



**Casas GEO<sup>®</sup>**  
Te cambia la vida

## GEO Strategy: Aligned to Free Cash Flow Generation



March 2013



During the course of this presentation, management may make forward-looking statements regarding financial performance and future events.

We will attempt to identify these statements by use of words such as expect, believe, anticipate, intend, and other words that denote future events. These forward-looking statements are subject to material risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements.

We caution you to consider the important risk factors that could cause actual results to differ from those in the forward-looking statements as contained in this presentation, which speak only as of their dates.

The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## GEO Highlights

Dynamics of the Mexican Homebuilding Industry

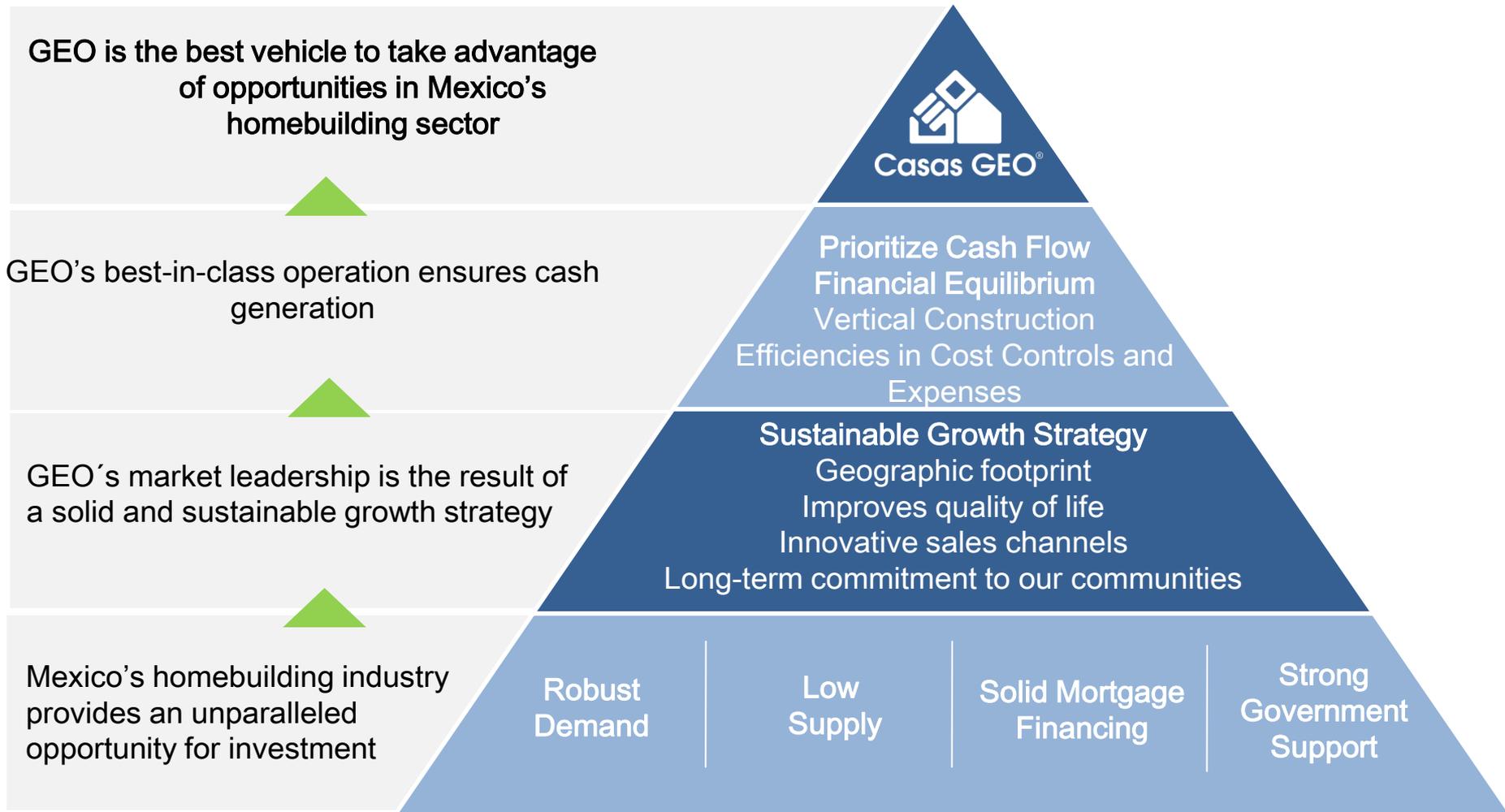
National Housing Policy

GEO's Strategy

Financial Highlights

# Why GEO?

## Key Investment Highlights



**Priority #1: "Cash Flow Generation & Financial Equilibrium"**

# Our Mission: IMPROVE QUALITY OF LIFE



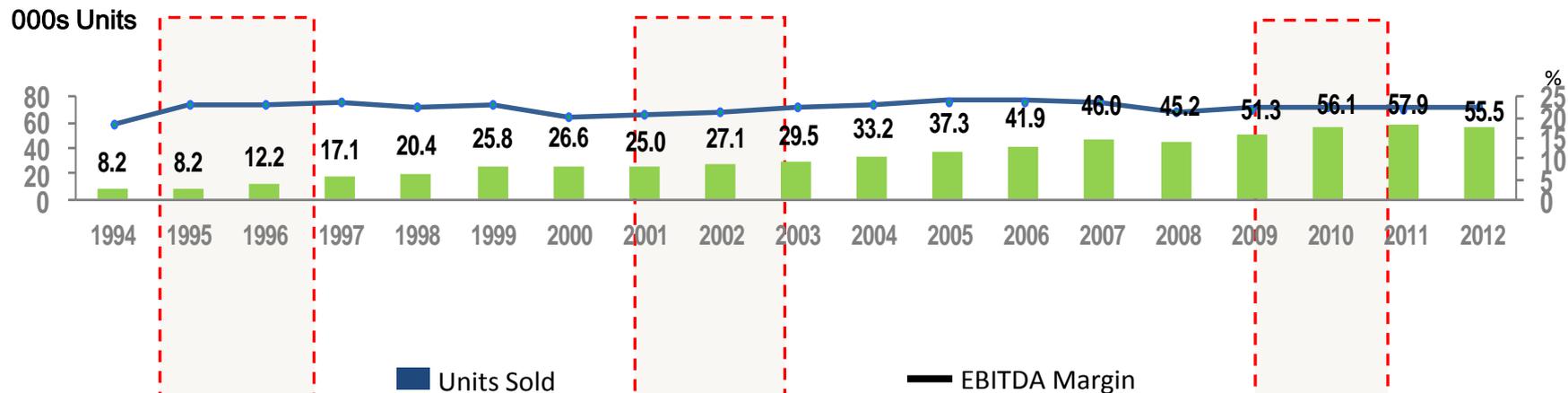
Creating Sustainable  
Communities



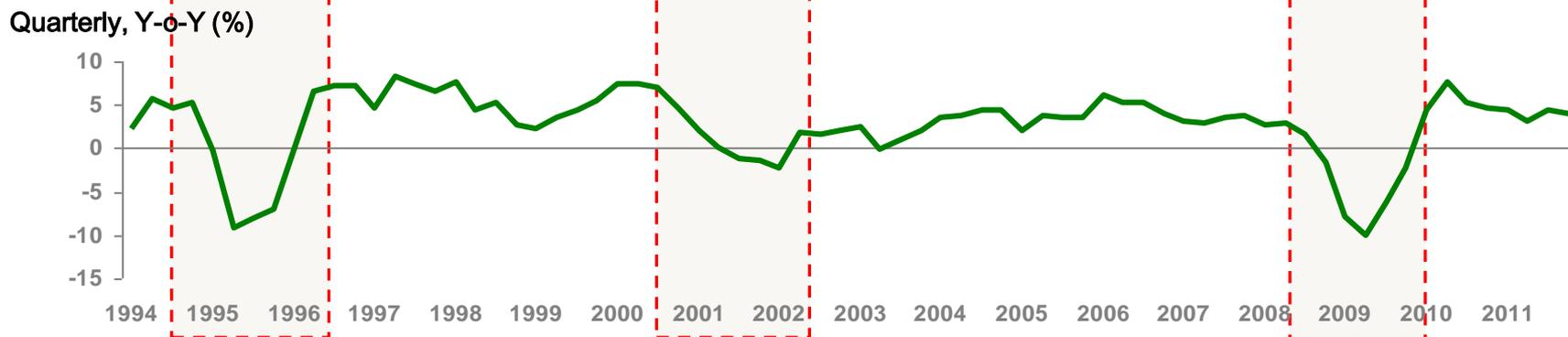
Over the last 40 years GEO has delivered more than 655K homes to 2.4 mm Mexicans

# GEO's Consistent Performance Through Challenging Economic Cycles

## GEO Units Sold and EBITDA Margin



## Mexico GDP Growth



Source: Banco de México

