REGISTRATION DOCUMENT

2012

KAUFMAN & BROAD

Contents

AMF AUTORITÉ DES MARCHÉS FINANCIERS

This Registration Document was filed with the Autorité des Marchés Financiers (AMF) on April 2, 2013, in accordance with Article 212-13 of the AMF General Regulations. It may be used to support a financial transaction if it is supplemented by a prospectus approved by the AMF. The Registration Document has been prepared by the issuer and its signatories are responsible for the content.

Kaufman & Broad

MANAGEMENT REPORT
–
2012

COMPANY PROFILE

KAUFMAN & BROAD IS ONE OF FRANCE'S LEADING PROPERTY DEVELOPERS AND BUILDERS.

OVER THE COURSE OF MORE THAN 40 YEARS, WE HAVE BUILT NEARLY 92,400 HOUSING UNITS AND 509,000 SQ.M OF COMMERCIAL SPACE IN FRANCE.

Kaufman & Broad was the first property developer to be listed on the Premier Marché of the Paris Stock Exchange in February 2000.

Over the years we have built up a solid group with national scope. We are primarily located in major French cities where the market is deepest. Our expertise and ongoing commitment to innovation enable us to satisfy the aspirations of all our customers - individuals or businesses. We offer houses and apartments, corporate, tourist and student accommodations, and business, retail and office space.

We focus our strategy on listening to our customers, understanding changes in lifestyles, and developing new technologies, all the while providing quality housing in recognized locations. Today our brand is a leader in terms of reputation and image. Our management is renowned for its ability to react and adapt to market conditions.

Kaufman & Broad's good financial performance for fiscal year 2012 was comparable to 2011, with a gross margin rate that increased 0.2 points from its already high 2011 level, net income that remained stable year-on-year and, finally, continued rapid debt reduction.

The housing market in 2013 should be affected by a still difficult economic and financial environment, and the reduced tax advantage granted to let investment. The commercial offer will remain insufficient and demand still high. In this context, in 2013 Kaufman & Broad will continue to develop housing for first-time buyers who benefit from the new "Zero-interest Loan" and investors under the new incentive implemented in January 2013. The group intends to improve its market share in large French cities and in particular in Île-de-France, where the market is the deepest and will continue to grow by offering housing for students and seniors, which are still eligible for the "Censi-Bouvard" incentive.

AGENDA

April 24, 2013
Publication of first quarter 2013 results, after Stock Market

April 25, 2013
Shareholders' meeting

April 25, 2013
Presentation of first quarter 2013 results

July 11, 2013
Publication of first-half 2013 results, after Stock Market

July 12, 2013
Presentation of first-half 2013 results

September 30, 2013
Publication of third quarter 2013 results, after Stock Market

October 1, 2013
Presentation of third quarter 2013 results (conference call)

(this agenda may be subject to change)

HIGHLIGHTS

2012

INCREASE OF HOUSING REVENUES
+1.8% VS. 2011

HOUSING ORDERS IN NUMBER
DECREASE OF 14%
IN A MARKET DECLINE OF 18%

INCREASE OF GROSS MARGIN RATE
19.6% (+0.2 POINTS)

STABILITY OF ATTRIBUTABLE NET INCOME
€47.6 MILLION

SHARP REDUCTION OF NET FINANCIAL DEBT
€81.2 MILLION

INCREASE OF COMMERCIAL OFFER
+5.0% VS. END 2011

2011

INCREASE OF REVENUES: +11.6 %

TOTAL ORDERS IN VALUE
+4.5%, AT €1.5 BILLION (INCLUDING VAT)

HOUSING ORDERS IN NUMBER
SLIGHT DECREASE OF 3.7%
IN A MARKET DECLINE OF 10%

GROSS MARGIN RATE
19.4% (+1.9 POINTS)

ATTRIBUTABLE NET INCOME: €47.5 MILLION
VS. €18.1 MILLION IN 2010

CONTINUATION OF DEBT REDUCTION
NET FINANCIAL DEBT €163.7 MILLION
(-22.6% VS. END 2010)

INCREASE IN PROPERTY PORTFOLIO
NEARLY 17,000 HOUSING UNITS (+20.5% VS. END 2010)

TOTAL BACKLOG IN VALUE
+17.7%

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

The results for fiscal year 2012 are absolutely in line with the projections announced at the beginning of the year. Total revenues remained virtually unchanged compared to 2011. Financial indicators remain strong; net debt decreased significantly to 81.2 million from 133.7 million in 2011, and that, after the payment of an interim dividend of close to 50 million.

This performance, including a slight rise in Housing revenues, took place in a real estate market that has been declining sharply in general. The real estate portfolio remained at a high level, and backlog accounted for 13 months of business. In this context, Kaufman & Broad will keep developing in 2013 homes that are designed for first-time buyers who can take advantage of the new “Zero-interest Plus Loan” program and for investors through the new incentive that was implemented in January 2013. Moreover, Kaufman & Broad will continue to grow by offering homes designed for students and seniors, who continue to benefit from the “Censi-Bouvard” incentive.

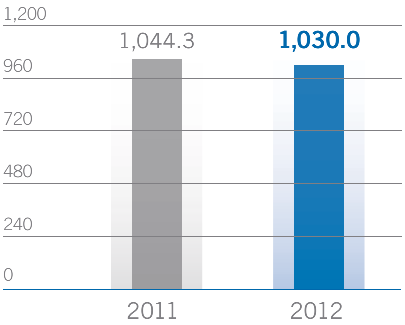
As regards Commercial property, Kaufman & Broad is planning to file building permits for three projects in Île-de-France – all large-scale in Boulogne-Billancourt and Paris, which will contain over 55,000 sq.m of office space.

In a more challenging economic and social climate, in 2013, Kaufman & Broad intends to keep its financial performance at levels comparable to those achieved in 2012 by controlling its operating expenses and its working capital requirement, and by continuing to pay off its debt.

Guy Nafilyan
Chairman and Chief Executive Officer

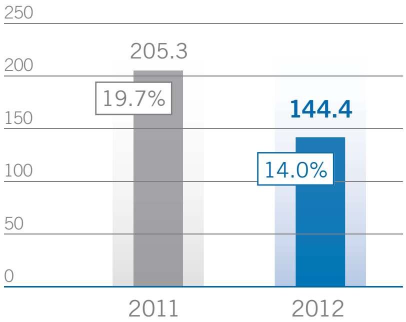
KEY FIGURES AND STOCK MARKET

REVENUES



REVENUES totaled €1,030.0 million (excluding VAT) in 2012 compared with €1,044.3 million (excluding VAT) in 2011, down 1.4%.

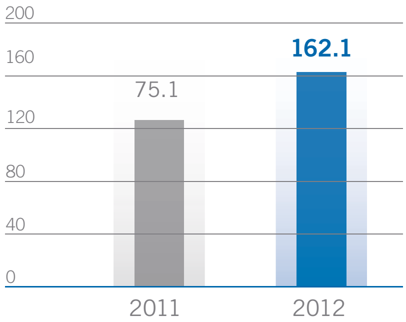
WORKING CAPITAL REQUIREMENT



(in € millions and as a percentage of revenue)

WORKING CAPITAL REQUIREMENT (WCR) amounted to €144.4 million at November 30, 2012 versus €205.3 million at November 30, 2011. Expressed as a percentage of revenues, WCR was 14.0% at November 30, 2012 versus 19.7% for the comparable period in 2011.

FREE CASH FLOW



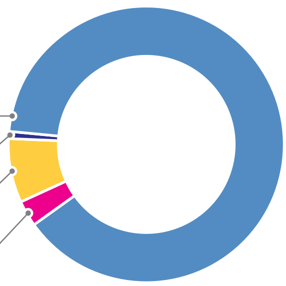
(in € millions)

FREE CASH FLOW amounted to €162.1 million at November 30, 2012, up nearly €87.0 million compared to the end of 2011. This increase is mainly due to the improvement of the change in Operating Working Capital Requirements (excluding current taxes), which rose from -€26.8 million at November 30, 2011 to €58.8 million at November 30, 2012.

BREAKDOWN OF CAPITAL

(at November 30, 2012)

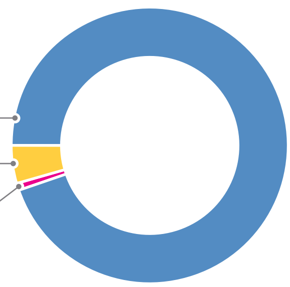
Companies owned by funds managed by PAI partners[1]	88.65%
Employees	1.06%
Public	7.32%
Kaufman & Broad SA	2.98%



VOTING RIGHTS

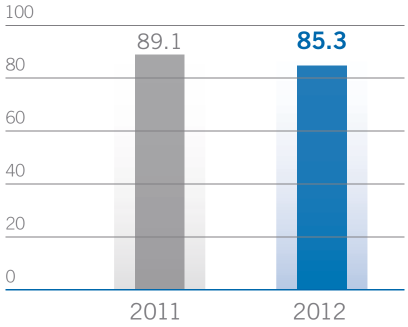
(at November 30, 2012)

Companies owned by funds managed by PAI partners[1]	94.88%
Public	4.56%
Employees	0.57%



1 – Financière Gaillon 8 represented 87.96% of the capital and 94.51% of the voting rights

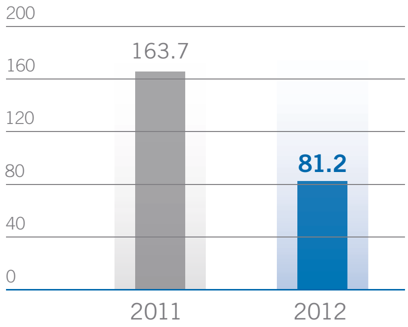
CURRENT OPERATING INCOME



(in € millions)

The group's current operating income was down of 4.3% compared to 2011. This decrease is due to firstly a slight decrease of €0.7 million in the gross margin and secondly, the increase of €3.1 million in operating expenses during the period.

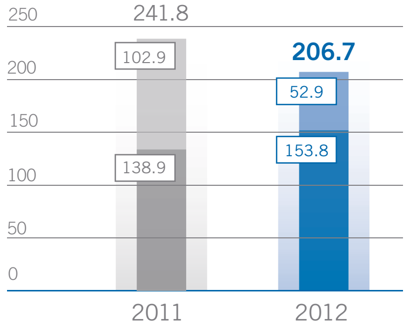
NET FINANCIAL DEBT



(in € millions)

NET FINANCIAL DEBT totaled €81.2 million at November 30, 2012, half of its amount at November 30, 2011.

FINANCIAL CAPACITY

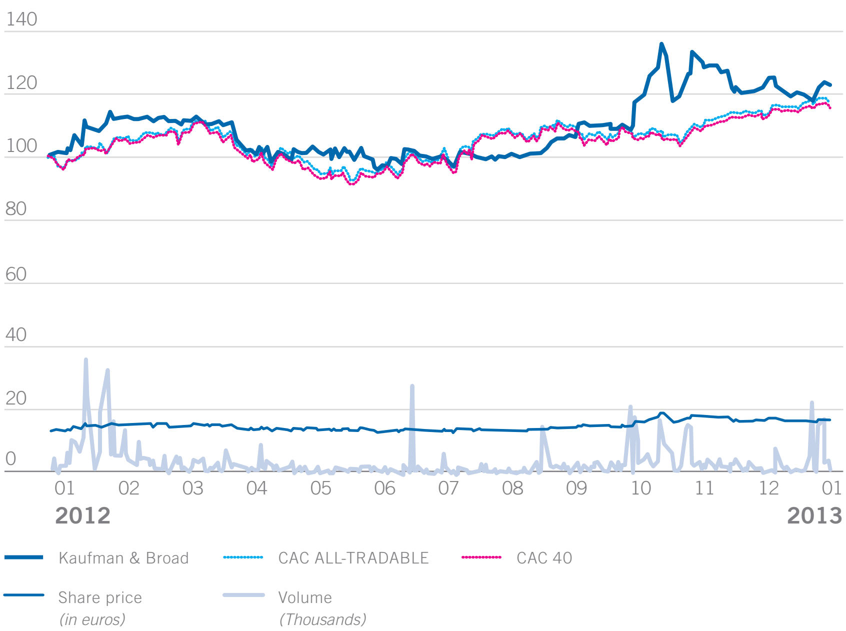


(in € millions) Cash and cash equivalents RCF

Cash and cash equivalents stood at €153.8 million, which, when added to €52.9 million in undrawn credit lines, took group's financial capacity to €206.7 million at November 30, 2012, compared with €241.8 million in 2011. This decrease is explained by voluntary cancellation of €50 million in credit lines, from €102.9 million to €52.9 million.

KAUFMAN & BROAD SHARE PRICE COMPARED TO THE CAC 40 AND CAC ALL-TRADABLE

(base 100 at January 2, 2012)



STOCK MARKET DATA

High	**€19.26**
Low	**€13.38**
Last traded price on December 31, 2012	**€17.69**
Number of shares at December 31, 2012	**21,584,658**
Market capitalization at December 31, 2012	**€381.8 million**
Average trading volume (January 1 to December 31, 2012)	**€41,816**

FACT SHEET

Market	NYSE Euronext
Compartiment	B Mid-caps
Indices	CAC 40 and CAC ALL TRADEABLE
ISIN code	FR 0004007813

ACTIVITIES

16,049 LOTS IN LAND RESERVE

12,148 LOTS UNDER CONSTRUCTION

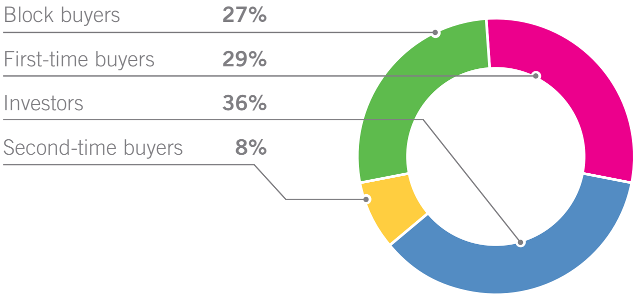
6,560 LOTS LAUNCHED

5,487 HOUSING UNITS ORDERED

6,550 HOUSING UNITS IN BACKLOG

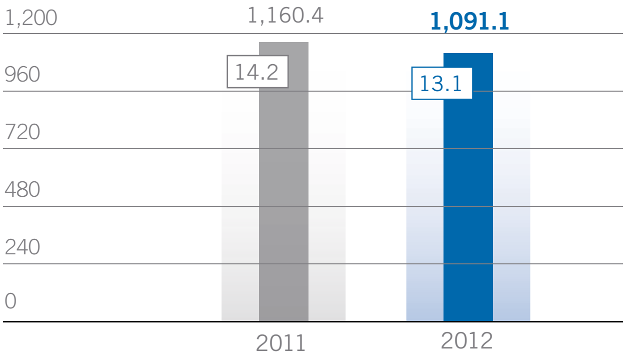
ORDERS BY BUYER TYPE

(in number at November 30, 2012)



