October 23, 2015

Operator: Good morning and welcome to Javer's third quarter 2015 Conference Call. All lines have been placed on mute to prevent any background noise. After the presentation we will open the floor for questions. At that time instructions will be given as to the procedure to follow if you would like to ask a question. It is now my pleasure to turn the call over to Melanie Carpenter of i-advize Corporate Communications.

Melanie Carpenter: Thank you, Katie. Well, ladies and gentlemen, welcome Javer's third quarter 2015 Conference Call on today, October 23, 2015, for our recording. It is my pleasure to introduce our speakers. Joining us are Mr. Eugenio Garza, Chief Executive Officer of Javier, Mr. Felipe Loera, Chief Financial Officer, and Ms. Veronica Lozano, Investor Relations. There's a webcast presentation this quarter to accompany this discussion. If you need the link or any help during the call, please contact i-advize in New York at 212-406-3693. Management's comments will be followed by a Q&A sessions for investors and analysts only and questions from the media will not be taken. Please note that some comments may include forward-looking statements and those may include comments regarding the future economic performance, results of operations, strategic plans, objective goals and targets, future developments in the market in which the company in which the company operates or seeks to operate. There's a complete note on forward-looking statements in the quarter earnings and we ask that you please refer to that for guidance. Now without further ado, I'm very pleased to turn the call over to Eugenio Garza who will begin the presentation. Please go ahead Eugenio.

Eugenio Garza: Thanks very much Melanie, and hello everyone. Thanks for joining the call. Although at first glance the main figures we're reporting for the third quarter may seem less than stellar, we're actually quite pleased with our performance for a number of reasons that I want to go over with you today.

Let me first give some context. We had very tough comps given last year's record cybering level and widespread subsidy availability. Secondly, in the third quarter of 2015 we were in full wrap-up mode with nine new developments titling units for the first time. As you know we are in the midst of a massive turnover of our available property portfolio both from a geographic, as well as from a products perspective. Third, we had very limited access to subsidies as the budget for Conavi was depleted as expected. Finally, we registered 51 million pesos in one-off expenses related to new development start-up costs and our ongoing actions to optimize our balance sheet.

If you turn to **Slide 3**, we can review what we are seeing in terms of subsidies. As of October 15, 2015, 8.5 billion Pesos of the budget for subsidies has been exercised, which is close to 75 percent of the total budget after next year reassignments. 79 percent of the total amount disbursed was granted for new housing. During the month of September, Conavi began to operate under our continuous titling program allowing some transactions in the subsidy queue to be titled in states where some of the resources had not been yet exhausted.

With the collection of the subsidy portion of the sale being delayed until Conavi received the resources from Hacienda. At the end of September, Infonavit had granted about half a million loans including 186,000 in mortgages for new housing. This agency continues to be our main mortgage provider, representing over 95 percent of our total units sold and we remain their largest recipient with about 5 percent market share.

Turning now to the results **on Slide 4**. You can see that despite the lack of subsidies in the third quarter, we were able to adjust our product offerings rapidly and mitigated most of the effects. The drop in the affordable entry level was compensated by our growth in the middle income and residential segments. The decline was a little bit more pronounced in the first nine months, down 10 percent. However, bear in mind the tough comps that I mentioned from last year's strong performance. In the graph showing the breakdown of units, you can see that we are in a state of high turnover in our available property portfolio. We did experience start-up delays in two developments in the State of Mexico and one in Jalisco which will have very little impact in our full-year results given that as of September 30, 12 of the 17 developments expected for 2015 have already begun to title units.

On Slide 5, you can see how our revenues dropped by first 5.6 percent in the third quarter, but increased slightly in the nine-month period. We actually had better average price in both periods thanks to better sales mix as we focused more on the middle income sector. However, this wasn't enough to mitigate the impact of lower volumes during the quarter. We expect this improved average pricing trend to continue in the fourth quarter as we keep our product mix more middle income and residential heavy and focus away from the affordable entry level for the time being.

Slide 6 shows a sharp drop in subsidiary availability in the third quarter of this year versus last year. You can see here why I'm pleased with our performance because despite a 36 percent point decrease in subsidized home sales our quick adjustments in our product offerings helped us mitigate this impact on filings for the period.