Units sold and EBITDA margins for 2008 through 2011 based on IFRS figures. Figures from previous years have not reformulated to IFRS for comparability

# GEO: Leadership Position in the Low-Income Housing Sector



- GEO operates Seven Regional Divisions with a land bank composition consistent with market segmentation strategy



Region	Land bank	%
Central	92,144	26%
South	54,895	16%
Pacific	49,501	14%
Northwest	49,354	14%
West	39,395	11%
Northeast	36,031	10%
Bajío	30,188	9%
<b>Total</b>	<b>351,508</b>	<b>100%</b>

- Current inventory of 4.5 years of construction
- Land bank composition consistent with market segmentation strategy

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# Mexican Housing Market Differs Considerably from Other Housing Markets



# 1 Robust Demand Supported by Sound Fundamentals

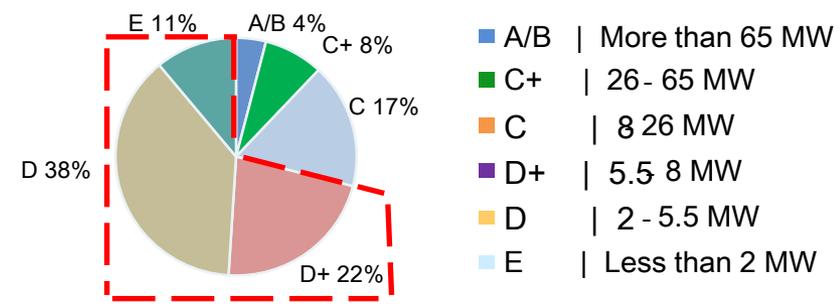
- Housing deficit of 20.2 million houses for the next 20 years concentrated in low-income segments
- Non affiliated market – opportunities to develop new programs

## Housing Needs 2011- 2030

mm units	Demographics	Housing Deficit	Total
Eligible	6.1	2.3	8.4
Non-eligible with payment capacity	1.9	2.4	4.3
Non-eligible without payment capacity	3.3	4.3	7.6
<b>Total</b>	<b>11.3 +</b>	<b>8.9 =</b>	<b>20.2</b>

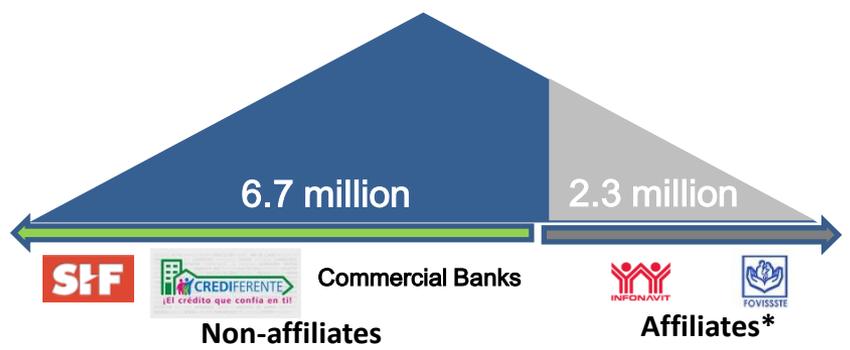
Source: CANADEVI based on CONAPO/SHF/CONAVI

## Income by Segment



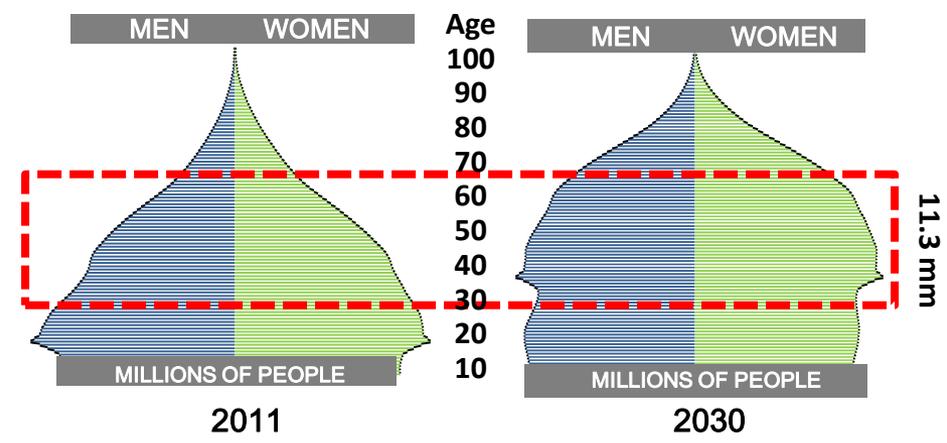
Source: INEGI  
Monthly Minimum Wage in Mexico = USD 150

