



**Strength in Numbers**  
Delivering Profitable Growth & Long-term Shareholder Value

February 2006

PRESENTED TO  
**PULTE HOMES**  
BY J.D. POWER AND ASSOCIATES

**Right Company.  
Right Now.**







## **Introduction**

Richard Dugas  
President and CEO





Speaker	Time	Discussion Topics
Richard Dugas	8:30	Introduction and Industry Overview
Roger Cregg	9:00	Geographic Diversification
Steve Petruska		Customer Diversification
Dave Schreiner	10:00	Dominating Active Adult
<ul style="list-style-type: none"><li>• Karen Brunhofer – Illinois</li><li>• Jon Hardy – Carolinas</li></ul>		Local Market Success
Break	10:45	
Steve Petruska	11:00	Operational Excellence
Roger Cregg	11:30	Financial Review and Outlook
Richard Dugas	12:15	Closing Remarks
Lunch	12:30	





## Forward Looking Statements

Certain statements in this presentation constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among other things, (1) general economic and business conditions; (2) interest rate changes and the availability of mortgage financing; (3) the relative stability of debt and equity markets; (4) competition; (5) the availability and cost of land and other raw materials used by the Company in its homebuilding operations; (6) the availability and cost of insurance covering risks associated with our business; (7) shortages and the cost of labor; (8) weather related slowdowns; (9) slow growth initiatives and/or local building moratoria; (10) governmental regulation, including the interpretation of tax, labor and environmental laws; (11) changes in consumer confidence and preferences; (12) required accounting changes; (13) terrorist acts and other acts of war; and (14) other factors over which the Company has little or no control. All forward-looking statements made are made as of the date hereof, and the risk that actual results will differ materially from expectations will increase with the passage of time. Pulte undertakes no duty to update any forward-looking statement whether as a result of new information, future events or changes in Pulte's expectations.



## Industry Landscape

- Macro trends point to sustained demand
  - Year-to-year fluctuations will occur
- Industry dynamics favor big builders
- Pulte working to separate itself from the pack
  - Different strategies being pursued by the nation's largest builders point to greater variation in financial performance over the next 3-5 years
  - Can't just buy the basket of homebuilder stocks
  - Strategy and execution-must have both



## Macro Conditions Still Supportive to Big Builder Success

Factor	Grade	Commentary
Population growth	A	Adding approximately 2-2.5 million people annually
Immigration	B+	Annual immigration rate expected to exceed .8 million
Household formation	B+	Forecast to increase to 1.3 million annually
Demographics	A	Boomers entering peak earnings and homeownership years
Interest rates	B	Up 4-fold over the past 2 years, still 200 basis points below peak
Homeownership rate	C+	Historical peak, but may be room to increase among minorities
Employment	B+	Economic growth is strong and job formation positive
<b>Overall Grade</b>	<b>B</b>	<b>Down from the "A" of 2004, but still good</b>







## Differentiating Pulte Homes



## Competitive Advantages Maintained By Biggest Builders

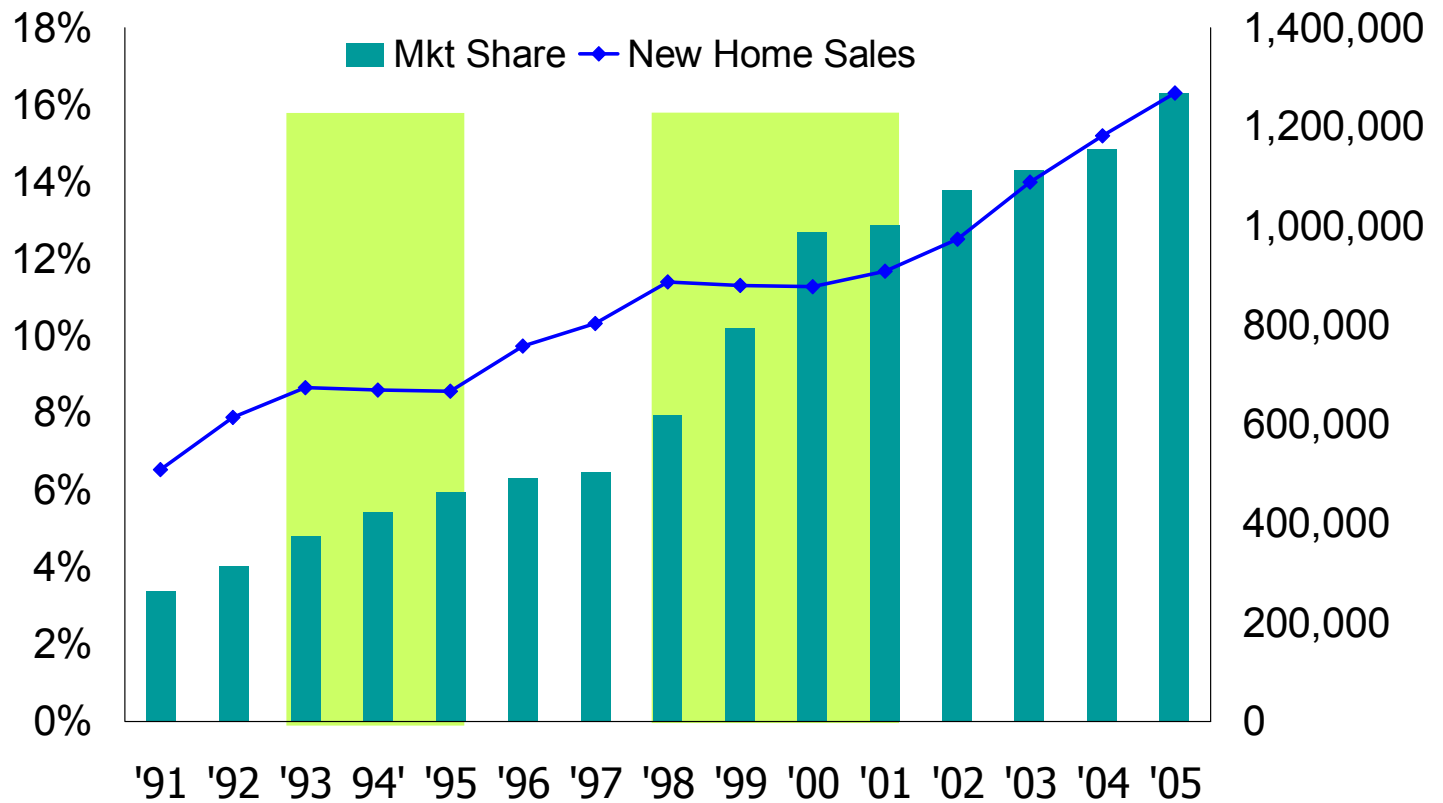
- Basic “big builder” advantages
  - Control of critical land resources
  - Lower construction costs
    - Ability to source labor
    - Volume purchasing and related supply chain initiatives to lower direct material costs
    - Labor and material – lower cost and more reliable supply
  - Access to capital; access to lower cost capital



## Consolidation Continues

*Competitive advantages enabling the nation's largest builders to consolidate the U.S. housing market. During periods of slower aggregate housing sales, strong builders expand share at a faster rate.*

### Market Share of Top 5 Builders



Source: company estimates based on public data





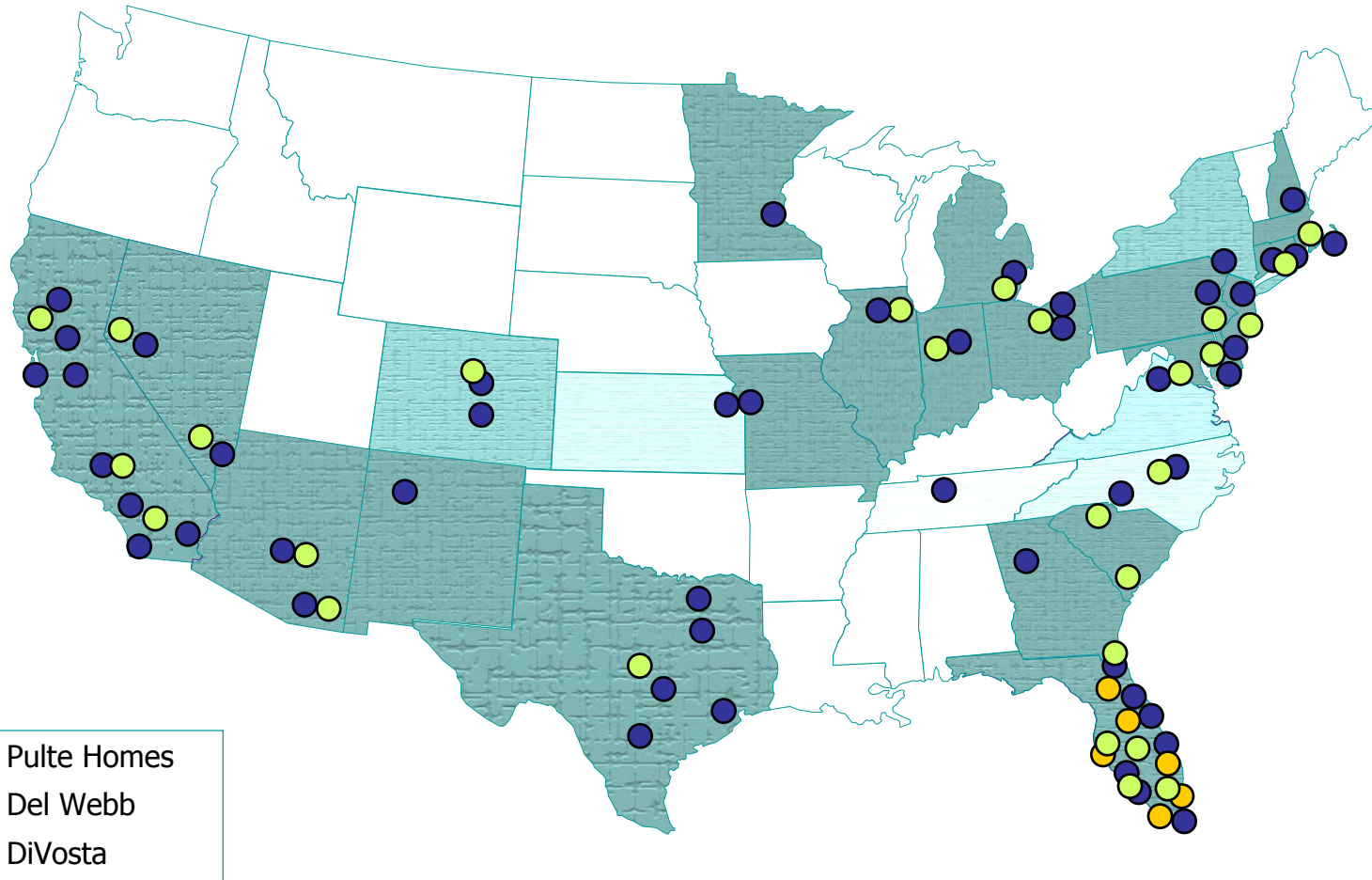
## Differentiating Pulte Homes

- Pulte Homes – Beyond the Big Builder basics
  - Diversification
    - Geographic
    - Customer
  - Operational Excellence
    - Bigger has to mean better - capturing economies of scale
    - Unmatched product quality and satisfaction
  - Financial Discipline
    - Maintaining conservative practices
  - People Development



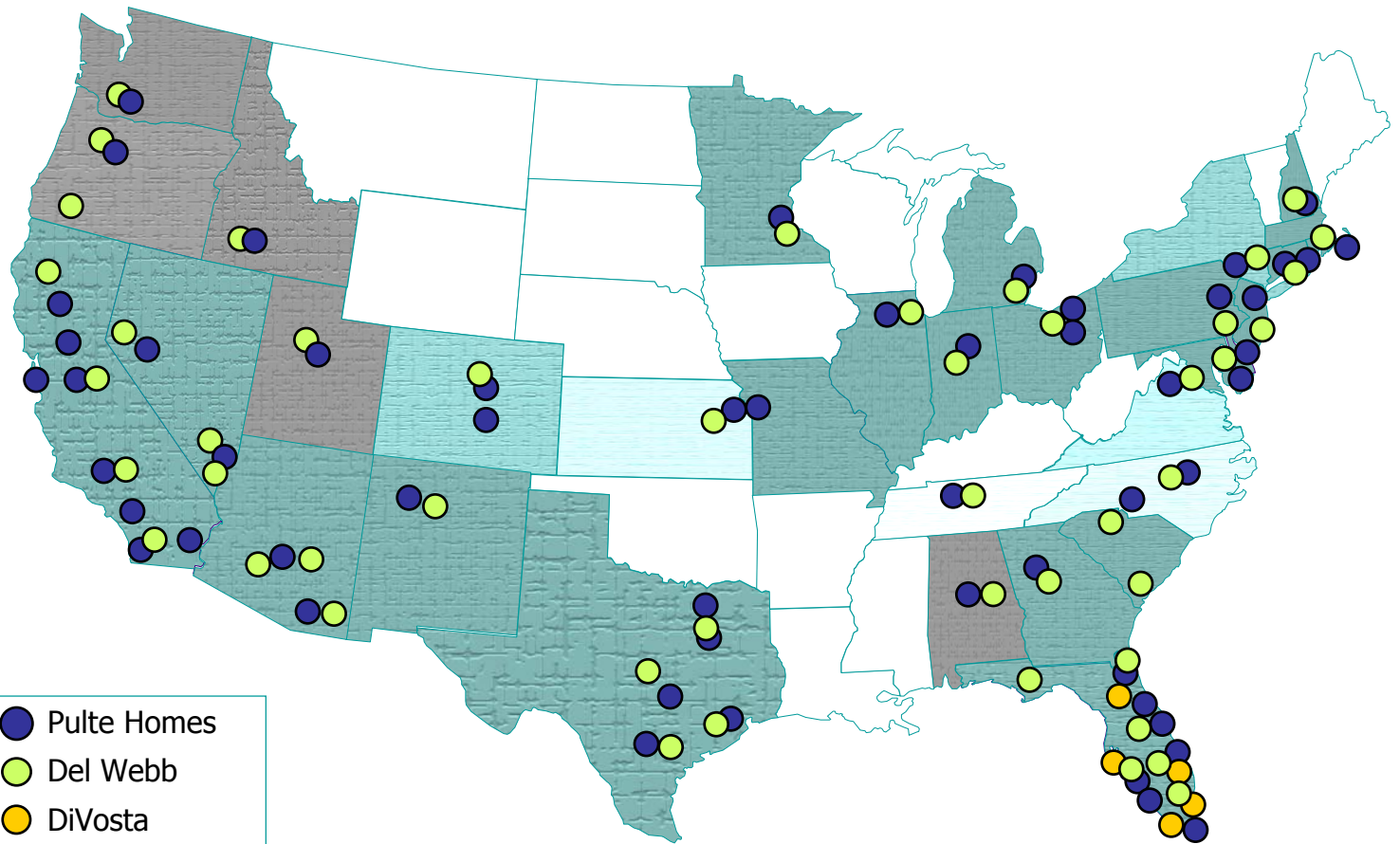
## Broad Geographic Footprint...

*Geographic diversity provides opportunities for greater growth and more consistent business results.*



## ...But Still Have Room to Grow

- More states and more markets
- Del Webb in every market (expanding active adult)



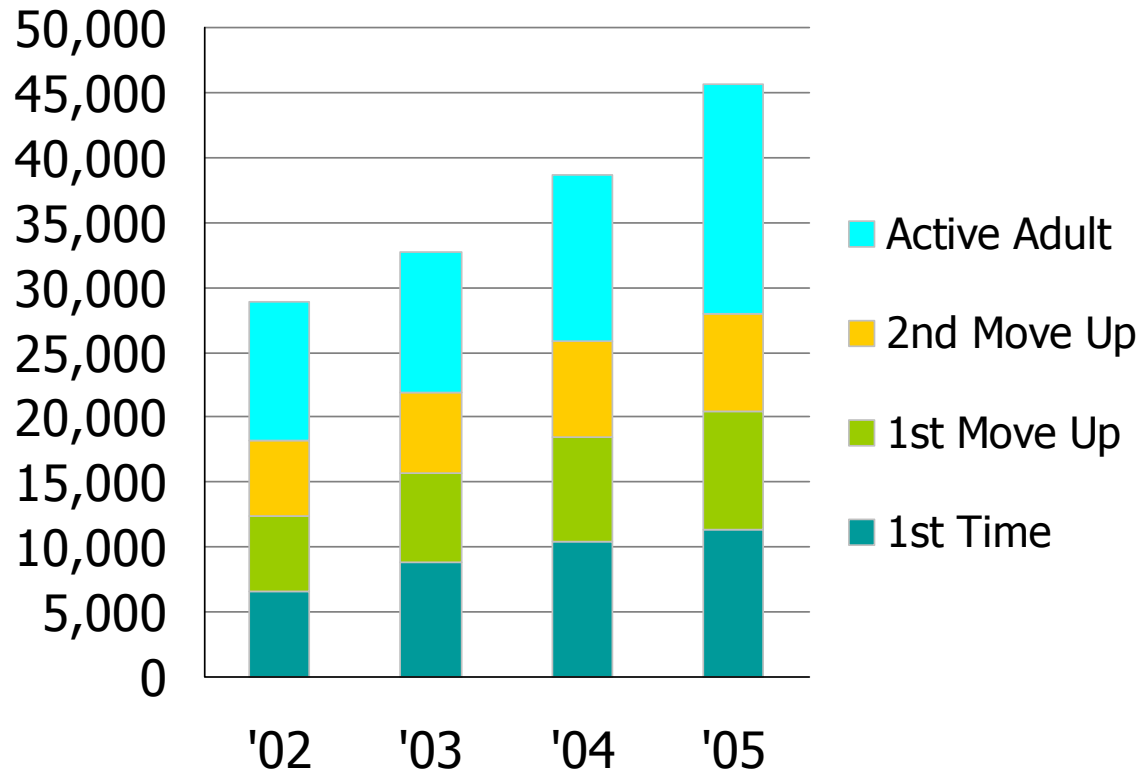


# The Benefits of Diversification

## *Customer diversification:*

1. Greater opportunity for growth; don't need to force growth within any one segment
2. Least risk as segments respond differently to changes in market conditions

### Closings By Customer Segment



## Stratification Among the Builders Starting to Happen

YOY Change in Most Recent Quarterly Sign Up		
	\$	Units
Lennar	46%	27%
KB Home	29%	12%
Pulte Homes	24%	10%
D.R. Horton	19%	16%
Centex	17%	4%
Beazer	11%	9%
MDC	9%	-10%
Ryland	9%	-5%
Standard Pacific	-15%	-11%
Toll	-21%	-29%



**Diversified  
=  
Advantage**

***Tough to grow earnings without growing signups first.***

Source: estimates based on public data



## Advancing Operational Excellence

- Operational excellence on the house side
  - Pricing strategies – focus on maximizing total pretax dollars, not margin percentage per house
  - Construction efficiency; reduce labor and material costs
- Operational excellence on the overheads
  - Lowered SG&A by 110 basis points in 2005, but we can do more
  - Our best divisions operate with much lower SG&A expense, now we need to drive greater overhead leverage throughout all divisions



# Journey to Simplification

*Continuing the process of simplifying Pulte's building processes to help drive better financial results and ensure production capacity.*

## Phase I - Enabling

- Floor plan reduction
- Specification consolidation
- Planned production (level loading)

## Phase II - Production Capability

- Unbundling labor and materials
- When it makes sense
- Where it's appropriate

## Phase III - Drive to Lowest "Total Cost"

- Buy manufacturer direct
- Establish distribution network
- Streamline delivery to job-site





## Does Quality Pay? Ask Fed Ex, Starbucks and Toyota

*Operational Excellence demands our continued commitment to delivering unmatched quality and customer satisfaction as it supports land entitlement, sales pace and construction efficiency.*



### 2005 J.D. Power & Associates Customer Satisfaction Study

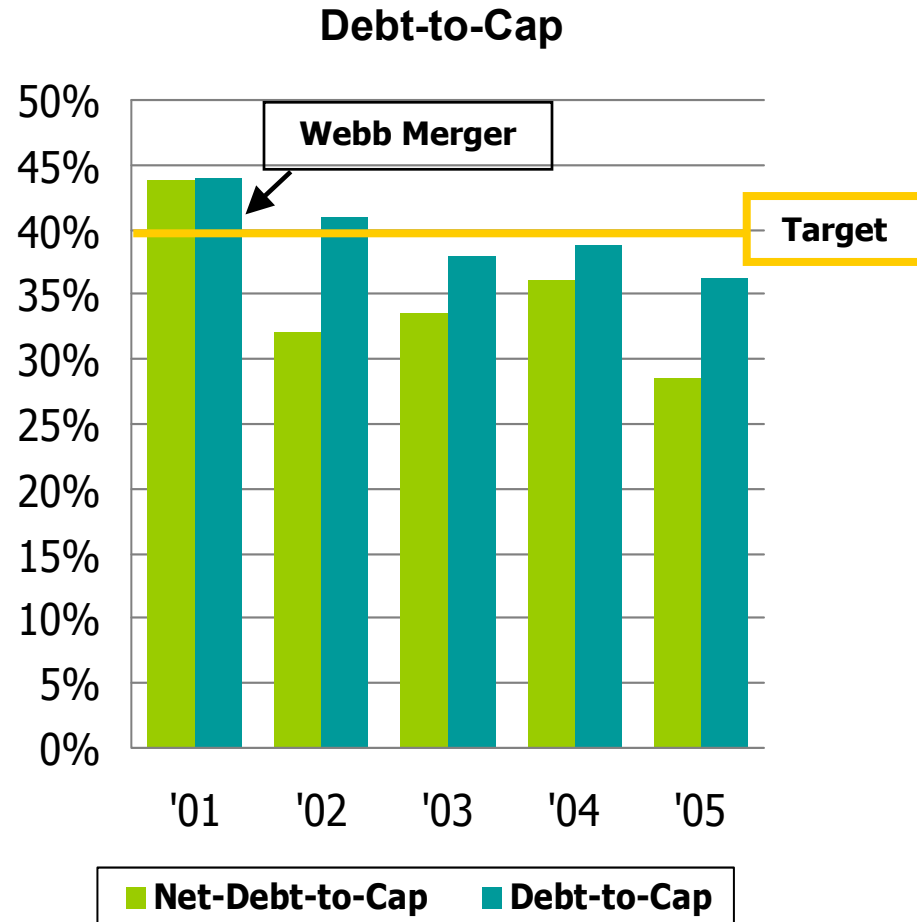
#### Rankings in 27 Markets Surveyed

	#1	#2	#3
<b>Pulte</b>	<b>16</b>	<b>8</b>	<b>3</b>
Centex	10	5	5
Lennar	0	3	2
KB Homes	0	2	2
Beazer	0	1	1
Hovnanian	0	0	0
NVR	0	0	0
DR Horton	0	0	0
MDC	0	0	0
Ryland	0	0	0



## Since There Are Still Cycles

- Conservative financial structure remains a cornerstone for Pulte:
  - 40% debt-to-cap
  - Investment grade
  - All fixed debt with average maturity of 13 years
  - Limited off balance sheet financing



