



**urbi**  
VidaResidencial®

# 3Q11 Results



URBI



# 3Q11 Results

“Strong operating results and new industry incentives endorse the company’s decision to anticipate investments and strengthen its leadership in the industry”

## Urbi’s 3Q11: Strong operating results and new industry incentives endorse the company’s decision to anticipate investments and strengthen its leadership in the industry

- ***The company presents revenue and net income growth, its free cash flow reflects the strategic investments made.***

**Mexicali B.C. October 24th, 2011.**- Urbi Desarrollos Urbanos, S.A.B. de C.V. announced its operating results for the third quarter of 2011, its progress in the achievement of its 2011 goals and its decision to make investments to strengthen its leadership position in the housing industry in Mexico.

The company reported in 3Q11:

- Revenues of MX\$4,533.6 million, 8.0% higher than 3Q10, 81.2% from the housing development business line and 18.8% from the housing related activities business line.
- EBITDA of MX\$1,182.1 million, with a margin of 26.1%
- Net income of MX\$869.3 million, with a margin of 19.2%
- FCFE of (MX\$1,122.3) million; without the investment in HPPs, it would have been (MX\$420.7) million.

In this regard, Cuauhtémoc Pérez, Urbi’s CEO said: “We’ve decided to anticipate the use of the company’s operating cash flow to strengthen our Strategic Framework, after evaluating the company’s solid results and the new opportunities and incentives announced for the sector; which strengthens our ability for increasing Urbi’s market share in vertical housing, as well as our expertise in the development of profitable sustainable communities, among other initiatives that we have implemented over the past years, and which today place us in a unique position to capture today’s market opportunities.

Meanwhile, Selene Ávalos, Urbi’s CFO, said: “The investments made in the integration of Housing Projects in Progress and in the re-densification of land for vertical housing, in addition of improving our return on equity, will allow us to sell an additional 20% of our land reserve; reduce edification, infrastructure and urbanizations costs; reduce future land purchases; and thus, once this transition period is concluded, move into a business cycle of growing and sustainable free cash flow over the next 5 years.



# 3Q11 Results



(Variations are with respect to the same period of the previous year except where noted. Figures may vary due to rounding. Bps represents basis points and is calculated in relation to numbers reported in the financial tables).

## EXECUTIVE SUMMARY

(Figures in millions of Mexican pesos)

|   | Jul-Sep 3Q11 | Jul-Sep 3Q10 | Change 3Q11/3Q10 | Jan-Sep 11 | Jan-Sep 10 | Change 2011/2010 |
|---|--------------|--------------|------------------|------------|------------|------------------|
| Units sold  | 10,028       | 8,693        | 15.4%            | 25,934     | 23,599     | 9.9%             |
| Sales   | \$4,533.6    | \$4,199.1    | 8.0%             | \$11,235.8 | \$9,967.1  | 12.7%            |
| Gross Profit  | \$1,269.4    | \$1,186.5    | 7.0%             | \$3,154.0  | \$2,838.2  | 11.1%            |
| Gross Margin  | 28.0%        | 28.3%        | -26 bps          | 28.1%      | 28.5%      | -41 bps          |
| Operating Profit  | \$877.4      | \$876.1      | 0.2%             | \$2,174.1  | \$1,952.9  | 11.3%            |
| Operating Margin  | 19.4%        | 20.9%        | -151 bps         | 19.3%      | 19.6%      | -24 bps          |
| EBITDA <sup>(1)</sup>   | \$1,182.1    | \$1,203.5    | -1.8%            | \$2,974.4  | \$2,786.3  | 6.7%             |
| EBITDA Margin   | 26.1%        | 28.7%        | -259 bps         | 26.5%      | 28.0%      | -149 bps         |
| Net Income  | \$869.3      | \$504.8      | 72.2%            | \$1,765.8  | \$1,150.8  | 53.4%            |
| Net Margin  | 19.2%        | 12.0%        | 715 bps          | 15.7%      | 11.5%      | 417 bps          |
| Net Income without the cross-currency swap effect                     | \$720.6      | \$549.7      | 31.1%            | \$1,626.1  | \$1,259.9  | 29.1%            |
| Net Margin without the cross-currency swap effect                     | 15.9%        | 13.1%        | 281 bps          | 14.5%      | 12.6%      | 183 bps          |
| FCFE considering strategic investments in HPPs <sup>(2)</sup>         | -\$1,122.3   | -\$460.5     | 143.7%           | -\$2,047.0 | -\$1,267.9 | 61.4%            |
| FCFE without considering strategic investments in HPPs <sup>(2)</sup> | -\$420.7     | -\$460.5     | -8.6%            | -\$755.1   | -\$1,267.9 | -40.4%           |

(1) EBITDA is Operating Income plus Depreciation, Amortization and Capitalized Interest.

(2) HPP is Housing Projects in Progress.



# 3Q11 Results



## FINANCIAL POSITION AS OF SEPTEMBER 2011

(Figures in millions of Mexican pesos)

|  | Sep-11     | Jun-11     | Sep-10     | Change<br>Sep11/Jun11 | Change<br>Sep11/Sep10 |
|--|------------|------------|------------|-----------------------|-----------------------|
| <b>Accounts Receivable<sup>(1)</sup></b> | \$7,691.2  | \$7,247.6  | \$1,975.5  | 6.1%                  | 289.3%                |
| <b>Inventory<sup>(2)</sup></b>           | \$23,859.9 | \$22,229.2 | \$21,122.4 | 7.3%                  | 13.0%                 |
| <b>Total Indebtedness<sup>(3)</sup></b>  | \$13,549.5 | \$13,789.1 | \$10,689.0 | -1.7%                 | 26.8%                 |
| <i>Short Term</i>                        | \$6,865.8  | \$6,354.1  | \$1,663.6  | 8.1%                  | 312.7%                |
| <i>Long Term</i>                         | \$6,683.7  | \$7,435.0  | \$8,522.1  | -10.1%                | -21.6%                |
| <i>Alternativa Urbi related loans</i>    | \$0.0      | \$0.0      | \$503.3    | 0.0%                  | -100.0%               |
| <b>Cash and Equivalents</b>              | \$6,931.3  | \$7,607.4  | \$5,658.0  | -8.9%                 | 22.5%                 |
|  |            |            |            |                       |                       |
| <b>Company debt's currency</b>           |            |            |            |                       |                       |
| Mexican Pesos                            | \$3,801.2  | \$3,344.7  | \$4,154.5  | 13.6%                 | -8.5%                 |
| Dollar USA                               | \$9,748.3  | \$10,444.4 | \$6,534.4  | -6.7%                 | 49.2%                 |
|  |            |            |            |                       |                       |
| <b>Debt Rates</b>                        |            |            |            |                       |                       |
| Average                                  | 7.45%      | 7.14%      | 8.86%      | 31 bps                | -141 bps              |

(1) See page 9.