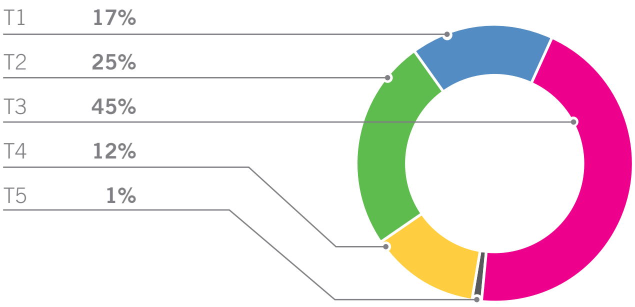
HOUSING BACKLOG

(in € millions, excluding VAT and months of business)



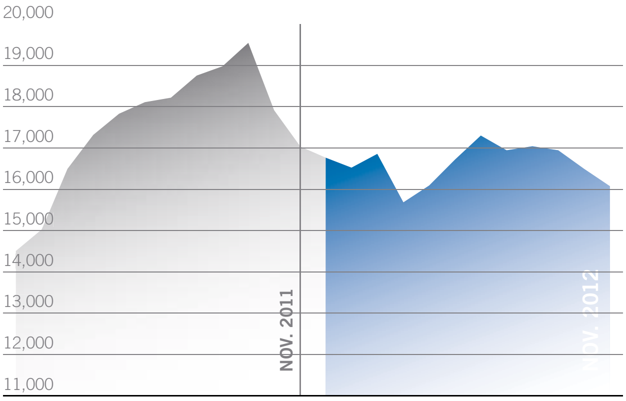
ORDERS BY APARTMENT TYPE

(in number at November 30, 2012



LAND RESERVE

(in number of lots)



EMPLOYEES

721 EMPLOYEES

386 WOMEN (53.5%)

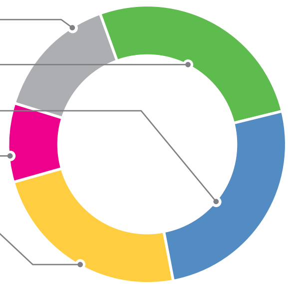
335 MEN (46.5%)

(on payroll at December 31, 2012)

AVERAGE NUMBER OF EMPLOYEES BY FUNCTION

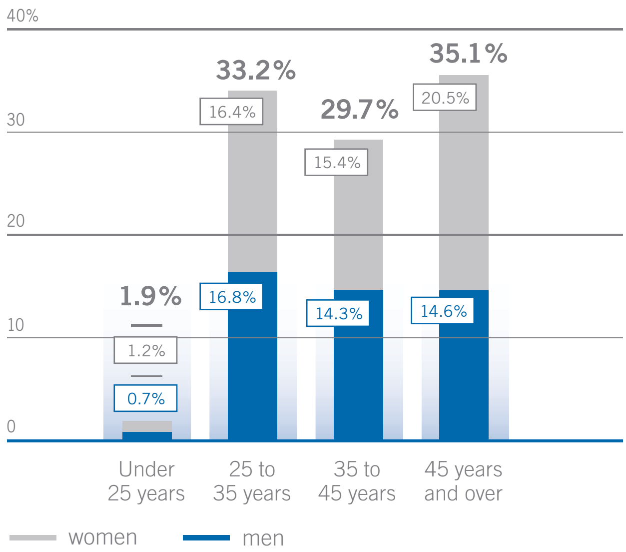
(in number at November 30, 2012)

Other	**14.7%**
Sales	**25.9%**
Real estate	**23.4%**
Support functions	**9.2%**
Technical	**26.8%**



AGE PYRAMID

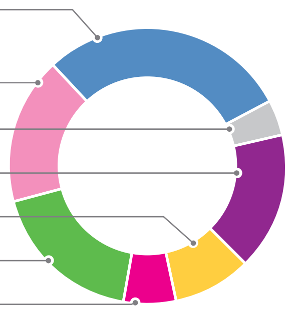
(on payroll at December 31, 2012)



NUMBER OF EMPLOYEES BY REGION

(in number at November 30, 2012)

Île-de-France	**29.4%**
Corporate and Commercial Property	**17.0%**
Languedoc-Roussillon	**4.3%**
PACA	**16.2%**
Rhône-Alpes	**9.1%**
Southwest	**18.0%**
West	**6.0%**



CORPORATE GOVERNANCE

THE MAIN ROLE OF THE BOARD OF DIRECTORS IS TO DETERMINE THE COMPANY'S STRATEGIC DIRECTION AND OVERSEE ITS IMPLEMENTATION. THE BOARD CARRIES OUT THE CONTROLS AND VERIFICATIONS IT DEEMS NECESSARY AND IS RESPONSIBLE FOR REVIEWING AND APPROVING THE ANNUAL AND HALF-YEARLY (INDIVIDUAL COMPANY AND/ OR CONSOLIDATED) FINANCIAL STATEMENTS AND FOR REVIEWING AND APPROVING THE RELATED REPORTS STIPULATED BY CURRENT REGULATIONS. THE BOARD OF DIRECTORS OF KAUFMAN & BROAD SA CURRENTLY HAS EIGHT MEMBERS, INCLUDING THREE INDEPENDENT DIRECTORS, WHO PROVIDE THE GROUP WITH A BROAD RANGE OF COMPLEMENTARY SKILLS AND EXPERIENCE:

BOARD OF DIRECTORS

Guy Nafilyan (Kaufman & Broad SA)
Director and Chairman of the Board of Directors

Yves Galland (The Boeing Company)
Director

Sylvie Charles (SNCF Géodis)
Director

Sophie Lombard (PAI partners)
Director

Alain de Pouzilhac (Joa Groupe)
Director

Frédéric Stévenin (PAI partners)
Director

Olivier de Vregille (PAI partners)
Director

Lionel Zinsou (PAI partners)
Director

MANAGEMENT

Guy Nafilyan
Chairman and Chief Executive Officer

Philippe Jossé
Deputy Chief Executive Officer

Bruno Coche
Senior Vice President and Chief Financial Officer

Jean-François Demaris
Senior Vice President Human Resources

Jacques Rubio
Senior Vice President Southwest Region

William Truchy
Senior Vice President Regions

Marc Nafilyan
Senior Vice President Île-de-France Region

Patrick Zamo
Senior Vice President Île-de-France Region

Frédéric Bourg
Senior Vice President Île-de-France

Christian Delapierre
Senior Vice President Institutional Sales and Development

REGIONAL DIVISIONS

COMMERCIAL PROPERTY
David Laurent, Senior Vice President Commercial Property

PARIS / ÎLE-DE-FRANCE REGION / NORTHEAST
Marc Nafilyan et **Patrick Zamo**,
Senior Vice Presidents

Frédéric Bourg, Senior Vice President Île-de-France

Île-de-France
Cyril Doucet, Agency Director Sector 1
Vincent Lhermitte, Agency Director Sector 2
Stéphane Dalliet, Agency Director Sector 3

Normandie
Christian Delapierre, Deputy Agency Director

RÉGION MIDI-PYRÉNÉES / AQUITAINE
Jacques Rubio, Senior Vice President Southwest Region

Pyrénées-Atlantiques
Denis Canaux, Deputy Agency Director Bayonne

Aquitaine
Andràs Boros, Deputy Agency Director Bordeaux

SOUTHWEST REGION / RHÔNE-ALPES / SOUTHEAST
William Truchy, Senior Vice President Regions

Loire-Atlantique / Bretagne
Christophe Duretete, Regional Director Nantes and Rennes

Rhône-Alpes
François-Xavier Delfour, Deputy Agency Director Lyon

Savoie
Gwenaël Mersaoui, Deputy Agency Director Grenoble and Annecy

Côte d'Azur / Provence
Stéphane Gress, Regional Director Nice and Toulon

Méditerranée
Marc Speisser, Regional Director Marseille

Languedoc-Roussillon
Béatrice Mortier, Regional Director Montpellier

2012 Registration Document Contents

1 Information concerning the group's business

1.1. THE KAUFMAN & BROAD GROUP

For more than forty years, Kaufman & Broad and its subsidiaries (together, the "group" or "Kaufman & Broad") have been developing and building Single-family Homes in Communities (grouped homes), apartments, residential services (Corporate, tourist and student accommodations), as well as Commercial Property in France.

Since its formation in 1968, Kaufman & Broad has built close to 92,400 housing units and 509,000 sq.m of office and commercial space in metropolitan France.

Kaufman & Broad is one of the leading home builders (Single-family Homes in Communities and apartments) in France. Historically, its principal market is Île-de-France. As of November 30, 2012, this market represented 45.5% of the group's number of housing orders, compared to 39.8% for 2011.

From its founding and until July 10, 2007, Kaufman & Broad was a subsidiary of KB Home, one of the leading builders-developers of single-family homes in the United States. KB Home was one of the first players in the U.S. housing market to understand the importance of a strong brand name and the effect of size and make this a critical part of its strategy. This strategy has helped establish Kaufman & Broad as one of the leaders in this industry.

Kaufman & Broad is involved in all stages of the real estate development process, from land acquisition and home sales to Project Design, building permits and customer service.

Construction is carried out by a general contractor or separate specialized contractors.

Kaufman & Broad is a developer-builder whose policy is:

- not to purchase land for speculative investment, but rather to buy land that will enable the group to expand;
- not to anticipate, in its land acquisitions, any significant increases in real estate prices, but instead to concentrate on the design and quality of its products;
- to review the financing plans of its customers to ensure their ability to finance their purchases;
- to ensure compliance with the Ethics Charter it has established and which has been signed by all the employees of the group and which governs the relations of the group's employees with its customers, subcontractors, suppliers and, more generally all others;
- to ensure that its projects respect the environment.

Management believes that the Kaufman & Broad brand name is a key success factor in a highly competitive market, for three main reasons:

- it facilitates priority access to real estate;
- it generates long-term customer loyalty, as first-time buyers become second-time buyers;
- more importantly, it can accelerate the sale cycle, which reduces each project's financial risk and allows the group to optimize its profitability.

The group designs its products for homebuyers and for private and public investors (public housing operators, land corporations, etc.). It markets its single-family homes and apartments under the "Kaufman & Broad" brand or, in Grenoble, under the "Résidences Bernard Teillaud" brand.

Kaufman & Broad offers its customers the possibility of moving into a home that is ready for immediate occupancy and that the customer has personalized thanks to a wide range of available options. Since 1998, Kaufman & Broad has operated showrooms (or "Design Spaces") where customers can see, select and purchase the options offered in the context of the group's designs.

Finally, the group is expanding its tourist, Corporate, senior (non-assisted care) and student accommodation programs.

Since July 10, 2007, the majority holder of Kaufman & Broad SA has been Financière Gaillon 8, a Company that is ultimately controlled by funds managed by PAI partners (PAI).

At November 30, 2012, Financière Gaillon 8 held 87.96% of Kaufman & Broad SA's capital and 94.51% of its voting rights.

The change in PAI's interest is presented in detail in Section 5.3.1. "Shareholders of the Company at November 30, 2012 and three-year change."

PAI is a leading European private equity investment firm and the largest private-equity investor in France. It is one of the oldest and most experienced investors in Europe, with origins dating back to Paribas's equity investment activities in 1872. PAI provides private equity investment management and advice for total capital investments of nearly €4 billion. Since 1994, PAI has conducted 48 buyouts in nine European countries, for a total of nearly €35 billion. PAI invests in Company takeovers as part of leveraged buyouts (LBOs) by acquiring majority stakes in medium-sized to large European companies. It occupies a leadership position in our five core sectors. PAI has a team of 50 highly experienced professionals from various professional backgrounds. With professionals from nine European countries and teams based in Paris, Copenhagen, London, Luxembourg, Madrid, Milan and Munich, PAI combines a strong knowledge of local markets with large capacities and a pan-European outlook. PAI partners is characterized by its operational approach to ownership combined with industrial and sector expertise.

The business activities of PAI are presented in more detail in Section 5.3.3. "Legal entities holding control of the Company."

1.1.1. History

1.1.1.1. Milestones

1968	Formation of Kaufman & Broad SA in France
1970	Delivery of the first house in the Paris region
1985	Acquisition of Bati Service
1995 to 1999	Acquisition of Bréguet, SMCI and Park
2000	Kaufman & Broad listed for trading on the Paris Stock Exchange Acquisition of Frank Arthur, Sefima, First Promotion and Sopra Promotion
2001	Acquisition of Résidences Bernard Teillaud
2003 to 2005	Acquisition of euro Immobilier, the Avantis group, Foncier Investissement-Malardeau and programs developed by Lotibat
2007	Acquisition of a majority stake in Kaufman & Broad by PAI partners
2010	Acquisition of SM2I

1.1.1.2. Background

In 1968, the Company began by developing Single-family Homes in Communities in France and delivered its first home in 1970 in the Paris region. The group began operations in Lyon and Marseille in 1972, then in Frankfurt and Brussels in 1973, before withdrawing from these markets and refocusing its activities on France as of 1983.

1.1.1.3. Acquisition strategy

In the second half of the 1980s, Kaufman & Broad initiated a policy of organic growth with the acquisition in 1985 of Bati Service, a Company building Single-family Homes in Communities designed primarily for first-time buyers. The group then acquired the business and other assets of its primary competitor at the time, Bréguet, a specialist in the construction of Single-family Homes in Communities, for a total of €11 million.

In August 1997, Kaufman & Broad acquired from CDR the principal assets (interests in 13 private real estate companies), as well as the related liabilities of Société de Missions et de Coordinations Immobilières (SMCI) and CFP-SMCI, companies specialized in the construction of apartments in large French cities (Paris, Marseille, Lyon, Strasbourg, Rouen and Besançon). This acquisition was made for a total net amount of €2 million including the take-over of assets and assumption of liabilities.

In the second half of 1999, Kaufman & Broad acquired Park and its subsidiaries (SNC Park Promotion, SNC Park Rénovation and SCIs (real-estate investment companies) owning individual apartment programs), a specialist in the construction of apartment units in Île-de-France for a total amount of approximately €15.5 million. Four acquisitions were made in 2000, two of which were companies specializing in the construction of apartments in Paris and the inner suburbs of Île-de-France (Frank Arthur Promotion in January and Sefima in July, respectively). They were acquired to strengthen the market share of the Company in Île-de-France. The other two companies purchased that year by Kaufman & Broad were First Promotion in Lille in July and Sopra Promotion in Toulouse in November. They illustrate the Company's external growth policy of expanding into new regional markets with high growth potential through acquisitions of existing experienced local structures. These four acquisitions represented a total investment of €45 million.

In August 2001, Kaufman & Broad acquired Progesti SA (the Résidences Bernard Teillaud group), a leading developer and homebuilder in the Grenoble region. The total price of this investment was €32.0 million, including a variable portion calculated on the basis of the Company's actual results from 2002 to 2005, which totaled €16.3 million.

In October 2003, Kaufman & Broad acquired euro Immobilier, a Toulouse-based developer with programs in Midi-Pyrénées and Gironde. The purchase price of this stock was €3.2 million and included a variable supplement based on euro Immobilier's actual earnings for the fiscal years 2003 to 2006. The variable supplement amounted to €3.6 million.

In fiscal year 2004, Kaufman & Broad completed two acquisitions of major developers, located mainly in the Southwest of France, particularly Midi-Pyrénées and Aquitaine. The Avantis group, the first of these acquisitions, was acquired during the first half of 2004. The shares of that Company were acquired for €9.7 million in May 2004, with control being taken on March 1, 2004. Then, in June 2004, Société de Développement et de Participation (Foncier Investissement – Malardeau) was acquired by the Kaufman & Broad group for €15.6 million.