## Housing Deficit



\*Affiliates are those eligible for mortgages through INFONAVIT & FOVISSSTE  
Source: CANADEVI based on Sociedad Hipotecaria Federal / SHCP

## Demographic Bonus

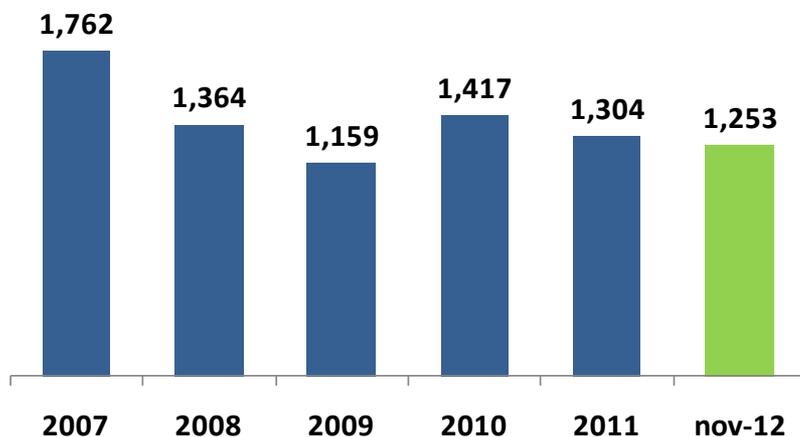


Source: INEGI

## 2 Served by a Limited Supply

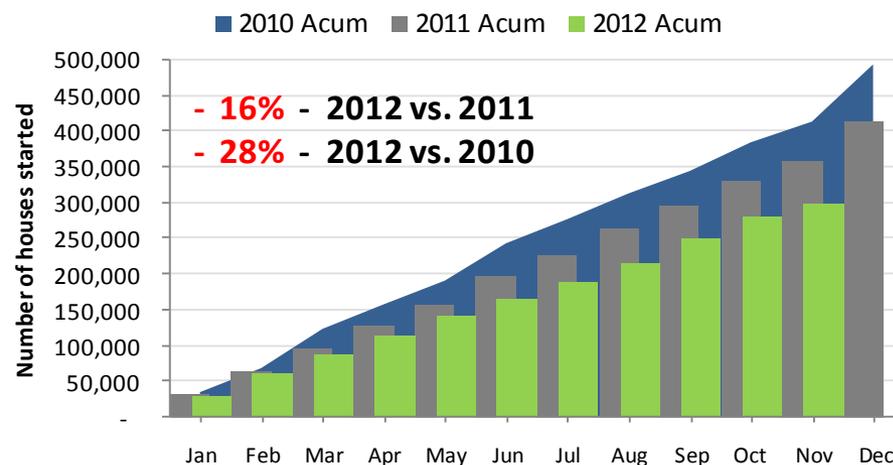
- Decrease in the number of players: lack of financing for small and medium-sized homebuilders
- Opportunity for largest homebuilders to gain market share
- High barriers to entry

### Homebuilders Registered with INFONAVIT



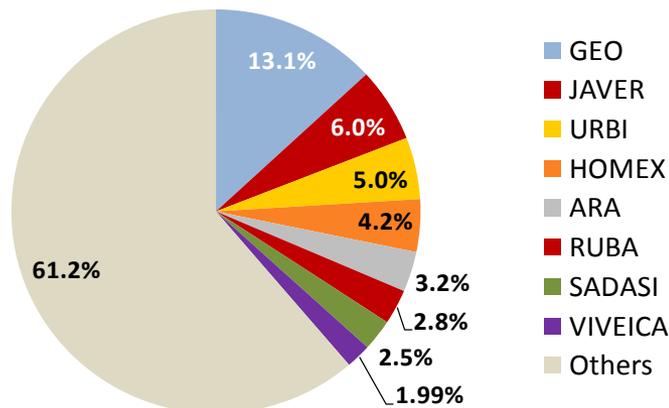
Source: CONAVI / INFONAVIT

### Housing Starts 2012 vs. 2011 vs. 2010



Source: RUV

### INFONAVIT New Homes Market Share – December 2012



# Employee Contributions are the Cornerstone of Mortgage Market Funding

## INFONAVIT and FOVISSSTE Play a Key Role in Assuring Market Stability and Growth

- Founded in 1972 to provide Mortgages to:
  - Private sector: INFONAVIT
  - Public sector: FOVISSSTE
- Together they provide 75% of all mortgage loans for new homes in Mexico
- Solid funding framework through payroll contributions mandated by law
  - Minimum risk
- Successful subsidy programs support low income segments
- Mortgage structures isolate borrower from interest rate and currency risk
- INFONAVIT's bylaw reform permits second mortgages – 1 mm people now added to the pool of potential demand