(2) See page 10.

(3) The debt amount includes the asset financial hedging instruments position of MX\$689.9 million and the liability financial hedging instruments position of MX\$193.0 million on September 2011; the liability financial hedging instruments position MX\$1,328.5 million on June 2011 and the liability financial hedging instruments position of MX\$596.4 million on September 2010.



# 3Q11 Results



## THIRD QUARTER 2011 (3Q11)

### Sales

During the third quarter, revenues were of MX\$4,533.6 million, 8.0% higher than in 3Q10 due to a strong increase in both affordable and, high middle and upper income housing.

These results reflect MX\$850.6 million or 18.8% of revenues coming from housing related activities, such as casa capital plus, housing furniture and equipment, commercial land sales and land sales in macro-projects.

Affordable entry-level (AEL) housing sales increased by 36.5% to MX\$2,605.2 million; low-middle income (LMI) housing decreased by 28.0% to MX\$728.2 million, while high-middle income and upper income housing (HMI & UI) increased by 51.5%.

### Sales by Product Type (Figures in Mexican million pesos)

|                                      | 3Q11             | %             | 3Q10             | %             | Change<br>3Q11/3Q10 | Jan-Sep 11        | %             | Jan-Sep 10       | %             | Change<br>2011/2010 |
|--------------------------------------|------------------|---------------|------------------|---------------|---------------------|-------------------|---------------|------------------|---------------|---------------------|
| AEL                                  | \$2,605.2        | 70.7%         | \$1,908.0        | 60.6%         | 36.5%               | \$6,274.9         | 66.5%         | \$5,140.7        | 60.1%         | 22.1%               |
| LMI                                  | \$728.2          | 19.8%         | \$1,011.7        | 32.1%         | -28.0%              | \$2,091.5         | 22.2%         | \$2,361.8        | 27.6%         | -11.4%              |
| HMI & UI                             | \$349.6          | 9.5%          | \$230.7          | 7.3%          | 51.5%               | \$1,068.3         | 11.3%         | \$1,048.4        | 12.3%         | 1.9%                |
| <b>Housing<br/>development Sales</b> | <b>\$3,683.0</b> | <b>100.0%</b> | <b>\$3,150.4</b> | <b>100.0%</b> | <b>16.9%</b>        | <b>\$9,434.7</b>  | <b>100.0%</b> | <b>\$8,550.9</b> | <b>100.0%</b> | <b>10.3%</b>        |
| Housing related<br>activities Sales  | \$850.6          | 18.8%         | \$1,048.7        | 25.0%         | -18.9%              | \$1,801.0         | 16.0%         | \$1,416.2        | 14.2%         | 27.2%               |
| <b>Total Sales</b>                   | <b>\$4,533.6</b> | <b>100.0%</b> | <b>\$4,199.1</b> | <b>100.0%</b> | <b>8.0%</b>         | <b>\$11,235.8</b> | <b>100.0%</b> | <b>\$9,967.1</b> | <b>100.0%</b> | <b>12.7%</b>        |

The revenue mix for *housing development sales* for the quarter was 90.5% coming from affordable and low-middle income housing, and 9.5% coming from high-middle and upper-income housing.

### Average Prices

The price ranges for the different housing segments are:

- Affordable entry-level segment (AEL): Homes with a sales price of up to MX\$400,000.
- Low middle-income segment (LMI): Homes with a sale price between MX\$400,000 and MX\$720,000.
- High middle-income segment (HMI): Homes with a sales price between MX\$720,000 and MX\$1,350,000.
- Upper-income segment (UI): Homes with a sales price above MX\$1,350,000.



# 3Q11 Results



The average home price for the quarter was MX\$367,274; an increase of 1.3%, which highlights the company's ability to maintain its business plan focused on the AEL & LMI in the most profitable way.

## Average Prices by Product Type (Figures in Mexican pesos)

|                      | 3Q11             | 3Q10             | Change<br>3Q11/3Q10 | Jan-Sep 11       | Jan-Sep 10       | Change<br>2011/2010 |
|----------------------|------------------|------------------|---------------------|------------------|------------------|---------------------|
| AEL                  | \$302,754        | \$275,242        | 10.0%               | \$288,437        | \$271,333        | 6.3%                |
| LMI                  | \$625,104        | \$656,113        | -4.7%               | \$620,249        | \$635,922        | -2.5%               |
| HMI & UI             | \$1,354,947      | \$1,053,288      | 28.6%               | \$1,323,787      | \$1,116,498      | 18.6%               |
| <b>Average Price</b> | <b>\$367,274</b> | <b>\$362,404</b> | <b>1.3%</b>         | <b>\$363,797</b> | <b>\$362,341</b> | <b>0.4%</b>         |

## Units Sold

The number of units sold increased by 15.4%, to 10,028 houses in 3Q11, compared to the 8,693 homes sold in 3Q10. The number of affordable entry-level (AEL) units sold increased by 24.1%, to 8,605 homes. Low middle-income (LMI) units sold decreased by 24.4% to 1,165 in 3Q11 versus 1,542 in the same period of 2010. The number of high middle-income and upper-income (HMI and UI) units increased by 17.8%.