In June 2005, Kaufman & Broad purchased 15 housing programs for €4.7 million. These programs were previously developed under the Lotibat name, with control assumed on June 1, 2005.

In June 2007, Kaufman & Broad acquired 33.34% of Beaulieu Patrimoine SAS (renamed Seniors Santé), a nursing home operator. In order to refocus its operations, the group sold its minority interest in Seniors Santé on October 13, 2010.

In September 2010, Kaufman & Broad acquired the regional promotion firm SM2I for €5.1 million. This acquisition allowed the group to step up operations in the Bretagne region with a property portfolio of more than 400 lots in 12 programs under management on the acquisition date.

1.1.2. Main characteristics of the business

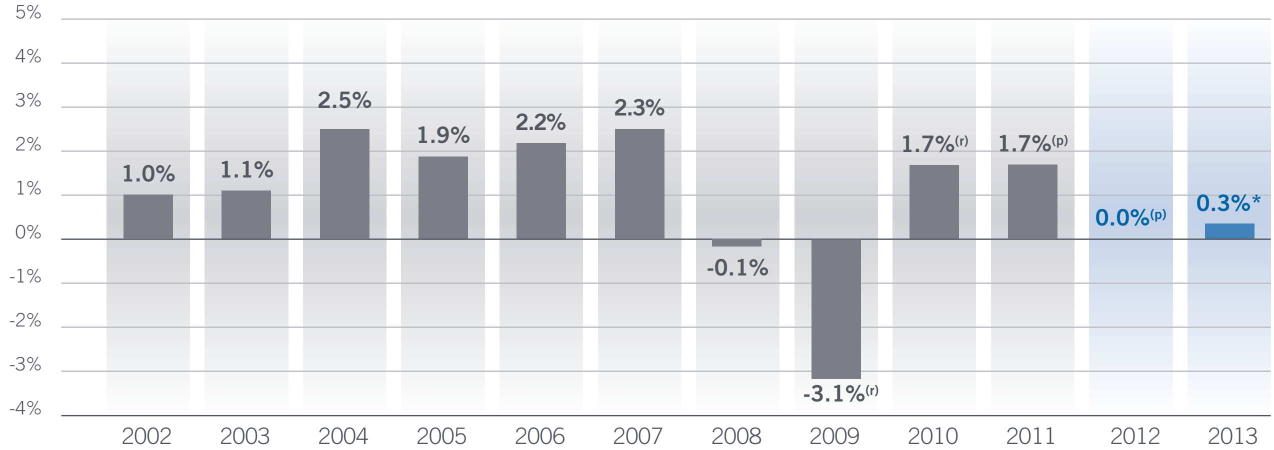
1.1.2.1. Markets

1.1.2.1.1. Macroeconomic and sectoral indicators

The market for new housing is influenced primarily by economic growth (GDP), unemployment rates, fluctuations in interest rates and real estate prices, as well as the housing inventory available for sale.

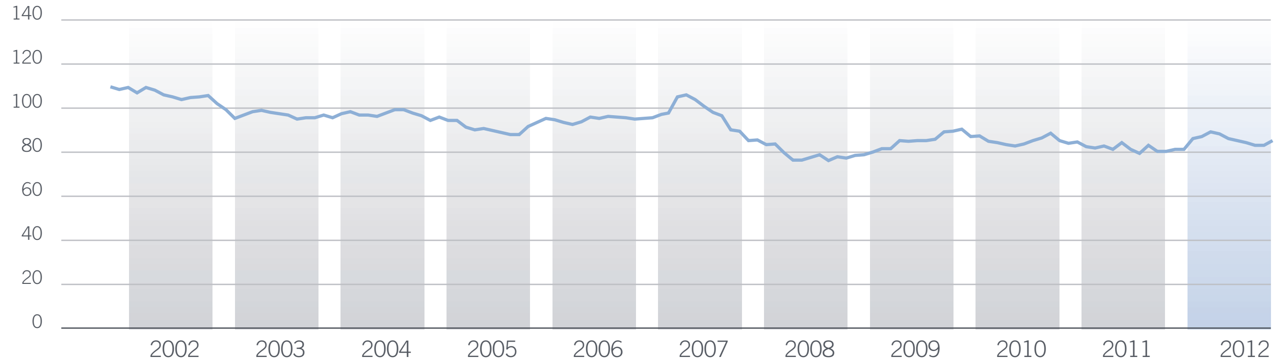
The following graphs illustrate the respective changes in the various macroeconomic indicators over the past ten years.

French GDP growth over the past ten years (in %)



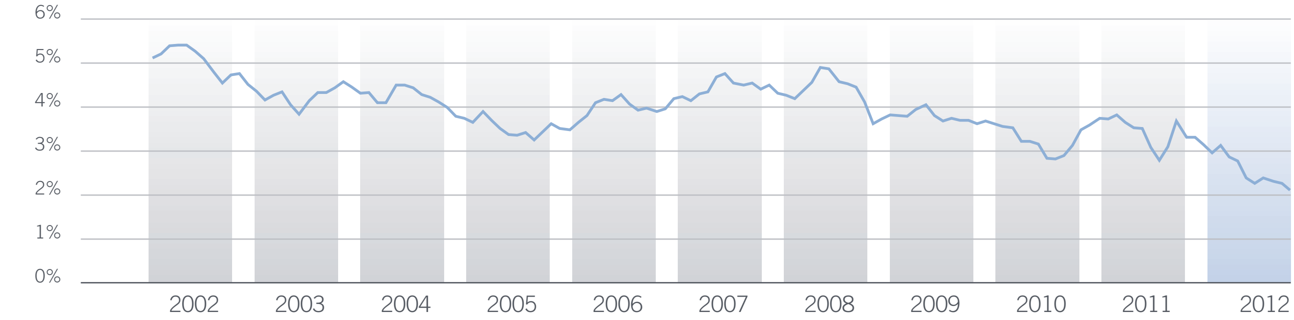
Source: INSEE.
(r) Revised data.
(p) Provisional data.
** OECD and IMF projection, February 15, 2013.*

Monthly change in the INSEE French Consumer Confidence Index over the past ten years (base 100 in 2002)



Source: INSEE.

Changes in interest rates (TME) over the past ten years (in %)

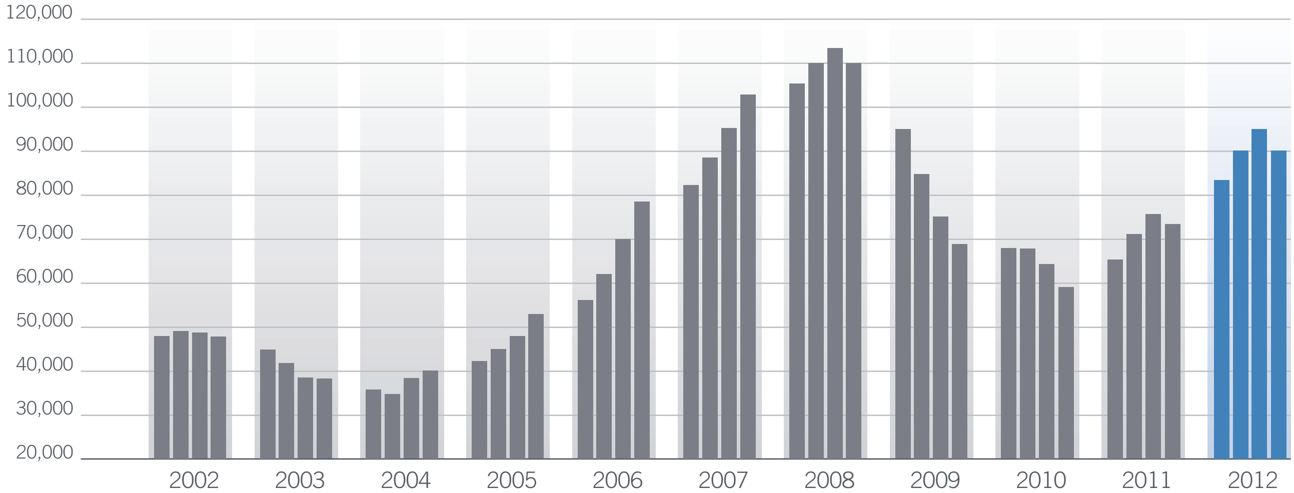


Source: Banque de France TME (average government bond rate).

Unemployment in France over the past ten years (in %)

Source: INSEE.

Housing inventory available for sale in France (number of units per quarter)



Source: Observation and Statistics Service (SOeS) – February 2013. Provisional 2012 data.
Housing inventory: housing units planned, housing under construction and housing completed.

After culminating in the third quarter of 2008 at nearly 113,000 housing units, the housing inventory available for sale began a phase of decline, reaching its lowest level at the end of 2010 with 59,400 units available (a level comparable to inventory in early 2006). Since the beginning of 2011, housing inventory began to rise from quarter to quarter to about 90,000 housing units available for sale at the end of 2012, an increase of nearly 23% in one year. Between 2011 and 2012, inventory of single-family homes remained fairly stable, ranging between 8,500 and 10,500 units. However, apartment inventory rose sharply, from 55,000 units at the end of the first quarter of 2011 to nearly 80,000 units at the end of the fourth quarter of 2012, with a high of 84,000 units in the third quarter of 2012.

1.1.2.1.2. Tax incentives

The market for new housing has benefited from various tax incentives for more than twenty years: the Quilès-Méhaignerie Law from 1984 to 1997, the Périssol Law from 1996 to 1999, the Besson Law from 1999 to 2003, the Lienemann Law from 2002 to 2003, the Robien Law from 2003 to 2006 and the Boorlo tax incentive for low-income housing ("*Boorlo populaire*") from 2006 to 2008. In addition, the French government arranged financing for buying property through loans such as the home ownership assistance loan ("PAP"). The PAP loan was replaced in 1995 by the zero-interest loan, which was revised in 2005, doubled in 2010 and replaced as of January 1, 2011 by the Zero-Interest Plus ("PTZ+") loan.

From 2007 to 2010, tax incentives were expanded and households using loans to finance their home were allowed to deduct 40% of the interest paid (excluding closing and insurance costs) from their income tax in the first year and 20% over the four years following the acquisition of their primary residence (Sarkozy Law).

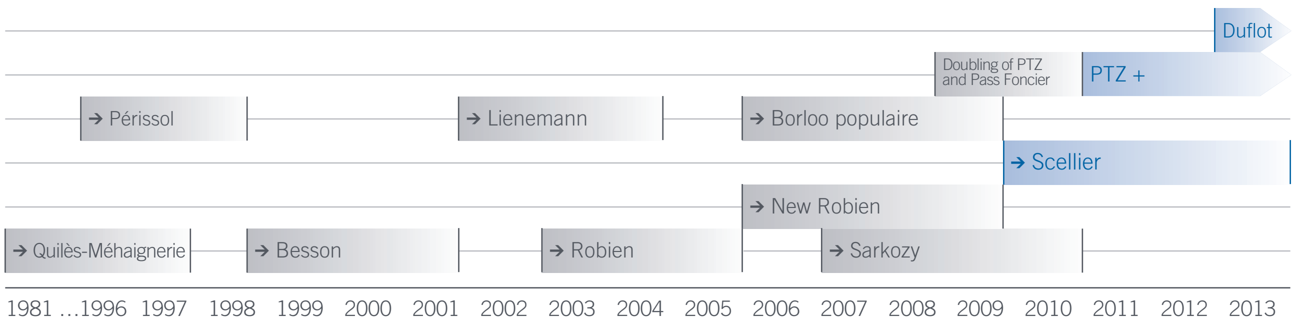
In December 2008, a new incentive, known as the "Scellier Law," was passed, giving taxpayers who acquire a new home or a home sold before completion (VEFA) between January 1, 2009 and March 31, 2013, a reduction on their income tax of 25% to 37% of the cost of the purchase, subject to various conditions and spread over a period of 9 to 15 years. This incentive, which is still in force, was set to expire (with exceptions) starting on January 1, 2013 (Section 1.1.2.1.2.1.).

In December 2012, a new incentive called the "Duflot Law" was approved to replace the Scellier incentive and allow individuals who acquire a new home or a home sold before completion (VEFA) between January 1, 2013 and December 31, 2016 to enjoy, under certain circumstances, an income tax reduction of 18% over a period nine years (Section 1.1.2.1.2.2.).

For these investments, individuals may possibly have to choose between the Scellier tax reduction and the new Duflot reduction. The benefits enjoyed under these two incentives cannot, however, be combined for a single home.

We estimate that these tax incentives have had and are expected to continue to have a positive influence on the new housing market, even though it is impossible to quantify the exact impact (see details in Section 1.2.3.5. "Tax incentives that may influence the new housing market").

The chart below summarizes the sequence of the various tax incentives affecting the housing market for more than twenty years:



1.1.2.1.2.1. The Scellier incentives

The incentives resulting from the Scellier Law (a measure adopted under the 2008 Supplementary Budget Act 2008-1443 of December 30, 2008) are primarily intended to give a boost to rental properties and make new housing a more attractive investment while restricting single housing unit purchases to one per year.

Thus, from January 1, 2009 to December 31, 2010, buyers of new rental properties were entitled to tax relief equal to 25% of the purchase price up to €300,000, which gave maximum tax relief of €75,000 over nine years. During the nine years in which such housing units are rented, rent remains capped based on the geographic area and not on tenants' income.

The 2011 Budget Act amended the tax reduction rate, basing it on a housing unit's energy performance.

Changes in the Scellier incentives in 2012

The 2012 Budget Act made further changes to the incentives, applicable from January 1, 2012.

The tax reduction rate for housing units Meeting BBC standards was reduced to 13% for investments made in 2012, except for orders registered before December 31, 2011 and deeds signed before March 31, 2012 when the reduction remains at 22%.

In principle, the tax reduction is eliminated for all investments not Meeting the BBC standard and made after December 31, 2011. However, investments made before this date and deeds signed before March 31, 2012 could be entitled to tax relief of 13% in 2012. Furthermore, investments made in 2012 but with no order registered before December 31, 2011 may also be eligible for a tax reduction of 6% if they received a building permit before December 31, 2011.

The event to be used to determine the rate of the tax reduction is the date of signature of the notarized deed of sale (acquisition of a new completed home or a home sold before completion for example).

Changes in the Scellier incentives in 2013

The 2013 Budget Act made further changes to this tax incentive.

In principle, the tax reduction has been eliminated for all investments made after December 31, 2012. However, investments made by December 31, 2012 for new homes purchased no later than March 31, 2013 may still be eligible for this incentive.

For homes sold before completion, the commitment to making a real estate investment can take the form of an order contract provided that it is registered with a civil-law notary or the tax authorities by December 31, 2012 and the deed is signed by March 31, 2013.

Summary of the Scellier tax reduction rates	2009	2010	2011	2012	2013
BBC 2005 housing	25%	25%	22% (a)	13% (b)	13% (b)
Non-BBC housing	25%	25%	13%	0% (c)	0% (c)

(a) 25% if an order was registered before December 31, 2010 and the deed was signed no later than March 30, 2011.
(b) 22% if an order was registered before December 31, 2011 and the deed was signed no later than March 30, 2012.
(c) 13% if an order was registered before 31 December 2012 and the deed was signed no later than 31 Mar 2013 or 6% if a building permit was filed before December 31, 2011.

