that our competitors have. The industry, more or less, public companies have on average some mix of 82%, 80% of the revenues comes from affordable-entry level; 20% from the middle-income type of housing. And we are still at 16%, and much lower in terms of units, we are at around 8% of our units that we sell today are of middle-income.

So, in the short term, we are converging basically with the industry. But, because we are coming from a massive segment, and moving into a higher price and more profitable, in terms of margin, segment. We are improving better than average our revenues and our numbers.

And then, you were asking us something else? Ah, about the JV to acquire land. Well, we really do not need that at this point in time. We feel that our capital structure is the right one and, so far, we have been very successful dealing with land. We have to continue working on what we are doing right now, and traditionally we are working on capital cycle.

We have, putting together the land that we have in balance sheet plus the land that we have auctioned, we have more or less five years of land available for us all around the country. We are leveraging on our buying or

acquisition capabilities to get land at a good price, and we will continue to do so.

Mike:

OK, thank you.

Operator:

At this time there are no further questions; and I would like to turn the call back over to our speakers for closing remarks.

Homex:

Thank you for your time today, and I would like to remind you that a playback of this call will be available starting later today by dialing 402 998 0533 and you can always reach us at our RI website.

I am pleased to have you here, and I will be pleased if you contact me with any questions you may have after closing the call.

Operator:

Thank you, everybody, for joining the conference call today. Have a good day. You may disconnect your lines at this time. Thank you.