## Units Sold by Product Type

|                         | 3Q11          | %             | 3Q10         | %             | Change<br>3Q11/3Q10 | Jan-Sep 11    | %             | Jan-Sep 10    | %             | Change<br>2011/2010 |
|-------------------------|---------------|---------------|--------------|---------------|---------------------|---------------|---------------|---------------|---------------|---------------------|
| AEL                     | 8,605         | 85.8%         | 6,932        | 79.8%         | 24.1%               | 21,755        | 83.9%         | 18,946        | 80.3%         | 14.8%               |
| LMI                     | 1,165         | 11.6%         | 1,542        | 17.7%         | -24.4%              | 3,372         | 13.0%         | 3,714         | 15.7%         | -9.2%               |
| HMI & UI                | 258           | 2.6%          | 219          | 2.5%          | 17.8%               | 807           | 3.1%          | 939           | 4.0%          | -14.1%              |
| <b>Total Units Sold</b> | <b>10,028</b> | <b>100.0%</b> | <b>8,693</b> | <b>100.0%</b> | <b>15.4%</b>        | <b>25,934</b> | <b>100.0%</b> | <b>23,599</b> | <b>100.0%</b> | <b>9.9%</b>         |

## Gross Profit

Gross profit increased by 7.0%, from MX\$1,186.5 million in 3Q10 to MX\$1,269.4 million in 3Q11. The gross margin for the period was 28.0%, a decrease of 26 bps versus 3Q10, which reflects the company's ability to sustain high margins in affordable and low-middle income housing.

## Operating Expenses

The Sales and Administrative Expenses accounted for 8.6% of revenues (an increase of 126 bps versus 3Q10) due to the anticipation of costs related to marketing activities to support sales on 4Q11. The Sales and Administrative Expenses level is estimated to reach around 8.5% of revenues for the full year.



# 3Q11 Results



## Operating Income

Operating income increased by 0.2%, from MX\$876.1 million in 3Q10 to MX\$877.4 million in 3Q11. The operating margin for the period was 19.4% in 3Q11.

## EBITDA

The EBITDA decreased by 1.8% to MX\$1,182.1 million in 3Q11, versus MX\$1,203.5 million in 3Q10. The EBITDA margin for the quarter was 26.1%, in comparison with 28.7% in 3Q10, which reflects a lower level of amortization of pre-operating costs –which due to the application of the IFRS- are now registered as Sales and Administrative Expenses since the end of 2010.

**EBITDA Components**  
(Figures in millions of Mexican pesos)

|                      | 3Q11             | 3Q10             | Change<br>3Q11/3Q10 | Jan-Sep 11       | Jan-Sep 10       | Change<br>2011/2010 |
|----------------------|------------------|------------------|---------------------|------------------|------------------|---------------------|
| Operating Income     | \$877.4          | \$876.1          | 0.2%                | \$2,174.1        | \$1,952.9        | 11.3%               |
| Depreciation         | \$29.0           | \$70.0           | -58.6%              | \$97.1           | \$206.2          | -52.9%              |
| Capitalized Interest | \$275.8          | \$257.5          | 7.1%                | \$703.2          | \$627.2          | 12.1%               |
| <b>EBITDA</b>        | <b>\$1,182.1</b> | <b>\$1,203.5</b> | <b>-1.8%</b>        | <b>\$2,974.4</b> | <b>\$2,786.3</b> | <b>6.7%</b>         |

## Comprehensive cost of financing

The comprehensive cost of financing was positive on MX\$424.2 million; mainly due to an increase in the net interest income of MX\$235.5 million, as a result of higher interest income and a lower non-qualified D6 financial expenses, a foreign exchange gain of MX\$25.5 million and a non-cash gain of MX\$222.8 million related to the Company's US\$ denominated debt financial hedging instruments.

## Income Tax

Income Tax increased by 98.1%; reflecting the increase in the pre-tax income and higher expected tax rate due to the gradual reduction of the deferred taxes in the company's balance.

## Net Income

As a result of the above, net income increased by 72.2%, from MX\$504.8 million in 3Q10, to MX\$869.3 million in 3Q11. Net margin increased by 715 bps, from 12.0% in 3Q10 to 19.2% in 3Q11.

Without taking into consideration the virtual financial gain effect, the company's net margin for the quarter would have been 15.9%.



# 3Q11 Results



Due to the integration of the land bank held under the City Licensee Manager and Landowner Partnership scheme into company's balance sheet, the net income is broken down in MX\$864.5 million of the controlling interest and MX\$4.8 million of the non-controlling interest.

## Stock information

The following table is based on the total number of shares available 976,445,286 and provides data for the following financial ratios:

**Stock Information**  
(Figures in Mexican pesos)

|                      | 3Q11    | 3Q10    | Jan-Sep 11 | Jan-Sep 10 |
|----------------------|---------|---------|------------|------------|
| Earnings per Share   | \$0.89  | \$0.52  | \$1.81     | \$1.18     |
| EBITDA per Share     | \$1.21  | \$1.23  | \$3.05     | \$2.85     |
| Book Value per Share | \$18.18 | \$14.89 | \$18.18    | \$14.89    |



# 3Q11 Results



## FINANCIAL POSITION AS OF SEPTEMBER 2011

### Assets

As of September 2011, total assets were MX\$42,807.5 million, an increase of 25.7% compared to MX\$34,049.7 million in the same period of 2010.

#### *Cash and Cash Equivalents*

By September 30<sup>th</sup>, the company had cash and cash equivalents of MX\$6,931.3 million, a 22.5% increase compared with September 2010; a strong liquidity position that continues to represent one of the pillars of the company's strategy for 2011, as it provides the company with the flexibility to capitalize from the opportunities available in today's market conditions.

#### *Accounts Receivable*

As a result of the development of new sales schemes and the increasing participation of the housing related activities business line in the revenue mix, in the structure of the accounts receivable the company recognizes 3 different types of operations according to their nature:

- Type 1: the typical accounts receivable derived from homes sold and titled, but not yet collected, which considers collections due from Infonavit, Fovissste and others.