## Becoming The Employer of Choice

- Success in homebuilding remains: People, People, People
  - Pulte growth and operating structure requires that we have good people
  - Continue extending network to support industry-leading college recruiting program
    - Currently recruiting from 40 different schools across the country
  - Hiring, development/mentoring and on-going training programs ingrained throughout the organization
  - Goal is to be among the top 100 best companies to work for in U.S.
  - We must be doing something right, just look at the number of Pulte-trained people in leadership positions at other companies



## Summary

- Macro trends remain positive for long-term housing demand
- Competitive advantages point to continued success of big builders
- Pulte strategies focused on capturing incremental gains:
  - Expand market share
  - Increase construction efficiency
  - Drive more consistent results and pretax dollars
- In a slowdown, we act to moderate impacts and deliver long-term shareholder value







## **Geographic Diversity**

Roger Cregg

Executive Vice President and CFO





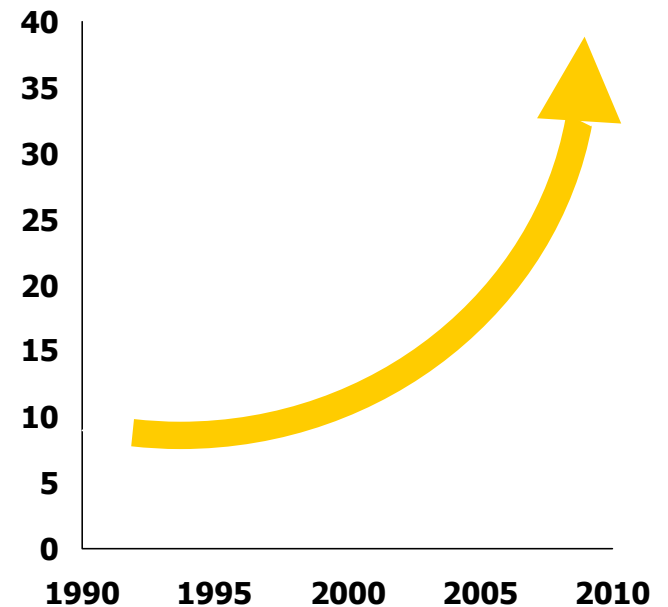
## **Effectively Managing Land Investments**



## Changing Land Environment

- Entitlements taking longer each year and results less certain
- Municipalities searching for “smart growth” solutions
  - Infrastructures (roads, water/sewer, schools) are strained
  - Preference for in-fill/brown field projects
  - Love/hate relationship with high density
- Per acre cost rising faster than per lot cost
- Smart land strategy is critical to short- and long-term success

**Average Months Needed for Land Entitlement/Development**

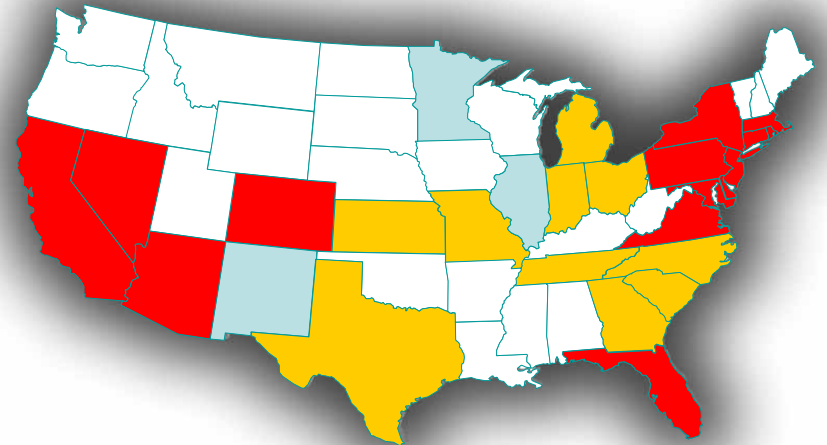
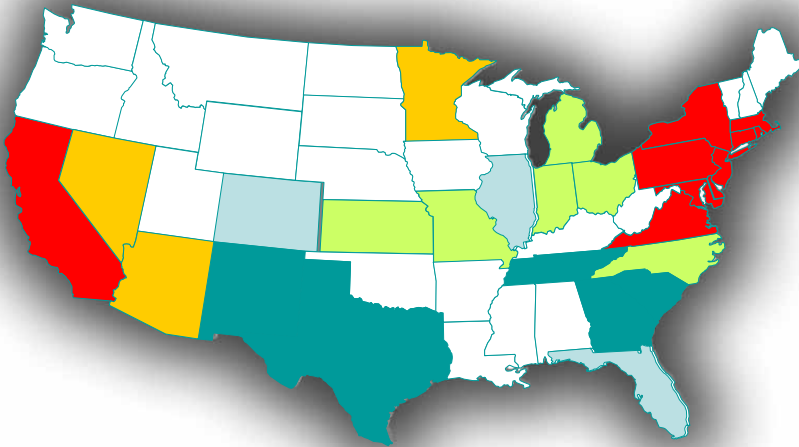


# Why the Need for a Long-term Land Strategy?

Entitlement 2005



The Future Will Be Tougher



## Estimated Time to Entitle Land

- Teal: Easier 6-12 months
- Light Green: Easier 12-18 months
- Yellow: More competitive 18-24 months
- Light Blue: More competitive 24-36 months
- Red: Limited availability 36 months or more



- Nothing is easy
- Yellow: More competitive 18-24 months
- Light Blue: More competitive 24-36 months
- Red: Limited availability 36 months or more

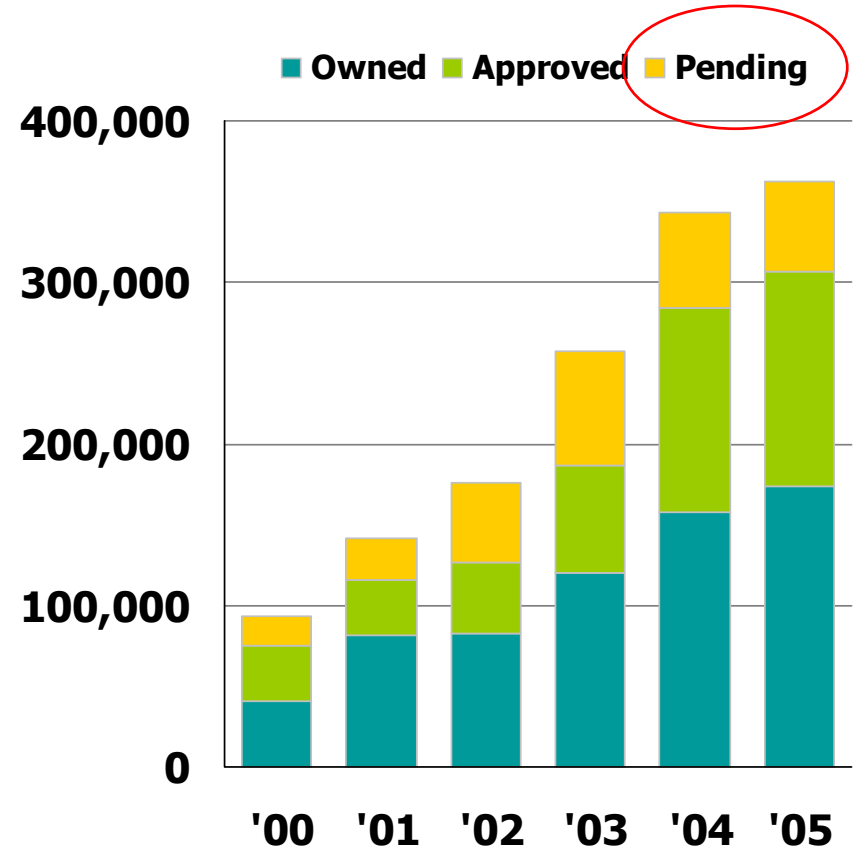
Source: Company estimates



## What's Pulte's Approach to Land?

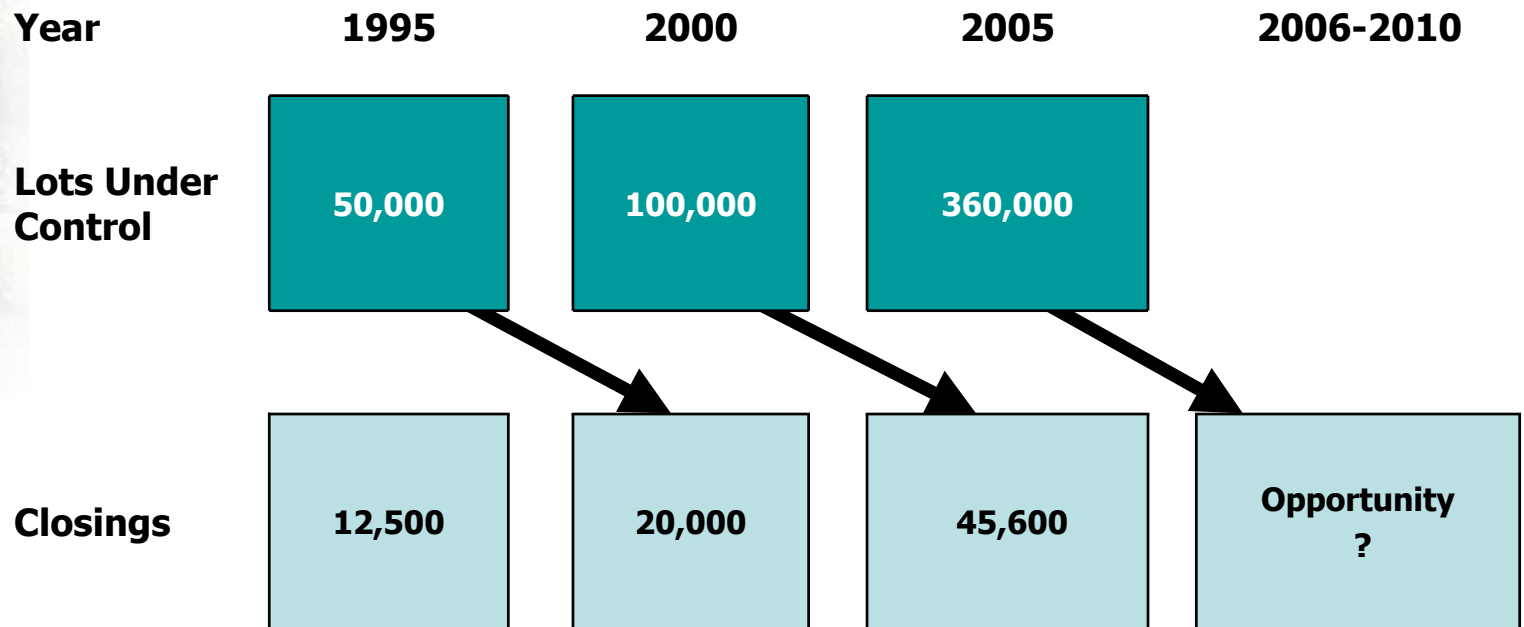
- Target owning 3 years of lots
- Control longer positions via options
- More than 50% of lots held via options
  - Support better returns
  - Mitigate entitlement risk as Pulte works land through multi-year approval process
  - Control land resources without stressing the balance sheet
- "Pending" lots can account for 15-20% of pipeline

### Lots Under Control



## Land Control is Critical to Support Future Growth

- Controlling an increasing share of future lots available in each market
- Capacity to control, entitle and develop lots is a sustainable and significant competitive advantage
- Must get ahead of the process – plan in advance



## Corporate Approval Mandatory on Every Land Transaction

- Land teams source new lots in their respective markets
- Each land deal is reviewed and approved by corporate Asset Management Committee (AMC) which includes COO, CFO, VP of Finance/Homebuilding Operations
  - Standard feasibility package is submitted on every transaction
  - Project must achieve 21% or higher IRR over its life to be considered
  - Typical planning assumption is for no price appreciation
    - Stress test project proposals, particularly around sale pace and price assumptions
    - What happens if...
  - “20% Rule” - low threshold for bringing land on the balance sheet



## Key Operating Metric is ROIC

- When assessing projects, focus is on return on capital
  - Timing of capital investment is critical
    - Techniques for managing land
    - Compensation plans penalize overpaying or over investing in land assets
  - Margins are important as part of achieving return targets
  - Lower margin, higher pace (turn) projects are acceptable
    - Expand product offering to include townhouses and condos to reach new price points and TCGs
  - Own versus optioning land
    - Use options where available
    - Economics favor financing land internally
    - Minimal off-balance sheet financing
    - Willingness to participate in strategic joint-ventures to gain access to land positions in select markets







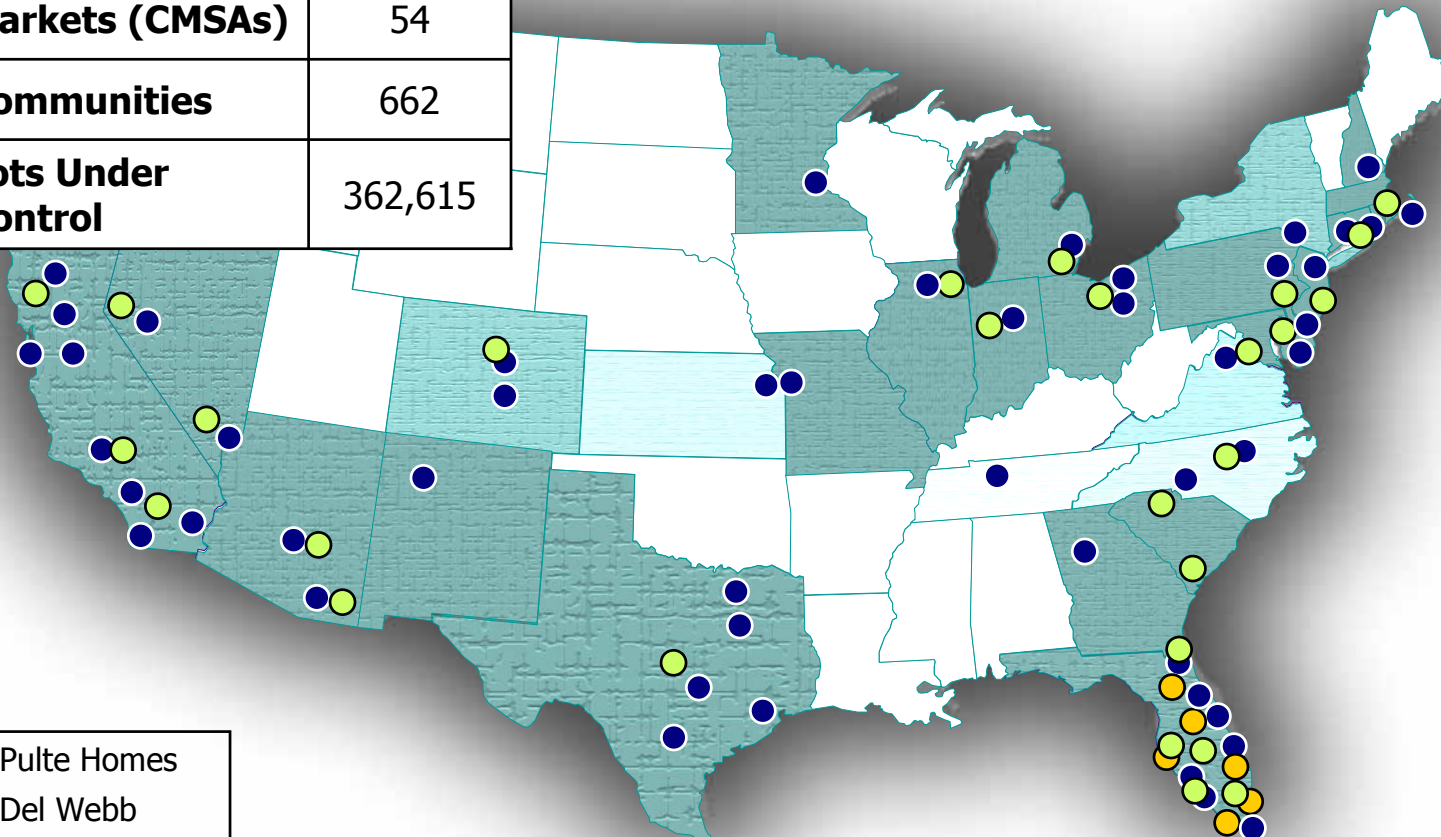
## **Diversified Land Assets**



## A National Presence

As of 12/31/2005

<b>States</b>	27
<b>Markets (CMSAs)</b>	54
<b>Communities</b>	662
<b>Lots Under Control</b>	362,615



- Pulte Homes
- Del Webb
- DiVosta



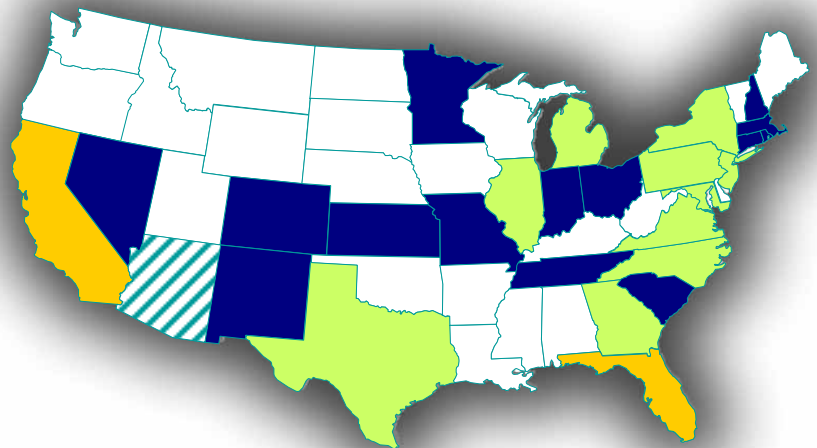
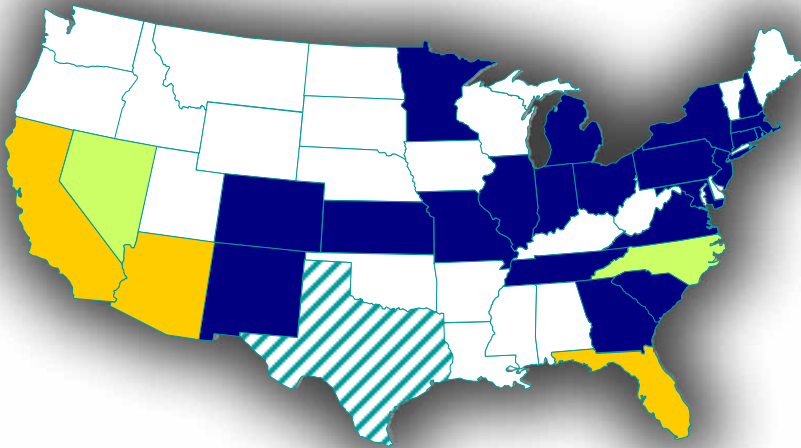
## Broadest Operating Footprint

- Currently operating across 54 markets in 27 states
- Strategy underlying geographic diversity
  - Supports growth and market share gains
  - Not tied to the results (good or bad) of any single market
  - More consistent performance
  - No need to “force investment” into any given market
    - Try to maintain balanced portfolio; no need to chase hot markets
  - Building to all customer segments allows Pulte to invest in larger and more varied land positions within each market



# Diversified Land Pipeline

Lots Controlled as of 12/31/2005



**Diversification Based on Number of Lots Controlled**

- Less than 3% of lots controlled
- 3-5% of lots controlled
- 6-10% of lots controlled
- Over 10% of lots controlled

**Diversification Based on Dollars Invested**

- Less than 3% land investment
- 3-5% of land investment
- 6-10% of land investment
- Over 10% of land investment



## Near-term Land Investment

- Approximately half of 2006 incremental land investment related to land development
  - Significant investment over the next 12-18 months, in development of multi-year communities including:
    - Anthem Colorado (CO)
    - Festival Ranch (AZ)
    - Merrill Ranch (AZ)
    - Carolina Lakes (SC)
    - Frisco Lakes and Alamo Ranch (TX)
    - Wiregrass and Ave Maria (FL)



## Ongoing Land Investment Strategy

- East
  - Focus on getting existing communities open, with select new investment
- Southeast
  - Carolinas and Georgia offer most value for new dollars
  - Increased investment, particularly in Del Webb communities
- Florida
  - Increased investment during 2002 to 2004
  - Focus on getting the positions open, with select new investment
- Midwest
  - “Maintenance” investment with select opportunities to grow, primarily via Del Webb
  - No plans to exit any markets



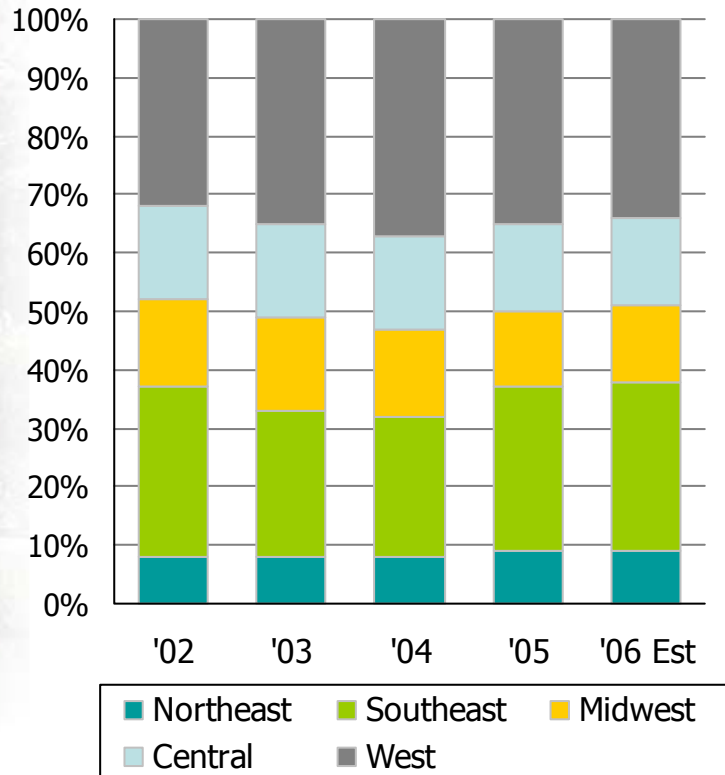
## Ongoing Land Investment Strategy

- Central
  - Repositioning CO and TX into more differentiated communities to drive better margins and returns
  - Strong expansion potential in New Mexico
- Southwest
  - Nevada – in-fill positions and expansion beyond Las Vegas valley in search of better value and lower price points
  - Arizona – existing land position is strong; focus on getting communities open
- California
  - Limited new investment in So. California – focus on Inland Empire and away from high cost coastal areas
  - Northern California emphasis on getting numerous communities open in late 2006 and 2007



# Balanced Business Model

## Closings By Region



- Changes in geographic mix
  - Increased deliveries from Southeast
    - Growth of Florida operations
    - Active Adult business in Carolinas and Georgia
  - West deliveries ramp up again in 2007
    - New Del Webb communities in AZ
    - Important new N.Cal communities to open late 2006 thru 2008
- Overall segment and geographic balance is excellent
  - Lower risk operating model