Capping prices per sq.m

A new investment cap was introduced by the 2012 Budget Act. The cost price of the housing unit is limited to a price per square meter of living space set by decree according to the location of the housing unit. There is a transition period for the application of this measure: only investments made on or after January 1, 2012 and not preceded by an order registered before December 31, 2011 will be subject to this new cap.

Price caps per square meter are as follows:

Zone A and A bis	€5,000
Zone B1	€4,000
Zone B2	€2,100
Zone C	€2,000

Completion period

All housing units sold before completion (VEFA) are subject to a mandatory 30-month completion period, starting from the commencement of construction, in order for the investment to be eligible for a tax reduction.

Rent ceiling

The Scellier incentive applies only to housing located in specific municipalities where there is an imbalance between supply and demand. These are zones A, A bis, B1 and B2. During the agreed tenancy term, the monthly rent must be below the annual ceiling set by decree and based on the area in which the housing is located. This ceiling is raised on January 1 of each year according to the rent benchmark.

The 2013 monthly rent ceilings per square meter excluding expenses are as follows:

(in €/sq.m/month)	Investment made from January 1, 2010 to December 31, 2011		Purchase as from January 1, 2012	
	Monthly rent ceiling per square meter (a)		Monthly rent ceiling per square meter (a)	
Zone	**Free**	**Intermediate**	**Free**	**Intermediate**
A (Paris outer suburbs, Côte d'Azur and French suburbs of Geneva)	€22.71	€18.17	€16.74	€13.39
A bis (Paris and its inner suburbs)	-	-	€22.57	€18.06
B1 (cities with more than 250,000 inhabitants and some communities)	€15.79	€12.63	€13.51	€10.81
B2 (cities of at least 50,000 inhabitants, coastal and border regions)	€12.91	€10.33	€11.02	€8.82
C (rural communities approved for a period of 3 years)	-	-	€7.67 (b)	€6.14

(a) Amounts calculated by us in light of the tax instruction.
(b) With approval.

1.1.2.1.2.2.The Duflot incentive

The incentive enjoyed under the Duflot Law (adopted pursuant to the 2013 Budget Act 2012-1509 of December 29, 2012) is meant to promote investment in rental properties as part of general sustainable development goals.

Accordingly, from January 1, 2013 to December 31, 2016, buyers of new rental properties are entitled to a tax reduction equal to 18% of the purchase price up to €300,000, which gives a maximum tax reduction of €54,000 over nine years. Two acquisitions per year for the same tax year to a total limit of €300,000 per taxpayer are allowed.

Rental conditions

Rental must take effect within twelve months of the completion of the building and be effective and continuous for a minimum of nine years.

The housing unit must be rented out unfurnished and for use as a primary residence by the tenant.

Rentals cannot be concluded with a member of the tax household, ascendant or descendant of the taxpayer.

Rent and tenant financial resources valued at the date of the lease may not exceed a ceiling set by decree based on the location and type of housing (Decree 2012-1532 of December 29, 2012).

Capping prices per sq.m

The cost price of the housing unit is limited to a price per square meter of living space set by decree. The maximum price per square meter is set at €5,500 regardless of the location of the investment.

Completion period

All housing units sold before completion (VEFA) are subject to a mandatory 30-month completion period, starting from the commencement of construction, in order for the investment to be eligible for a tax relief.

Energy performance levels

The tax reduction is applicable to housing units for which the buyer supplies proof of the overall energy performance level set by decree based on the type of housing.

Housing units purchased new or sold before completion must:

- be labeled "low energy consumption buildings, BBC 2005" as defined in the order of May 3, 2007 regarding the content of and conditions for awarding the *Haute Performance Énergétique* (high energy performance) label; or
- comply with 2012 thermal regulations (RT 2012).

Rent ceiling

The Duflot incentive applies only to housing located in specific municipalities where there is an imbalance between supply and demand. These are zones A, A bis, B1 and B2. During the agreed tenancy term, the monthly rent must be below the annual ceiling set by decree and based on the area in which the housing is located and on the type of housing. This ceiling is raised on January 1 of each year according to the rent benchmark.

The monthly rent ceilings per square meter excluding expenses are as follows for leases signed in 2013:

(in €/sq.m/month)

Zones	Monthly rent ceiling per square meter
A (Paris outer suburbs, Côte d'Azur and French suburbs of Geneva)	€12.27
A bis (Paris and its inner suburbs)	€16.52
B1 (cities with more than 250,000 inhabitants and some communities)	€9.88
B2 (cities of at least 50,000 inhabitants, coastal and border regions)	€8.59

For these rent ceilings, a multiplying factor calculated using the following formula is then applied, in which S is the floor area of the housing unit: 0.7 +19/S. The multiplying factor obtained is rounded to two decimal places and cannot exceed 1.2.

Income ceiling

The tenant's income to be taken into account includes the reference fiscal income listed on the tax notice for the year prior to the year preceding the signing of the lease. This ceiling is raised on January 1 of each year according to the rent benchmark.

The annual tenant income ceilings are as follows for leases signed in 2013:

Composition of tenant household

(in €/year)	Zone A	Zone A bis	Zone B1	Zone B2
Single person	€36,502	€36,502	€29,751	€26,776
Couple	€54,554	€54,554	€39,731	€35,757
Single person or couple with one dependent	€65,579	€71,515	€47,780	€43,002
Single person or couple with two dependents	€78,550	€85,384	€57,681	€51,913
Single person or couple with three dependents	€92,989	€101,589	€67,854	€61,069
Single person or couple with four dependents	€104,642	€114,315	€76,472	€68,824
Supplement for the fifth and each additional dependent	€11,659	€12,736	€8,531	€7,677

1.1.2.1.2.3. The "Zero-Interest Plus Loan"

A centralized, extended system of tax credit – the Zero-Interest Plus Loan ("PTZ+") – has been introduced to simplify the existing range of grants.

This new interest-free loan, issued by government-registered credit institutions, was spawned by the overhaul of the "PTZ 2010" and the discontinuation of the "Pass-Foncier" and the tax credit on loan interest, which were eliminated on January 1, 2011.

It applies to individuals wishing to finance the purchase, refurbishment or construction of their primary residence as first-time homebuyers (buyers are considered first-time homebuyers if they did not own their primary residence during the two years preceding the loan offer).

The "PTZ+" has the same essential features at the "PTZ 2010." The amount of the loan is still based on the total cost of the transaction including taxes, the number of persons that will occupy the property as their primary residence and whether or not the property is new or existing.

Starting January 1, 2013, to be eligible for the PTZ+ loan, housing units must meet an energy performance benchmark, i.e., qualify for the "Bâtiment Basse Consommation d'Énergie, BBC 2005" label or comply with 2012 thermal regulations (RT 2012).

These incentives do not apply to loans issued between January 1, 2011 and December 31, 2014.

1.1.2.1.2.4. Home ownership for low income households

Under the ENL (Engagement National pour le Logement) Law of July 13, 2006, purchases by low-income households of new homes in neighborhoods undergoing urban renewal or located within a 500-meter radius of such neighborhoods qualify for the reduced VAT rate of 5.5%. The Supplementary Budget Act for 2011 increased the reduced VAT rate from 5.5% to 7% for all programs for which VAT is due, as from January 1, 2012. However, the reduced rate of 5.5% will remain applicable to social housing programs under Article 278 *sexies* of the French General Tax Code if such programs were underway before January 1, 2012.

The 2012 Supplementary Budget Act increased the VAT rate from 7% to 10% effective January 1, 2014.

Eligibility for this incentive is as follows:

- applicable neighborhoods are disadvantaged urban areas (plus neighborhoods subject to dispensation from Article 6 of Law 2003-710 of August 1, 2003) for which an urban renewal agreement was signed with the National Urban Renewal Agency "ANRU" or which are located within 500 meters of the boundary of these districts;
- the property is intended to serve as a primary residence;
- the purchaser's income does not exceed by more than 30% the ceiling specified in Article L.441-1 of the Construction and Housing Code, it being specified that income is calculated on the date of signature of the final deed of sale on the basis of taxable yearly income from two years prior, which must be proven in the form of the purchaser's tax notice.

1.1.2.1.3. Market volume

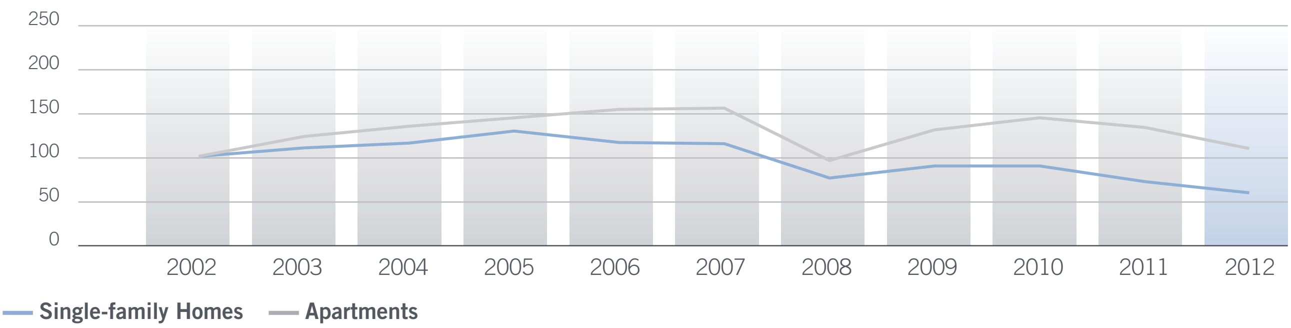
The following table shows the net number of orders for new Single-family Homes in Communities and apartments in France over the past ten years.

Change in net orders for new Single-family Homes in Communities and apartments over the past ten years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Single-family Homes in Communities	14,279	15,729	16,524	18,432	16,535	16,426	10,740	12,776	12,777	10,199	8,359
Apartments	71,209	87,733	95,667	102,991	109,429	110,499	67,960	93,098	102,636	94,831	77,853
Total	**85,488**	**103,462**	**112,191**	**121,423**	**125,964**	**126,925**	**78,700**	**105,874**	**115,413**	**105,030**	**86,212**

Source: French Ministry of Housing, New Housing Sales Study (ECLN). 2012 provisional data.

Change in net orders for new Single-family Homes in Communities and apartments (base 100 in 2002)



1.1.2.1.4. Single-family homes

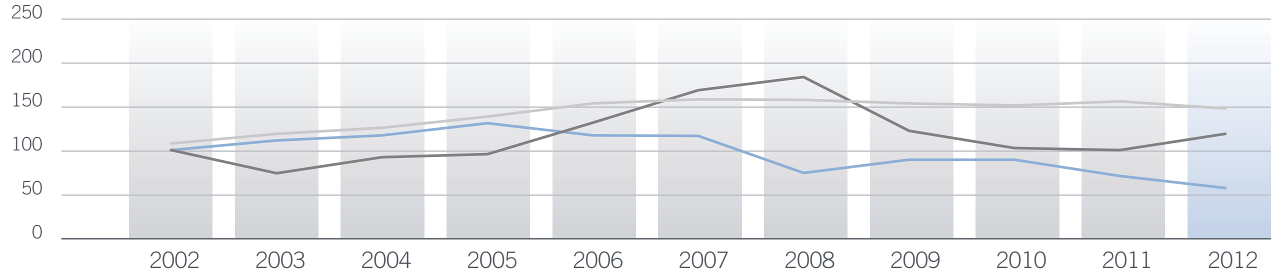
The French market for Single-family Homes in Communities represented 10,199 orders in 2011 and 8,359 in 2012.

Change in orders, inventory and average price of Single-family Homes in Communities over the past ten years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Orders	14,279	15,729	16,524	18,432	16,535	16,426	10,740	12,776	12,777	10,199	8,359
Inventory	8,582	6,403	7,919	8,181	11,134	14,165	15,372	10,355	8,745	8,545	10,096
Average price	172,506	189,699	200,531	220,507	243,203	250,530	249,833	243,296	239,516	247,082	250,125

Source: French Ministry of Housing, New Housing Sales Study (ECLN).

The French Market for Single-family Homes in Communities (base 100 in 2002)



Orders Inventory Average price

The table below shows France's largest markets for single-family homes combined.

Orders	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Île-de-France	2,804	3,320	2,720	3,093	2,868	2,386	1,729	2,074	2,194	1,378	1,006
Provence-Alpes-Côte d'Azur	1,504	1,191	1,157	1,517	1,538	1,803	924	1,497	1,021	822	643
Rhône-Alpes	1,476	1,640	1,871	1,701	1,550	1,579	1,075	1,326	1,902	1,577	1,278
Languedoc-Roussillon	1,502	1,575	1,387	1,166	1,530	1,567	1,088	1,059	778	769	493
Midi-Pyrénées	1,154	1,122	1,023	955	847	1,253	610	598	496	486	600

Source: French Ministry of Housing, New Housing Sales Study (ECLN).

1.1.2.1.5. Apartments

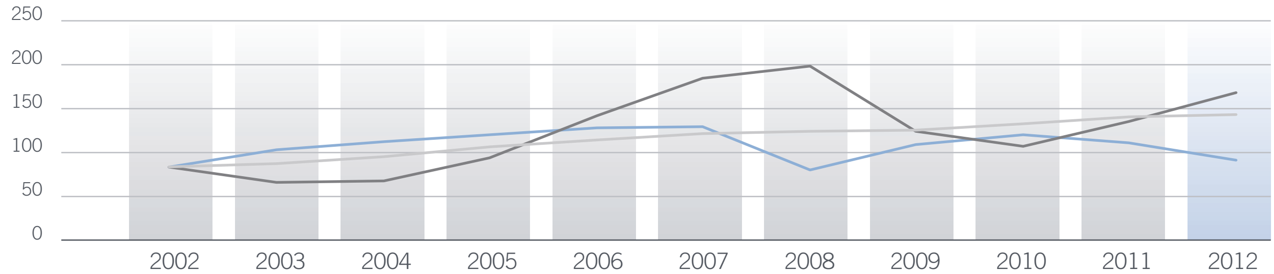
The French market for new apartments represented 94,831 orders in 2011 and 77,853 in 2012.

Change in orders, inventory and average price per sq.m for apartments over the past ten years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Orders	71,209	87,733	95,667	102,991	109,429	110,499	67,960	93,098	102,636	94,831	77,853
Inventory	39,539	31,101	31,943	44,590	67,506	87,802	94,491	58,885	50,665	64,334	79,833
Average price (€/sq.m)	2,241	2,350	2,563	2,850	3,071	3,273	3,344	3,369	3,572	3,780	3,860

Source: French Ministry of Housing, New Housing Sales Study (ECLN).

Changes in the apartment market (base 100 in 2002)



Orders Inventory Average price

The table below shows the largest markets for apartments in France.

Orders	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Île-de-France	16,431	18,464	19,068	18,263	17,278	18,472	12,479	16,730	19,658	18,888	18,412
Provence-Alpes-Côte d'Azur	8,844	9,925	9,421	11,001	13,233	13,433	8,868	12,602	14,226	11,788	9,824
Rhône-Alpes	11,675	14,949	15,088	15,445	16,077	16,776	11,133	16,279	18,912	17,010	13,063
Languedoc-Roussillon	4,062	4,391	5,184	6,852	7,566	7,560	5,251	6,987	6,954	6,812	4,748
Midi-Pyrénées	5,006	6,767	7,508	7,529	8,622	7,351	4,096	4,331	4,743	4,909	4,089
Aquitaine	3,981	5,396	6,734	7,993	7,178	6,657	3,382	4,931	5,577	5,102	3,805
West[a]	6,968	9,828	10,869	12,062	13,336	11,980	7,788	10,738	12,471	10,306	7,617

Source: French Ministry of Housing, New Housing Sales Study (ECLN).
(a) Combination of Pays de la Loire and Bretagne Regions.