The balance for the quarter was MX\$3,466.5 million an increase of MX\$164.4 million versus 2Q11, due to a small increase of receivables from Fovissste, as it has been the case during most of 2011.

- Type 2: which considers collections due from homes sold and titled under the new Alternativa Urbi program, that decreased by MX\$144.4 million versus 2Q11.

The balance for the quarter was MX\$2,715.1 million.

- Type 3: which considers collections due from the housing related activities business line, mostly from land sales in macro-projects that due to its size and cost are typically paid in installments.

The balance for the quarter was MX\$1,509.6 million, an increase of MX\$423.6 million versus 2Q11; mostly as a result of an increase in receivables from land sales that were not collected during the quarter.

All types combined, accounts receivable were MX\$7,691.2 million.



# 3Q11 Results



## *Inventory*

The inventory of the company includes land for construction, land under development, construction in progress, construction materials and several other items.

The inventory's value increased to MX\$23,859.9 million in September 30<sup>th</sup>, 2011, an increase of 7.3% compared to MX\$22,229.2 million registered in June 30<sup>th</sup> 2011.

In the structure of the inventories the company recognizes 3 different types of operations according to their nature:

- Inventories Type 1: which reflects the inventory of homes finished and sold under the Alternativa Urbi scheme that requires of an incubation period in which the clients are able to prove their financial capacity through the monthly payments on time. Once the client qualifies for a mortgage, the home will be titled and revenues recognized.

The balance of inventory Type 1 was MX\$1,604.9 million, an increase of MX\$97.1 million versus 2Q11.

- Inventories Type 2: This reflects work in progress, building materials, and urbanized land. The balance was MX\$8,593.9 million, an increase of MX\$511.2 million versus 2Q11; as the company increases its level of construction in progress in preparation for 4Q11.
- Inventories Type 3: This reflects the company land reserves, which include permits and approvals, infrastructure, urbanization and advancements to land suppliers. As part of the inventories type 3, it includes land payments in advance, which under the new C4 IFRS, should be registered separately under the payments in advance account. The balance was MX\$13,526.3 million, an increase of MX\$1,171.5 million versus 2Q11. Mostly as a result of the acquisition of additional land for vertical housing in metropolitan areas, and investments made in infrastructure, urbanization and land densification work.

During this quarter, the company decided to complete the purchase of some land lots that had previously been secured under option schemes. As the company prepares to obtain the permits and authorizations for the re-densification of the land from the local authorities for 2012 business plan, it is a requisite that the company has full ownership of the land.

The increase in this type of inventory also reflects the acquisition of land in Mexico City and other metropolitan areas for the development of low income vertical housing of up to 7 floors high.

The other elements in the inventory have a balance of MX\$134.8 million.

## *Land Reserve*

The company's land reserve was 5,751 hectares, which represents an increase of 603 hectares versus September 2010.



## 3Q11 Results



This land reserve allows the development of approximately 306,102 homes. The company's policy and operating strategy are to maintain land reserves of around 2.5 to 3 years of future operations in medium-sized cities and from around 5 to 7 years in major metropolitan areas.

Of this reserve, approximately 5,331 hectares are suitable for the development of affordable entry-level and low middle-income housing, which is sufficient to build 287,540 units. Additionally, 420 hectares are classified for high middle-income and upper-income housing, with construction capacity of 18,562 units.

The following table shows the land reserve by region:

| Region                               | Total hectares | Potential Number of Units |                |               |
|--------------------------------------|----------------|---------------------------|----------------|---------------|
|                                      |                | Totals                    | AEL and LMI    | HMI and UI    |
| <b>Baja California</b>               | 2,622          | 153,737                   | 146,022        | 7,715         |
| <b>Sonora</b>                        | 447            | 22,854                    | 22,220         | 634           |
| <b>Sinaloa</b>                       | 160            | 7,892                     | 7,818          | 74            |
| <b>Chihuahua</b>                     | 440            | 22,590                    | 20,962         | 1,628         |
| <b>Mexico City metropolitan area</b> | 42             | 2,846                     | 2,693          | 153           |
| <b>Guadalajara metropolitan area</b> | 1,229          | 56,536                    | 48,342         | 8,194         |
| <b>Monterrey metropolitan area</b>   | 122            | 5,855                     | 5,691          | 164           |
| <b>Aguascalientes</b>                | 62             | 2,101                     | 2,101          | 0             |
| <b>Quintana Roo</b>                  | 75             | 4,509                     | 4,509          | 0             |
| <b>San Luis Potosi</b>               | 107            | 5,258                     | 5,258          | 0             |
| <b>Tamaulipas</b>                    | 72             | 3,507                     | 3,507          | 0             |
| <b>Guanajuato</b>                    | 92             | 4,541                     | 4,541          | 0             |
| <b>Coahuila</b>                      | 62             | 3,076                     | 3,076          | 0             |
| <b>Durango</b>                       | 28             | 1,390                     | 1,390          | 0             |
| <b>Queretaro</b>                     | 168            | 8,294                     | 8,294          | 0             |
| <b>Veracruz</b>                      | 23             | 1,116                     | 1,116          | 0             |
| <b>Total</b>                         | <b>5,751</b>   | <b>306,102</b>            | <b>287,540</b> | <b>18,562</b> |

In addition, the company has 1,027 hectares of strategic land in macro-projects. These land lots consider several uses for housing, commercial and industry purposes. The proportion of this land for housing purposes will be incorporated to the Company's land reserve once it meets the requirements to have the zoning approvals to become a Master Planned Community.

Since 4Q10, the land bank held under the City Licensee Manager and Landowner Partnership scheme has now been integrated into the company's balance sheet. There were 65 additional hectares in the process of incorporation under this scheme.



# 3Q11 Results



Additionally, the company holds over 397 hectares of land bank from the Housing Projects in Progress integrated until 3Q11; enough for development of approximately 28,400 homes.

The mortgage backlog commitment for the period was 33,474 units.

## Liabilities

### *Non financial liabilities*

Non financial liabilities increased by 84.2% to MX\$8,729.9 million in September 2011, from MX\$4,738.5 million in September 2010, without deferred taxes.