## Land Diversification Summary

- Geographic Diversity
  - Land is our most critical resource
  - “Buildable” lots are scarce and becoming more difficult to obtain
  - Diversify investments into different markets and TCGs
  - Fund projects with expected pretax returns above 21%
    - Disciplined process for identifying and acquiring land
  - Focus on maintaining balance sheet leverage at 40% or lower, not on specific number of lots under control
  - Less expensive to carry more assets on the balance sheet than to pay higher rates to 3rd parties
  - Broad geographic diversity is a lower risk operating model





## **Customer Segment Diversity**

Steve Petruska  
Executive Vice President and COO





**Market Segmentation:  
Research Based Approach to  
Diversifying the Customer Base**



## Why Serve Multiple Segments?

- Growth – with geographic expansion largely completed in the mid-'90s, needed strategy for growth within existing markets
  - Expand universe of potential buyers in every market; do not need to force investment/growth within a single segment
- Land use – with land entitlements growing more difficult, need to maximize land use opportunities
  - Varied product designs needed to serve different buyers provide greater flexibility in terms of land usage
  - Serving multiple customers allows Pulte to efficiently use larger parcels of land; supports accelerated absorption pace
- Stability- individual customer segments respond differently to changing economic conditions



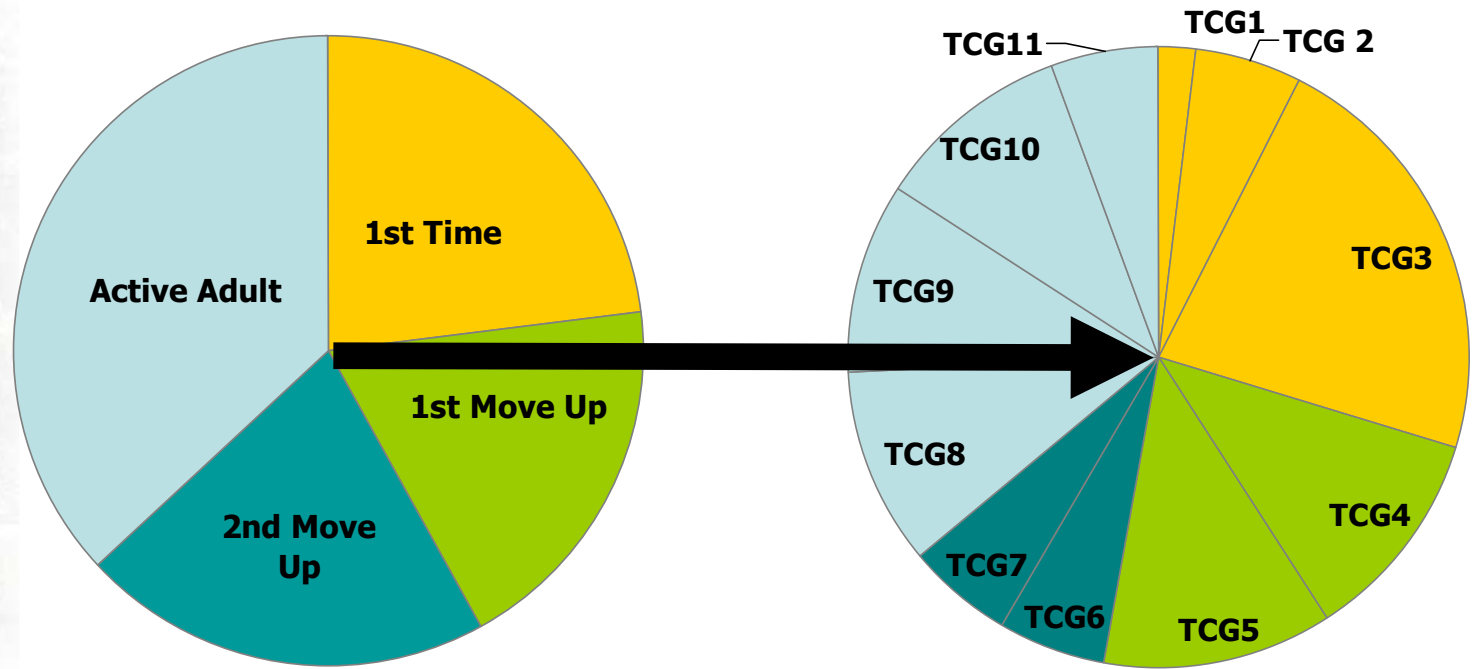
## Buyer Profiles

- After extensive research, a set of life stages were identified to help define the wants and needs of people at different points in their life. These include:
  - Singles (Not Married); Single Parents; Senior Singles
  - Starter Couples -- No Kids Born DINKS -- Dual Income/No Kids
  - Couples Kids Born
  - Starter Families (Couples with at least one child less than 12)
  - Mature Families (Couples whose youngest child is older than 12)
  - Empty Nesters; Senior Couples





# Research has Provided Pulte with Unmatched Customer Insight and Diversification



**Traditional Builder  
View of Homebuyers**

**Pulte's More Defined  
View of Homebuyers**















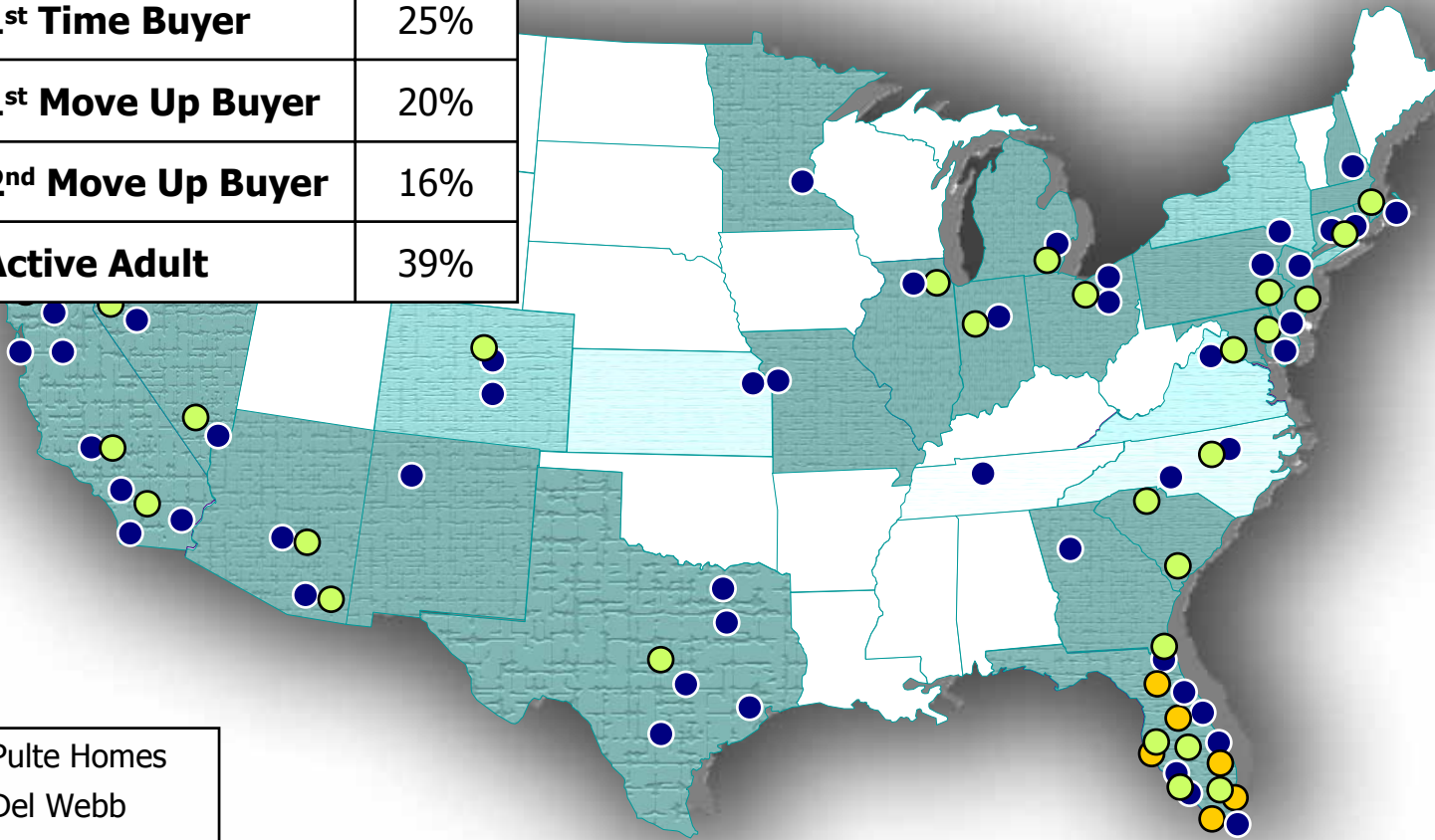
## **Market Share Expansion Through Segmentation**





# Geographic Diversity Provides Opportunities for Greater Growth and More Consistent Business Results

2005 Closings By Buyer Profile	
1 <sup>st</sup> Time Buyer	25%
1 <sup>st</sup> Move Up Buyer	20%
2 <sup>nd</sup> Move Up Buyer	16%
Active Adult	39%

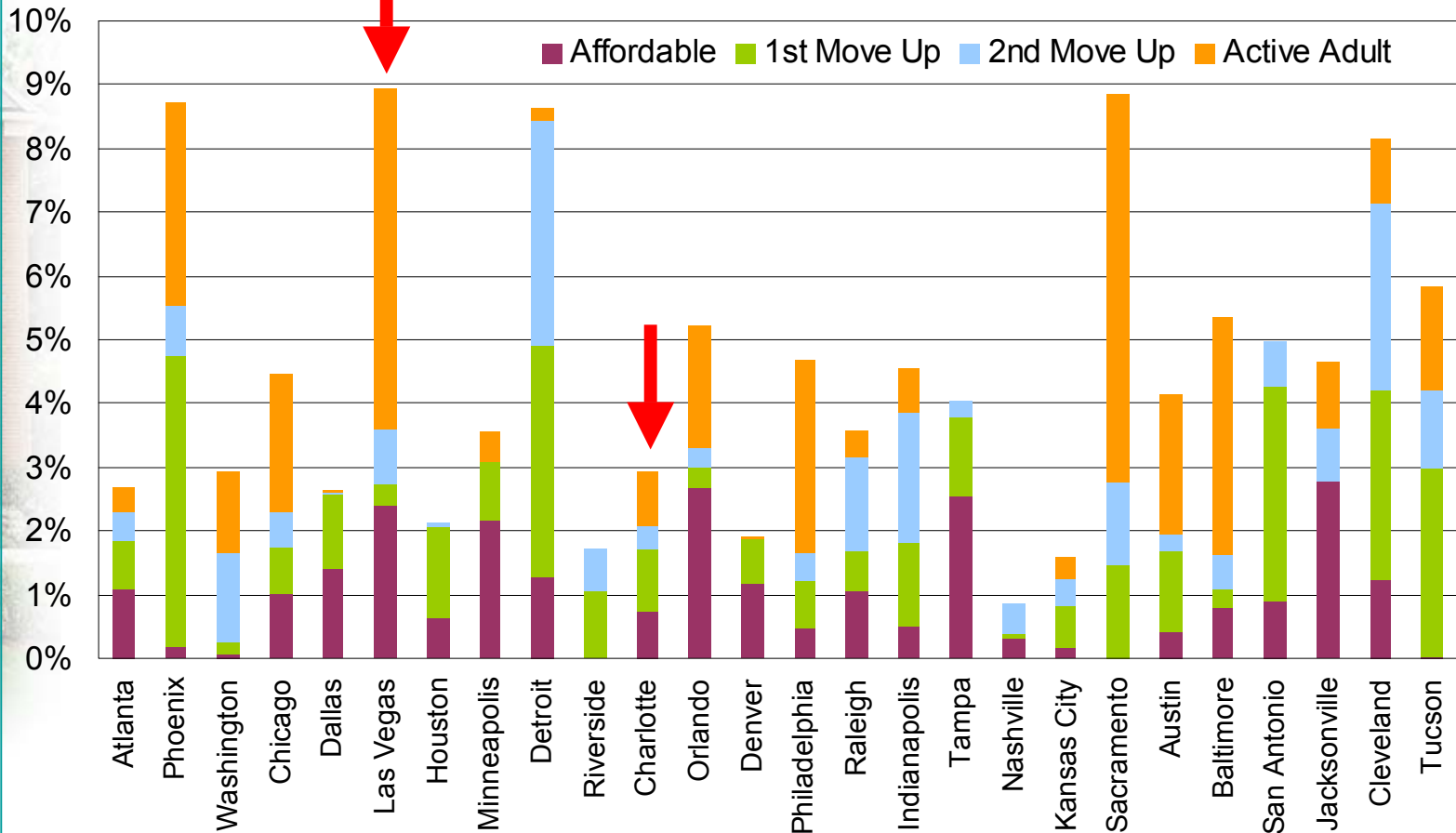


- Pulte Homes
- Del Webb
- DiVosta

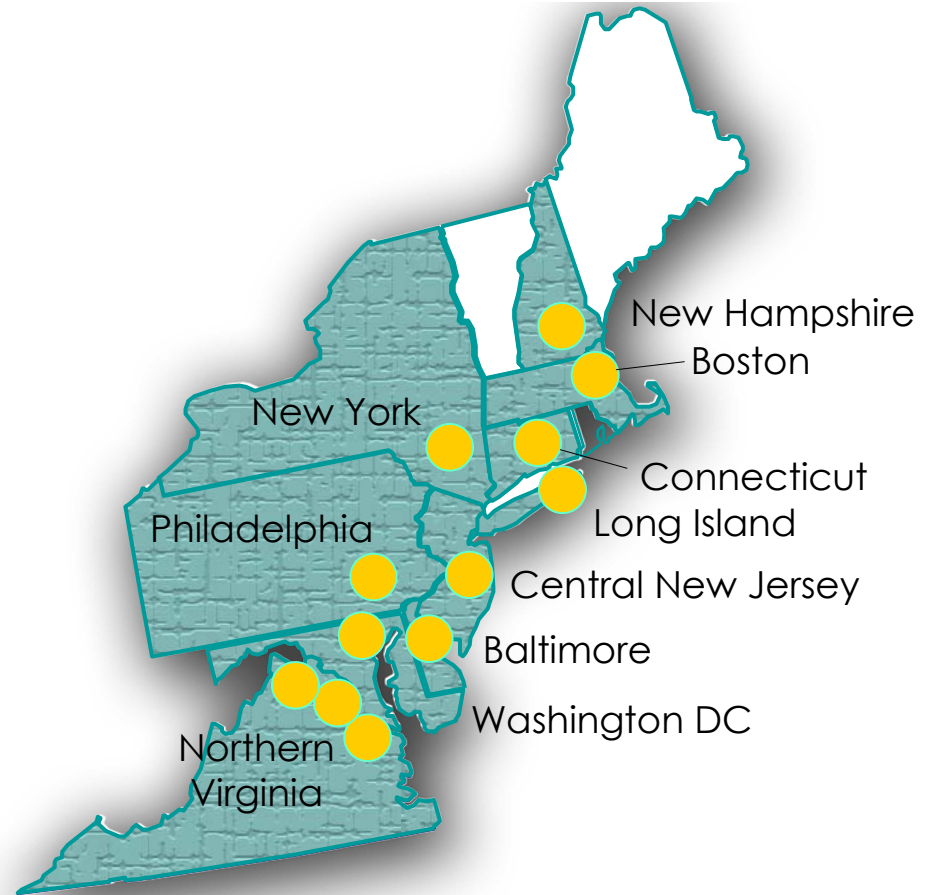


# Unmatched Ability to Expand Within Markets

## Market Share by TCG for 2005



## Northeast Detail



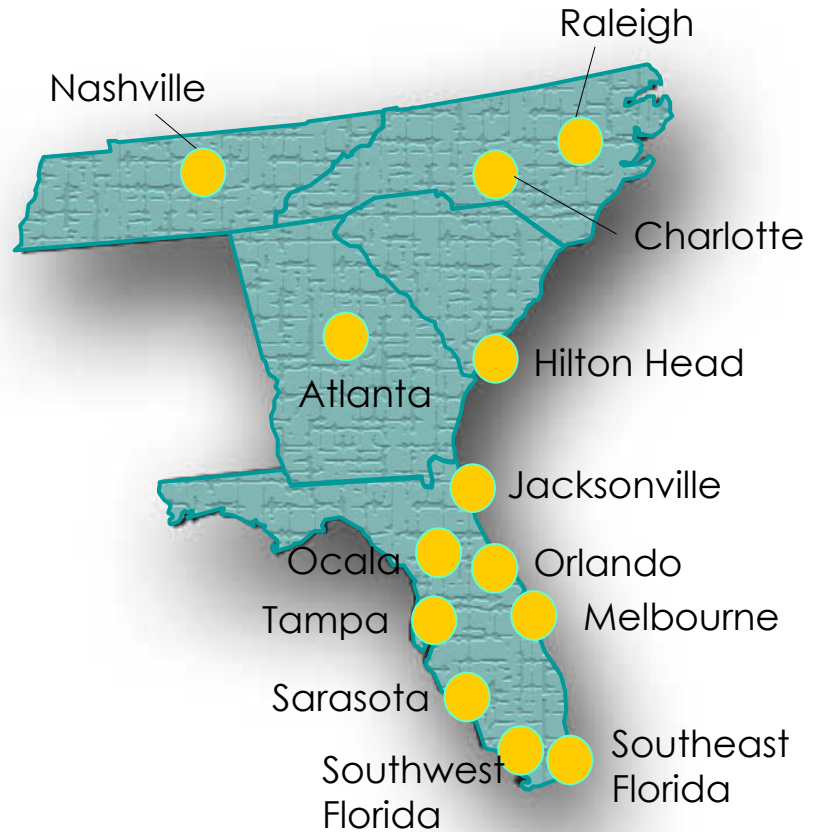
### 2005 Northeast Closings By Customer Segment

<b>1<sup>st</sup> Time Buyer</b>	16%	<ul style="list-style-type: none"> <li>• Active adult and empty nesters drive unit volumes</li> <li>• Entitlement delays hinder growth potential, but sustain pricing</li> <li>• New organizational structure allows greater focus on key markets</li> </ul>
<b>1<sup>st</sup> Move Up Buyer</b>	12%	
<b>2<sup>nd</sup> Move Up Buyer</b>	13%	
<b>Active Adult</b>	59%	





## Southeast Detail

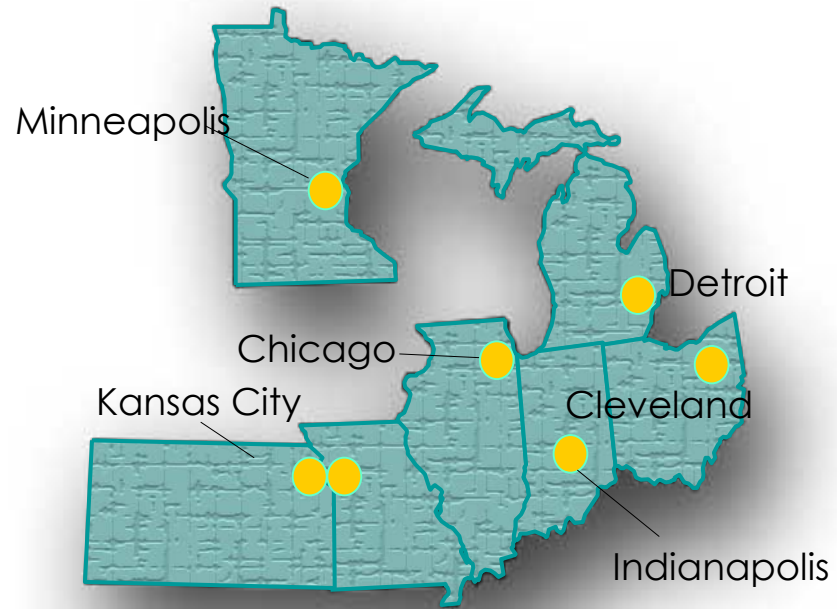


### 2005 Southeast Closings By Customer Segment

<b>1<sup>st</sup> Time Buyer</b>	29%	<ul style="list-style-type: none"> <li>• Opportunity to invest incremental capital (GA, SC, NC) as operations have matured</li> <li>• Markets offer great value, especially for active adult</li> <li>• Using all 3 brands</li> </ul>
<b>1<sup>st</sup> Move Up Buyer</b>	14%	
<b>2<sup>nd</sup> Move Up Buyer</b>	11%	
<b>Active Adult</b>	46%	



## Midwest Detail



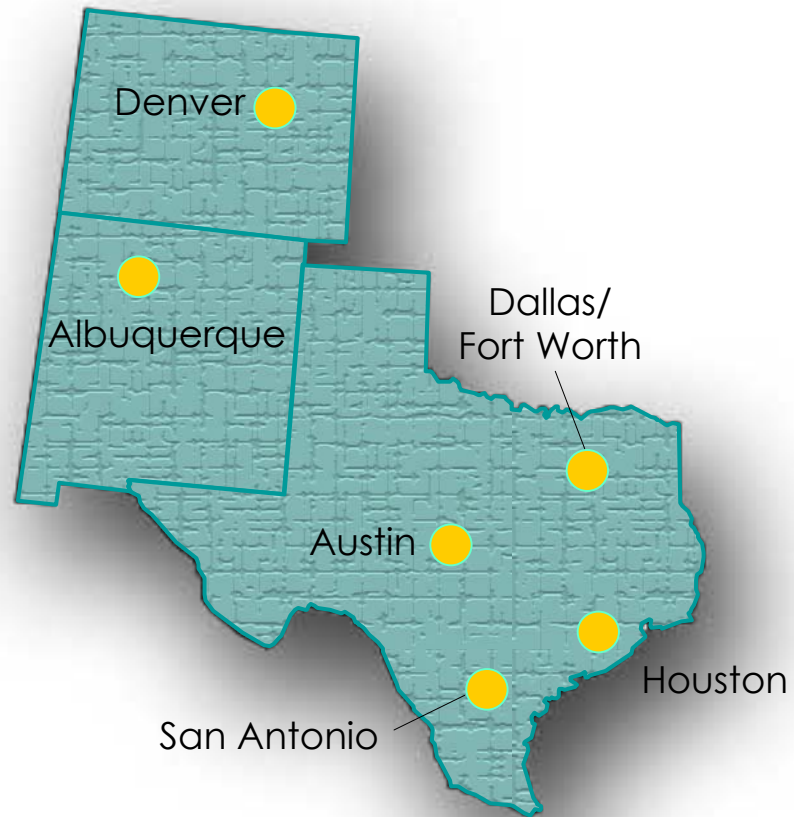
2005 Midwest Closings By Customer Segment		
<b>1<sup>st</sup> Time Buyer</b>	29%	<ul style="list-style-type: none"> <li>• Continuing to grab share in difficult market conditions</li> <li>• New Webb communities key to growth and represent majority of new investment</li> <li>• IL and MN receiving bulk of incremental capital</li> </ul>
<b>1<sup>st</sup> Move Up Buyer</b>	17%	
<b>2<sup>nd</sup> Move Up Buyer</b>	17%	
<b>Active Adult</b>	37%	







## Central Detail



### 2005 Central Closings By Customer Segment

<b>1<sup>st</sup> Time Buyer</b>	41%	<ul style="list-style-type: none"><li>• Continue to reposition business in TX and CO</li><li>• Focus on larger land positions supporting multiple TCGs</li><li>• NM offers tremendous growth potential</li><li>• 2006 Webb openings in Dallas and San Antonio</li></ul>
<b>1<sup>st</sup> Move Up Buyer</b>	36%	
<b>2<sup>nd</sup> Move Up Buyer</b>	4%	
<b>Active Adult</b>	19%	