1.1.2.1.6. Principal market operators

In addition to the local and regional developers who are well positioned in their geographic markets, Kaufman & Broad competes with major national companies which operate in the group's markets.

The following table shows the number of housing orders of the principal players in the new housing market in France:

Market operators	2012	2011	2010
Bouygues Immobilier[a]	10,516	14,723	13,734
Nexity[b]	10,191	11,424	11,854
Kaufman & Broad	**5,487**	**6,408**	**6,651**
Icade[c]	4,295	5,377	5,173
Cogedim[d]	3,197	4,197	4,100
Les Nouveaux Constructeurs[e]	1,872	2,247	1,817

Sources:.
(a) Bouygues Immobilier: Press release of February 27, 2013, orders in France and abroad.
(b) Nexity: Press release of February 19, 2013.
(c) Icade: 2012 annual results dated 21 February 2013.
(d) Cogedim: Press release of February 27, 2013.
(e) Les Nouveaux Constructeurs: Press release of February 7, 2013.

1.1.2.2. Operational organization of the group

1.1.2.2.1. Knowledge of local markets

Since its founding in France, Kaufman & Broad has come to believe that in-depth knowledge of local markets is necessary in order to (i) acquire the best sites under the best possible terms, (ii) design products adapted to demand by anticipating changing demand and (iii) effectively manage its relationships with local authorities, construction companies and subcontractors.

1.1.2.2.2. Operational structure

The group is organized into Corporate divisions and three Regional operating divisions headed respectively by Patrick Zamo and Marc Nafilyan for Île-de-France, Jacques Rubio for the Southwest Region and William Truchy for Rhône-Alpes, the Southeast and West Regions. In addition, Kaufman & Broad has 13 regional divisions: Île-de-France (split into three sectors), Loire-Atlantique/Bretagne, Normandie, Rhône-Alpes, Savoie/Grenoble, Côte d'Azur/Provence, Mediterranée (Bouches-du-Rhône), Languedoc-Roussillon, Midi-Pyrénées, Pyrénées-Atlantiques and Aquitaine. The management teams in each regional division have significant experience in their markets. To leverage this local expertise for the group, the regional divisions are given substantial autonomy to identify sites, develop sales strategies and implement development and construction activities and control costs. Each regional operating division has a business development and project management department, a technical department, a sales department and, in some cases, a "Design Space" showroom. They are also supported by shared regional resources (sales administration, management control) and the group's central resources, namely the Corporate divisions of finance, information systems, legal services, marketing, web-based communications and Human Resources.

The Company provides its subsidiaries and regional divisions with various administrative and management services, including consulting in:

- project financing;
- organizational set-up, recruitment, personnel management, payroll administration and compensation;
- accounting, legal, tax and treasury management;
- processing and installation of information systems;
- marketing support, as well as assistance and advice for customer sales.

The cost of these services, excluding Corporate and IT costs, which are reinvoiced to the subsidiaries according to a distribution matrix defined each year in the budget on the basis of the business of each subsidiary and the area used by each one, is divided among group companies through the Economic Interest Grouping (GIE) on the basis of the number of employees assigned to each activity and the business volume of each group Company.

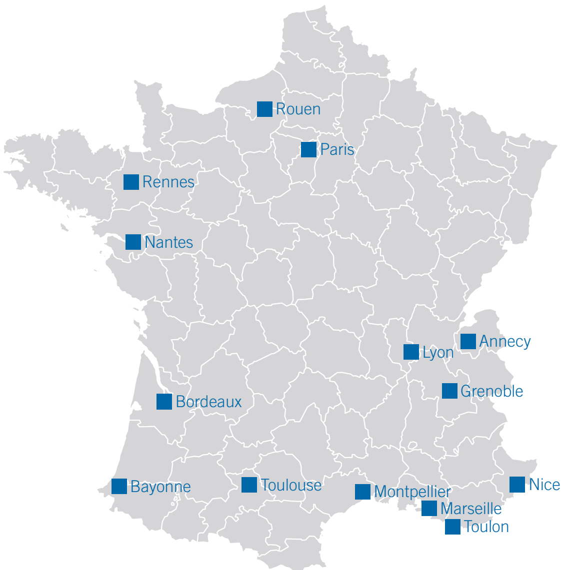
The group's principal subsidiaries (Kaufman & Broad Homes, Kaufman & Broad Développement, Kaufman & Broad Nantes, Kaufman & Broad Normandie, Kaufman & Broad Rhône-Alpes, Kaufman & Broad Savoies, Résidences Bernard Teillaud, Kaufman & Broad Côte d'Azur, Kaufman & Broad Provence, Kaufman & Broad Méditerranée, Kaufman & Broad Languedoc-Roussillon, Kaufman & Broad Midi-Pyrénées, Kaufman & Broad Pyrénées Atlantiques, Kaufman & Broad Aquitaine and SM2I) supply the real estate subsidiaries with services in development, management, Sales and Marketing and technical assistance. As consideration for such services, the companies providing them receive a fee in line with signed agreements. These agreements generally provide for compensation equal to 4.8% (excluding VAT) of revenues ex-tax for management, administrative, legal, financial and accounting services, 5.5% (excluding VAT) of revenues ex-tax for marketing and brand use and 3% (excluding VAT) of the technical cost (excluding VAT) for technical management assistance services.

1.1.2.2.3. Geographic presence

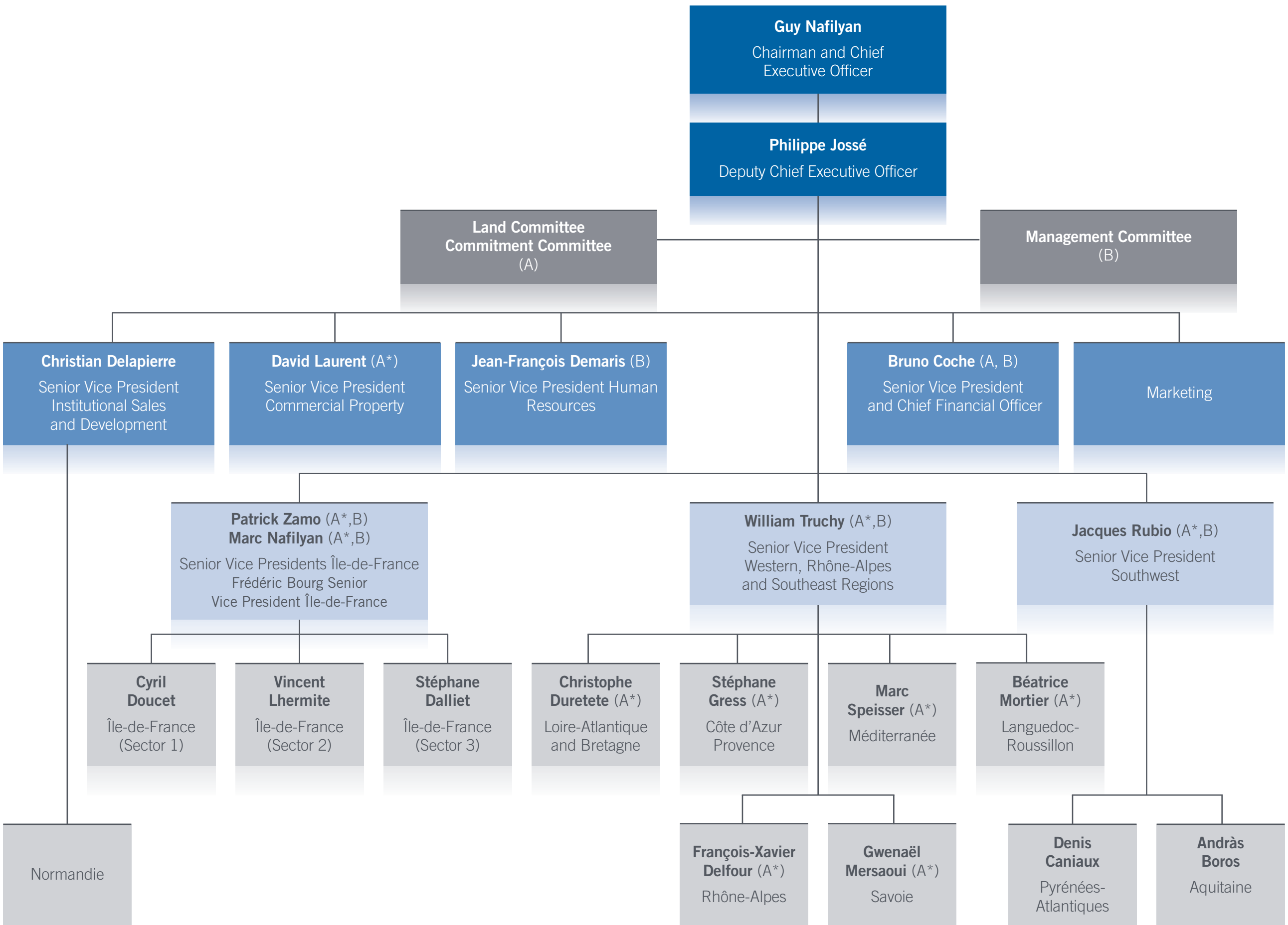
Kaufman & Broad's strategy is to conduct business in geographic areas with strong potential for economic and demographic growth in the medium and long term. This goal has led the group to refocus its operations on the most buoyant regions in order to increase its market share. In 2012, Île-de-France accounted for 45.5% of the group's Housing revenues with the remaining 54.5% coming from the Regions.

Kaufman & Broad intends to continue to develop its operations in the major economic regions in which it still sees strong growth potential: Bayonne, Bordeaux, Grenoble, Lyon, Annecy, Marseille, Montpellier, Nantes, Rennes, Nice, Toulon and Toulouse and particularly Île-de-France.

The map below shows the group's current presence in France.



Kaufman & Broad organizational chart



A = Members of their Regional Land and Commitment Committees.*

The sales mix between Île-de-France and the Regions can be analyzed as follows in terms of EHUs (Equivalent Housing Units):

Share of number of housing units	Equivalent housing units delivered	
	2012	2011
Île-de-France	41%	34%
Regions	59%	66%
Total	**100%**	**100%**

The following table shows the group's estimated market share of orders in each of its business segments:

Market share	2012	2011
Single-family Homes in Communities		
Île-de-France	13.0%	0.2%
Languedoc-Roussillon	7.9%	5.9%
Midi-Pyrénées	5.5%	NS
West[a]	4.1%	0.3%
Provence-Alpes-Côte d'Azur	2.0%	4.9%
Total Single-family Homes in Communities, France	**2.9%**	**0.9%**
Apartments		
Île-de-France	12.9%	11.5%
Aquitaine	12.9%	13.1%
Languedoc-Roussillon	5.4%	4.7%
Midi-Pyrénées	13.0%	10.2%
West[a]	6.1%	5.1%
Provence-Alpes-Côte d'Azur	8.4%	11.5%
Rhône-Alpes	2.1%	3.9%
Total Apartments, France	**6.7%**	**6.7%**
Total Housing, France	**6.4%**	**6.1%**

Source: Kaufman & Broad and French Ministry of Housing, New Housing Sales Study (ECLN).
(a) Combination of Pays de la Loire and Bretagne regions.

1.1.2.3. Products and marketing

Kaufman & Broad has maintained a strong focus on marketing and customer service since its creation. This strategy is reflected not only in the design of its innovative products, but also in its brand awareness campaigns.

For instance, in its Single-family Homes in Communities programs, Kaufman & Broad works to create houses with harmonious architecture and functional interior design (large living room, separation of day-time and night-time areas, master bedroom suites, extensions or models that can be upgraded to suit changing needs, etc.). Kaufman & Broad also focuses on the landscaping of its programs.

In the same way, in its apartment programs, the group ensures that the architecture blends into urban sites. It may use well-known architects and aims to produce functional interiors that optimize available space.

Kaufman & Broad has built its sales approach around a dynamic marketing strategy. To market its products, in certain cases it uses model homes or apartments decorated by professional interior designers. This approach is also seen in the standardized design of its sales offices.

Finally, when necessary, Kaufman & Broad conducts market research to identify future homebuyers' expectations and track its competitors' design trends.

This enables it to provide innovative solutions that effectively meet customer expectations. Kaufman & Broad SA owns the Kaufman & Broad brands and logos for the European Economic Area and Switzerland through its subsidiary Kaufman & Broad Europe SA (details are provided in Section 1.1.2.13.1. "The Kaufman & Broad brand").

1.1.2.3.1. Customers

The group's policy is to develop innovative products that meet the ever-changing expectations of a broad range of customers consisting of homebuyers (for primary and secondary residences) and private, Corporate or institutional investors in Île-de-France and other major metropolitan areas. With such a diverse customer portfolio, the group has the flexibility to adapt quickly to market changes. Historically, the group's positioning was primarily in the second-time home buyer market, long considered the deepest and most durable market. However, the 2008 real estate crisis and reluctance on the part of second-time buyers to enter into transactions for new housing led Kaufman & Broad to reorganize its strategy and adjust its commercial offer towards more compact products. These types of product are more tailored to the financial profitability requirements of investors as well as the creditworthiness of first-time buyers.

Sales of primary residences are still a core component of the group's business.

Buyer type	Of number of orders		Of revenues (including VAT)	
	2012	2011	2012	2011
Investor[a]	36%	46%	33%	46%
Block	27%	27%	20%	18%
First-time homebuyer	29%	20%	32%	23%
Second-time homebuyer	8%	7%	15%	13%
Total	**100%**	**100%**	**100%**	**100%**
(a) Including Scellier investors	*26%*	*37%*	*24%*	*37%*

In an uncertain economic environment, where housing demand continues to outstrip supply, Kaufman & Broad's strategy is to focus more on first-time buyers who benefit from the "Zero-Interest Plus Loan" program while continuing to develop products aimed at investors under the Duflot incentive. Furthermore, in order to better meet the needs of the market, the group is focusing more on its housing for students and seniors, where demand is extremely high. In 2012, the group received a still-significant portion of its orders from investors, despite reduced tax incentives. Rental investment made up 33% of revenues excluding VAT (including 24% under the Scellier incentive), while block orders accounted for 20% of revenues. Homebuyers (both first-time and second-time homebuyers) accounted for 47% of revenues, up 11 points due in particular to the increase in the proportion of first-time homebuyers from 23% to 32%.

1.1.2.3.2. Buyers of primary residences

The market for first-time buyers consists of homebuyers making their first property purchase. The typical first-time buyers are couples aged between 25 and 35, with or without a child and with household income of approximately €3,000 to €4,000 per month. They generally purchase an apartment with an average of 60 sq.m of living space or a single-family home with 85 sq.m of living space, at a price (including VAT) ranging from €190,000 to €300,000. To finance the purchase of their home, first-time buyers may be eligible for the "Zero-Interest Plus Loan" or a 1% employer loan.