The account payables balance was MX\$4,662.7 million. The 60.6% increase is explained by a higher level of construction in progress needed for the company's financial plan in 2011.

### *Indebtedness*

As of September 30<sup>th</sup>, 2011 and September 30<sup>th</sup>, 2010 the company had MX\$13,549.5 million and MX\$10,689.0 million, respectively, of total debt:

- MX\$5,707.3 million corresponding to the US bond 2016 and US bond 2020 (the total amount considers MX\$332.5 million of the net asset position of its financial hedging instruments);
- MX\$3,862.1 million of strategic bridge loans (the total amount considers MX\$164.4 million of the net asset position of its hedging financial instruments) and;
- MX\$3,980.2 million in operating credits.

This level of debt reflects an increase of MX\$398.7 million in new debt, and an increase of MX\$1,187.1 million derived from the fluctuation of the US\$ denominated debt versus 2Q11.

The current level of debt is transitory as it reflects a temporary increase resulting from a prefunding exercise for the liability management of the Company's debt.

The company's target is to maintain a Gross Debt /Ebitda of 2.5x / 2.7x by December 2011; without considering the increases in the value of the US\$ debt resulting from exchange rate fluctuations, as the US\$ debt is covered by financial hedging instruments.

Total Debt to Ebitda ratio was 3.19x and Net Debt-to-Ebitda ratio was 1.56x; without taking into consideration the valuation of the hedging financial instruments, the Gross Debt to Ebitda and Net Debt to Ebitda would be of 3.31x and 1.67x respectively.

Out of the MX\$13,549.5 million of the company's indebtedness, MX\$3,801.2 million (28.1%) is in Mexican Peso denominated debt and MX\$9,748.3 million (71.9%) is in US dollar denominated debt.

As of September 30<sup>th</sup>, the company's long term debt has an average maturity of 6.4 years and represents 49.3% of the total.

The company will continue evaluating options to optimize its debt structure in terms of cost and maturity.



# 3Q11 Results



## *Deferred Income Taxes*

As a result of the application of Bulletin D-4 and the cash taxes reported, deferred income taxes decreased by 48.8% to MX\$2,090.2 million by September 2011 versus MX\$4,085.1 million by September 2010.

## **Stockholders' Equity**

Stockholders' equity increased by 22.1%, to MX\$17,747.9 million by September of 2011 versus MX\$14,537.1 million by September of 2010.

Due to the integration of the land bank held under the City Licensee Manager and Landowner Partnership scheme into the company's balance sheet, the stockholders' equity is broken down in MX\$17,007.5 million of the controlling interest and MX\$740.4 million of the non-controlling interest.

## **Liquidity and Capital Resources**

Net income and non-cash items provided resources of MX\$665.4 million during the 3Q11. Additionally, MX\$1,759.1 million were used in working capital. The resources used in the operation were MX\$1,093.7 million.

Furthermore, MX\$446.2 million were generated by financial activities and MX\$28.6 million were used in investment activities.

During 3Q11, the management team took the strategic decision to increase its level of investment in the integration of Housing Projects in Progress, land, urbanization and other assets to take advantage of the new opportunities, incentives and policies available for the industry, and strengthen the company's strategic framework for 2011-2015.

As a result of these decisions, the Company had a negative FCFE during the quarter of MX\$1,122.3 million. This cash flow reflects the investment of MX\$701.6 million in the integration of 2 Housing Projects in Progress, MX\$1,034.1 million of investments in land for vertical housing, urbanization work and other preoperative works, and construction in progress in anticipation to the company business plan for 2012.

Without considering these investments in HPPs, the Company's negative FCFE for the quarter would have been MX\$420.7 million.



# 3Q11 Results



## Consolidated Statements of Changes in Financial Position (Figures in millions of Mexican pesos)

|  | 2011      | Jul-Sep 2011 | Apr-Jun 2011 | Jan-Mar 2011 |
|--|-----------|--------------|--------------|--------------|
| <b>Operation:</b>                                      |           |              |              |              |
| Net income   | 1,765.8   | 869.3        | 679.9        | 216.6        |
| Non cash items   | (561.2)   | (203.9)      | (488.8)      | 131.4        |
| Resources (used in) generated in working capital       | (3,103.6) | (1,759.1)    | 213.5        | (1,558.0)    |
| Accounts receivables                                   | (1,849.9) | (443.6)      | 68.0         | (1,474.2)    |
| Inventories  | (2,032.1) | (1,735.7)    | (555.2)      | 258.7        |
| Accounts payables                                      | 347.8     | 44.5         | 292.8        | 10.4         |
| Other**  | 430.7     | 375.7        | 407.9        | (352.9)      |
| Resources (used in) generated in the operation         | (1,899.0) | (1,093.7)    | 404.7        | (1,210.0)    |
| <b>Financing:</b>                                      | -         | -            | -            | -            |
| Banks loans and long-term liabilities                  | 2,826.9   | 390.5        | 1,263.2      | 1,173.2      |
| Banks loans and long-term liabilities                  | 3,810.7   | 1,585.8      | 1,431.9      | 793.0        |
| Derivative instruments                                 | (983.8)   | (1,195.3)    | (168.7)      | 380.2        |
| Controlling interest                                   | (3.3)     | 55.7         | (43.3)       | (15.7)       |
| <b>Investment:</b>                                     |           |              |              |              |
| Resources (used in) generated in investment activities | (148.0)   | (28.6)       | (49.8)       | (69.5)       |
| Net change in cash of the period                       | 776.7     | (676.1)      | 1,574.8      | (122.0)      |
| Cash at the beginning of the period                    | 6,154.6   | 7,607.4      | 6,032.6      | 6,154.6      |
| Cash at the end of the period                          | 6,931.3   | 6,931.3      | 7,607.4      | 6,032.6      |

|  |                  |                  |              |                  |
|--|------------------|------------------|--------------|------------------|
| <b>FCFE: Initial balance - Final balance - Debt increase</b> | <b>(2,047.0)</b> | <b>(1,122.3)</b> | <b>354.9</b> | <b>(1,279.5)</b> |
|--|------------------|------------------|--------------|------------------|

|                            |                  |                |                |  |
|----------------------------|------------------|----------------|----------------|--|
| <b>Investments in HPPs</b> | <b>(1,291.9)</b> | <b>(701.6)</b> | <b>(590.3)</b> |  |
|----------------------------|------------------|----------------|----------------|--|

|                                       |                |                |              |                  |
|---------------------------------------|----------------|----------------|--------------|------------------|
| <b>FCFE w/out investments in HPPs</b> | <b>(755.1)</b> | <b>(420.7)</b> | <b>945.1</b> | <b>(1,279.5)</b> |
|---------------------------------------|----------------|----------------|--------------|------------------|