Moving to **Slide 7**, we can see the impact of various factors on our margins which were more impacted during the quarter and to a lesser extent in the cumulated period. EBITDA did decline by 30 percent to 195,000 million pesos in the third quarter and about 11 percent to 570,000 million pesos, mainly due to the volume contraction, higher housing costs due to new mandatory rules for Infonavit loan origination, and the increase in SG&A as the result of the absorption of start-up projects which started titling homes during the third quarter from developments that had not yet titled units during the year and from the extraordinary cost items from the preparation for our IPO process. While prices dipped slightly for each product segment, the new weighting of our products led us to a stronger average price.

Turning to Slide 8, we were able to maintain our working capital cycle roughly flat at 312 days versus 308 days last year, but off from 283 days in the second quarter of this year, as we really got into more normalized inventory levels following the difficulties we faced in the first half of this year from heavy rains delaying our development timelines in Northeastern Mexico.

Now **on Slide 9**, you can see that we have generated positive free cash follow of 150 million pesos in the first nine months. However, we did come in -313 million in free cash flow for the third quarter, mainly due to urbanization and construction expenditures required for the launching of the new nine developments which were located in the State of Mexico, Nuevo Leon, Quintana Roo and Jalisco. We continue to operate on an extremely efficient cash cycle with new developments coming on stream right as older developments start depleting. Our return invested capital for the last 12-month period stands at 21.7 percent and we continue to deliver industry-leading profitability levels and made some very healthy free cash flow generation.

The deprecation of the peso continues to drive our non-cash epics losses that have affected our net results from both periods. However, our financial ratios and more importantly, our liquidity position remain quite solid. As of September 30th, total debt to EBITDA reached 5.08 times, while net debt to EBITDA was 3.7 times and our interest coverage reached 1.71 times. During the third quarter we repurchased $18.7 million of face value of our senior notes as we begin to move our balance sheet to a more optimal size and cost position.

Moving onto Slide 10, our outlook remains positive. The government's recent budget proposal for next year's subsidies presents a figure very close to what we had this year at 10.6 billion pesos. They are clearly giving a signal that despite the project cuts in other sectors, housing remains a high priority for the economy and for Mexican society as a whole. We definitely expect very low subsidy availability in the second half of 2016.

Therefore, we will remain focused on executing the optimum product mix to generate value for our stakeholders. Conavi is still discussing the allocation of that project first stakes for a housing modality in a housing-entity basis, as well as the new operating rules which will likely increase the variance of the absolute amount of the subsidy for each home based on the workers' wage level and home characteristics. Although the final rules will not be known until later this year, we expect 2016 to be a year characterized by periods of varying subsidy variability making it vital for us to quickly change from one product to another and operate efficiently under varying scenarios.

On the new development front, as I said before, this was a period of heavy ramp-up for Javer and our inventory levels from recent periods of home depletion. We launched 12 new developments so far this year and 4 more are expected in this last quarter. In terms of what we expect for year-end, we will be likely be slightly free cash flow positive on the year and achieve approximately 19,000 in home titling.

The next few slides show some of the pictures of our nine new developments. You can see where our focus is going towards more middle income in four of the projects started in this segment and the rest, the 5 other ones are residential projects. During this quarter we titled our first units in our new location of Cancun Quintana Roo. This project consists of about 2,600 units, which we expect to be sold in about three years.

Moreover, two of these new developments were already permitted lands that we acquired last year directly from one of the other developers, one of them in the State of Mexico and the other one in Nuevo Leon.

In closing we reached the final stretch of 2015 with still a number of challenges from a development start-up perspective, but with a much more flexible mix of product offerings in geographic locations as we approach what we believe will continue to be a sustained period of better varying subsidy availability and rule changes. We will only continue to focus on driving industry leading returns in this frontier new environment, but also continue to focus on optimizing our balance sheet and cost of capital to better translate this operational excellence into outstanding returns for all of our stakeholders. This concludes our remarks. Once again, thank you for your attention.

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