The market for second-time buyers consists of buyers who already own a home and who buy after selling their home. The typical second-time buyer is a 35- to 60-year-old couple with one or more children. The monthly household income for these buyers is generally €4,000 to €8,000. Second-time buyers typically purchase a home with 80 to 160 sq.m of living space.

Kaufman & Broad estimates that first-time buyers of primary residences represent strong business potential.

In 2012, the sales price (including VAT) of the group's single-family homes varied from €120,000 to €675,000. The average price was €252,491 in Île-de-France and €328,647 in the Regions. Living space in these homes ranges from 59 to 164 sq.m, depending on the program (see Section 2.1.3. "Tracking of indicators").

In 2012, the selling price (including VAT) of apartments ranged from €2,160 to €8,659 per sq.m in Île-de-France and started at €1,345 per sq.m in the Regions. In Île-de-France, the average selling price (including VAT) of apartments (including parking) was €4,324 per sq.m. In the Regions, it was €4,050 per sq.m in 2012.

The following tables show the change in the average price (including VAT) and in the average living space (excluding land) for single-family homes and the average price of the apartments delivered by the group over the past ten years.

Average price of single-family homes delivered (EHUs) by the group over the past ten years

(in euros, incl. VAT)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Île-de-France	217,000	264,000	269,000	302,700	306,900	319,900	307,400	335,630	294,665	301,771	252,491
Average area of homes in sq.m	130	128	122	113	111	107	110	113	96	100	79

Average price of apartments delivered (EHUs) by the group over the past ten years

(in euros, incl. VAT)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Île-de-France	226,300	238,900	231,300	248,600	252,600	249,900	241,900	208,500	226,929	266,945	238,774
Regions	133,000	148,000	144,500	152,600	171,600	185,900	188,000	197,300	197,116	201,420	212,006

1.1.2.3.3. Individual investors

Most of the group's programs in 2012 were fully eligible for the main tax incentives, particularly the Scellier incentive (see Section 1.1.2.1.2., "Tax incentives"). The group estimates that individual investors buying through agents, specialized networks or its sale offices generated 36% of its orders in 2012.

1.1.2.3.4. Institutional investors and public housing operators

For several years, Kaufman & Broad has been developing a strong partnership with the leading French and foreign institutional investors (insurance companies, pension funds, real estate trusts and public housing operators) and it has become a recognized player within this market segment.

The group estimates that in 2012, 27% of its orders were from these investors.

1.1.2.3.5. Products

The reputation of Kaufman & Broad has been built on the quality of its products. Consequently, the group closely monitors the construction companies it uses in order to select the best subcontractors for future programs. The contractor companies involved are therefore evaluated by the group's technical services department, generally upon completion of each project.

1.1.2.3.6. Single-family Homes in Communities

For over 40 years, the group has developed and marketed the concept of Single-family Homes in Communities in France. Particular attention has been paid to the selection of the sites.

Each community, depending on its size, has several different home models, with an average size of between 20 to 60 homes for each program.

Although each home's interior design varies depending on the model, Kaufman & Broad always emphasizes light and the optimization of space.

Under the Kaufman & Broad brand, the group uses many innovative concepts, often copied by its competitors, including:

- a built-for-living "family room" kitchen, where families can cook and dine together;
- homes with cathedral ceilings: double-height ceilings in the living room;
- a "master bedroom suite" consisting of a bedroom, bathroom and walk-in closet;
- living rooms and dining rooms may be adorned with bow windows at the rear;
- a laundry room;
- enclosed or attached garage;
- large attics that can be converted or expanded;
- an extra room that can be used for a specific purpose, such as multimedia use.

Each single-family home is delivered with a private planted yard with lawn.

In Île-de-France, the group's Single-family Homes in Communities are generally:

- detached or semi-detached homes that range in size from 75 to 90 sq.m, designed primarily for first-time buyers or investors;
- Single-family Homes in Communities inspired by a more American or contemporary style of architecture and interior design, with living space generally ranging from 105 to 160 sq.m and designed primarily for second-time buyers.

In the Regions, the group markets Single-family Homes in Communities with products designed for both first- and second-time buyers at prices ranging from €200,000 to €700,000.

In an effort to keep Meeting the needs of its customers, Kaufman & Broad regularly updates its housing range, offering new models with more contemporary architecture in keeping with today's sustainable development and energy saving requirements.

1.1.2.3.7. Apartments

When developing its apartment programs, Kaufman & Broad is very careful in selecting sites.

In Île-de-France, the sites are in the city of Paris and in the inner, middle and outer suburbs.

In Annecy, Annemasse, Antibes, Bayonne, Bordeaux, Grenoble, Lyon, Marseille, Montpellier, Nantes, Nice, Nimes, Rennes, Rouen, Saint Raphaël, Saint-Tropez, Toulon and Toulouse, the sites are also located in the city center or the inner suburbs.

Kaufman & Broad pays particular attention to the architecture of its buildings, the design of communal areas (entry hall, stair landings, yards and green spaces), interior fittings, space optimization and outlook.

Kaufman & Broad produces buildings that take account of energy saving requirements, such as the "BBC Effinergie" label.

In Île-de-France, the group markets apartments intended primarily for:

- first-time homebuyers or investors in the inner, middle and outer Paris suburbs, offering an average surface area of 42 to 58 sq. m at prices typically ranging from €3,300/sq.m to €5,300/sq.m (including VAT);
- second-time buyers in the inner and middle Paris suburbs, offering an average surface area of 65 to 82 sq.m at prices typically ranging from €4,500/sq.m to €7,500/sq.m (including VAT).

In the Regions, the group targets its apartment programs under the Kaufman & Broad brand (or, in Grenoble, under the Résidences Bernard Teillaud brand) at:

- first-time homebuyers or investors, with apartments offering an average surface area of 40 to 60 sq.m at prices typically ranging from €2,700/sq.m to €4,500/sq.m;
- second-time buyers, with apartments offering an average surface area of 60 to 80 sq.m at prices typically ranging from €4,000/sq.m to €6,000/sq.m.

Kaufman & Broad's development in the Regions means that the group is able to market apartments intended for first-and second-time buyers and investors both in the main provincial cities as well as in secondary cities with economically buoyant markets.

Meanwhile, Kaufman & Broad products located on quality sites on the Atlantic, Brittany and Mediterranean coasts attract retirees.

1.1.2.3.8. Commercial Property

For its Commercial Property developments, Kaufman & Broad strives to meet the key requirements of:

- users, by designing:
  - high-quality, spaces that are a delight to use and adapted to new ways of working,
  - efficient buildings (optimization of space at each workstation), with high technical and environmental performance and optimized operating costs,
- investors, by enhancing their investment by offering high-quality design (upscale buildings) and making space flexible and adaptable, thus guaranteeing its longevity.

In the past, Kaufman & Broad had a large Commercial Property business, an activity that contributed to its solid reputation in Île-de-France. Today, the group operates this business either on behalf of third parties (project management contracts and real estate development contracts), or under a strict policy of not purchasing land until the entire program has been presold (sale before completion).

In 2010 Kaufman & Broad signed a partnership agreement with Elithis. Together they formed a Company called "Revivalis®" to leverage their combined know-how and enter the market of refurbishing service buildings to bring them up to *BBC-Effinergie Rénovation* standards. Against a backdrop of increasing vacancy rates, falling rents, the inevitable rise in energy costs, tighter regulations (health, safety, energy and environmental performance and so on), sustainable development issues and the growing user and investor demand for buildings that are more environmentally friendly, Revivalis® targets project owners who want to avoid having to discount their real estate assets for obsolescence reasons. Project owners should benefit from an enhanced value of their real estate assets, significant reductions in a building's energy consumption, customized renovations and buildings brought into compliance with environmental standards.

1.1.2.3.9. Managed accommodation

Kaufman & Broad develops serviced accommodation (for tourists, students, businesses and independent seniors) primarily in France's Southwest, West, Southeast and Île-de-France regions.

These apartments or homes are marketed as leaseback investments to buyers with "LMNP" (non-professional lessor of furnished accommodation) status who are eligible for a VAT refund under the "Scellier-Bouvard" tax law. The accommodations are typically operated by specially selected managers with recognized expertise, a solid reputation and a sound, proven financial position, thus providing owners with a guarantee that their property will be leased.

1.1.2.4. Sales methods

1.1.2.4.1. Sales team

Kaufman & Broad sells its housing units through its own sales teams and specialized networks.

As of November 30, 2012, these teams consisted of 170 people, including 100 sales representatives with an average of 7.8 years with the group. The majority of the sales personnel earn a fixed salary plus a sales commission paid monthly. Kaufman & Broad believes that its sales force, made up of real estate professionals who are very familiar with the group's products and code of conduct, produces highly effective results. This sales force also ensures that the group owns its list of customers and prospects.

Dedicated teams market single-family homes and apartment units in the group's sales offices. For sales of apartments to institutional investors, the group relies on its Sales and Marketing Department and the Regional divisions, which manage relationships with this customer base. In addition, Kaufman & Broad has dedicated sales managers in each Region who sell products eligible for tax incentives under the Scellier and Duflot Laws to individual investors. Kaufman & Broad thus uses specialized networks, such as banks, financial consultancies and other specialist companies, to sell some of its products, in particular projects that may be eligible for tax incentives. The group enters into Sales and Marketing agreements with these specialized networks on a project basis and a commission is paid when the deed of sale is signed.

1.1.2.4.2. Sales offices

Kaufman & Broad focuses on the design of its sales offices because it believes that potential customers often associate the quality of the housing program with the quality and appearance of the sales office. In order to benefit from its brand recognition and strong reputation, Kaufman & Broad designs its sales offices for its various programs in exactly the same way. The group's regional sales offices comply with a national Corporate identify, which stipulates the architecture and decor for these offices.

In 2011, Kaufman & Broad established a new sales office Corporate identity tailored to the group's image as a dynamic, innovative and upscale brand.

Most of the group's programs have their own sales office either on site or in the immediate area. In some cases, marketing is performed by independent or multi-program sales teams without a sales office. The group's policy is to open its sales offices every day for all developments with more than 100 homes.

When the size of a program justifies it, the group builds decorated show homes or model apartments, with the same focus on presentation and design quality.

1.1.2.4.3. Showrooms

As part of its strategy to offer customers a wide range of services and the possibility of personalizing their homes prior to delivery, Kaufman & Broad opened Design Spaces or showrooms in Neuilly-sur-Seine, Lyon, Marseille, Nice and Toulouse. These showrooms offer Kaufman & Broad customers a broad range of options for carpeting, tiles, hardwood flooring, fireplaces, walk-in closets/storage options, bathrooms, kitchens and so on and are a highly effective means of combining the functions of the sales and technical departments.

1.1.2.4.4. Website

ketb.com

Kaufman & Broad provides its potential customers with a website (www.ketb.com), an iPhone application, an iPad application and a Facebook Fan Page featuring all of the group's programs (detailed descriptions of available housing, amenities and services, videos, location map, interactive promotional material, 3D images where possible, availability, floor plans and sales price).

The Kaufman & Broad Registration Document (available online three weeks prior to the Shareholders' Meeting) and financial information can be downloaded from the group's website.

Presented in interactive format, the document provides useful features:

- a keyword-based search engine to find information quickly;
- useful links to various group websites.

In 2012, more than 1.17 million visits were recorded. Over 1,500 orders were initiated online, with close to 1,200 prospects who filled out a contact form on the group's website. The site also provides financial information about the group in French and English and regulatory information in French.

KB Patrimoine

In 2003 Kaufman & Broad set up a website for specifiers, KBPatrimoine.com, so that its partners would have permanent access to a "market place" detailing the group's housing offers.

The website, which requires a login name and password, provides information on the group's investor offers and the possibility to download all contractual documents required to place an order. A provisional order system is in place so that interested parties can be sure of the availability of a lot for client viewings, while an alert and workflow system allows real-time follow-up of availability and updates of sales documentation.

Today the group has more than 2,000 wealth management advisors and specifiers who access the site on a regular basis.

In 2012, KB Patrimoine recorded almost 85,000 visits to its website and 10,178 provisional orders, which resulted in 943 sales.

1.1.2.4.5. Advertising

To launch its real-estate programs (Single-family Homes in Communities or apartments), Kaufman & Broad conducts local advertising campaigns (except for so-called "exceptional" programs that may attract an external customer base) involving distribution of prospectuses, advertising in free publications, trade publications and on web banners and direct marketing (mailings and e-mailings).

For national promotional campaigns, the group takes broader initiatives, such as poster campaigns, radio campaigns and even website skins – initiatives that are always conducted in parallel with campaigns at local level.

1.1.2.5. Development process

1.1.2.5.1. Single-family Homes in Communities and Apartments

The development of Single-family Homes in Communities and apartment programs typically takes place in four stages: (i) administrative permits, (ii) land purchase, (iii) sale of the housing units and (iv) construction.

If possible, the sales process (order contracts) begins when the building permit is filed, even before the purchase of the land.

The normal timeframe for completing a typical development (completion of roads, infrastructure networks and construction) of single-family homes is approximately 12 months.

An apartment program generally takes an average of 18 months, excluding the time needed to organize project financing and advance promotion.

1.1.2.5.2. Commercial Property

The Commercial Property activities are ordinarily carried out on behalf of third parties or sold before completion to a final user or an identified final investor. In the case of refurbishment or renovation work, the group takes on real-estate development contracts (where the group designs and builds the program on behalf of the building's owner-investor in return for a lump sum including fees) or project management contracts (where the group pays nothing toward construction and receives only a fee). In the case of sales before completion, the group designs the real-estate program with the assistance of outside architects. Once the purchase option is signed, the group seeks a tenant or user for the future premises, as well as a final investor who will be the purchaser of the property program in question. The land or building is not purchased until all or some of the parties are identified.

In general, the offices are sold in their entirety before land is purchased and office construction begun.

1.1.2.6. Purchase of land

1.1.2.6.1. Selection of land

Kaufman & Broad's strategy is to buy only the land necessary for the development of its business and never to purchase land for speculative investment.

The land purchased by the group over the last three fiscal years (including land purchased by the companies acquired in their year of acquisition) represented a total investment of €170.8 million for fiscal year 2012, €199.9 million for fiscal year 2011 and €183.4 million for fiscal year 2010.

Kaufman & Broad has its own teams specializing in real estate research and the management of real estate programs.

These teams research land parcels, study the administrative, legal, marketing and technical aspects and establish a business plan for the development to be built on the land. They look for land that meets the group's selection criteria, which includes:

- geographic location: the site must be near a dynamic city with a good reputation for Single-family Homes in Communities and for apartment units, in the center of town or near an attractive metropolitan area with a good reputation for apartments;
- environment: the site should be near job market areas, public transportation and public facilities such as daycare centers, schools, stores and cinemas, green spaces and sports facilities (golf courses, swimming pools, etc.);
- quality (soil and exposure);
- the group's investment criteria: generally, the site should allow the construction, in the case of single-family homes, of programs of 15 to 90 houses and, in the case of apartment buildings, developments of 10 to 200 units, while offering in each case a minimum projected gross margin of 19.0%.

Kaufman & Broad reviews the quality of the land parcels. A soil survey of the site considered for purchase, which generally includes a study of pollution and previous land use, is systematically conducted by a specialized firm.