\*It excludes exchange rate fluctuations

\*\* It includes the combined effect of the derivative instruments in the debt

### Working capital

Working capital, including inventories of MX\$17,875.1 million on September 30<sup>th</sup>, 2011, was MX\$19,440.8 million.



# 3Q11 Results



## Recent Events

- *The announcement of a proposed increment of more than 70% to the federal budget of subsidies strengthens Urbi's defensive strategy to serve new markets*
- *Urbi integrated 2 Housing Projects in Progress in Nuevo León and Hidalgo, expanding its geographical presence to 39 cities and municipalities, and 22 Estates.*
- Urbi is a founding member of Vivienda y Entorno Sustentable AC, who's objective is to create the ecological footprint of the Mexican Housing Industry
- Urbi: a success case during the Microsoft's International Convention in Miami 2011, as it is the 1<sup>st</sup> Mexican company in adopting Microsoft Azure Platform
- Urbi participated in the Mortgage Forum for Non-Affiliated: "Reality or Myth" organized by CANADEVI Nuevo Leon, where the Alternativa Urbi scheme was presented.



# 3Q11 Results



## About URBI

Urbi Desarrollos Urbanos S.A.B. de C.V. (MSE: URBI\*) is the leading housing developer in Mexico. Currently, Urbi is present in 39 cities, covering the main metropolitan areas and the most dynamic medium-size cities in the country. In over 30 years of operations, Urbi has developed over 370,000 homes, and has always conducted its business with a strong emphasis on financial performance, making it one of the most profitable companies in the sector.

## Precautionary Legal Note

This document contains forward-looking statements about the Company's future financial position and results of operations; its strategy, plans, objectives, goals and targets; future developments in the markets where it participates or intends to participate; and other pieces of information that are not historical facts. These forward-looking statements are based on numerous assumptions, plans, intentions and expectations of the Company's management, and involve known and unknown risks, uncertainties and other factors, some of which are beyond the Company's control. They shall not be interpreted based on past trends and activities, as if they will continue in the future. Such forward-looking statements speak only as of the date of this document.

The use of registered trademarks, commercial trademarks and logos or photographic materials within this document are exclusively for illustrative purposes and are not meant to violate the rights of the creators and/or applicable intellectual property laws.

Investor's contact:

### **Antonio Jorge**

Investor Relations Officer

Tel: + (52 55) 11020390 Ext. 10724

[antonio.jorge@urbi.com](mailto:antonio.jorge@urbi.com)

### **3Q2011 URBI Earnings Conference Call:**

Tuesday, October 25th, 2011 at 11:00 AM Eastern (New York)

### **Dial in numbers:**

|                        |                     |
|------------------------|---------------------|
| Dial In#               | <b>800.591.6942</b> |
| International Dial In# | <b>617.614.4909</b> |
| Participant Passcode   | <b>42668454</b>     |



# 3Q11 Results



## URBI Desarrollos Urbanos, S.A.B de C.V Consolidated Income Statement (Figures in thousands of Mexican pesos)

|  | 3Q11               |               | 3Q10               |               | Change<br>2011/2010 |
|--|--------------------|---------------|--------------------|---------------|---------------------|
| <b>Sales</b>                           | <b>\$4,533,643</b> | <b>100.0%</b> | <b>\$4,199,115</b> | <b>100.0%</b> | <b>8.0%</b>         |
| Cost of Sales                          | -\$3,264,225       | -72.0%        | -\$3,012,597       | -71.7%        | 8.4%                |
| <b>Gross profit</b>                    | <b>\$1,269,418</b> | <b>28.0%</b>  | <b>\$1,186,518</b> | <b>28.3%</b>  | <b>7.0%</b>         |
| General and administrative expenses    | -\$392,030         | -8.6%         | -\$310,468         | -7.4%         | 26.3%               |
| <b>Operating income</b>                | <b>\$877,388</b>   | <b>19.4%</b>  | <b>\$876,050</b>   | <b>20.9%</b>  | <b>0.2%</b>         |
| <i>Depreciation and amortization</i>   | \$28,961           | 0.6%          | \$69,954           | 1.7%          | -58.6%              |
| <i>Capitalized interest</i>            | \$275,798          | 6.1%          | \$257,464          | 6.1%          | 7.1%                |
| <b>EBITDA</b>                          | <b>\$1,182,147</b> | <b>26.1%</b>  | <b>\$1,203,468</b> | <b>28.7%</b>  | <b>-1.8%</b>        |
| Other income (expenses), net           | \$945              | 0.0%          | \$1,170            | 0.0%          | -19.2%              |
| <b>Comprehensive cost of financing</b> | <b>\$424,180</b>   | <b>9.4%</b>   | <b>-\$153,706</b>  | <b>-3.7%</b>  | <b>-376.0%</b>      |
| Financial expenses                     | \$56,862           | 1.3%          | -\$83,234          | -2.0%         | -168.3%             |
| Interest income                        | \$119,060          | 2.6%          | \$23,701           | 0.6%          | 402.3%              |
| Foreign exchange gain (loss), net      | \$25,489           | 0.6%          | -\$29,826          | -0.7%         | -185.5%             |
| Cross-currency swap effect             | \$222,769          | 4.9%          | -\$64,347          | -1.5%         | -446.2%             |
| <b>Income before taxes on profits</b>  | <b>\$1,302,513</b> | <b>28.7%</b>  | <b>\$723,514</b>   | <b>17.2%</b>  | <b>80.0%</b>        |
| Income tax                             | -\$666,084         | -14.7%        | -\$7,670           | -0.2%         | 8584.3%             |
| Deferred income tax                    | \$232,883          | 5.1%          | -\$211,029         | -5.0%         | -210.4%             |
| <b>Net income</b>                      | <b>\$869,312</b>   | <b>19.2%</b>  | <b>\$504,815</b>   | <b>12.0%</b>  | <b>72.2%</b>        |
| <b>Net income break down:</b>          |                    |               |                    |               |                     |
| Controlling interest                   | \$864,510          | 19.1%         | \$504,815          | 12.0%         | 71.3%               |
| Non-controlling interest               | \$4,802            | 0.1%          | \$0                | 0.0%          | 100.0%              |
| <b>Net income</b>                      | <b>\$869,312</b>   | <b>19.2%</b>  | <b>\$504,815</b>   | <b>12.0%</b>  | <b>72.2%</b>        |