## West Detail



### 2005 West Closings By Customer Segment

<b>1<sup>st</sup> Time Buyer</b>	22%	<ul style="list-style-type: none"> <li>• Must be disciplined in investment approach</li> <li>• CA - focused away from high-cost coastal markets</li> <li>• Vegas growing into peripheral markets to solve for better affordability</li> <li>• Replacement Webb communities coming on in No. Cal and AZ</li> </ul>
<b>1<sup>st</sup> Move Up Buyer</b>	24%	
<b>2<sup>nd</sup> Move Up Buyer</b>	9%	
<b>Active Adult</b>	45%	

## Segment Diversity Summary

- Reach the largest universe of potential customers in every market
- Segments respond differently to changing macro conditions
- Maximize land use opportunities
- Over the long-term, provides stability and is a lower risk operating model





## **Leadership in the Active Adult Segment**

VP Active Adult  
Business Development  
Dave Schreiner

*Del Webb®*





## Active Adult Business Development

- 78.2 million baby boomers
- 7,918 turn 60 every day
- Average Del Webb purchaser age: 62





## National Trends

- 25% of population is 55+ in 49 states
- All 54 Pulte markets are viable





## Domestic Magnets (000s)

### New Households Attracted

<b>Phoenix</b>	245	<b>Tampa</b>	103
<b>Atlanta</b>	233	<b>Orlando</b>	94
<b>Las Vegas</b>	225	<b>Denver</b>	94
<b>Dallas</b>	149	<b>Charlotte</b>	94
<b>Austin</b>	104	<b>Raleigh</b>	91



Source: William Frey

## Domestic Magnets (000s)

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Source: William Frey



## Growth is Accelerating

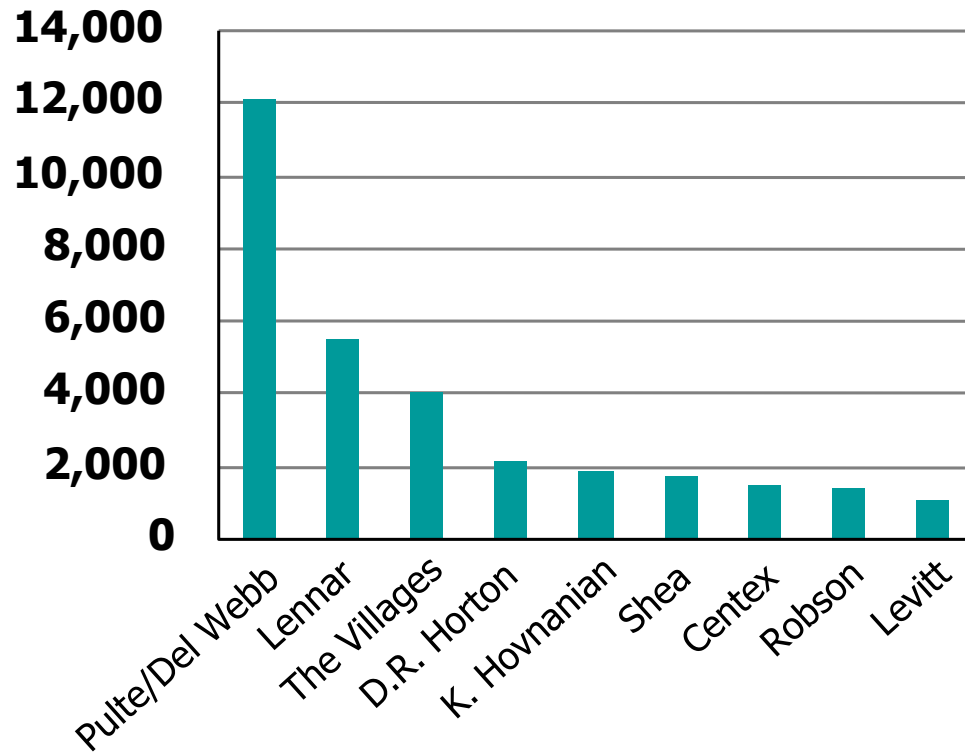
- 42 communities are selling today
- 12 added in last year



# Competitive Strength



## Active Adult Closings (2004)

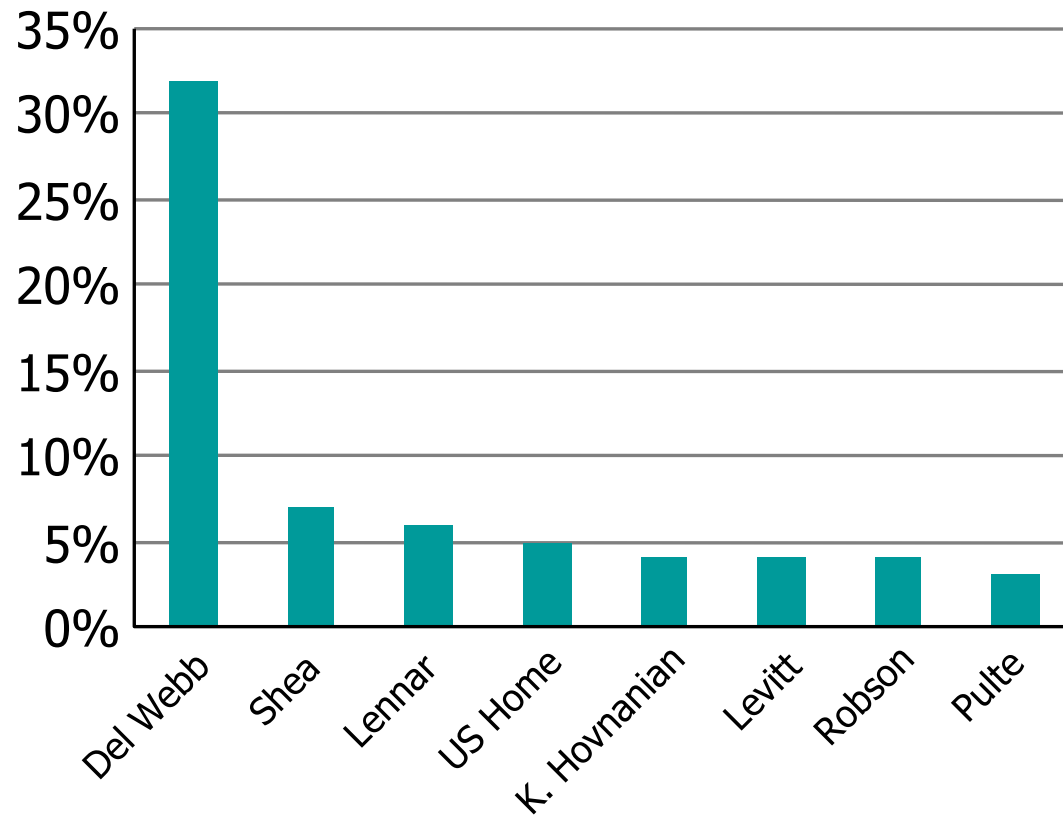


Source: "Boomers or Bust," *Big Builder*, April 2005 issue



# Competitive Strength

## Brand of Home Purchased



Source: J.D. Power & Associates

# DW Communities

## NORTHERN CALIFORNIA

Sun City Lincoln Hills  
Springfield at Whitney Oaks  
Summerset Orchards

Sun City Palm Desert  
Sun Lakes  
Solera at Oak Valley  
Solera at Apple Valley  
Solera at Kern Canyon  
Sun City Shadow Hills

## NEVADA

Sun City Anthem  
Anthem Country Club  
Sun City Aliante  
Club Aliante  
Solera at Anthem  
Sierra Canyon  
The Club at Madeira Canyon  
Solera at Stallion Mountain

## COLORADO

Anthem Ranch

## ARIZONA

Sun City Grand  
Anthem Phoenix  
Solera at Chandler  
Corte Bella  
Sonora  
Las Brisas  
Peralta Trails  
Solera at Johnson Ranch

## MICHIGAN

Bridgewater

## ILLINOIS

Sun City at Huntley  
Grand Haven  
Shorewood Glen  
Edgewater

## TEXAS

Sun City Texas

## PENNSYLVANIA

Reserve at Gwynedd

## OHIO

Pioneer Ridge

## FLORIDA

Spruce Creek Preserve  
Spruce Creek Country Club  
Sweetwater  
Bella Trae  
Stone Creek

## MASSACHUSETTS

Great Island

## CONNECTICUT

Village at Oxford Greens

## NEW JERSEY

Somerset Run  
Centennial Mill  
Wanaque Reserve  
Manchester

## MARYLAND

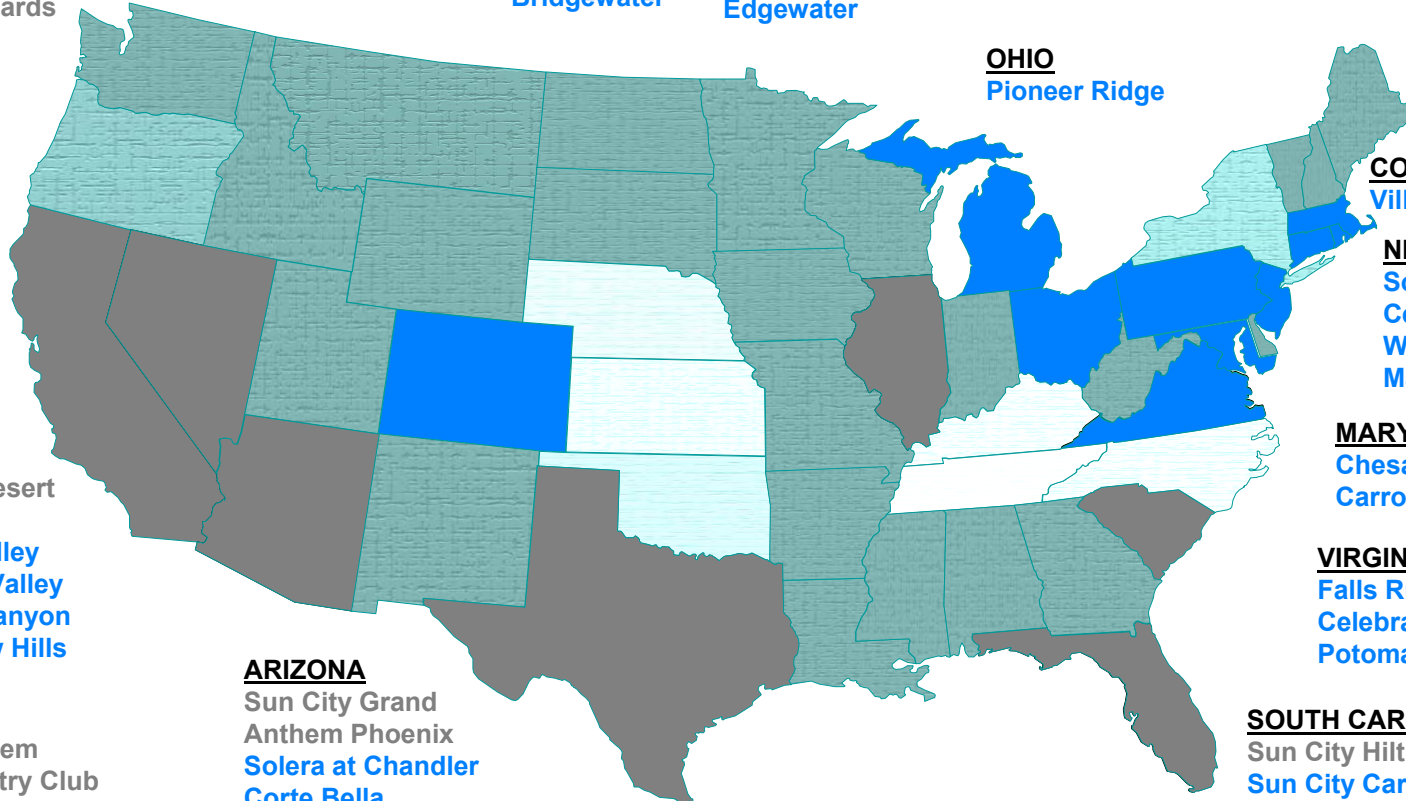
Chesapeake  
Carroll Vista

## VIRGINIA

Falls Run  
Celebrate  
Potomac Green

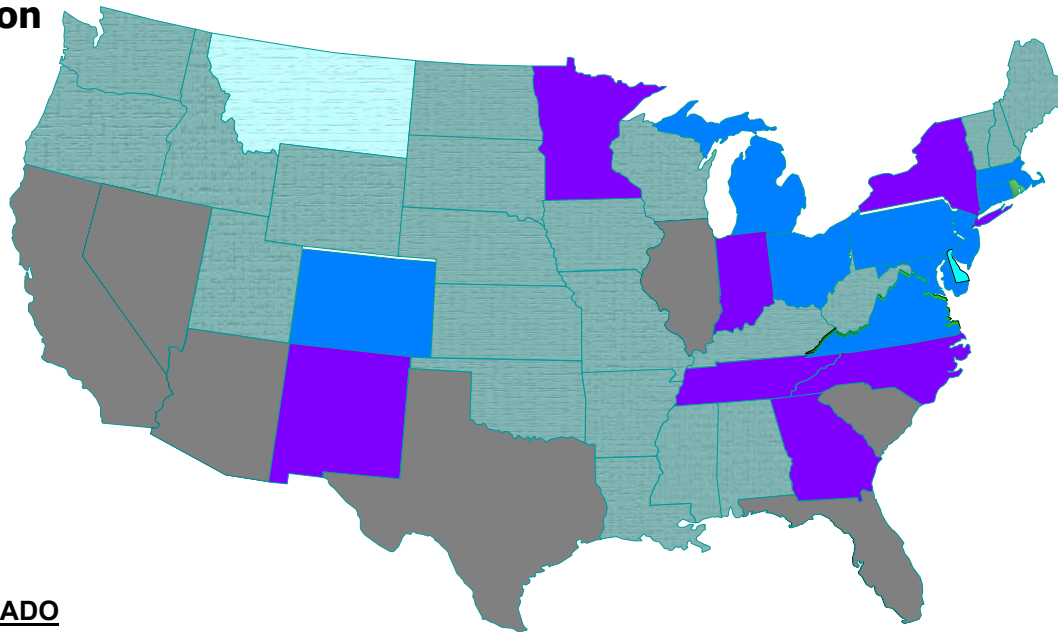
## SOUTH CAROLINA

Sun City Hilton Head  
Sun City Carolina Lakes



Acquisition (15) Added (37) Open Today (46)

# DW Communities Soon



## MINNESOTA

Hugo

## MASSACHUSETTS

Great Island

## DELAWARE

Coastal Club

## CONNECTICUT

Village at  
Oxford Greens

## NEW JERSEY

Somerset Run  
Centennial Mill  
Wanaque Reserve  
River Pointe  
Fallsburg

## PENNSYLVANIA

Reserve at Gwynedd  
Highland Village

## NEW YORK

Fallsburg

## MARYLAND

Chesapeake  
Carroll Vista  
Trappe  
Smith Farm

## VIRGINIA

Celebrate  
Potomac Green

## INDIANA

Britton Falls

## TENNESSEE

Providence

## GEORGIA

Sun City Peachtree  
Fayette County  
Village at Deaton Creek

## SOUTH CAROLINA

Sun City Hilton Head  
Sun City Carolina Lakes

## NORTH CAROLINA

Carolina Preserve at Amberly  
Clark

## NORTHERN CALIFORNIA

Willow Shores  
Woodbridge  
Copper Ridge  
Glenbrooke  
The Club at WestPark  
Delta Greens at Galt  
Sun City Tehama  
Westpark  
Placer Vineyards  
Antioch  
Stockton Shores

## S. CALIFORNIA

Solera at Oak Valley  
Solera at Apple Valley  
Solera at Kern Canyon  
Sun City Shadow Hills  
Rancho Diamante  
Desert Dunes  
East Lake  
Murietta Hills  
Friant Ranch

## NEVADA

Sun City Anthem  
Sun City Aliante  
Club Aliante  
Solera at Anthem  
The Club at Madiera Canyon  
Solera at Stallion Mountain  
Club Provence  
Mesquite Vistas  
Stonebrooke

## COLORADO

Anthem Ranch  
Windler Homestead

## ARIZONA

Anthem Country Club  
Corte Bella  
Sonora  
Las Brisas  
Peralta Trails  
Solera at Johnson Ranch  
Sun City Festival  
Tesota Hills  
Desert Ridge  
Fireside at Norterra  
Sun Valley South  
Merrill Ranch Parkside  
Grande Valley  
Anthem Ranch Whetstone  
Sun City Anthem at Merrill Ranch  
Anthem Parkside

## ILLINOIS

Sun City at Huntley  
Shorewood Glen  
Edgewater  
Grand Dominion  
Westhaven  
Frankfort

## TEXAS

Sun City Texas  
Frisco Lakes  
Hill Country Retreat  
Magnolia Woods

## New Mexico

Westland

## OHIO

Pioneer Ridge  
Streetsboro

## MICHIGAN

Bridgewater  
Grand Reserve  
Lima

## FLORIDA

Spruce Creek Ctry. Club  
Sweetwater  
Bella Trae  
Stone Creek  
Wiregrass  
Ridgewood Lakes  
Ave Maria  
Nocatee  
Harmony

Open Today (42) Coming Soon (60) Open 2008 (100+)

## Sun City Communities

### **NORTHERN CALIFORNIA**

Sun City Lincoln Hills

Sun City Tehama

### **SOUTHERN CALIFORNIA**

Sun City Palm Desert (closed)

Sun City Shadow Hills

### **NEVADA**

Sun City Anthem

Sun City Aliante

Sun City Mesquite

### **TEXAS**

Sun City Texas

### **ARIZONA**

Sun City Grand

Sun City Festival

Sun City Anthem at Merrill Ranch

Sun City Whetstone

### **GEORGIA**

Sun City Peachtree

### **Pennsylvania**

Sun City Highland Falls

### **SOUTH CAROLINA**

Sun City Hilton Head

Sun City Carolina Lakes

### **ILLINOIS**

Sun City at Huntley

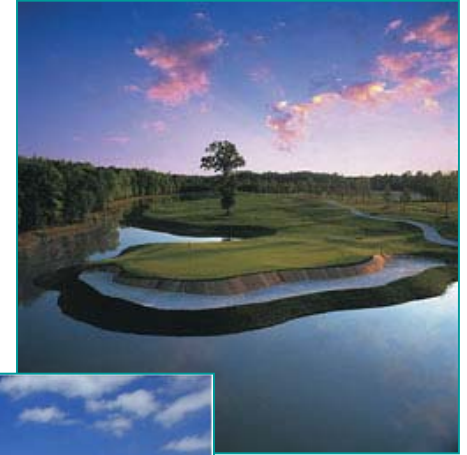


Acquisition [Open Today](#) [Coming Soon](#)



## Barriers to Entry

- Lack of market knowledge
- Growth restrictions
- General infrastructure costs
- Marketing expense
- Operation platform



## Trends to Watch

- 30% seek urban communities
- 70% of 55+ prefer age restricted
- High-end purchaser strength





## Preserving the Del Webb Brand Value

- Tightening community standards
- Perfecting customer alignment
- Adding new brand benefits





## **Illinois Active Adult**

Karen Brunhofer  
Division President





## Great Retirement Cities...Chicago??

- Chicago is a global business hub, with great entertainment, culture and lifestyle
- According to Del Webb's annual Boomer Survey, approximately 70% of retirees plan to stay within 100 miles of their current residence
  - Close to social infrastructure:
    - Family (kids and grand kids)
    - Friends
    - Clergy
    - Doctors

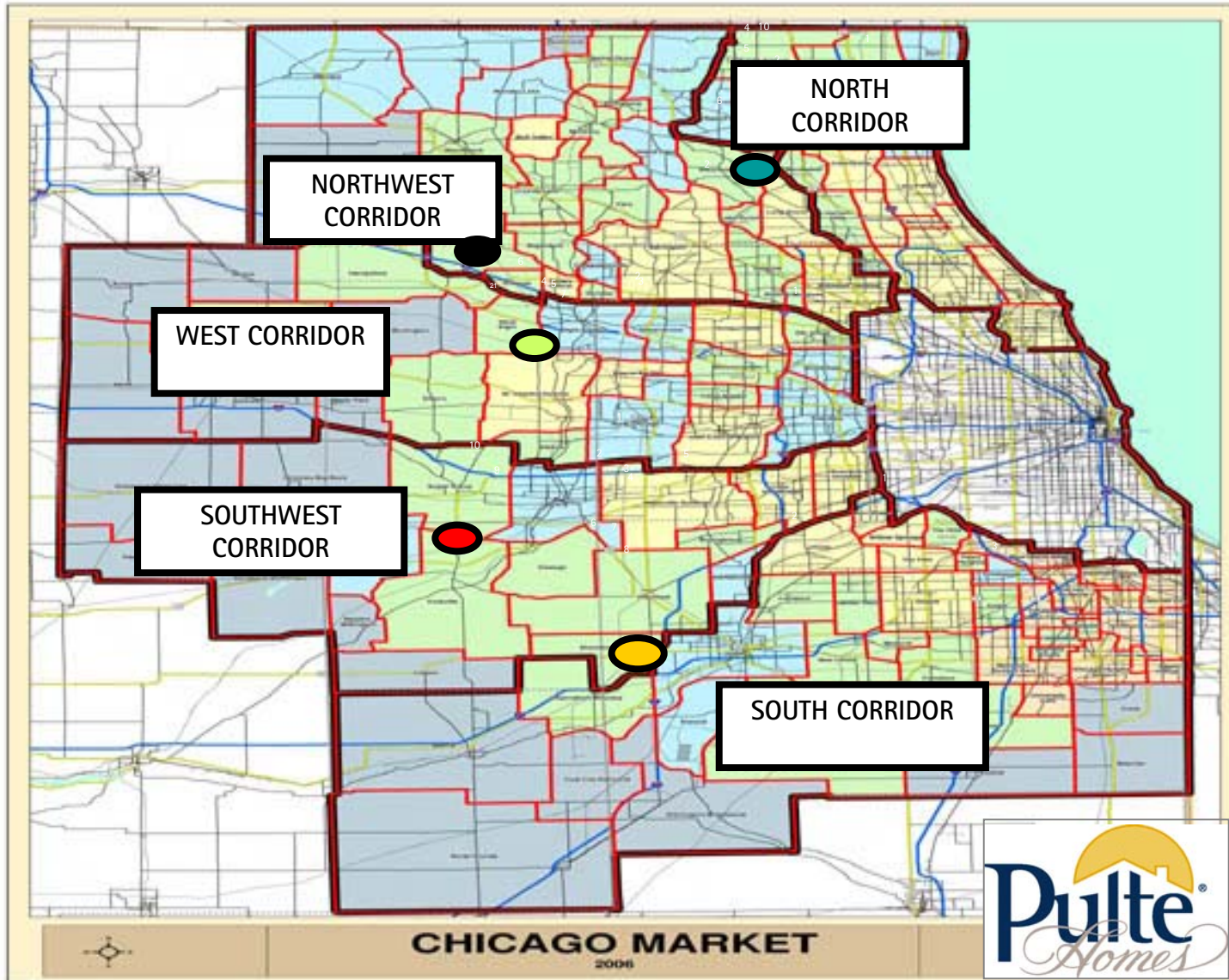


## We are Just Scratching the Surface of Chicago's Market Opportunity

- More than 8 million people live in the greater Chicago area
  - 20% of the population, or 1.6 million people, are age 55 and older
  - Approximately 52,000 people each year will be added to this age group
- Pulte's market share is less than 1/10th of a percent