### Government Is Most Involved in Low Income Sector

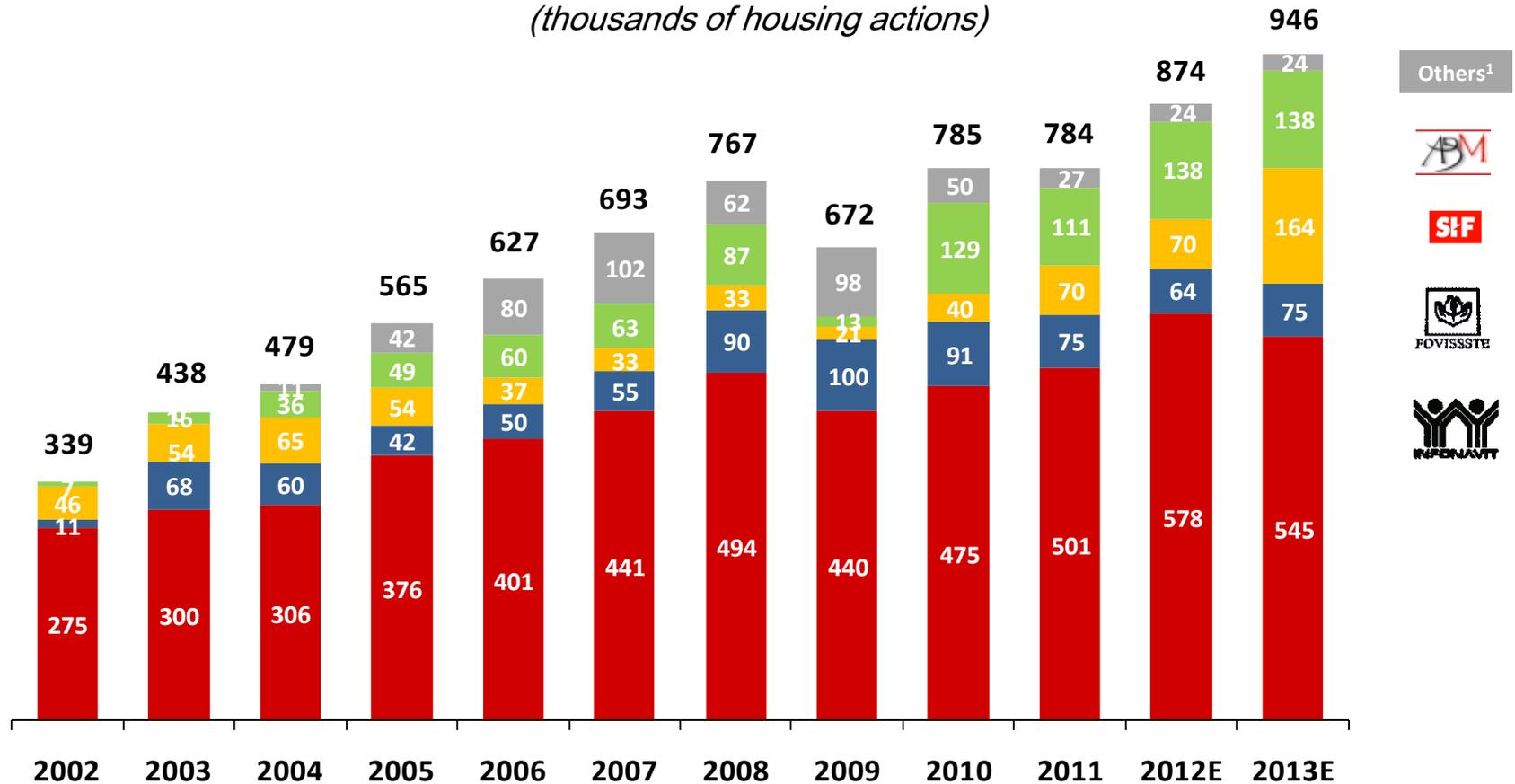
Mortgages		Primary Funding	Goal 2013
	Infonavit	Mandatory Private and Market Funding	545,000
	Fovissste	Mandatory Private and Market Funding	74,900
	Financial Institutions	Deposits and Market Funding	138,235
	SHF	Federal Funding	164,000
	Others <sup>1</sup>		23,650
Subsidies			
	Fonhapo	Federal Subsidies	84,500
	Conavi	Federal Subsidies	166,000
<b>Total</b>			<b>1,196,285</b>

<sup>1</sup> Banjercito, Habitat, ISSFAM, CFE, Orevis, Pemex, Fonacot  
Source: CONAVI

### 3 Mortgage Mix by Institutions

## Mortgage Institutions – Growth Overview

(thousands of housing actions)



- Unique mortgage funding system with a proven operational background
- Minimum risk - mandatory payroll contributions & direct collections with INFONAVIT & FOVISSSTE

Source: Softec / CONAVI / SHF

<sup>1</sup> Banjercito, Habitat, ISSFAM, CFE, Orevis, Pemex, Fonacot

### Engine for Mexico's Social, Economic and Environmental Development

#### Economic

#### Supports domestic demand

- ✓ Multiplier effect – impact on 37 sectors' economic activity
- ✓ Job creation – generates more than 3.5 mm jobs
- ✓ GDP growth – construction represents an important driver of Mexico's GDP

#### Social

#### Foundation of households' quality of life

- ✓ Wealth creation through better housing products
- ✓ Additional benefits in security, health and education
- ✓ 2/3 of the mortgages to the low income segments

#### Environmental

#### Safeguards natural resources and families' budget

- ✓ Housing developments equipped with eco-technologies
- ✓ Energy, gas and water savings
- ✓ 377k green mortgages originated in 2011

## GEO Highlights

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Some of the most important highlights of the New Housing Policy announced by the President Enrique Peña Nieto will focus on:

- Under Peña Nieto's administration, housing is a priority as a way to move Mexico towards a more promising future by allowing Mexicans access to one of the most important assets: owning their home
- The Housing Industry is one of the main engines for Mexico's development as it is an important element for job creation; promoting economic growth which is the cornerstone of the administration
- There will be absolute certainty to all homebuilders through clear politics and regulations focused on supporting the industry



## National Housing Policy's FOUR Main Strategies

1

Improve  
Coordination of  
Housing  
Institutions  
through the  
Creation of  
SEDATU\*

2

Move Towards  
an Urban and  
Self-  
Sustainable  
Development  
Plan

3

Reduce  
Mexico's  
Housing Deficit

4

Provide all  
Mexicans  
Affordable  
Homes with the  
best possible  
living  
conditions

The Housing Industry is critical to Mexico's development by providing **economic, social and environmental results**

- SEDATU will have an important role aligning financing, land and housing activities and programs to ensure housing initiatives' success and feasibility
  - Consolidate housing functions within one single entity
  - Sign agreements with state and local governments
  - Faster and more efficient decision-making processes



GEO's work with the new administration's Housing Transition Team resulted in the creation of a document with industry's main priorities that was used to develop the New Housing Policy

- Financing will be a priority in order to encourage national urban and land development focused on sustainable projects

- Greater Construction Density
- Vertical Units
- Certified Developments



GEO's strategy aligned to the these requirements:

- ✓ Greater Construction Density
- ✓ Better Land use by developing more vertical units



## GEO's Vertical Sales Mix

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
6%	11%	31%	54%	<b>60-70%</b>

- In 2013, there will be one million housing actions of which 500 thousand will be for new homes
- Increase potential demand: active participation from the banking institutions in creating and managing credit programs



Army & Police Forces  
Municipal & State workers



Potential Buyers of  
2.5 – 3 million  
homes



GEO's strategy has a program to tap this market:

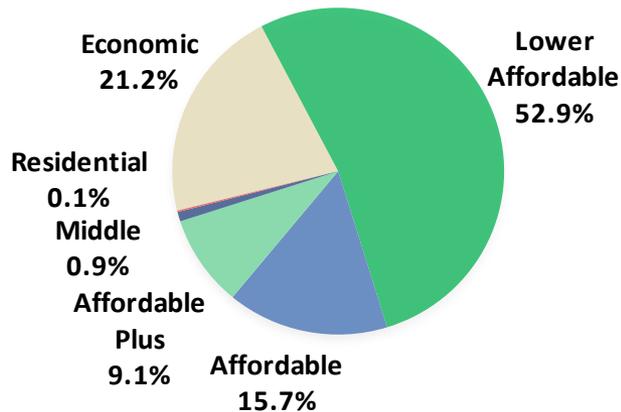
- ✓ GEOFácil – Savings program that allows potential buyers to demonstrate their payment capacity

- Land Reserves have infrastructure and urbanization investments from local & state governments that secures their future development

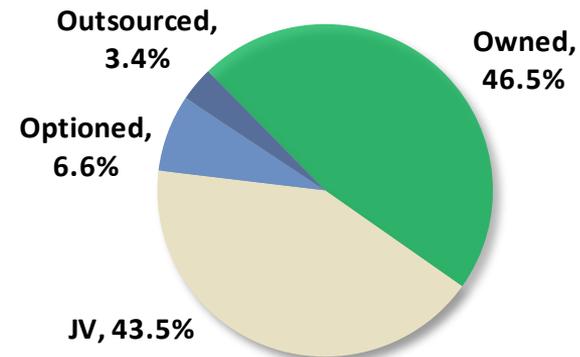
	4Q12	% of Total
Land with Projects under Development with Infrastructure Investments	298,130	<b>92%</b>
Land to be used for Housing Developments with Infrastructure Investments	14,334	<b>4%</b>
Land to be used for Housing Developments without Infrastructure Investments	6,714	<b>2%</b>
Greenfield Land	5,927	2%
<b>Total</b>	<b>325,105</b>	<b>100%</b>



### Land Bank by Segment



### Land Bank Structure



- 90% of Land Bank in low income segments
- Potential revenue of land bank (once developed) of approximately MXN\$120 Bn

- JV's with Prudential Real Estate Investors and Sólida Banorte optimizes land investments

- Credit and Subsidy support will only be available for those homes that provide:
  - The best living conditions
  - Two bedrooms



GEO's strategy aligned to the these requirements:

- ✓ Ten Satisfaction Element Strategy
  - More construction space – two bedrooms
  - Green Areas
  - Transportation
  - Schools
  - Clinics
  - Property Managment Program - BIENESTAR

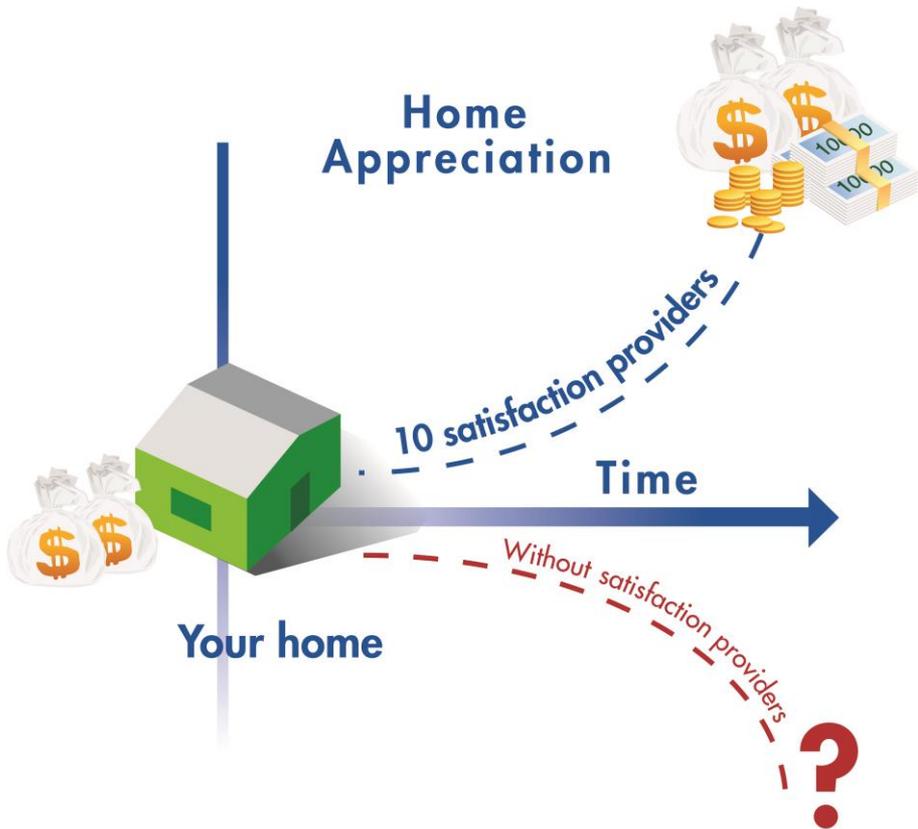


Provides Quality of Life and Guarantees Property Value Appreciation Over Time



# Cornerstone of Our Mission: Create a Unique Value Proposition

- Purchasing a home is the most important economic decision our customers will make in their lifetime
- Between 25% - 30% of their disposable income will go to mortgage service for the next 25 to 30 years



- GEO's focus on a top-quality product makes us consumers' #1 choice
- Our "Bienestar" Program ensures proper maintenance of developments and help neighbors maintain security standards

Creating Sustainable  
Communities



- Generate **Economical, Social & Environmental** benefits for our clients through 10 satisfaction elements



Housing



Basic Services



Transportation



Security



Urban Design



Product &amp; Services



Education



Employment



Health Services



Community Living

Creating Sustainable Communities





### Advantages of Vertical Construction

- Savings in infrastructure investments
- Better land use
- Use of prefabricated concrete technologies reduces construction cycle
- Housing construction density increases
- Government support / subsidies program aligned to vertical construction