For each program of single-family homes, a survey of roads and other networks is generally conducted to determine the amount of the improvement work necessary to define the total cost of land development. Since its inception, Kaufman & Broad has had its own team specializing in roads and other networks. This team prepares the overall site plan and monitors the development of the program.

1.1.2.6.2. Approval by the Land Committee

The Land Committee confirms the strategic and financial relevance of the programs under consideration and the estimated budget for preliminary expenses (up to the filing of an application for a building permit). It also authorizes unanimously, if necessary, the signature of a bilateral sales agreement and the payment of earnest money (particularly in the case of unilateral sales commitments).

The Committee members are the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Finance Officer, the Senior Vice President of the region concerned and the Agency Director.

The file presented by the Regional Director to the members of the Committee generally includes the following information:

- a presentation of the land and the immediate environment (location within the community, distance to stores, public networks and service);
- the nature of the legal commitments under consideration (type of purchase option or planned Company acquisition, form and amount of the earnest money deposit);
- a market survey to analyze the local market, infrastructures, the price of new and existing housing in the area and the number of programs in progress and under development in the area in order to recommend an average sales price for the housing units in the planned program;
- a technical and architectural feasibility study;
- a provisional marketing plan by distribution channel;
- a projected construction schedule;
- a balance sheet and cash flow projection based on the tentative sale prices as a result of the market survey;
- the projected amount of expenses prior to obtaining building permits.

1.1.2.6.3. Project management and development costs

If the project is approved by the Land Committee, a purchase option, which is generally unilateral, may be signed, subject to the condition precedent of obtaining the final building permit and normal practices (conditions related to release of the location, conditions relating to the nature of the soil, the presence of pollution or classified installations as defined by the French Environmental Code and the absence of archeological requirements).

This option specifies the following:

- the sale price for the land;
- the conditions for completing the purchase: obtaining the permits required in order to build a minimum number of square meters or, for single-family homes, a minimum number of homes;
- the deadline for exercising the purchase option, which must be compatible with the time limits necessary to obtain the required administrative permits free of objections from third parties, or an administrative withdrawal;
- in general, a sales clause.

In certain cases, the group signs undertakings to purchase shares in companies which own land parcels. In addition to the conditions precedent described above, this type of agreement includes conditions relating to the completion of accounting, financial and legal audits.

1.1.2.6.4. Commitment Committee

Prior to the filing of the building permit application (and after the sale option has been signed, if type of commitment turned out to be necessary) and start of the Sales and Marketing process, the members of the Land Committee meet as a Commitment Committee to approve the program's strategy (particularly the commercial and technical aspects), confirm the program's updated budget, which will be used as a benchmark, approve the program's type and structure, authorize the filing of the building permit application and authorize the launch of the request for tenders (RFT) and the marketing and sales tools. These decisions constitute a unanimous authorization granted to the relevant Agency Director to continue the analysis of the real-estate development program.

The information presented to the members of the Committee is an update of the file initially submitted to the Land Committee.

A building permit application is then filed with the mayor's office in the town in which the work will be performed. Kaufman & Broad teams monitor the processing of the permit applications with the engineering services departments of the towns concerned or the relevant Departmental Office of Infrastructure (DDE). The normal time frame for reviewing a building permit application is generally three to five months, plus the time for objections from third parties, which runs for two months from the posting of the building permit at the construction site and in some cases the timeframe during which the mayor's office can withdraw a building permit, which is three months. Third parties (associations and local residents) may challenge building and demolition permits on the grounds that they do not comply with local urban planning regulations, such as zoning plans and development plans for urban development zones (ZACs), or with the French Urban Planning Code.

If a complaint is filed, the group has three options:

- abandon the project and invoke the non-achievement of the condition precedent to obtain a clear building permit as stipulated in the option to purchase the land;
- defend the project before the competent administrative court (this option is rarely chosen because of the long delays related to the court's work load);
- attempt an amicable settlement with the plaintiff, pursuant to which the plaintiff agrees to withdraw all complaints.

1.1.2.6.5. Final decision to purchase land

The general rule adopted by Kaufman & Broad is that the final acquisition of the land does not occur unless (i) the necessary administrative approvals are obtained to develop the program as planned, free of any third party objections (this last applies to most cases) and (ii) the program's profitability as set forth in the projected budgets has been checked.

In most cases, the operational managers present their land purchase request when they have attained a pre-sale rate of around 50%. In some circumstances, however, such as the expiration date of the purchase option, the group may acquire land before this pre-sale rate has been reached.

As an exception to the rule, the members of the Land Committee may authorize an acquisition when not all the conditions listed above have been met, for example, without the target pre-sale rate or without obtaining all administrative authorizations without objection.

If the projected financial budgets on which the Commitment Committee has based its decision cannot be met, the definitive acquisition of the property in question is again submitted to the members of the Committee for approval.

Any real estate purchase request made by a regional division is in the form of a file which includes the following information:

- a memorandum on the administrative status of the land and on marketing;
- updated budget;
- provisional cash flow plan;
- percentage of completion of the file;
- Updated statements of orders by distribution channel with a comparison to the targets of the Commitment Committee;
- comment from the agency Manager on the order rate if this is below 50%;
- official draft of the legal instrument;
- progress report on the request for tender (RFT) documents.

1.1.2.7. Land development and monitoring of the construction process

1.1.2.7.1. Single-family Homes in Communities

The majority of land purchased by Kaufman & Broad for its single-family homes programs is not yet improved. Prior to the final acquisition of land, a team of road and other infrastructure specialists, in consultation with an outside firm, conducts a study of improvements to the site.

Construction work generally does not begin until a pre-sale rate of approximately 50% of the value of the phase of homes to be built is achieved.

The technical department of the single-family homes division, composed of engineers and specialized technicians, acts as general contractor for single-family home programs, monitors construction and each phase of the program. It ensures that the work is carried out in compliance with the contracts signed and Kaufman & Broad's quality standards and monitors adherence to the construction schedule.

To do this, group foremen regularly perform onsite inspections of the work, with each foreman monitoring two or three programs. Outside inspectors are also hired to ensure the quality of construction.

The system of producing groups of single-family homes in phases gives the group significant security by permitting work to begin on each phase depending on the pace of sales.

Delivery of homes in phases also provides great flexibility because it allows the group to vary the types of homes by category of design in accordance with customer preferences. If a decision to make a change is made, the group files an application for the corresponding amended building permit.

1.1.2.7.2. Apartments and Commercial Property

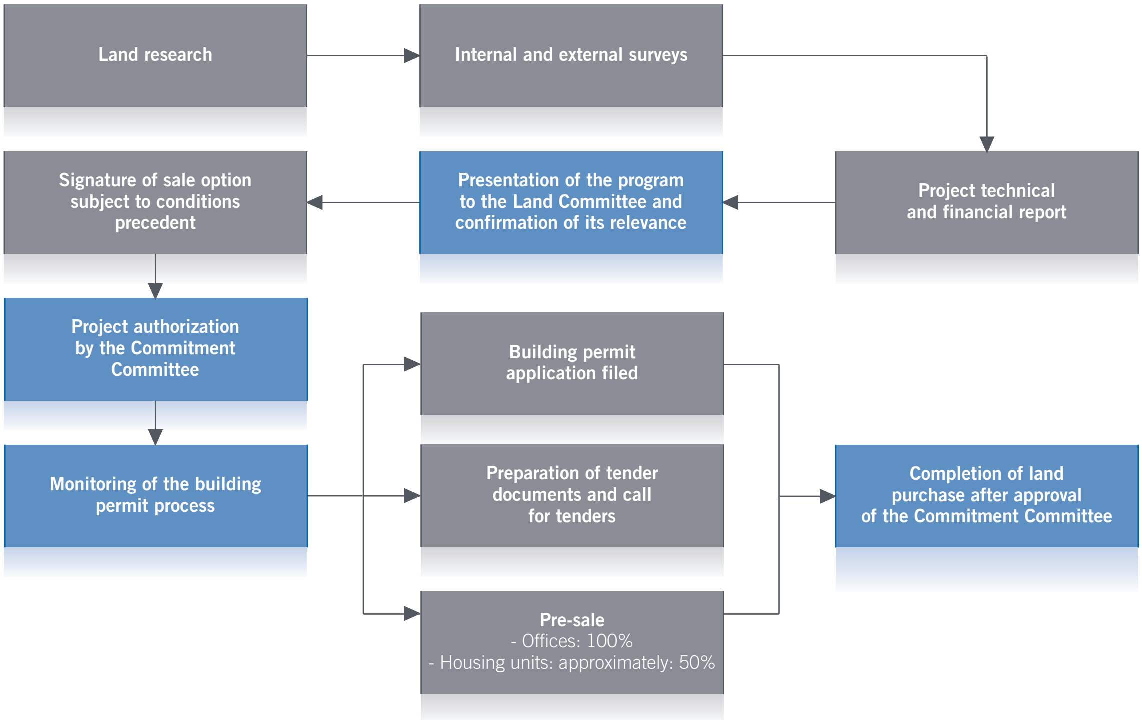
As a general rule, construction of apartments does not usually begin until a pre-sale rate of approximately 50% of the total development program value is attained.

On the other hand, land is purchased and construction work on Commercial Property does not generally begin until the entire development has been pre-sold.

For its Apartments and Commercial Property programs, Kaufman & Broad generally does not act as project manager (except on a regional basis), but instead uses outside architects and/or project managers who, working together with the group, prepare the architectural plans and timetable for the program and monitor the quality and execution of the work.

Centralized risk analysis and control

The diagram below summarizes the group's business model described above:



1.1.2.7.3. Monitoring budgets

Every quarter, the budgets for all the property programs are reviewed and updated by the operational players concerned (real estate, technical and salespeople) in the agency under the responsibility of the relevant regional management controller and are validated by the Agency Director. Financial balance sheets are presented at quarterly Committee meetings by each Regional Director concerned to the Deputy Chief Executive Officer, the Finance Department and to the Regional Director, when they are jointly approved.

1.1.2.8. Sales

In order to limit its financial exposure, Kaufman & Broad generally begins the sale process for its programs prior to completing the purchase of the land.

When possible, the pre-sale process begins when the application for a building permit is filed. Once the cost of the program has been determined and the construction phases set, order contracts can be offered to customers.

Under French consumer protection legislation (the Neiertz Law) and the French Solidarity and Urban Renewal Law, the sales administration department sends customers a copy of the order contract signed at the sales office, by registered mail with return receipt requested. Customers then have seven calendar days from the date of receipt of the contract during which they can reconsider and withdraw. If they do not withdraw, the sale covered by the order is subject only to the usual conditions of obtaining the related loans and insurance.

1.1.2.8.1. Customer assistance during the sales process

Sales teams can help customers obtain financing if customers so desire and depending on the information they provide. This initial analysis gives the group an approximate assessment of the financial capacity of each buyer and thereby limits the risks of triggering the cancellation clause in sale contracts when financing is not obtained.

As part of its strategy to improve customer services, Kaufman & Broad generally refers its customers to financial institutions (prominent first-tier banks) with which the group has forged partnerships so that it may offer its customers loans at negotiated terms and rates. A financial advisor may also be present at the sales office when a major program is launched.

The group's Sales and Marketing Department generally assists customers throughout the process until the signature of the final deed of sale. The department usually helps customers prepare the financial paperwork, particularly their loan and insurance applications. It ensures that drafts of the contract are sent to the customer by the civil-law notary within the required time period (at least one month prior to the scheduled signature date, as required under French law). It also ensures that notices for the notarized signing of the contracts are sent out at the appropriate time.

1.1.2.8.2. Form of sales and payment schedule

Since September 1, 1999 the group has marketed all of its programs under the system of sale before completion (VEFA) contracts, like most of its competitors.

With the sale before completion (VEFA) contract, the law has given real estate developers the option to call for payments from customers as the work is completed, according to a schedule defined by law, in exchange for the obligation to give customers a Performance Bond (GFA) (see Section 1.1.2.11. "Program financing"). Calls may not exceed 35% of the price upon completion of the foundation work, 70% at boxing up and 95% upon completion of the building. The balance is due on delivery. The VEFA contract immediately transfers to the buyer the title to the land. Title to the building is transferred as the building is completed.

Under VEFA sales, funds are called for most single-family home programs on the following schedule: a 5% deposit at the time of the order paid into an escrow account if the final deed of sale is signed within a year of the order, 30% upon completion of the foundations, 35% after boxing up and 30% on delivery of the keys to the home. Kaufman & Broad could modify this payment structure in favor of the customer under to periodic promotions designed to increase the rate of sales of certain programs.

For apartment programs, funds are called in most cases according to the following schedule: A 5% deposit at the time of the order paid into an escrow account if the final deed of sale is signed within a year of the order, 25% at the start of construction work, 5% upon completion of foundation work, 20% upon completion of the ground-floor deck, 10% upon completion of the second-floor deck, 5% on boxing up, 10% upon completion of outside carpentry work, 10% on completion of interior partitions, 5% on completion of the work and 5% on delivery. Payments are called from customers based on the work certificates prepared by the general contractor. It should be noted, however, that if the sales contract is signed after the completion of one of the events above, the portion of the price due on signing will be the price stipulated based on the percentage of completion method, as determined by said schedule. Kaufman & Broad could modify this payment structure in favor of the customer under to periodic promotions designed to increase the rate of sales of certain programs.

Except in specific circumstances related to order contracts signed by outside sales networks or exceptional sales conditions, 5% of the price (including VAT) of the housing unit is generally paid by the customer when the order contract is signed and should be deposited by the group in a special order account. This amount is held in escrow until the final signature of the sale contract, at which time the group definitively acquires the funds. This amount is returned to the customer if (i) the sale contract is not signed within the time specified in the order, (ii) the loan or loans stipulated in the order contract are not obtained by the customer, or the amount of the loans obtained is 10% less than projected amounts in the order agreement, (iii) any of the fittings described in the order contract cannot be delivered, or (iv) the building (or the part of the building) covered by the order declines in value in terms of consistency or quality of planned work, as determined by an expert, by more than 10%.

1.1.2.9. Customer service

With its commitment to customer satisfaction, Kaufman & Broad has created a customer service department responsible for answering any questions customers may have, both about the features of their home or any defects that may exist.

This service is available from the delivery of the home and the department assists customers by providing information on using their home, moving in or general inquiries.

When a defect is discovered in a home, the customer service department contacts the construction Company responsible and ensures a rapid response. Similarly, if the one-year "performance warranty" (*garantie de parfait achèvement*), the two-year "correct operational warranty" (*garantie biennale de bon fonctionnement*) or the ten-year warranty (*garantie décennale*) are applicable, the customer service department helps customers contact the relevant construction or insurance companies (for a description of such warranties and guaranties, see Section 1.2.5. "Insurance.").

To ensure customer satisfaction and continuously improve customer service, Kaufman & Broad gradually introduced a system of satisfaction questionnaires given to customers on delivery of their homes. The questionnaire gives the group feedback from customers, both on the general quality of its products and on the services offered by the group (sales team, technical services, the showroom advisor and customer services). It also allows the group to identify customer requirements and to improve its range of products and services.

Kaufman & Broad thus offers customers a comprehensive service from the moment they sign the order contract to the actual delivery of their property. This type of personalized follow-up is an accurate gauge of customer feedback that allows the group to establish appropriate strategies for development and innovation.