# ILLINOIS ACTIVE ADULT MARKET



- = Sun City Huntley ~ Northwest Shopping Corridor (ACTIVE COMMUNITY)
- = Edgewater ~ West Shopping Corridor (ACTIVE COMMUNITY)
- = Shorewood Glen ~ Southwest Shopping Corridor (ACTIVE COMMUNITY)
- = Grand Dominion ~ North Shopping Corridor (APPROVED COMMUNITY)
- = Westhaven ~ Southwest Shopping Corridor (APPROVED COMMUNITY)

## Del Webb Dominates Chicago

- Pulte accounted for over 50% of all active adult closings in both 2004 and 2005
  - Tremendous brand recognition, brand value and credibility
- Competitors are a distant second
- Two developing competitive trends:
  - Smaller scale age-targeted communities with light amenities
  - Others attempting to lure buyers through age-targeted product offerings in traditional communities







## Active Adult Can Drive Advantages During Entitlement


- Expedited entitlement timeframe
  - Positive impact to schools
  - Reduced wastewater capacity
  - Relieves transportation stress
  - Residents spend disposable income locally
- Reduction in impact fees
- Density
- Due to the advantages above, great ability to acquire A+ properties



## Who Are Our Buyers?

- Desire to stay close to family, friends and work
- Approximately 85% of our buyers come from the Greater Chicago area
- Average age 63
- 29% are still employed in some capacity
- Interest in facilitated lifestyle
- 82% are year round residents





Del Webb's Sun City

**Welcome to Sun City Huntley**





## Sun City Huntley

- Largest master planned community of its kind in the Midwest
- The first Sun City to open in a four season climate
- Approximately 2,300 acres, with more than 30% (over 700 acres) being open space
- Planned for approximately 6,000 households
- To date, over 4,200 households have been closed









## How Do We Deliver the Lifestyle?

- Unmatched clubhouse facilities
- World-Class 18 hole golf course
- State-of-the-art indoor fitness centers
- Indoor and outdoor pools
- Outdoor facilities for tennis, softball & Bocce
- Fifty-two charter clubs
- Woodshop
- Passive amenities
- Park pavilion and amphitheater





# Welcome to Edgewater





## The Del Webb Lifestyle on a More Intimate Scale

- Edgewater by Del Webb (1,015 units)
  - Four product offerings
  - 18,500 sq. ft. recreation facility
  - State-of-the-art fitness center
  - Indoor and outdoor pool
  - Tennis, Bocce
  - Passive amenities - walking trails, neighborhood parks







## Coming Soon

- Grand Dominion by Del Webb
  - Infill location in North Submarket
  - 725+ lots
  - Grand opening summer 2006
- Westhaven by Del Webb
  - Located in the Southwest Submarket
  - 1,000+ lots
  - Grand opening Fall 2006
- Both communities will offer an amazing breadth of lifestyle opportunities similar to Edgewater

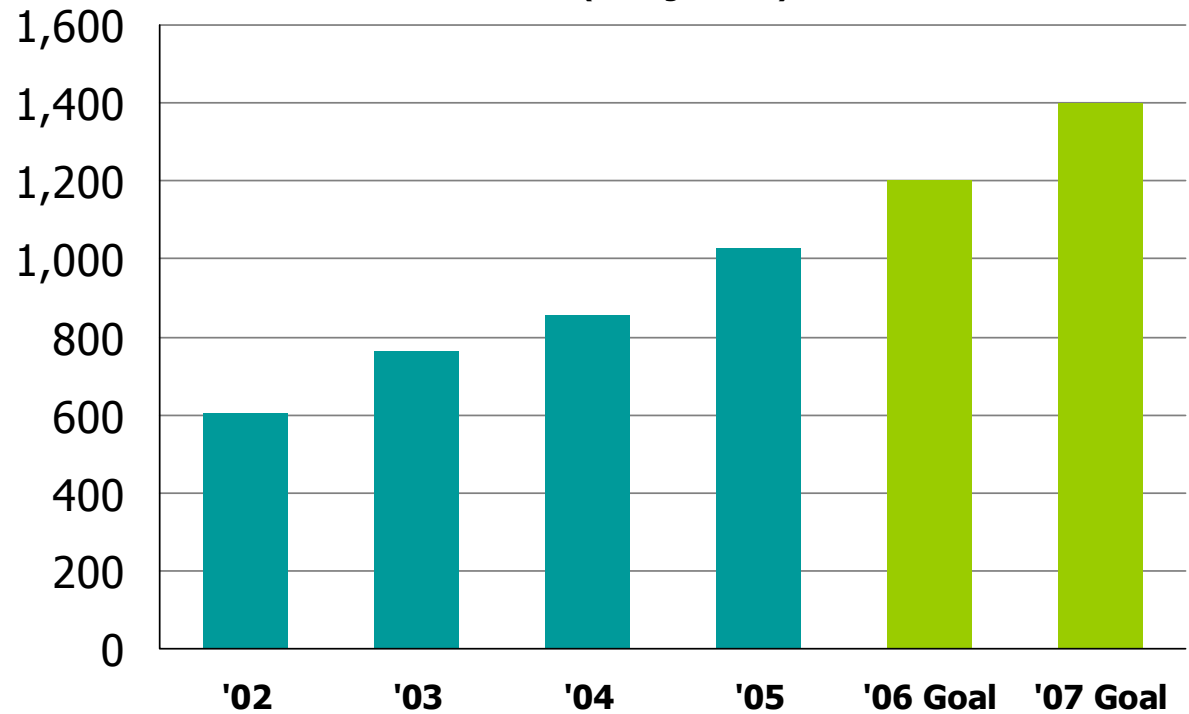


# Tremendous Growth Opportunity



## Del Webb Closings

(Chicago Metro)



# of Webb Communities	<b>2</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>6</b>
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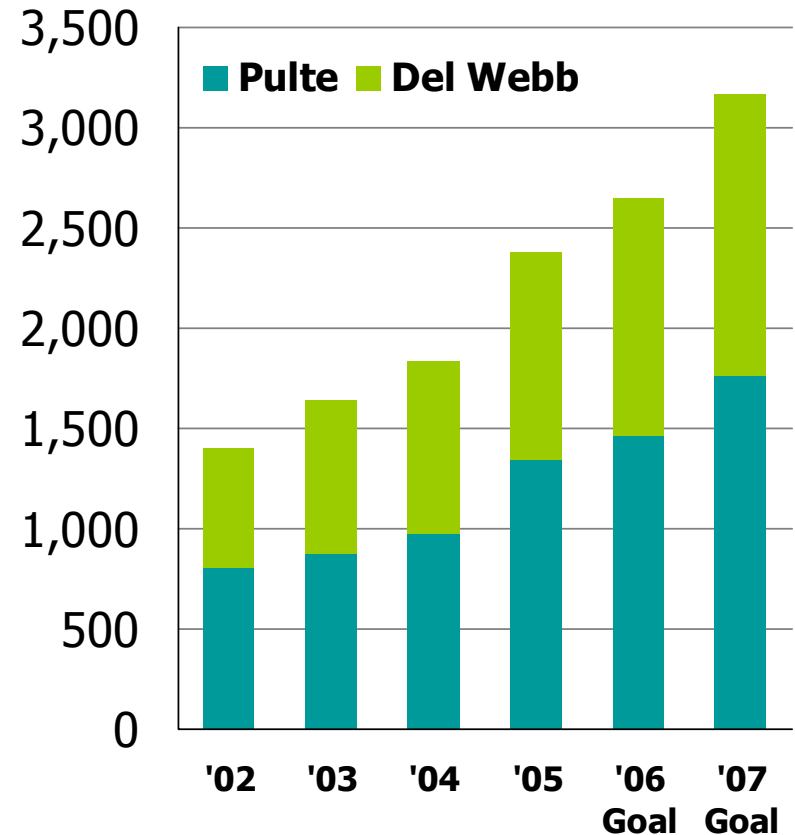




## Consistent Growth in Active Adult

- Del Webb has enabled us to accelerate the growth of our business
  - Effectively doubled the size of our operation
- Provides diversification into a stable buyer segment
- Very little competition except for traditional product offerings

### Illinois Closings By Brand





 Sun City Carolina Lakes<sup>®</sup>  
*by Del Webb*

Jon Hardy  
Division President







## Who was Pulte Homes in the Charlotte Metro?

- We Served:
  - The classic DINK (Dual Income No Kids)
  - The first time family buyer
  - The second time family buyer, and
  - The adult families, to a small degree



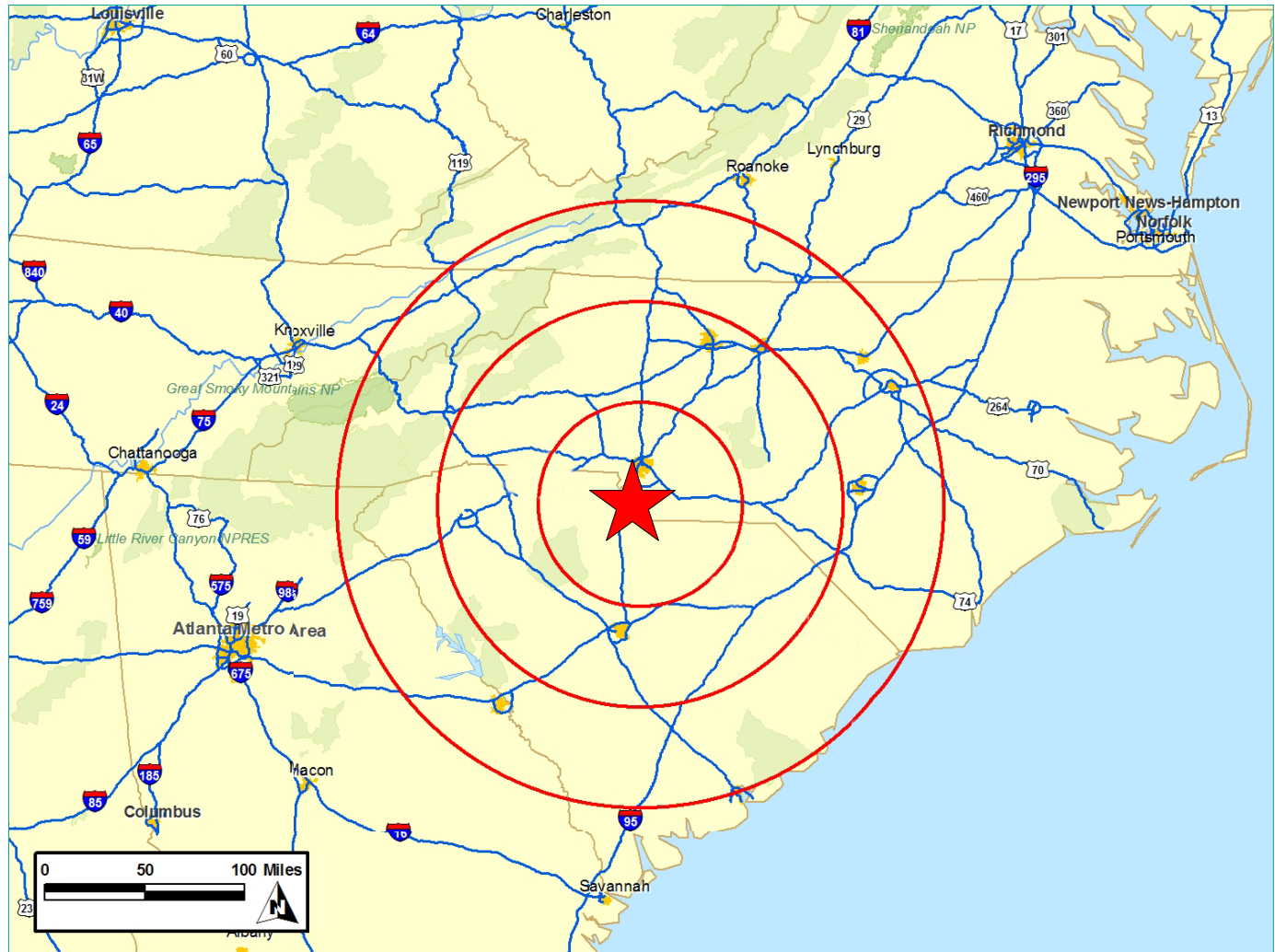
## Opportunity to Reach an Underserved Buyer Segment

- We were not serving the social retiree...the “Retire to Play” person that we refer to as the Active Adult
- 69,000 Active Adults with the propensity to want to move to their last home, live within a 100-mile radius of Sun City Carolina Lakes
- The Opportunity
  - Expand and grow our business with the fastest growing consumer group in America

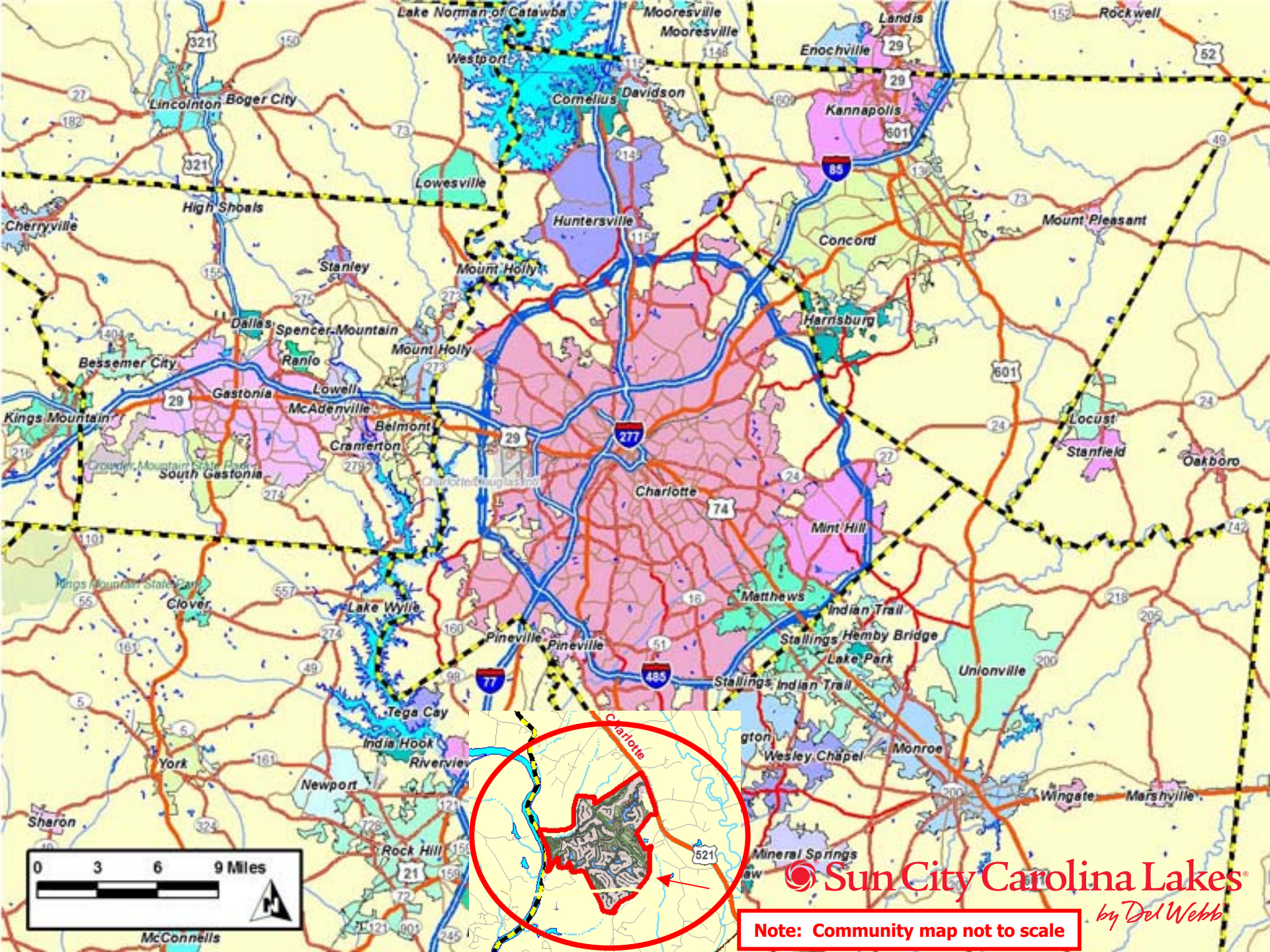


## What Did We Know?

- The Carolinas are the most often requested locale







 Sun City Carolina Lakes<sup>®</sup>

*by Del Webb*

**Note: Community map not to scale**



## What's the big draw for Charlotte?

- Great combination of big city and country living
- Change of seasons, but milder winters
- Still offers great value and affordable living
- Strong economy, great for families and grand kids





# Welcome

 Sun City Carolina Lakes<sup>®</sup>  
*by Del Webb<sup>®</sup>*

# The Next Big Thing

COMMERCIAL  
REAL ESTATE  
AND  
DEVELOPMENT

Hot Leads will return

The Next Big Thing

Active lifestyle rising in Lancaster County



"This is a generation that wants to continue to rock and roll, not sit around in rocking chairs."

DAVE SUMNER  
VICE PRESIDENT OF RETIREE HOUSING DEVELOPMENT FOR PACE HOMES

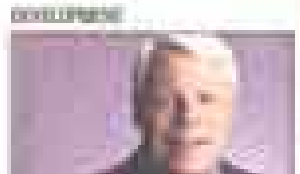
Sun City Carolina Lakes will have a 25,000 sq-ft fitness center on site.

Each fitness center, an 18-hole golf course, two outdoor pools, indoor recreation, walking trails and a

# Retiree... rising in Lancaster County

*Community for active older adults will be region's biggest*

Lancaster County, S.C., is poised to become the retirement hot spot of the region and an example of America's

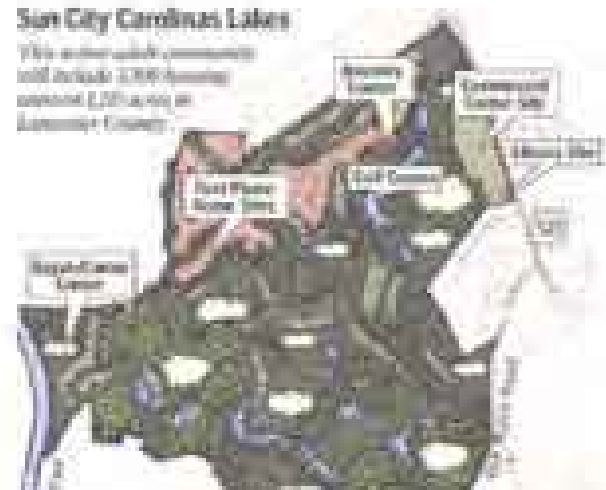


Dave Smith



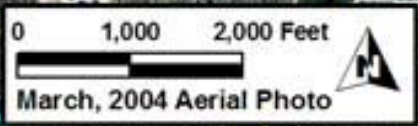
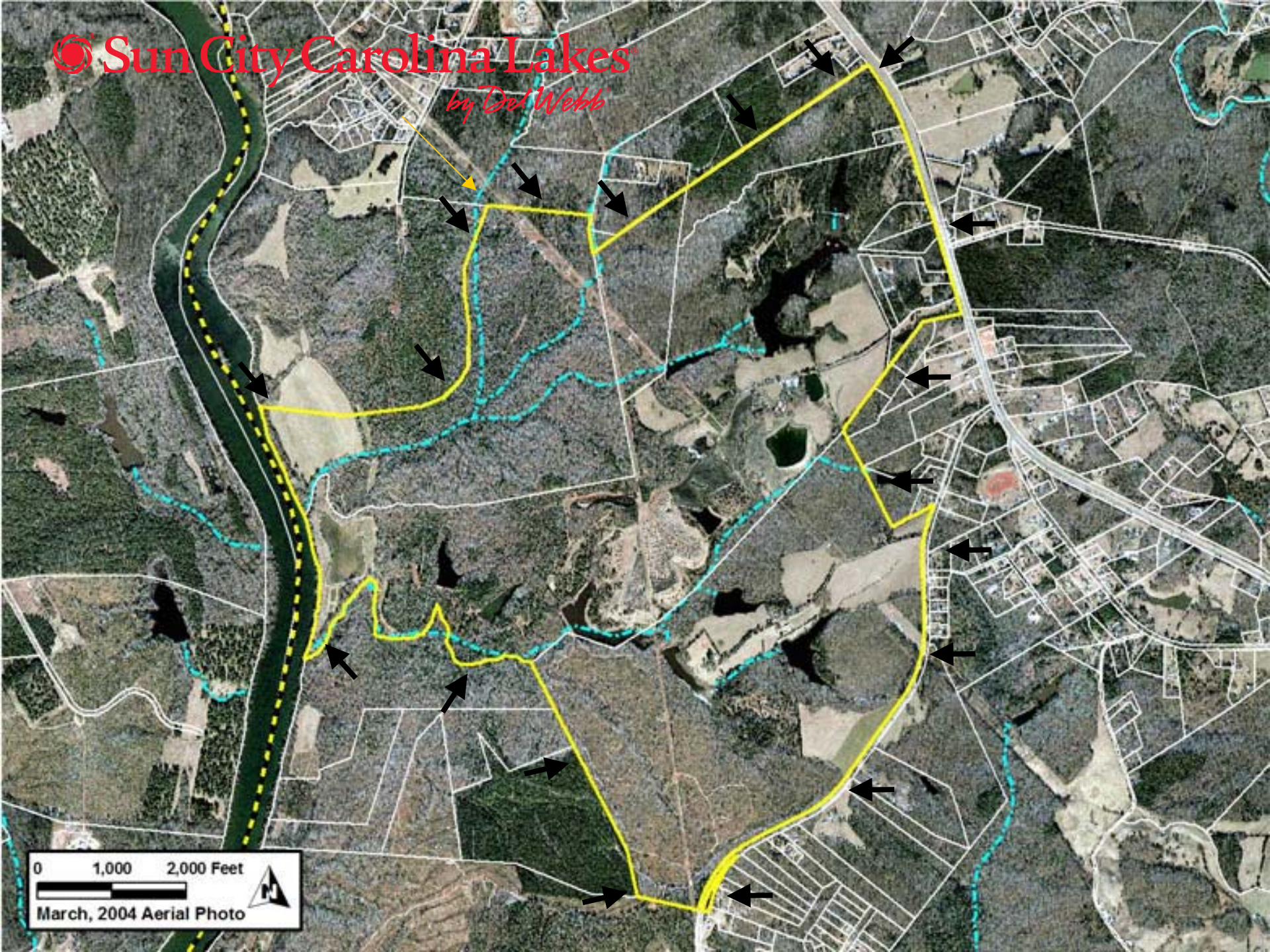
### Sun City Carolina Lakes