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### ➤ Conservative Strategy

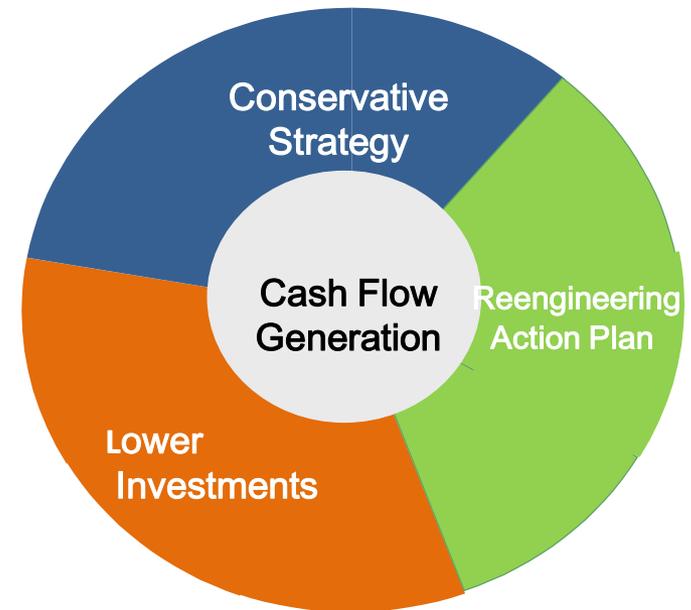
- GEO's 2013 guidance: decrease revenues 10-12%, stable margins and focused on Free Cash Flow Generation
- Consolidate leadership position in regions where we have presence
- No aggressive expansions into new cities

### ➤ Lower Investments

- Reduce work in progress inventories
- Reduce land investments
  - Higher construction density - better land use

### ➤ Reengineering Action Plan

- Greater exposure to vertical construction
  - Savings in infrastructure and urbanization
  - Certified projects – subsidies
- Cost Control Programs
  - Reduction in general, administrative and sale expenses
- Reduced Sales exposure to subsidies in last quarter



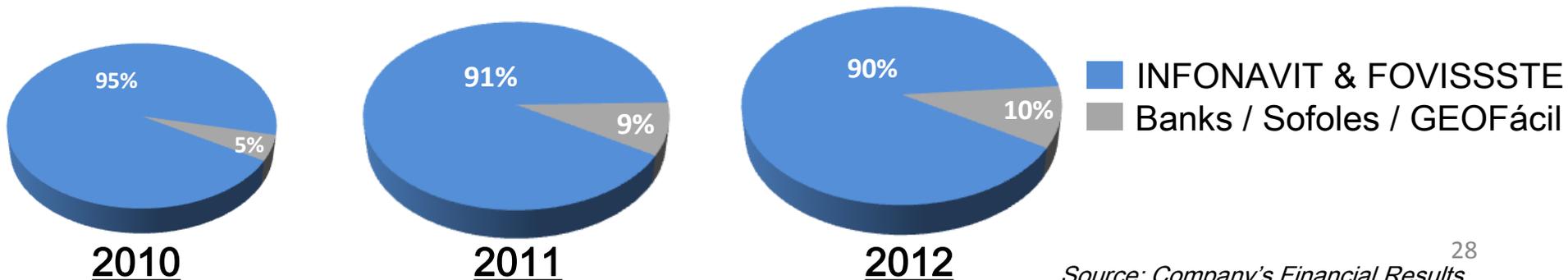
# Sales Strategy Focus on the Bottom of the Pyramid

## Sales Mix by Segment *(titled units except 2012 – delivered units)*



*\*FX rate: 12.9658 as of December 31, 2012*

## Sales Mix by Institution *(titled units except 2012 – titled units)*



# Unique Sales Strategies Tailored to Best Meet Customers' Needs and Preferences

- **Traditional distribution channel:** Direct sales through sales centers
- **New channels:** innovative ways of reaching out to the client

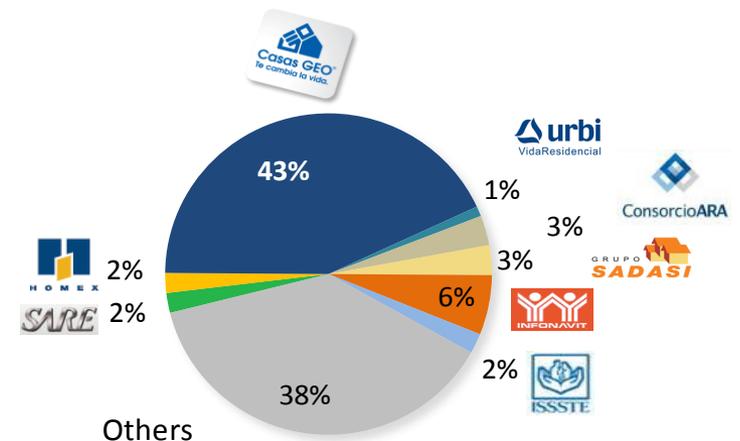
	<u>Titled Units</u> <u>December 2012</u>	
<b>GEO Stores</b>	4,974	
<b>GEO Partners</b>	9,630	
<b>Call Center</b>	4,385	

## Advantages:

- Less expensive to create traffic through Improved productivity: more houses sold per salesperson



## Brand Top of Mind as of December 2012



Source: Estudios de Comunicación. Medios y Audiencias, SA de CV (Moctezuma y Asociados)

# Innovative Construction Processes will Yield Efficiency Gains: “ALPHA”

## Building Technology

- Fully automated housing factory (pre-fabricated elements)
- Worldwide fully proven technology
- Adapted to best practices and to GEO's needs
- Factories can be replicated, based on demand
- Production flexibility for all segments: main target is economic segments which means smaller project sizes
- Reduce labor costs, construction and inventory
- Building and delivery times reduced
- Improve working capital cycle and lower financial costs
- Standardized housing and superior quality



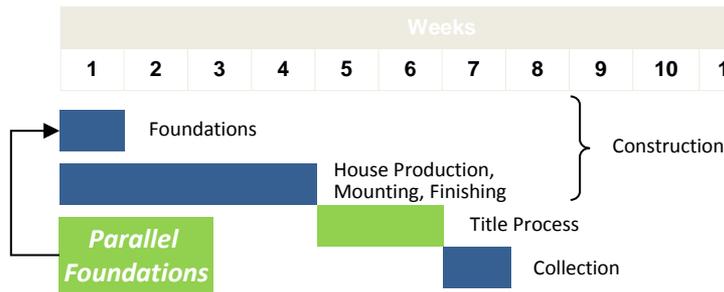
# ALPHA: Time Reduction vs. Traditional System in both Horizontal and Vertical Units