# 3Q11 Results



**URBI Desarrollos Urbanos, S.A.B de C.V**  
**Consolidated Income Statement**  
 (Figures in thousands of Mexican pesos)

|  | Jan-Sep 11          |               | Jan-Sep 10         |               | Change<br>2011/2010 |
|--|---------------------|---------------|--------------------|---------------|---------------------|
| <b>Sales</b>                           | <b>\$11,235,755</b> | <b>100.0%</b> | <b>\$9,967,096</b> | <b>100.0%</b> | <b>12.7%</b>        |
| Cost of Sales                          | -\$8,081,733        | -71.9%        | -\$7,128,878       | -71.5%        | 13.4%               |
| <b>Gross profit</b>                    | <b>\$3,154,022</b>  | <b>28.1%</b>  | <b>\$2,838,218</b> | <b>28.5%</b>  | <b>11.1%</b>        |
| General and administrative expenses    | -\$979,921          | -8.7%         | -\$885,367         | -8.9%         | 10.7%               |
| <b>Operating income</b>                | <b>\$2,174,101</b>  | <b>19.3%</b>  | <b>\$1,952,851</b> | <b>19.6%</b>  | <b>11.3%</b>        |
| <i>Depreciation and amortization</i>   | \$97,101            | 0.9%          | \$206,229          | 2.1%          | -52.9%              |
| <i>Capitalized interest</i>            | \$703,193           | 6.3%          | \$627,242          | 6.3%          | 12.1%               |
| <b>EBITDA</b>                          | <b>\$2,974,395</b>  | <b>26.5%</b>  | <b>\$2,786,322</b> | <b>28.0%</b>  | <b>6.7%</b>         |
| Other income (expenses), net           | \$2,262             | 0.0%          | \$1,584            | 0.0%          | 42.8%               |
| <b>Comprehensive cost of financing</b> | <b>\$422,559</b>    | <b>3.8%</b>   | <b>-\$305,690</b>  | <b>-3.1%</b>  | <b>-238.2%</b>      |
| Financial expenses                     | -\$121,433          | -1.1%         | -\$246,936         | -2.5%         | -50.8%              |
| Interest income                        | \$354,103           | 3.2%          | \$113,071          | 1.1%          | 213.2%              |
| Foreign exchange gain (loss), net      | -\$15,672           | -0.1%         | -\$15,480          | -0.2%         | 1.2%                |
| Cross-currency swap effect             | \$205,561           | 1.8%          | -\$156,345         | -1.6%         | -231.5%             |
| <b>Income before taxes on profits</b>  | <b>\$2,598,922</b>  | <b>23.1%</b>  | <b>\$1,648,745</b> | <b>16.5%</b>  | <b>57.6%</b>        |
| Income tax                             | -\$1,491,472        | -13.3%        | -\$7,670           | -0.1%         | 19345.5%            |
| Deferred income tax                    | \$658,350           | 5.9%          | -\$490,263         | -4.9%         | -234.3%             |
| <b>Net income</b>                      | <b>\$1,765,800</b>  | <b>15.7%</b>  | <b>\$1,150,812</b> | <b>11.5%</b>  | <b>53.4%</b>        |
| <b>Net income break down:</b>          |                     |               |                    |               |                     |
| Controlling interest                   | \$1,738,763         | 15.5%         | \$1,150,812        | 11.5%         | 51.1%               |
| Non-controlling interest               | \$27,037            | 0.2%          | \$0                | 0.0%          | 100.0%              |
| <b>Net income</b>                      | <b>\$1,765,800</b>  | <b>15.7%</b>  | <b>\$1,150,812</b> | <b>11.5%</b>  | <b>53.4%</b>        |