750+ active-adult community  
will include 1,200+ homes  
around 2,000 acres in  
Lancaster County





© Sun City Carolina Lakes  
*by Del Webb*







## Fact Sheet on Carolina Lakes

- Land brought under control March, 2004
- Time needed to entitle – 15 Months
- Number of home sites – up to 4,400
- Price range - \$160's to high \$300's
- Expected life of the project – 7 years
- Limited competition





# Sun City Carolina Lakes Entry





# Recreation Center Front



# Recreation Center Back





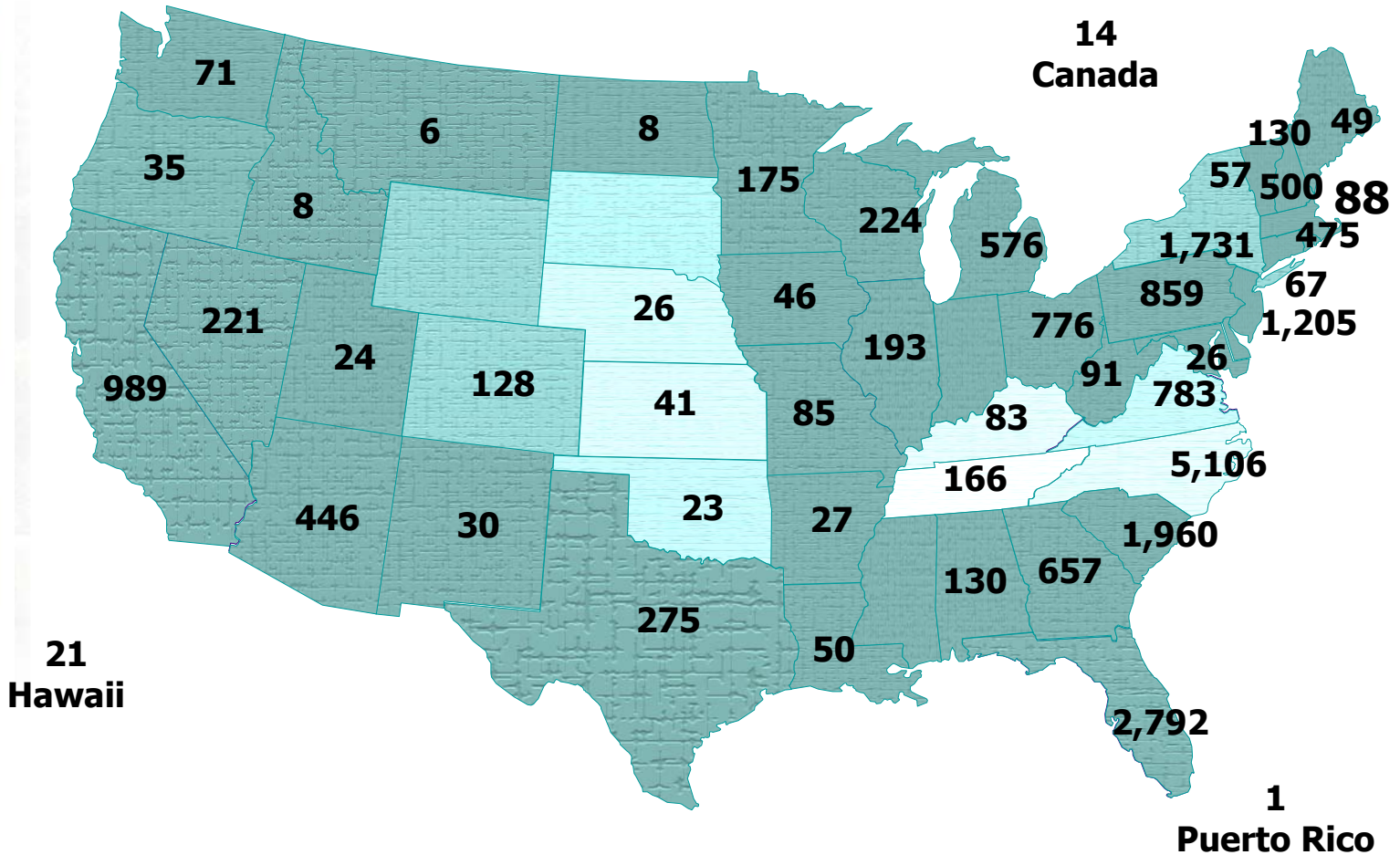
# Sun City Carolina Lakes Registered Buyer Interest by State

16  
Alaska

1  
Paris

26,000 Names in Lead Bank

14  
Canada



**Sun City Carolina Lakes**  
*by Del Webb*



## Expanding Del Webb in the Carolinas

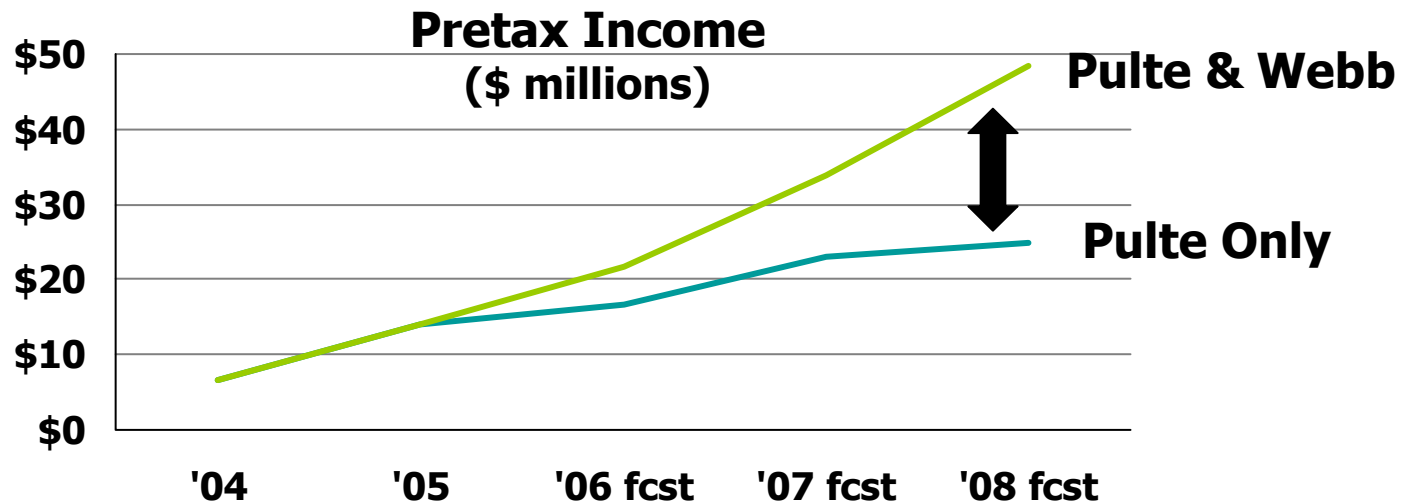
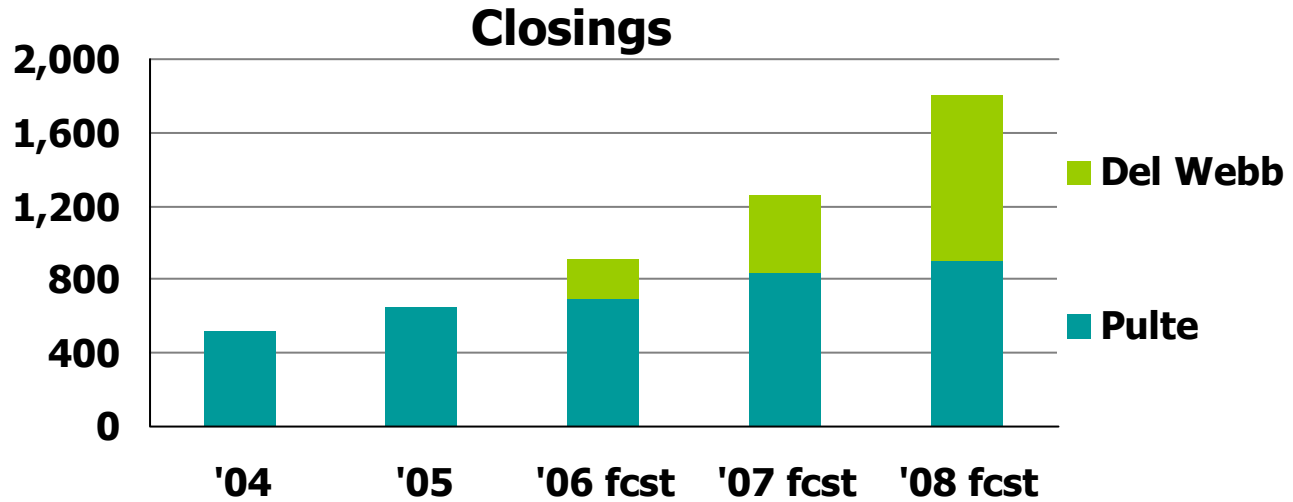
- Key milestones for the future
  - First closings – May, 2006
  - Key amenities completed: Walking Trails, Fishing Piers, Sidewalks, Lifestyle without Walls
  - Model Homes open March 18th, 2006
  - Golf course opens November, 2006
  - Amenity Building opens January, 2007
  - Golf Clubhouse opens Summer of 2007
- Additional opportunities for Del Webb in the Carolinas
  - North Charlotte
  - NC Mountains
  - NC Foothills (with water)
  - Raleigh
  - Charleston, SC

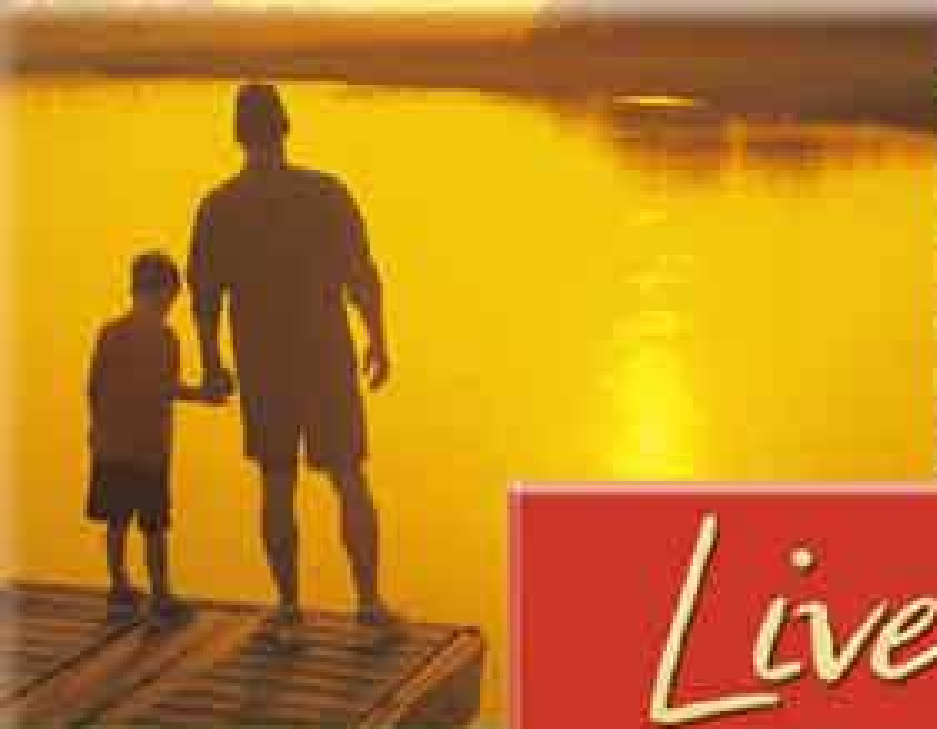






## The Del Webb Accelerant: Charlotte





*Live on,  
Charlotte*





**Break**







## **Operational Excellence**

Steve Petruska

Executive Vice President and COO



## Operational Excellence Topic Agenda

- Positioning the business for growth
  - Land acquisition strategy
- Achieve increasing overhead leverage
  - Doing more. Doing it better. Doing it with less.
- Update on simplification
  - What has been accomplished
  - Lessons learned along the journey



## Operational Excellence

- The goal of Operational Excellence is to deliver more pretax dollars
  - Need to demonstrate economies of scale or why be big
  - Unit volumes have reached a level where the opportunity for cost savings are too great to be ignored
  - Having to learn as we go because no builder has ever achieved these scales





**Operational Excellence:  
Land Investments Made to  
Drive Volume Growth**

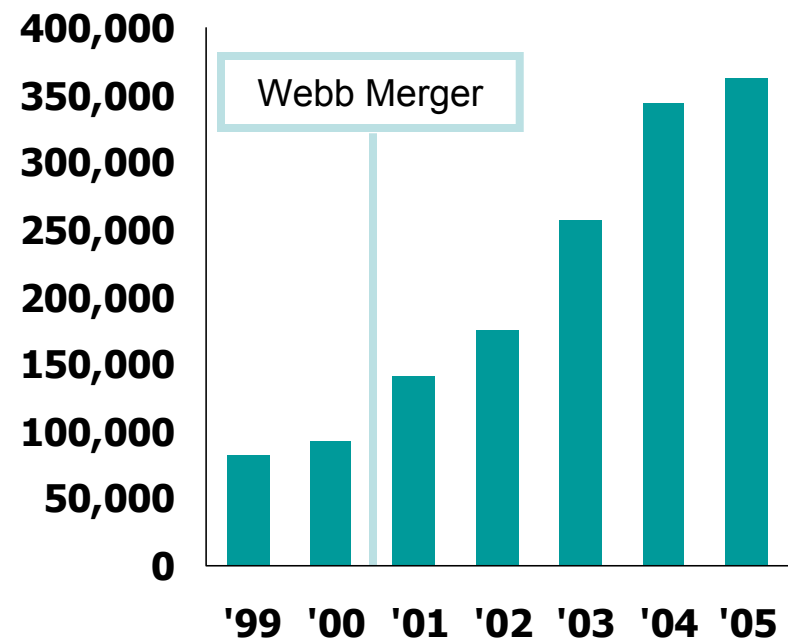




## Historical Perspective: Positioning for Growth

- Land acquisition strategy
  - Lengthening times needed to entitle means extending land pipeline
    - Decision to invest in series of large multi-TCG land positions in key markets
  - Del Webb merger changed typical community profile
    - Webb communities are roughly 2x to 20x larger than traditional
    - Investment to support brand introduction in numerous new markets

**Lots Under Control**



## Beginning to Reap Benefits of Land Investments from Prior Years

	2000	2005	2006 Target
Total Closings	19,799	45,630	51,000 to 53,000
Company-wide Community Count	396	662	10% Growth
Active Adult Closings	1,650	14,500	19,000
Markets with Del Webb Presence	0	20	30
# of Open Del Webb Communities	0	42	Over 60





## **Operational Excellence: Achieving Overhead Leverage**



## Achieve Increasing Overhead Leverage

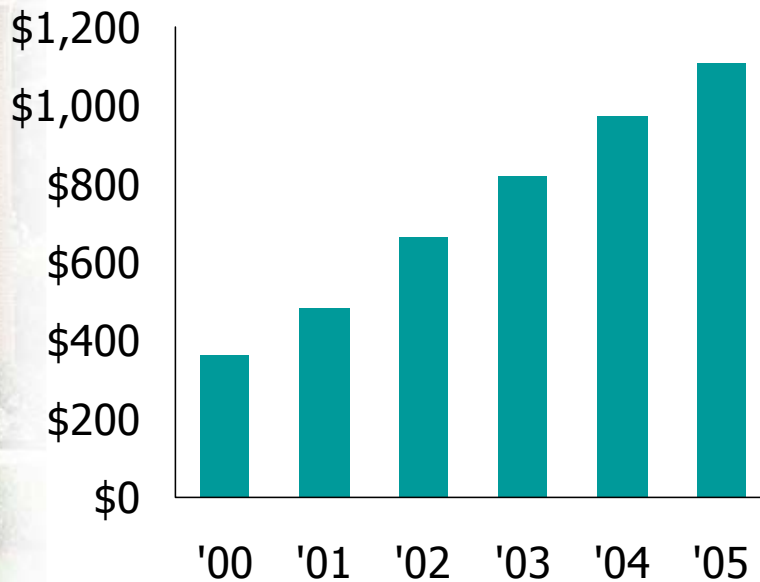
- What has driven investment in overhead
  - Support growth of business
    - Strategic decision to invest in overhead, at times ahead of need
  - Support Pulte-specific long-term business initiatives
    - Quality
    - Customer service
    - Advance supply chain management
    - People development
    - Research and development



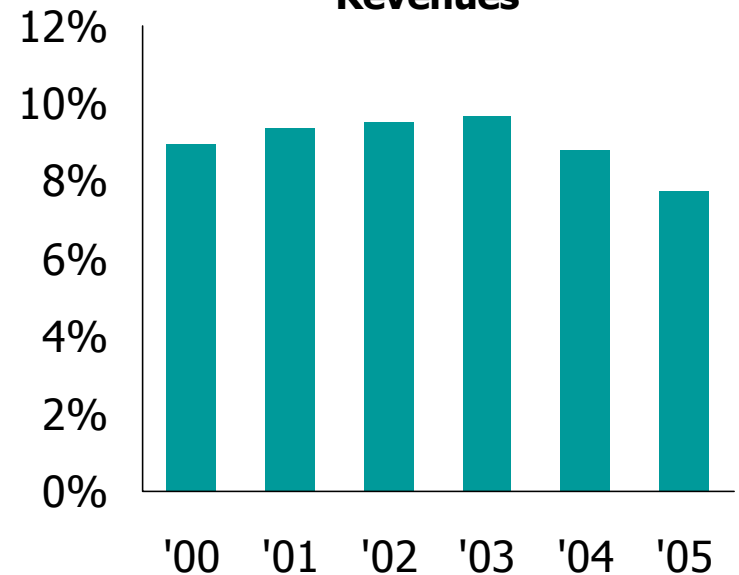


## Beginning to Gain Leverage...

**Homebuilding SG&A Dollars  
(\$ millions)**



**Homebuilding SG&A as  
Percentage of Settlement  
Revenues**



## ...But We Are Just Getting Started

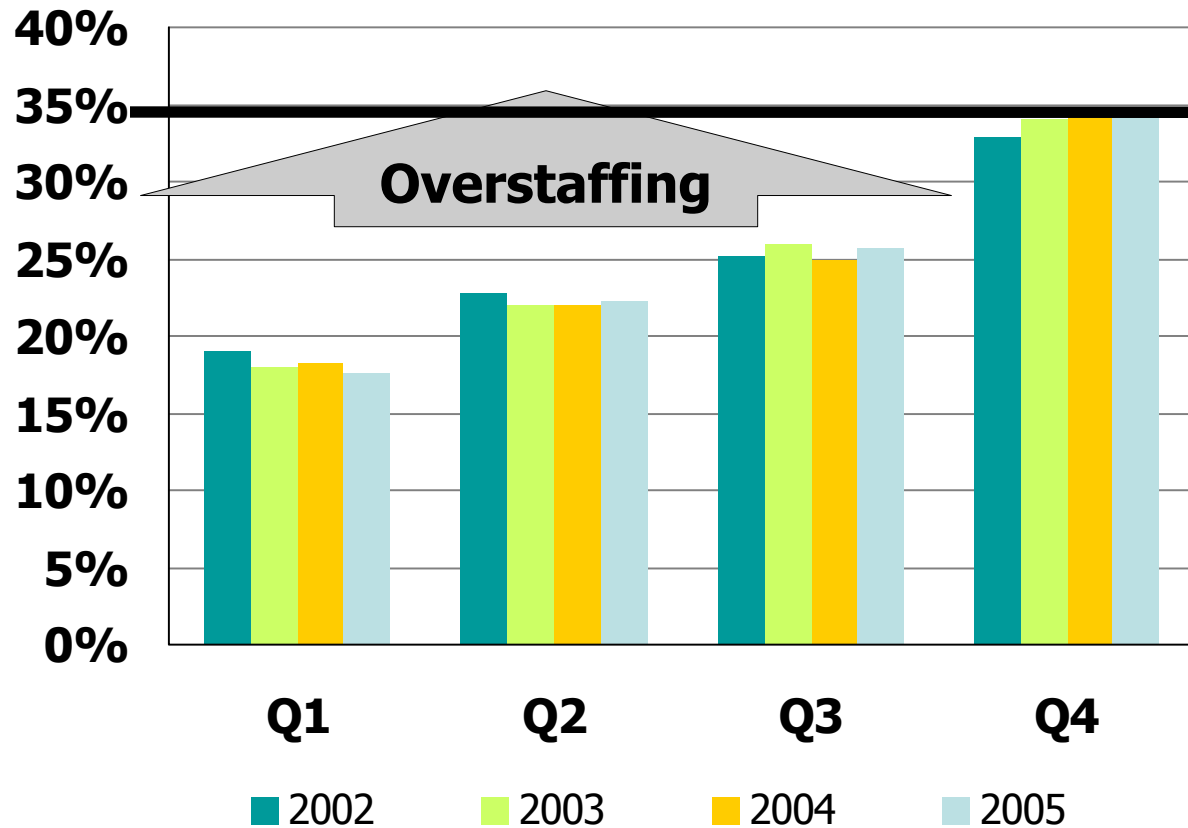
- Drive greater overhead leverage
  - Better alignment of overheads to unit closings and market conditions – when entitlement delays impact community openings, then delay overhead spending
  - Incrementally only 2%(net) of closing dollars are needed to sell and build the homes, the rest is ours
  - Attacked 2006 overheads
    - Field challenged to limit dollar increases



# Inefficiency Caused By Lack of Planned Production



Percentage of Closings By Quarter



## Our Most Efficient Markets Operate with Lower Overheads

- Common issues
  - Limited closing volumes caused by lack of local market share
  - Low closings per community
  - Significant variation in product built within the market

	<b>Avg. SG&amp;A Dollars Per House Closed</b>
Top 10 Markets	\$18,100
Company Wide	\$25,300
Bottom 10 Markets	\$50,200







**Operational Excellence:  
Proactive Management of  
House Construction**



## Maximize Settlement Revenues

- Pricing strategies
  - Focus is on maximizing total pretax dollars
    - Margin per house is important, but secondary to driving more dollars
    - Field focus on return on invested capital balanced against business growth
  - When needed, better to use price to drive asset turn
    - Can't fall in love with the asset



## Lower Direct Costs and Drive Efficiency

- Construction efficiency; reduce labor and material costs
  - Simplify design, engineering, specification and build processes
  - Better coordination of material purchases regionally and nationally
  - Better supply chain management
  - Further vertical integration where it makes sense (Pratte acquisition)
  - Even Flow of home deliveries – we have to get better



## Simplify Design

- Develop controlled product library of proven plans
- Plan reduction initiative
  - 2004: approximately 2,200 floor plans in the system
  - 2005: started year with 1,500 active floor plans
  - 2006: began year with 1,080 active plans
  - 2007: target working library below 1,000 plans
    - New plans have to replace rather than add to active plans
- What have been some of the challenges along the way
  - Mostly internal to the company around changing our culture
  - Willingness to give up marginal plans
  - Sharing plans across multiple markets and areas