## Horizontal Construction

### Traditional Building Systems

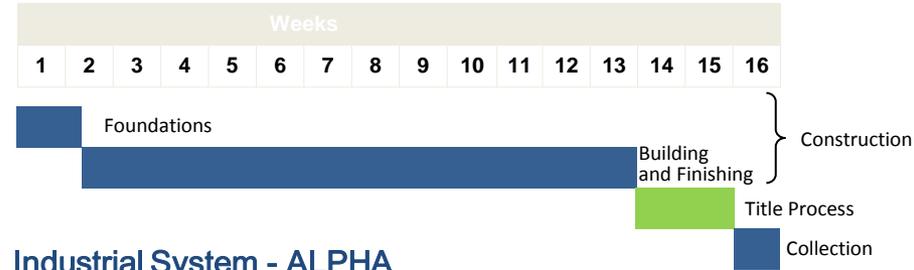


### Industrial System - ALPHA

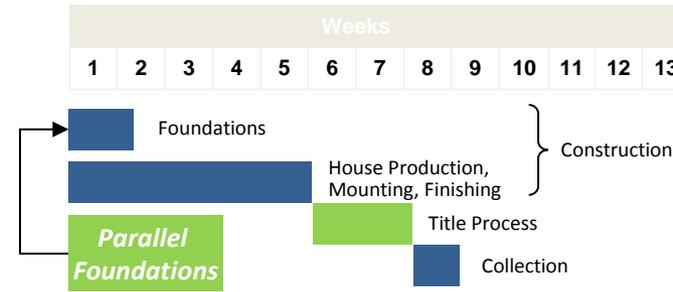


## Vertical Construction

### Traditional Building Systems



### Industrial System - ALPHA



### MAIN IMPROVEMENTS

- ✓ Working Capital Cycle reduction
- ✓ Improved quality of construction



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# Financial Highlights

Income Statement Data	Fourth Quarter			Twelve - Month Period		
	2012	2011	YoY var.	2012	2011	YoY var.
Sales (delivered units)	12,624	16,968	-25.60%	55,485	59,093	-6.11%
Revenues	\$4,309.8	\$6,248.2	-31.02%	\$19,078.3	\$20,104.8	-5.11%
Gross Profit	\$1,447.0	\$1,957.5	-26.08%	\$6,046.9	\$6,386.3	-5.31%
<i>Gross Margin</i>	33.6%	31.3%	2.25 pp	31.7%	31.8%	-0.07 pp
Operating Profit	\$702.9	\$1,039.5	-32.38%	\$3,027.0	\$3,214.3	-5.83%
<i>Operating Margin</i>	16.3%	16.6%	-0.33 pp	15.9%	16.0%	-0.12 pp
Profit before Taxes	\$523.2	\$618.1	-15.36%	\$1,981.9	\$2,183.2	-9.22%
<i>Profit before Taxes Margin</i>	12.1%	9.9%	2.25 pp	10.4%	10.9%	-0.47 pp
EBITDA	\$973.0	\$1,483.0	-34.39%	\$4,288.2	\$4,527.2	-5.28%
<i>EBITDA Margin</i>	22.6%	23.7%	-1.16 pp	22.5%	22.5%	-0.04 pp
Net Profit	\$177.5	\$452.2	-60.76%	\$1,053.4	\$1,260.5	-16.43%
<i>Net Margin</i>	4.1%	7.2%	-3.12 pp	5.5%	6.3%	-0.75 pp
Free Cash Flow to Equity	-\$636.8	\$140.9	-\$777.7	-\$1,751.1	-\$2,719.8	\$968.7

Balance Sheet Data	Quarter - Quarter		
	4Q12	3Q12	QoQ var.
Cash and Cash Equivalents	\$2,126.2	\$2,549.8	-16.61%
Working Capital Cycle	645 days	624 days	21 days
Total Debt	\$13,502.5	\$14,706.8	-8.19%
Interest Coverage	2.2 x	2.3 x	-0.1 x
Net Debt to EBITDA (LTM)	2.4 x	2.6 x	-0.2 x

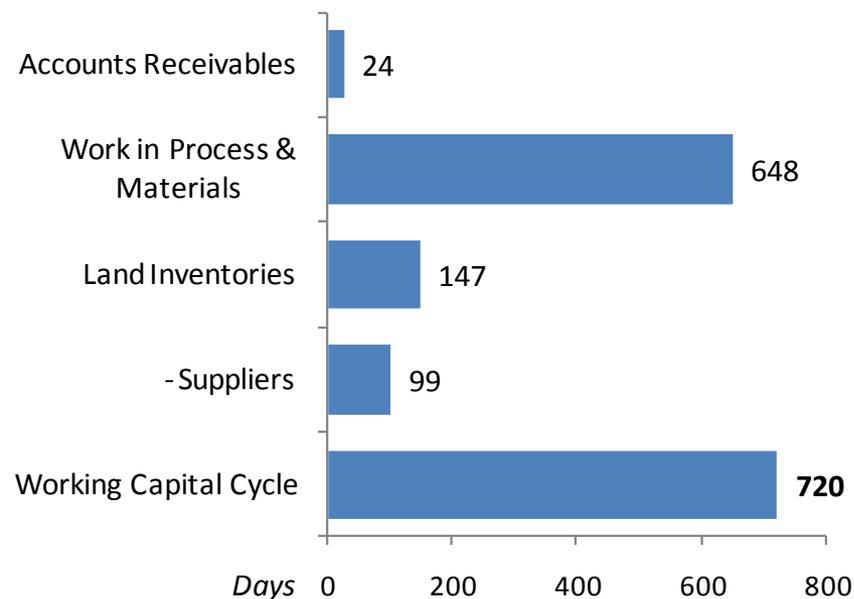
- GEO's 2013 strategy will focus on reducing work in progress levels

## Working Capital Indicators as of December 2012

Accounts Receivables (days)	24
*Materials Inventories and WIP (days)	648
Total Land Inventories (days)	147
- Suppliers (days)	99
<b>Working Capital Cycle (days)</b>	<b>720</b>
<i>Working Capital Cycle to Revenues</i>	<i>197%</i>

Revenues (LTM)	19,078.3
COGS (LTM)	13,031.4
Accounts Receivables	1,269.2
Materials Inventories and WIP	22,719.4
Prepaid Expenses related to Inventories	398.1
Total Work in Progress Inventories	23,117.5
Total Land Inventories	5,262.6
Suppliers	3,549.3