# 3Q11 Results



## URBI Desarrollos Urbanos, S.A.B. de C.V. Consolidated Balance Sheet (Figures in thousands of Mexican pesos)

|  | Sep 2011            | Sep 2010            | Change<br>2011/2010 |
|--|---------------------|---------------------|---------------------|
| <b>Assets</b>                                    |                     |                     |                     |
| <b>Current Asset</b>                             |                     |                     |                     |
| Cash and cash equivalents                        | \$6,931,281         | \$5,657,970         | 22.5%               |
| Accounts receivable                              | \$7,080,569         | \$3,637,611         | 94.6%               |
| Derivative instruments                           | \$164,438           | \$0                 | 0.0%                |
| Inventories                                      | \$17,875,130        | \$17,274,885        | 3.5%                |
| Other accounts receivable                        | \$1,600,369         | \$1,366,561         | 17.1%               |
| Prepaid expenses                                 | \$1,347,481         | \$1,396,888         | -3.5%               |
| <b>Total current asset</b>                       | <b>\$34,999,268</b> | <b>\$29,333,915</b> | <b>19.3%</b>        |
| <b>Non-current asset</b>                         |                     |                     |                     |
| Trade accounts receivable                        | \$610,645           | \$201,715           | 202.7%              |
| Inventory of land for construction               | \$5,984,744         | \$3,847,516         | 55.5%               |
| Property, machinery and equipment, net           | \$553,348           | \$511,967           | 8.1%                |
| Hedging financial instruments                    | \$525,498           | \$0                 | 100.0%              |
| Other assets                                     | \$133,993           | \$154,569           | -13.3%              |
| <b>Total non-current asset</b>                   | <b>\$7,808,228</b>  | <b>\$4,715,767</b>  | <b>65.6%</b>        |
| <b>Total asset</b>                               | <b>\$42,807,496</b> | <b>\$34,049,682</b> | <b>25.7%</b>        |
| <b>Liabilities</b>                               |                     |                     |                     |
| <b>Current Liabilities</b>                       |                     |                     |                     |
| Bank loans                                       | \$6,940,726         | \$1,663,603         | 322.6%              |
| Current portion of long-term debt                | \$89,478            |                     | 0.0%                |
| Trade advances                                   | \$655,391           | \$552,921           | 18.5%               |
| Account payable                                  | \$4,662,651         | \$2,903,590         | 60.6%               |
| Taxes and other accounts payable                 | \$3,210,242         | \$676,116           | 374.8%              |
| <b>Total current liabilities</b>                 | <b>\$15,558,488</b> | <b>\$5,796,230</b>  | <b>168.4%</b>       |
| <b>Long-term liabilities</b>                     |                     |                     |                     |
| Long-term liabilities                            | \$7,016,221         | \$8,428,943         | -16.8%              |
| Accounts payable                                 | \$198,131           | \$602,525           | -67.1%              |
| Hedging financial instruments                    | \$192,985           | \$596,415           | -67.6%              |
| Labor obligations                                | \$3,531             | \$3,386             | 4.3%                |
| Deferred income tax                              | \$2,090,235         | \$4,085,051         | -48.8%              |
| <b>Total long-term liabilities</b>               | <b>\$9,501,103</b>  | <b>\$13,716,320</b> | <b>-30.7%</b>       |
| <b>Total liabilities</b>                         | <b>\$25,059,591</b> | <b>\$19,512,550</b> | <b>28.4%</b>        |
| <b>Stockholders Equity</b>                       |                     |                     |                     |
| Common stock                                     | \$191,193           | \$191,193           | 0.0%                |
| Premium on share subscription                    | \$5,133,062         | \$5,133,062         | 0.0%                |
| Retained earnings                                | \$11,879,844        | \$9,632,594         | 23.3%               |
| Hedging financial instruments                    | -\$196,554          | -\$419,717          | -53.2%              |
| Controlling interest                             | \$17,007,545        | \$14,537,132        | 17.0%               |
| Non-Controlling interest                         | \$740,360           | \$0                 | 0.0%                |
| <b>Total stockholders equity</b>                 | <b>\$17,747,905</b> | <b>\$14,537,132</b> | <b>22.1%</b>        |
| <b>Total liabilities and stockholders equity</b> | <b>\$42,807,496</b> | <b>\$34,049,682</b> | <b>25.7%</b>        |



# 3Q11 Results



## URBI Desarrollos Urbanos, S.A.B. de C.V. Consolidated Cash Flow Statement (Figures in thousands of Mexican pesos)

|  | Jan-Sep 11          | Jan-Sep 10         |
|--|---------------------|--------------------|
| <b>Operating activities:</b>                               |                     |                    |
| <b>Income before income tax</b>                            | <b>\$2,598,922</b>  | <b>\$1,648,745</b> |
| <b>Items related to investment activities</b>              |                     |                    |
| Depreciation   | \$97,101            | \$121,327          |
| Amortization   | \$0                 | \$84,902           |
| Interest income  | -\$354,103          | -\$113,071         |
| Net income from sale of buildings, machinery and equipment | -\$1,046            | -\$1,142           |
| <b>Items related to financing activities</b>               |                     |                    |
| Interest expenses  | \$121,433           | \$246,936          |
| <b>Sum</b>   | <b>\$2,462,307</b>  | <b>\$1,987,697</b> |
| Change in derivative position                              | -\$504,768          | \$313,473          |
| ( Increases) in accounts receivable                        | -\$2,312,920        | -\$3,017,117       |
| (Increases) in other accounts receivable and other assets  | -\$339,247          | -\$1,189,771       |
| Decrease in inventories                                    | -\$733,191          | \$3,401,930        |
| Increase (decrease) in other account payable to suppliers  | \$347,754           | -\$1,197,006       |
| (Decrease) Increase in taxes and other account payable     | -\$745,052          | -\$349,229         |
| <b>Net cash flow from operating activities</b>             | <b>-\$1,825,117</b> | <b>-\$50,023</b>   |
| <b>Investing activities:</b>                               |                     |                    |
| Interest income  | \$38,599            | \$113,071          |
| Acquisition of property, machinery and equipment           | -\$150,773          | -\$99,287          |
| Collection from sale of building, machinery and equipment  | \$3,867             | \$2,059            |
| <b>Net cash flow from investing activities</b>             | <b>-\$108,307</b>   | <b>\$15,843</b>    |
| <b>Cash to be applied to financing activities</b>          | <b>-\$1,933,424</b> | <b>-\$34,180</b>   |
| <b>Financing activities</b>                                |                     |                    |
| Loans obtained   | \$3,478,246         | \$2,251,494        |
| Interest receivable  | \$315,504           | \$0                |
| Interest paid  | -\$1,056,603        | -\$952,466         |
| Reimbursement non-controlling interest                     | -\$27,037           | \$0                |
| <b>Net cash flow in financial activities</b>               | <b>\$2,710,110</b>  | <b>\$1,299,028</b> |
| Net increase of cash and other cash equivalents            | \$776,686           | \$1,264,848        |
| Cash and cash equivalents at the beginning of the period   | \$6,154,595         | \$4,393,122        |
| <b>Cash and cash equivalents at the end of the period</b>  | <b>\$6,931,281</b>  | <b>\$5,657,970</b> |