## Optimize Floor Plans

- High percentage of plan library has been value engineered
  - Efficient use of materials and labor
    - Material content associated with construction of the house shell (concrete, lumber package, plumbing, HVAC, etc.)
    - Maximizes use of standard-dimension product – drywall, cabinets, flooring materials, etc.
    - Ease of field “constructability”
  - Activity involves Land, Architecture, Construction & Purchasing
- What have been some of the challenges along the way
  - Significant volume of work
  - Development of needed design and engineering skills; ingraining philosophy into the department
  - Balancing risks and costs associated with value engineering plans



## Offering Consumer Higher Specification Value

- Initiative to standardize specifications to drive lower costs and/or increased customer value
  - Can only be done after floor plan reduction and value engineering work as it requires consistent use of standardized floor plans, material types and sizes
- Extensive customer research
  - What are the key “touch points” and decision drivers
  - What spec level is/is not acceptable for each buyer segment
  - What trade-offs are customers willing to make



## Sample SKU Reductions Achieved

Category	SKU Count Pre-Simplification	SKU Count Post-Simplification
Appliances	1,294	92
Cabinets	75	30
Flooring	2,000	200
Counter Tops	102	18
Lighting	1,400	55
Plumbing Fixtures/ Faucets	162	15



## Potential to Enhance Price/Value Pulte Can Offer Customers

- Leveraged buy and packaging will allow customers to receive a higher quality specification level at lower costs relative to the competition
- Enhance overall buying experience
  - Saves time and stress associated with coordinating myriad of option selections
  - Customer doesn't feel they are being taken advantage of
    - up charged for the products they really want in the home
  - Sales force can focus on customer service and not worry about selling options and upgrades





## Planned Production - Alternative Building Processes

System	Pratte	DiVosta	Pulte Home Sciences
Area Served	AZ, NV	FL	VA, DC
Strategy	Vertical integration of house shell: concrete, plumbing, framing	Vertically integrated for entire house; 47-day build cycle	Plant-based approach to house shell: basement, floor decks, SIPs, interior walls
Recent Events	Jan '06 acquired remaining 50% of JV	Moving production into the individual markets	Continued ramp up of production
Outlook	Continue to integrate into AZ and NV operations. Potential to expand services offered or geography served	Developing capacity to serve all brands within larger communities (Wiregrass, Ave Maria, etc.) to drive greater production efficiency	Product quality is clearly superior, but costs remain too high and difficult to capture price premium with consumers. Still a work in process



# Systematic Approach to Simplification

## 2004 Activities



		Begin first phase of plan reduction work	Internal/external analysis to develop list of house components critical to the customer	First phase of plan reduction work is completed 40% reduction achieved	Detailed analysis of top 20 components; aligning distinct specification levels to individual TCGs	Initial Specification Standardization on top 20 items. ----- Issued RFPs to manufacturers on "reduced SKU" baskets of products					
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

# Systematic Approach to Simplification

## 2005 Activities



	Analysis of manufacturer RFPs: Initial responses suggest savings on like-products in the range of 5% to 15%		Implement multi-market community tests to gauge customer response to enhanced standard features model			Complete second phase of plan reduction work: target product library below 1,000 plans			Assuming successful market tests, incorporate standard specification levels into new communities as they open ----- Begin test of high distribution model in selected markets		
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec



# Systematic Approach to Simplification

## 2006 Planned Activities



<p>Begin next phase of specification analysis/reduction addressing commodity products including lumber, drywall, cement, etc.</p>			<p>Continue rollout of specification model into new communities ----- Begin SKU reduction work on remaining items of importance and value to the customer</p>			<p>Advance test of select product distribution model in two markets: NIE and Tampa ----- First closings occur that take full advantage of new specification levels</p>			<p>Initial phase of value engineering program winds down ----- Even Flow production plans put in place ----- Design business software/technology support tools</p>		
<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>





# Systematic Approach to Simplification

## 2007 Planned Activities



<p>Where appropriate, begin "labor only" contract negotiations</p> <p>-----</p> <p>Analysis and evaluation for possible expansion of distribution</p>			<p>Expand distribution network as appropriate into additional regions</p> <p>-----</p> <p>Determine internal best practice on supply chain model: Pratte, DiVosta, PHS</p>			<p>Field test of software and technology support tools in select markets</p> <p>-----</p> <p>Evaluate Phase 1 Specification selections to gauge market acceptance</p>			<p>Launch technology support tools into remaining markets</p> <p>-----</p> <p>Should begin to demonstrate ROI reward from trades associated with Even Flow production</p>		
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec



## Operational Excellence Summary

- Land investment has been made to support volume growth
- Gaining greater overhead leverage
  - Controlling the costs inside our walls; even more critical as market conditions transition from euphoric to more “normal”
- Capturing economies of scale around house construction
  - Implementing the critical actions on Pulte’s side to make operations more efficient
  - Working with the suppliers to eliminate process costs
  - Rethinking the supply chain to better support a high-volume builder





**Strength in Numbers**  
**Financial Update and Outlook**

February 2006

PRESENTED TO  
**PULTE HOMES**  
BY J.D. POWER AND ASSOCIATES





## **Financial Review**

Roger Cregg

Executive Vice President and CFO





## Agenda

- Review of financial performance
  - Historical trends and review of 2005 accomplishments
- Three year financial plan
  - Assumptions
  - Plans



## Forward Looking Statements

Certain statements in this presentation constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among other things, (1) general economic and business conditions; (2) interest rate changes and the availability of mortgage financing; (3) the relative stability of debt and equity markets; (4) competition; (5) the availability and cost of land and other raw materials used by the Company in its homebuilding operations; (6) the availability and cost of insurance covering risks associated with our business; (7) shortages and the cost of labor; (8) weather related slowdowns; (9) slow growth initiatives and/or local building moratoria; (10) governmental regulation, including the interpretation of tax, labor and environmental laws; (11) changes in consumer confidence and preferences; (12) required accounting changes; (13) terrorist acts and other acts of war; and (14) other factors over which the Company has little or no control. All forward-looking statements made are made as of the date hereof, and the risk that actual results will differ materially from expectations will increase with the passage of time. Pulte undertakes no duty to update any forward-looking statement whether as a result of new information, future events or changes in Pulte's expectations.

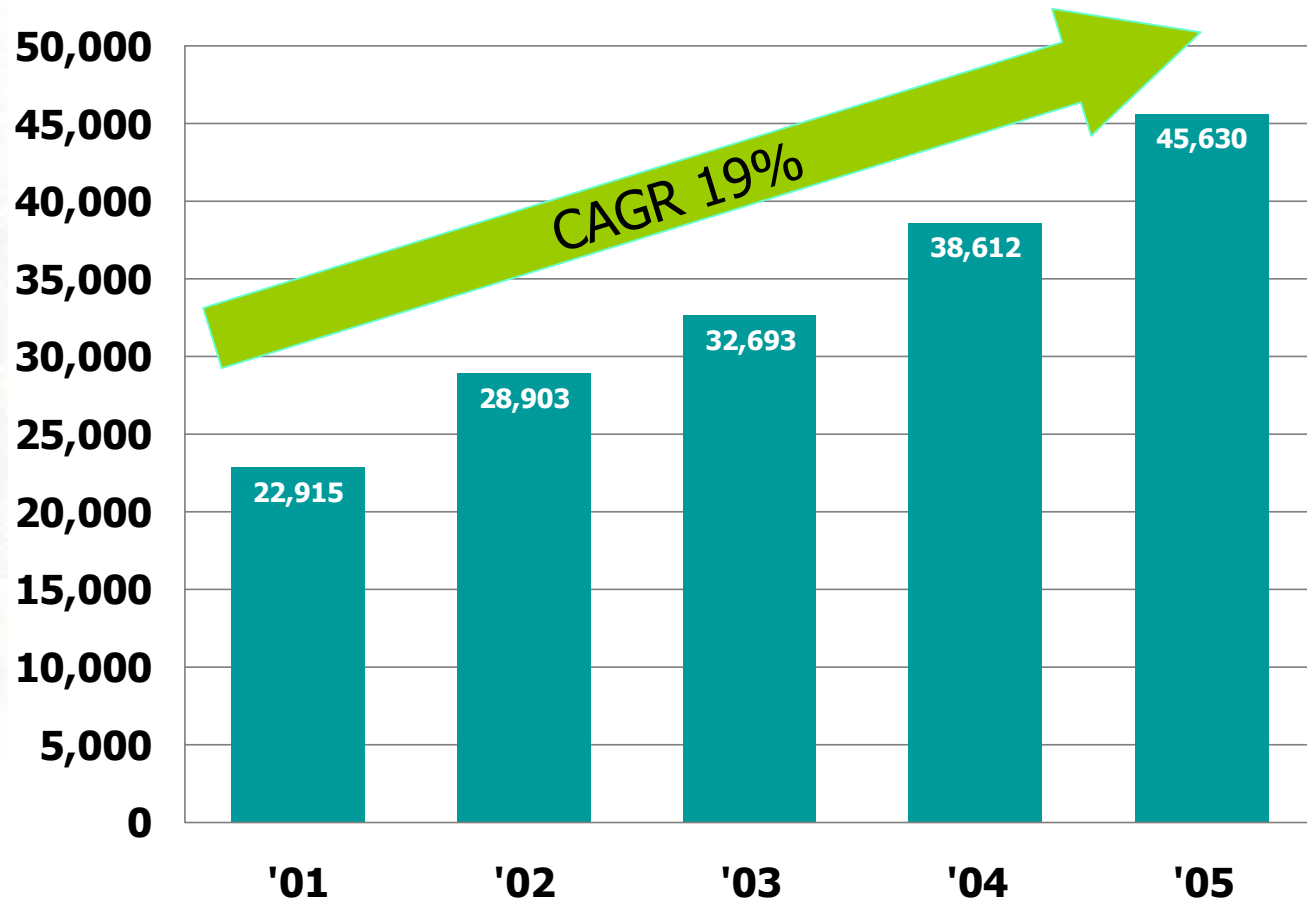




## **Long History of Strong Financial Performance**



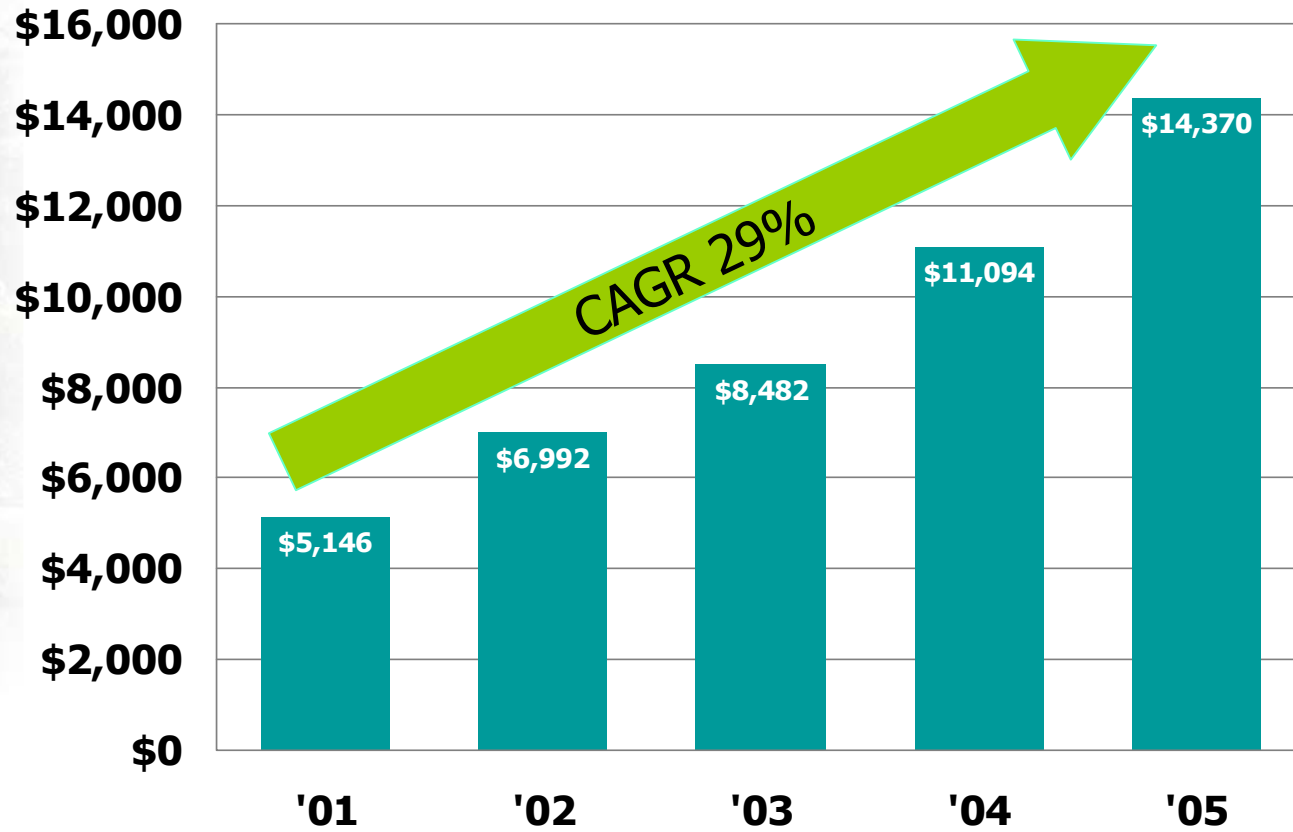
## Domestic Closings





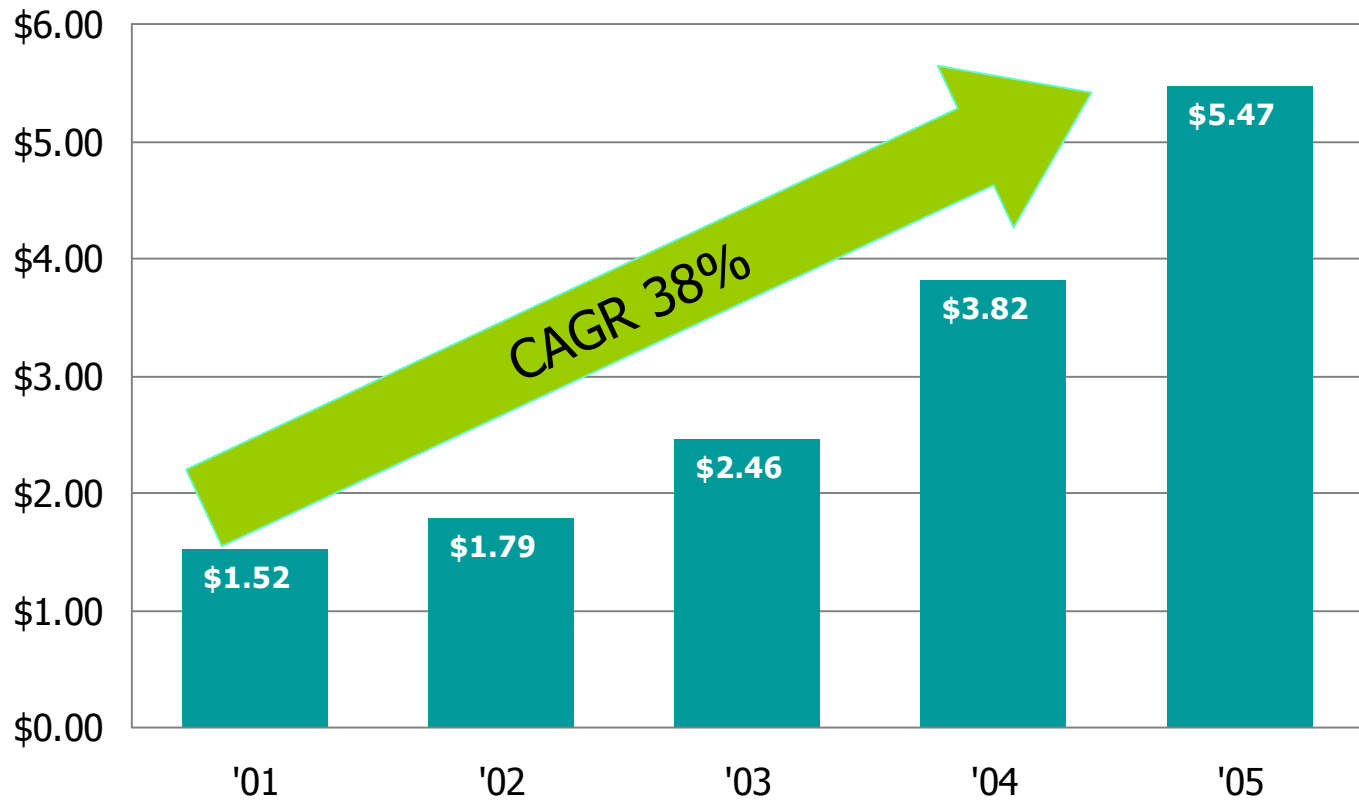
## Domestic Settlement Revenues

(\$ millions)

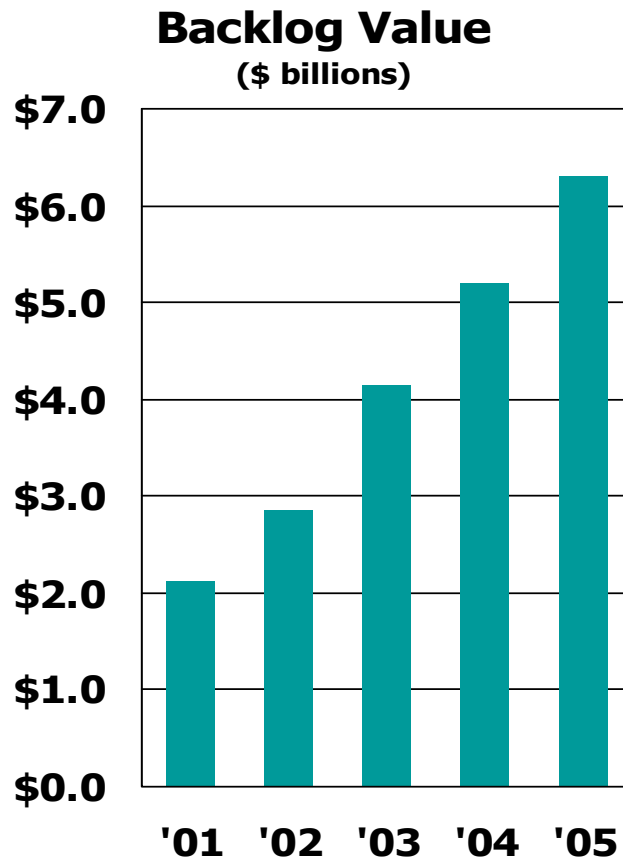


## Strong Growth in EPS

### Earnings Per Diluted Share from Continuing Operations



## Q4 2005 – Closed Out a Record Year



- Q4 2005 highlights:
  - Homebuilding revenues up 28% to \$5 billion
  - Earnings from continuing operations up 28% to 2.03 per diluted share
  - Dollar value of orders up 24%
  - Backlog value \$6.3 billion
    - Up 12% to 17,817 homes
- LTM returns climb higher:
  - ROE – 29%
  - ROIC – 19%
- Repurchased \$102 million of stock





## **Planning for the Future**

2006 to 2008

Preparing for Success in a Changing Environment





## Our Working Assumptions for Planning Include:

- Macro-economic environment similar to 2005
  - Federal Reserve continues measured increase in interest rates driving upward bias in mortgage rates
  - Strong economy continues to drive incremental gains in employment and consumer confidence
- Increased community count is the driver for higher sales
  - Expanding community size allows for modest expansion in sales pace relative to growth in community count
  - Del Webb community openings expected to accelerate in 2006
  - Needed land is in our pipeline, but entitlement and development bottleneck can delay openings
- Focus on organic growth; no acquisitions assumed
- Continue to maintain debt-to-capitalization at 40% or below



## Our Working Assumptions for Planning Include:

- Material prices are stable
  - Current prices have been factored into our estimates of future development and house costs
    - Can't forecast direction of commodity prices, so major changes can impact results...positively and negatively
- Do not assume increases in the average selling price of homes
  - ASP impacted by shift in product and geographic mix
    - Shift toward incrementally more closings from the Southeast and Central regions
- Adequate availability of materials and labor
- SG&A leverage gained with market volume growth
- Taking a more balanced approach toward investing in the business



## Additional Assumptions Given Expectations for More Challenging Business Conditions

### Demand side

- We don't plan for, but none the less have benefited from, significant price appreciation in key markets. No expectations that this will continue
  - National price appreciation drops back to historical trend
  - Some markets/communities experience flat pricing
    - Incentives at the market/community-level become more common
    - Builders don't all respond the same way
- Markets that have experienced significant price appreciation likely see sales pace slow until affordability and/or supply issues get worked out
- Real estate investor (a.k.a flipper) influence on sales price and pace continues to wane
  - May become a short-term negative if resale creates oversupply



## Additional Assumptions Given Expectations for More Challenging Business Conditions

### Supply side

- Land entitlement and development remains a bottleneck
  - Positive and negative implications
- Across most markets, the cost of new land will at best be flat, and likely will move higher
  - Key is per lot cost, not per acre
  - Densities will increase
  - Find in-fill pieces and positions in surrounding markets to solve for affordability
- Joint ventures among builders will become more common as land pieces get bigger and more expensive





# Beyond the Standard Assumptions as Business Gets More Challenging

## House/Development Costs

- Global economy drives commodity costs especially with oil, cement, copper and steel products
  - Supply agreements provide significant, but not unlimited protection
  - Budgets based on known costs
- Katrina impact still being seen in prices of many oil-based products and supply of other materials
- Labor remains tight in certain areas of the country as builders work off long backlogs
  - Build times have been extended in several key markets in Arizona and Florida
  - If the industry does experience a slow down in sales pace, availability and costs should improve



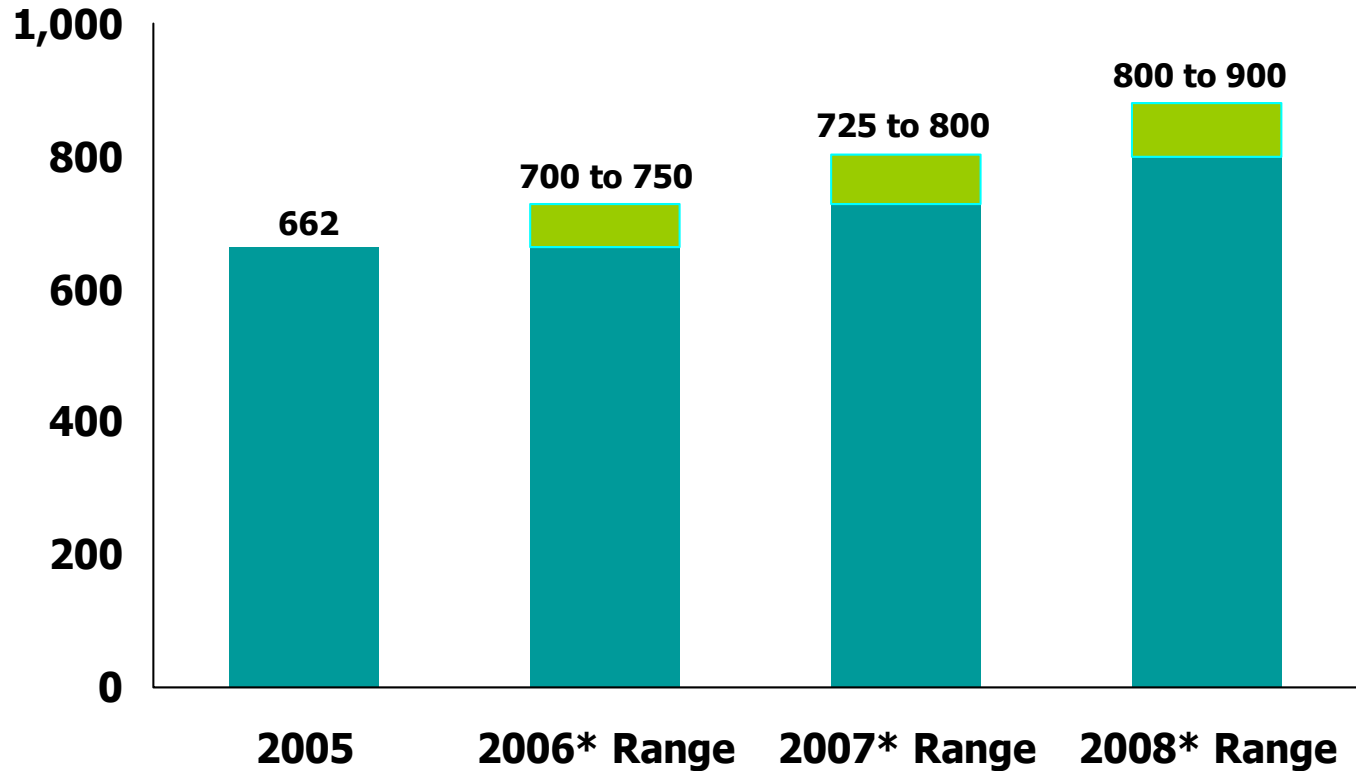


**Given all the assumptions and areas of challenge, what are Pulte's expectations for the next 3 years?**



# Expanding Presence in Existing Markets

## Community Count



\*Ranges assume Pulte achieves its targets for annual growth in communities.