\* Includes Prepaid Expenses related to Inventories

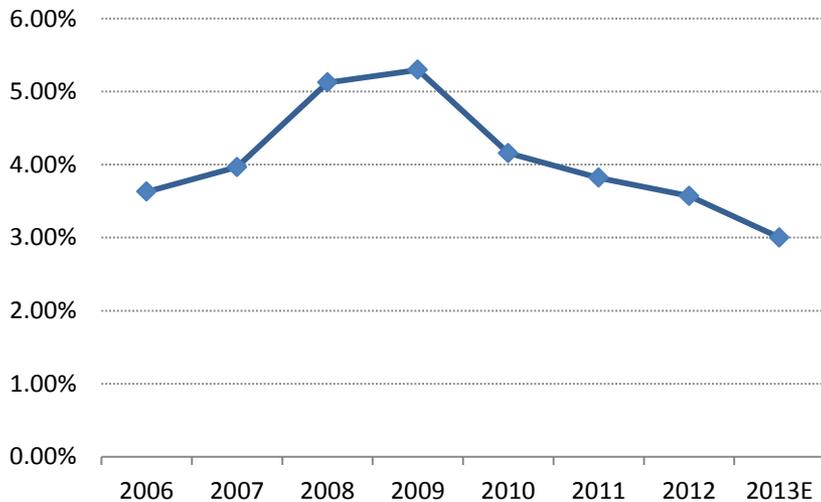


Working Capital Cycle = [(Accounts Receivable / Revenues LTM)\*365] + [(Total Work in Progress Inventories + Total Land Inventories)/(COGS LTM)\*365] - [(Suppliers / COGS LTM)\*365]

# Mexico's Macro Indicators

	2006	2007	2008	2009	2010	2011	2012	2013E
*Total Population	104.9	105.8	106.7	107.6	112.3	112.6	115.6	118.0
GDP Growth	5.06%	3.36%	1.53%	-6.10%	5.40%	3.90%	3.90%	3.50%
Exchange Rate	10.90	10.93	11.13	13.51	12.63	13.95	12.97	12.77
CETES (risk-free rate)	7.02%	7.44%	7.97%	4.51%	4.45%	4.31%	3.91%	4.50%
Interest Rate (TIIE)	7.37%	7.93%	8.69%	4.92%	4.88%	4.79%	4.85%	4.80%
Unemployment rate	3.60%	3.70%	4.00%	5.50%	5.40%	5.30%	4.90%	4.80%
Inflation rate	3.63%	3.97%	5.12%	5.30%	4.16%	3.82%	3.57%	3.00%

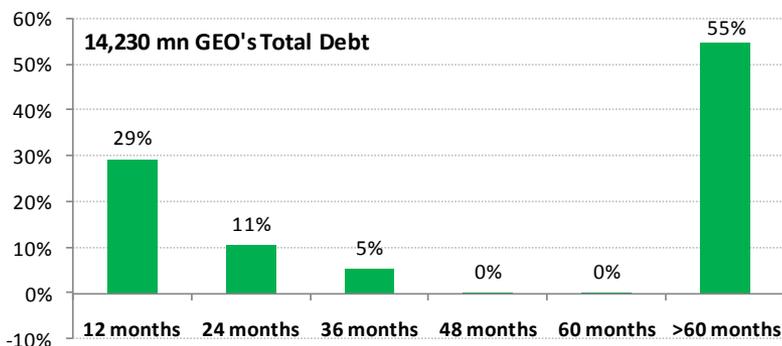
## Inflation Rate



## GDP Growth



## Maturity Profile



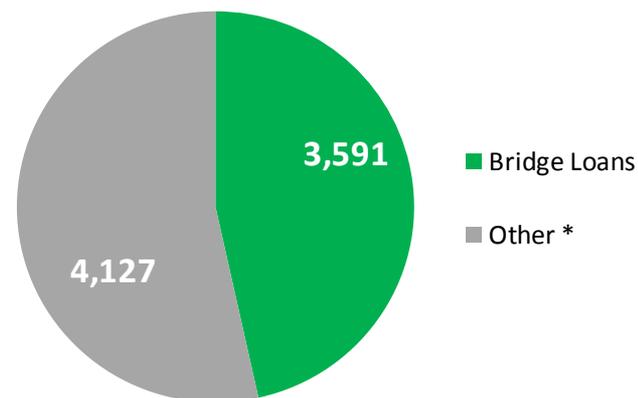
As of 4Q12 results

## Debt Profile

Mortgage Bridge Loans	2,147	15%
Loans for Land Purchase	697	5%
Direct Loans	1,185	8%
Leasing for Machinery	98	1%
Certificado Bursatil (notes) - Long Term	400	3%
Revolving Credit	1,200	8%
Long Term Bonds	8,503	60%
<b>Total</b>	<b>14,230</b>	<b>100%</b>

Average Cost of Debt 8.89%  
 Short Term 29% Long Term 71%  
 Interest Coverage: 2.1x  
 Net Debt / EBITDA: 2.8x  
 Average LT Maturity: 7.1 years

## Available Credit Lines as of 4Q12 (million Pesos)



\* land purchase, direct credits, commercial paper, certificados bursátiles program (medium -term notes) and leasing

- Important government support of housing industry in 2013

## Mortgage Mix by Institution

INSTITUTION	2012 Results		2013 Goal	
	Actions	*Resources	Actions	*Resources
INFONAVIT	578,400	109,078	545,000	123,471
FOVISSSTE	64,300	32,455	74,900	38,021
SHF	70,300	2,328	164,000	5,000
<b>Subtotal</b>	<b>713,000</b>	<b>143,861</b>	<b>783,900</b>	<b>166,492</b>
CONAVI	209,000	7,374	166,000	5,788
FONHAPO	120,700	2,666	84,500	2,132
<b>Subtotal</b>	<b>329,700</b>	<b>10,040</b>	<b>250,500</b>	<b>7,919</b>
<b>TOTAL</b>	<b>1,042,700</b>	<b>153,901</b>	<b>1,034,400</b>	<b>174,411</b>

*\* Million of pesos*

# Subsidies Project Certification Rules Remains the Same for 2013

CONAVI Scoring System	Parameters	GEO Status
300 points	<b>Location</b> Developments close to high-growth cities	Most GEO projects are located near high-growth cities
250 points	<b>Equipment</b> Provide services such as clinics and schools, community centers, playgrounds, green areas, transportation	GEO's satisfaction elements within every development 
230 points	<b>Construction Density</b> Develop three-story buildings, greater than 80 units per hectare and higher construction space	GEO offers 3-4 story buildings; Land Bank aligned to vertical projects; Increasing vertical project sales mix to 45% in 2012
220 points	<b>Competitiveness</b> Eco-friendly technologies	GEO is the leader in creating and selling products aligned to green mortgages

**COMMITTED TO CREATING SUSTAINABLE COMMUNITIES**  
 GEO's products are a decade ahead of the industry

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**[www.corporaciongeo.com](http://www.corporaciongeo.com)**

Mexican Stock Exchange (GEOB)

Included in the Mexican **IPyC index**

ADR OTC (1: 4): CVGFY ; CUSIP: 21986V204

LATIBEX – Spain (XGEO)

Free Float: 85%; Single series of shares (One Share = One Vote).