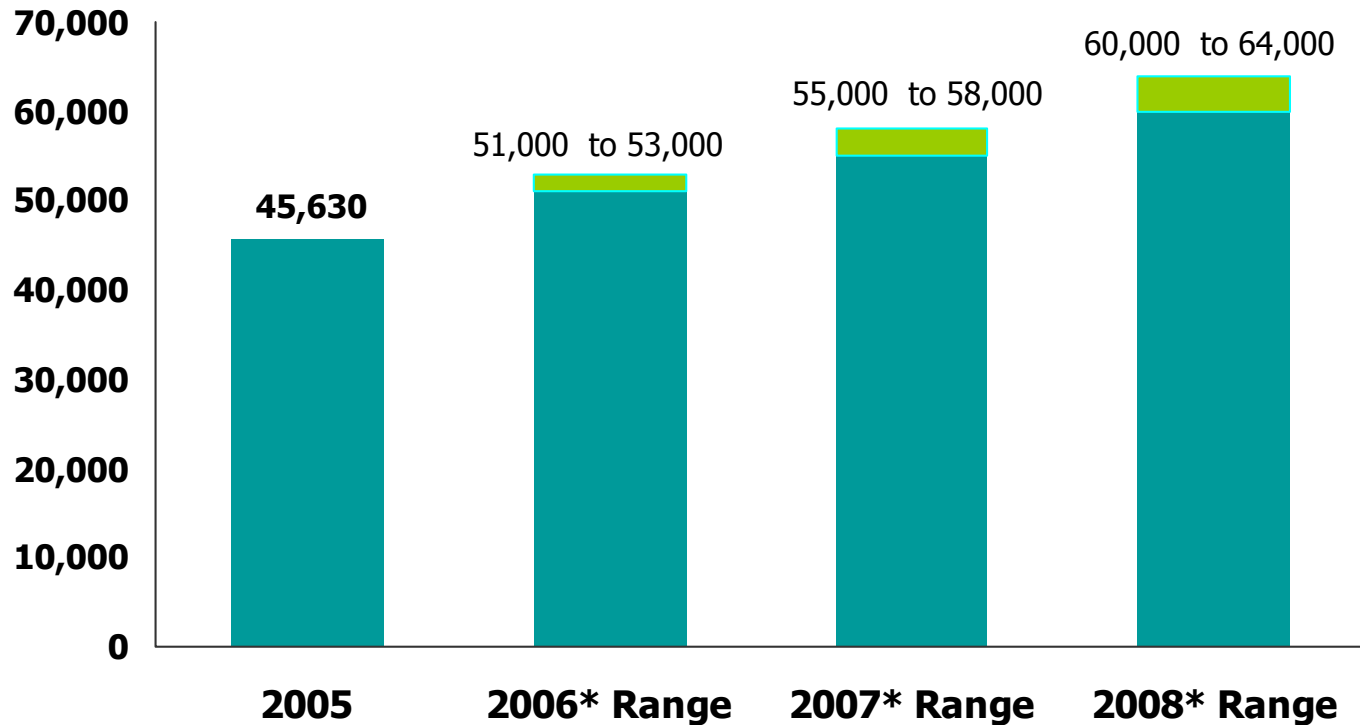
Note: Entitlement delays is a risk factor, as municipal approvals are taking longer and are less certain.

\* Ranges based on current management estimates as of the Feb. 21, 2006 date of this presentation



# Capturing Increased Market Share

## Domestic Deliveries



\*Ranges assume Pulte achieves its targets for unit growth in deliveries.

Note: Entitlement delays, construction bottlenecks and/or changes in demand are all significant risks to achieving the growth portrayed.

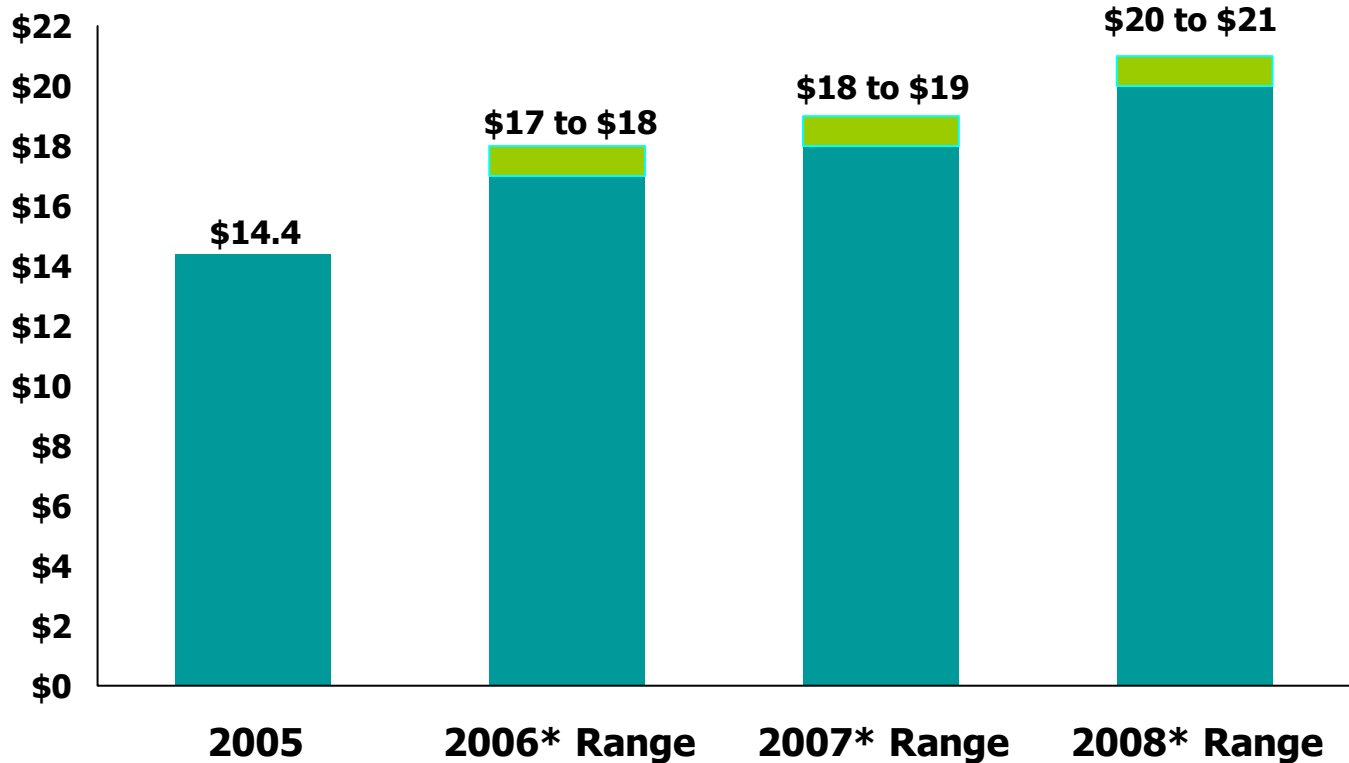
\* Ranges based on current management estimates as of the Feb. 21, 2006 date of this presentation





## Opportunity to Reach \$20 Billion

Homebuilding Settlement Revenues (\$billions)



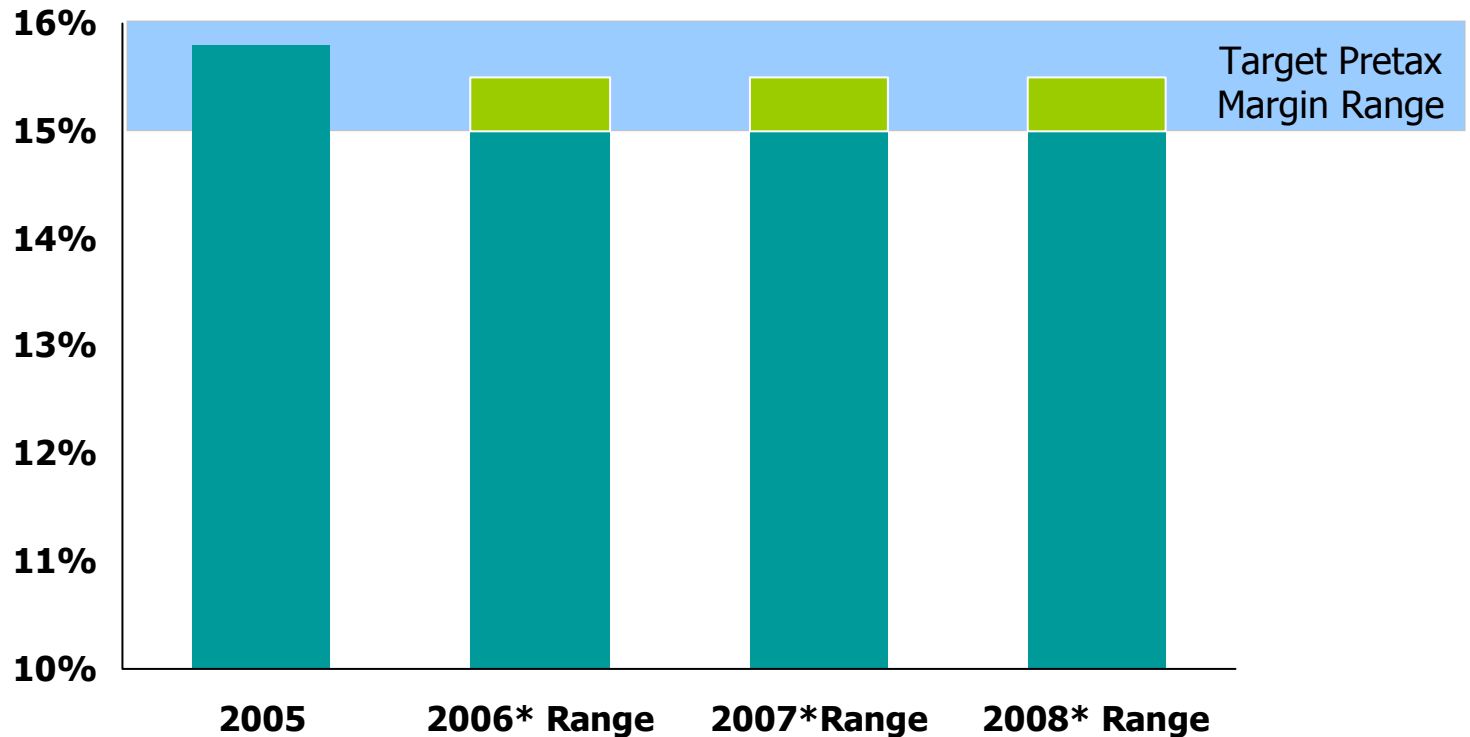
\*Ranges assume Pulte achieves its targets for unit growth in deliveries as revenue growth is driven by higher volumes. Price appreciation not assumed.

\* Ranges based on current management estimates as of the Feb. 21, 2006 date of this presentation



# Pretax Margin Gains Driven By Overhead Leverage

## Homebuilding Pretax Margin



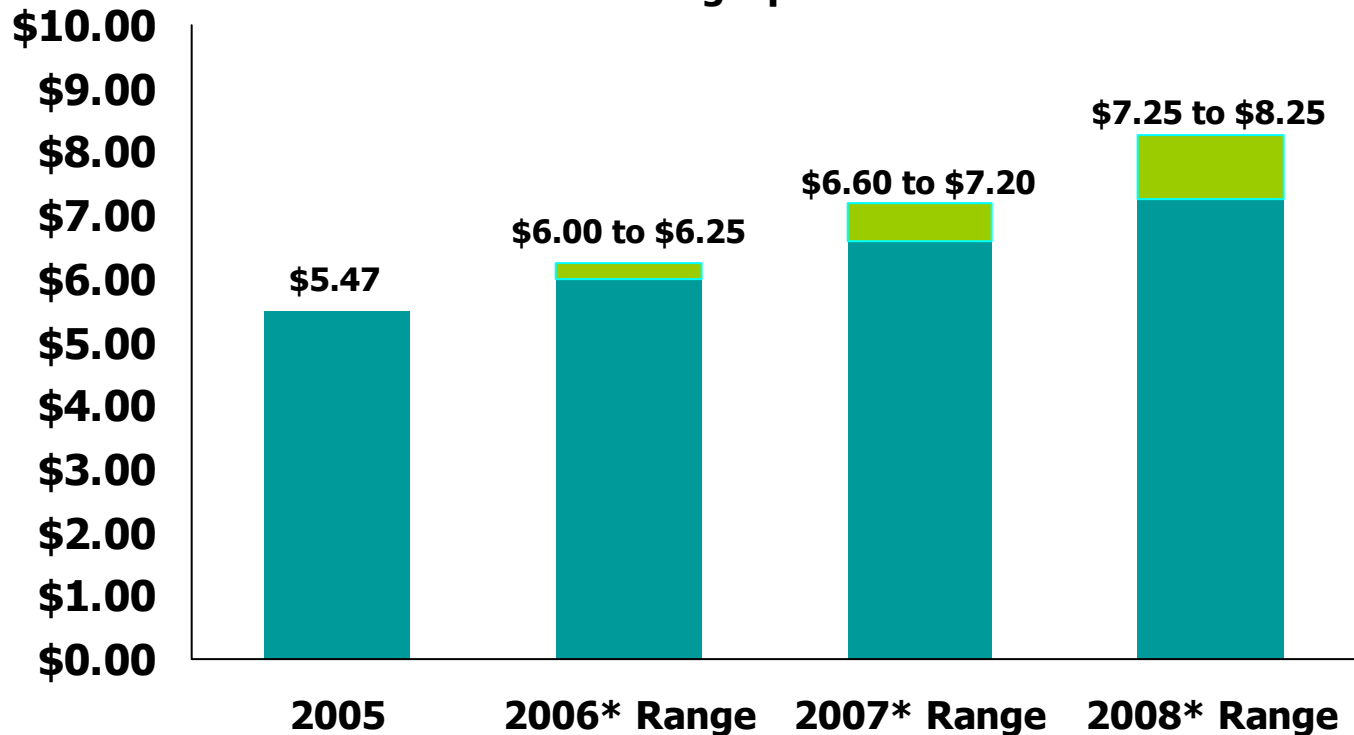
\*Ranges assume Pulte achieves its targets in the areas of gross margin and increased leverage on SG&A costs.

\* Ranges based on current management estimates as of the Feb. 21, 2006 date of this presentation



## Targeting 10% to 15% EPS Growth

### Earnings Per Diluted Share from Continuing Operations



**\*\* Company Guidance for 2006 Earnings from Continuing Operations of \$6.00 to \$6.25 Per Diluted Share**

\* Ranges based on current management estimates as of the Feb. 21, 2006 date of this presentation



## Land Investment for 2006

- Based on current budget:
  - \$4.5 billion for replacement
    - Investment to replenish lots used during the current year
    - Rule of thumb for Pulte: cost of land plus associated development equates to roughly 25% of settlement revenues
  - Targeting \$2.0 billion incremental investment
    - \$1.0 billion for development
    - \$1.0 billion additional land purchases
      - Fully invested, but maintaining debt-to-cap at 40% or lower
      - Will be balanced against alternative investments: share repurchase, M&A, dividend, debt reduction



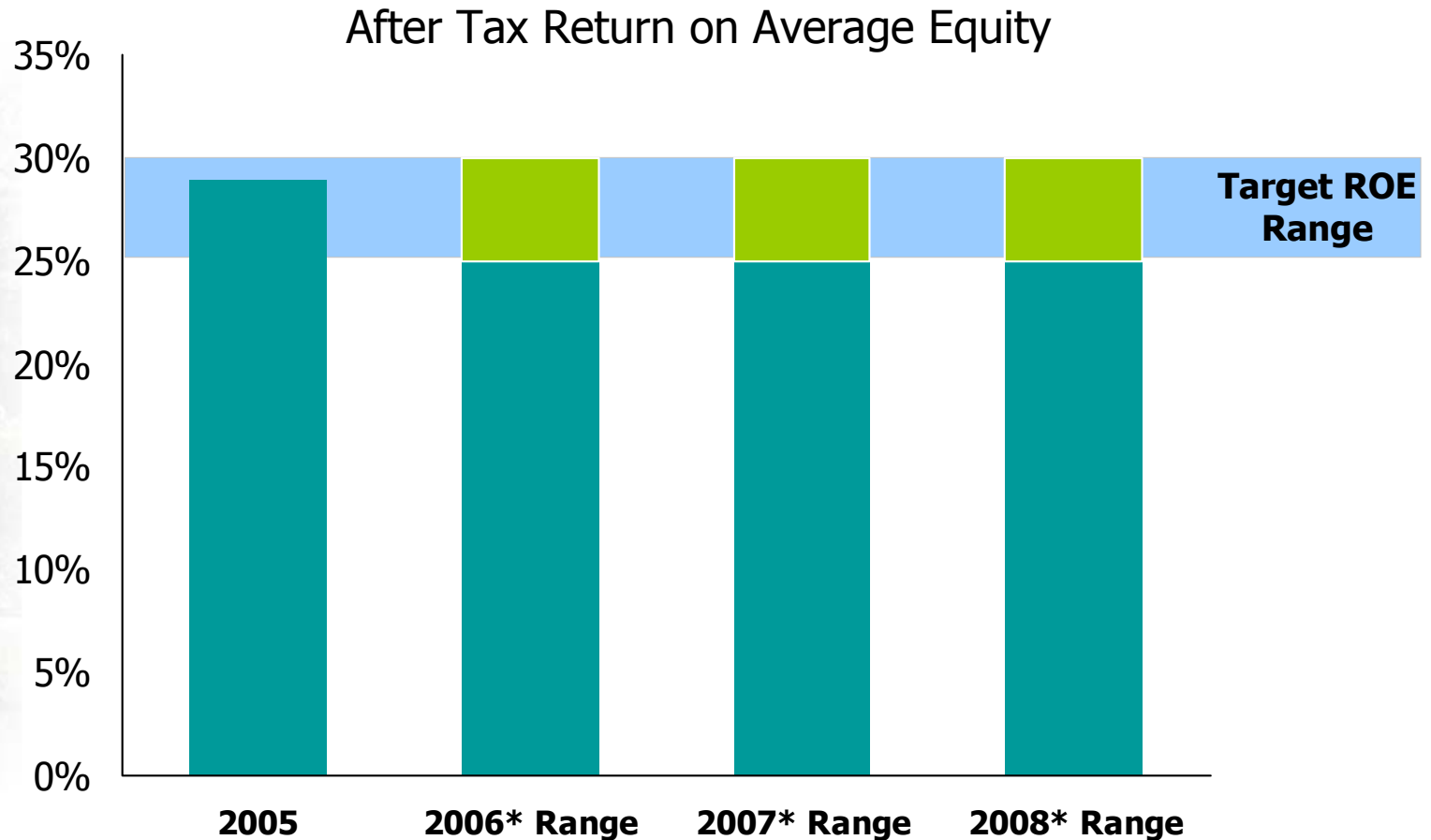


## Running a Balanced Business

- Continue to identify investments that support market share gains, while generating acceptable returns
- Field incentive compensation based on pretax return on invested capital
  - Must exceed 21% annual return to get paid
  - Economic Profit driven
    - Growth of pretax income
    - Return on capital
  - Drives land investment strategies and tactics
    - No incentive for managers to be overly optimistic in project assumptions or to over bid for land



## Strong Returns on Equity



\* Potential for higher returns assume operating and financial plans are achieved.

\* Ranges based on current management estimates as of the Feb. 21, 2006 date of this presentation



## Three Year Potential

	2005	2008 Potential
<b>Deliveries</b>	45,630	60,000 to 64,000
<b>Homebuilding Revenues</b>	\$14.4 billion	\$20 billion to \$21 billion
<b>Homebuilding Pretax Margin</b>	15.8%	15.5% to 16%
<b>Earnings Per Share from Continuing Operations</b>	\$5.47	\$7.25 to \$8.25
<b>Yearend Community Count</b>	662	900 +/-
<b>Return on Equity</b>	28.9%	22% or better
<b>Debt to Cap</b>	36.2%	40% or lower

\* Ranges based on current management estimates as of the Feb. 21, 2006 date of this presentation



## Maintain Solid Financial Foundation

	2005	2006 Potential	2007 Potential	2008 Potential
<b>Debt (\$ billions)</b>	\$3.4	\$3.4	\$3.4	\$3.4
<b>Equity (\$ billions)</b>	\$6.0	\$7.4	\$9.0	\$10.8
<b>Debt to Cap</b>	36%	32%	27%	24%
<b>Book Value Per Share</b>	\$23	\$29	\$35	\$42

\* Numbers based on current management estimates as of the Feb. 21, 2006 date of this presentation





## Summary

- The fundamentals don't change:
  - Disciplined investment practices that capitalize on, but never sacrifice, Pulte's balance sheet
  - Balanced approach to running the business with the goal of creating long-term shareholder value
    - Emphasize consistent investment in the business
  - You can't time the cycles, so prepare for success, but be ready to adjust to changes in market condition





# Questions and Answers



## Closing Comments

- Differentiating Pulte Homes
  - Diversity: geographic and customer segment
    - Leadership with Del Webb brand
  - Focus on operational excellence
    - Capturing economies of scale
    - Simplification
    - SG&A leverage
    - Quality
  - People development
  - Financial discipline
- Running the business for the long term
  - Positioned to expand market share and sustain growth
  - Experienced team prepared to respond appropriately to changing market conditions