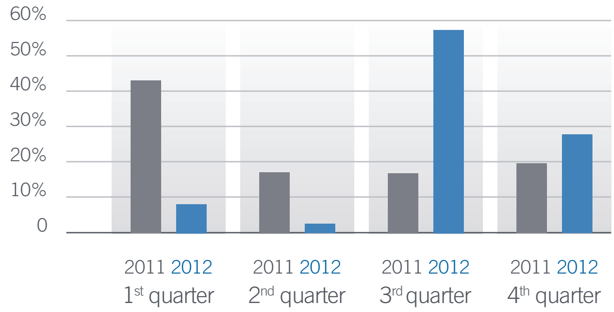
1.1.2.10. Seasonality and the business cycle

The industry in which Kaufman & Broad operates is cyclical in nature and may be influenced by numerous macroeconomic factors, be they financial, economic, demographic, sociological and so on (see Section 1.1.2.1.1., "Macroeconomic and industry indicators").

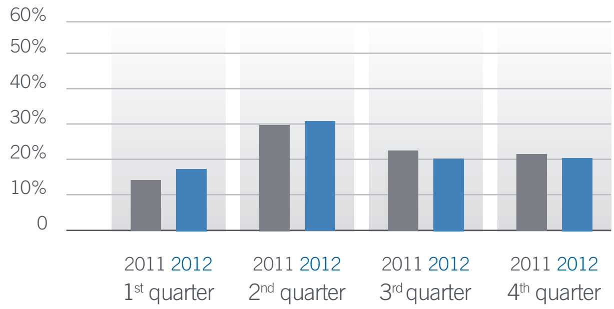
The following represents the group's sales operations, reflected in orders, during the last two fiscal years:

Orders by quarter

Single-family homes



Apartments



1.1.2.11. Program financing

The group's financial structure is described in Section 1.2.1.5.2. "The group's main debt facilities" and Section 4.1.5. note 25 "Borrowings and other financial liabilities."

The group's main financial institutions are as follows: Crédit Mutuel ARKÉA, Crédit Mutuel CIC, the Banque Populaire and Caisse d'Épargne group (Palatine, Crédit Foncier, SOCFIM, Natixis and so on), Crédit Agricole-CIB and Société Générale, plus institutions specializing in surety services and insurance brokerage, such as Atradius and MB cautions.

In a VEFA sale-before-completion contract, French law stipulates that customers must receive a Performance Bond at the signature of the order contract. This bond can either be issued by the program itself (intrinsic guarantee) or take the form of a bank guarantee (extrinsic guarantee).

For all its programs, the group generally uses the extrinsic guarantee system by obtaining a bank bond transaction-by-transaction from the financial institutions mentioned above and from certain insurance companies. This method accelerates the signature of sale contracts and facilitates the calls for funds.

In the past, the group has used intrinsic guarantees (issued directly by Kaufman & Broad) for its single-family home programs. With an intrinsic guarantee, no Performance Bond is required, but the pace of calls for funds from customers is different.

1.1.2.12. Builders and suppliers

Kaufman & Broad's policy is generally to choose all of its contractors and suppliers through a bid process. This applies to general contractors in charge of all the work on a program as well as to individual trade contractor companies bidding for separate portions of the program.

Kaufman & Broad checks, against available information, the financial situation of its contractors and their financial capacity to perform their obligations (based on the Company's size and the size of the program), for instance by using the services of business information providers. Kaufman & Broad also verifies that such contractors are covered by appropriate insurance. Finally, the group checks the quality of their past work and their ability to respect schedules.

In 2008, the group implemented a national purchasing policy for finishing work to streamline the services delivered to customers and optimize the related costs.

For its single-family home programs, the group primarily uses individual trade contractors. Most general contractors either do not build single-family homes or do so at prices higher than those of individual trade contractors. The majority of apartment and office programs are also carried out by individual trade contractor companies. A smaller proportion is assigned to general contractors.

Architects, design firms and land surveyors are selected through bidding procedures or private agreements. These parties are chosen on the basis of their technical skills, financial bid, organization and the quality of prior work.

1.1.2.13. Intellectual property

1.1.2.13.1. The Kaufman & Broad brand

Under the disposal of the majority interest of KB Home to Financière Gaillon 8 on July 10, 2007, the Kaufman & Broad group became the owner of the Kaufman & Broad brands and logos for the European Economic Area and Switzerland. To this end, Kaufman & Broad SA acquired stock in Kaufman & Broad Europe Sprl (a Belgian Company to which KB Home had previously contributed the brands and logos, which has since become Kaufman & Broad Europe SA). Licensing agreements were signed between Kaufman & Broad Europe SA and Kaufman & Broad SA and between Kaufman & Broad Europe and the main operational subsidiaries of Kaufman & Broad SA. Under those agreements, Kaufman & Broad Europe granted to Kaufman & Broad SA and its subsidiaries an operating license for its Kaufman & Broad brands, logos and domain names in France for three years, renewable by tacit agreement for successive periods of one year in the absence of notice of its termination by either party six (6) months before the initial term of six (6) months before the expiration of each successive one (1) -year period. The license is granted free of charge to Kaufman & Broad SA by Kaufman & Broad Europe SA in return for a 0.7% royalty (excluding VAT) on the annual amount excluding tax of notarized sales made by Kaufman & Broad SA subsidiaries, payable quarterly (see Sections 3.2.6. "Transactions with companies that have Directors in common with the Company or other group companies" and 4.1.6. "Additional information," note 31, "Related party transactions").

1.1.2.13.2. Other brands

The group owns the other brands used in its operations, including Bréguet, SMCI, Park, Frank Arthur, Sefima, First, Sopra, Résidences Bernard Teillaud, Avantis, Malardeau and SM2I.

1.1.3. Main offices

The group rents business offices in Neuilly-sur-Seine, Lyon, Marseille, Toulon, Rouen, Rennes, Toulouse, Montpellier, Nice, Annecy, Bordeaux, Nantes and Bayonne from third-party lessors. These offices are typically occupied under nine-year commercial leases. Kaufman & Broad owns its own premises via the real estate Company Immobilière Acto in Grenoble. It should be noted that since March 1, 2013, Kaufman & Broad has sold its premises in Grenoble. For the companies that were part of the group at November 30, 2012, tenant and rental expenses totaled €6.0 million (excluding VAT), compared with €5.7 million (excluding VAT) in 2011 (see Section 4.1.3. "Statement of comprehensive income," note 6, "Administrative expenses").

1.2. RISK FACTORS

The risks and uncertainties to which the group is exposed that could have a material adverse effect on its operations, earnings, financial position and outlook are presented below. These risk factors could cause actual results and developments to differ materially from any forward-looking statements and other financial data, if any, included in the group's documents filed with the AMF or disclosed in any other written or oral statements made by the group or by its representatives. The list of risks shown below is not exhaustive as risks may arise in the future of which the group is currently unaware, or other risks may exist with effects, which are not currently believed to potentially have a material negative impact on the group. The risk factors detailed below are presented by type. However, since the group cannot always quantify the likelihood of occurrence and/or the level of their impact on the group's operations and financial position, it did not seem relevant, or possible, as the case may be, to establish a specific hierarchy within each risk category.

In order to prevent and manage effectively the risks associated with its operations, the group has set up an internal control system that is the subject of the report by the Chairman of the Board of Directors on Corporate governance and internal control (see Section 9.2).

The goals and scope of the internal control and risk management systems in force within the Kaufman & Broad group are as follows:

- first, ensure that management decisions, transactions and employee behavior are in line with Corporate policies defined by the Company's governing bodies and with applicable laws and regulations as well as with the internal values, standards and rules of the Company;
- and, second, verify that the accounting, financial and management information communicated internally or externally fairly reflects the Company's operations and position.

The internal control process implemented by the Management includes a risk management system that lists and analyses the major identifiable risks to the group's objectives and ensures that measures are in place to manage those risks. The mapping of risks by Management is an essential element in identifying risks to the Company.

One of the objectives of the internal control system is to prevent and control risks resulting from the Company's activities as well as risks of error or fraud, in particular in the financial and accounting areas. As with any control system, however, it cannot provide an absolute guarantee that such risks have been totally eliminated and it seeks to obtain reasonable assurance that the objective of the internal control system will be attained.

The Company has conducted a review of risks that could have a material adverse effect on its business, financial condition or results (or its ability to achieve its objectives) and believes that there are no other significant risks than those presented.

1.2.1. Risks related to the economic and financial environment

1.2.1.1. Risks related to the economic crisis

The new housing market in France in which the group operates remains strongly influenced by the general economic environment. Changes in the key macroeconomic indicators, such as economic growth, the consumer confidence index, interest rates and the unemployment rate (described in Section 1.1.2. "Main characteristics of the business" of Kaufman & Broad's Registration Document) are just some of the variables that can impact property development.

Although the housing market is experiencing a chronic shortage of supply over demand, its growth depends largely on the ability of customers to buy a home. For several years, this ability has relied less on households' purchasing power, since incomes have tended to stagnate, than on their borrowing ability, which has been maintained in recent years by attractive interest rates and relatively long loan periods.

Moreover, for Kaufman & Broad, the new housing market has two key areas of focus: home ownership and rental investment, which is divided between institutional and individual investors. These areas of focus are still supported by the various tax incentives that have been in place for the past several years, whether they are intended for first-time buyers through the "Zero-Interest Plus Loan" or private investors through the various tax incentives offered to them (such as Scellier, Censi-Bouvard, or Duflot in 2013).

In 2012, the group's business has developed in a general environment that has generated reactions of wariness and stagnation, or even a retreat by the main participants in the new housing market. These developments in the property market have resulted in a decline in the effective demand for housing that can be explained by the combined effects of declining purchasing power, the increased unemployment curve and reduced loan volume. In addition to reduced demand, there is also a more cautious attitude on the part of investors due to the lack of visibility with regard to profitability of real estate investments and changes in tax policy as well as prices.

Signs of a slowdown in the sales on the market, first noted in 2011, were confirmed in 2012 due to the economic downturn and also because of the end of some government incentives. The drop in orders resulting from the reduced tax advantage of the Scellier incentive and its scheduled conclusion in 2012 was only partly offset by continued high demand from first-time buyers (who were encouraged by the "PTZ+" measures). The number of housing orders is down nearly 18% for the overall market after a decline of 10% in 2011 (86,000 orders estimated in 2012, compared to 105,000 in 2011). Moreover, despite historically low interest rates, tighter lending conditions by financial institutions has increased the order slowdown trend by acting as a "anti-stimulus" for some first-time buyers.

The commercial offer increased to nearly 80,000 apartments in the fourth quarter of 2012, of which approximately 31,000 are under construction, 4,200 are completed and 44,600 units are currently planned but may not necessarily be built. Physical inventories remain low and represent approximately 4,000 apartments and take-up periods are now close to 12 months.

Throughout 2012, there was a drop in new construction in France (including overseas departments and territories). The number of units authorized to be built fell 7.7% compared to 2011, from 465,937 units to 429,851. The number of housing units under construction was down during the same period by 19.6%, from 378,561 housing units under construction to 304,234 in 2012.

In summary, at the beginning of 2013, a number of factors adversely affected the market for new housing:

- the economic situation remains difficult, with a risk of recession due to the emergence of a fiscal austerity spiral; estimates of low GDP growth: 0.3% for 2013 according to the OECD, compared to 0% in 2012 and 1.7% in 2011;
- a labor market whose unemployment rate continues to rise: 10.6% at the end of 2012 with the crossing of the threshold of three million category A unemployed and estimated unemployment of greater than 10% for 2013;
- consumer confidence is still at a low level;
- domestic demand should remained constrained by cautious attitudes and the significant increase in the tax burden and income stagnation;
- conditions of access to loans are expected to remain restrictive;
- the advantages of the Duflot incentives, which are generally less favorable than the intermediate Scellier incentive: insofar as it is within the tax loophole ceiling set at €10,000 per year and has no fixed deduction of the gross rental income of 30%;
- the market for second-time homebuyers remains sluggish due to economic conditions and aid intended primarily for first-time buyers.

However, there are still some positive factors to suggest that the market is expected to contribute positively in 2013:

- commercial supply remains contained;
- demand looks to remain high as the desire to become a homeowner is still a key concern of French households;
- physical inventories (unsold completed units) remain low, representing approximately 4,000 apartments in the fourth quarter of 2012;
- government support measures are considerably less attractive but are still effective, particularly for first-time buyers and investors in new homes with the "Zero-Interest Plus Loan" and the Duflot incentives;
- prices have been stable and real estate remains a safe investment haven in a climate of economic uncertainty;
- lending rate levels for housing experienced historically low levels in 2012, below 4% at fixed rates for a 15-year loan, which allowed households to remain solvent while maintaining rent-to-revenue ratios of less than 30%.

1.2.1.2. Risks related to joint-development programs

Kaufman & Broad conducts certain real estate development programs in conjunction with external shareholders, which inject capital into the programs and provide shareholder loans. Depending on the current economic and financial situation, some group partners participating in joint development programs could default during the property development phase and could fail to honor their commitments, which would result in the group having to meet the cash requirements generated by the relevant property programs. When the group estimates that the financial position of a partner is weakened, a provision for risks is recognized in the Company's financial statements. As such, the total provision for risks was €8.9 million in the group's Consolidated Financial Statements at November 30, 2012, versus €10.2 million at November 30, 2011. Despite every precaution taken by the group when making its selection, the Company could still suffer from the insolvency of some of its partners.

1.2.1.3. Risks related to bank guarantees for sales before completion (VEFA)

For its property development programs, the group uses an extrinsic guarantee system in order to provide clients with the Performance Bond (GFA) required by the regulations in effect. The group obtains a guarantee for each transaction from a bank or from certain insurance companies (see Section 1.1.2.11. "Program financing"). An exceptional decline affecting the real estate market together with a financial crisis could result in a decrease in the number of financial institutions likely or willing to grant such guarantees to the group and/or an increase in the cost of such guarantees and/or the additional requirements imposed on the group. Any difficulties the group may have in obtaining such extrinsic guarantees for sales before completion could require the group to turn more frequently to intrinsic guarantees. This could have an adverse effect on business and the group's earnings in cases where such guarantees would be more costly for the group, or even limit the group's opportunities to develop new programs.

1.2.1.4. Risks related to the insolvency of other companies

The group relies on numerous suppliers and other companies to carry out its operations. The insolvency of certain of these companies (should they go into court-appointed receivership or liquidation) could have a negative impact on the group's business and, in particular, slow construction and increase costs. It could also affect the proper discharge of the guarantees.

1.2.1.5. Liquidity risks

The Kaufman & Broad group has developed the tools necessary to track and manage financial risks, such as liquidity risk.

The Kaufman & Broad group is not subject to financial rating by rating agencies.

1.2.1.5.1. The group uses debt to finance its operations

The group uses debt to finance its operations, land acquisitions and real estate development programs. Appropriation of financial resources and a liquidity risk analysis are taken into account by Management and the Finance Department in the running of the group's operations. This has meant setting up an integrated process of establishing cash flow forecasts for each real estate program, steered by the Financing and Treasury Department and overseen by the Finance Department. This process allows the Company to determine current and tentative financing needs, either per program or for the group and its Regional divisions.

As part of the Senior Facilities Agreement established in July 2007 and its successive supplemental agreements, the group has syndicated loans (Senior B and C lines) and a revolving credit facility (RCF) allowing it to finance its operations. This is in addition to the funds generated by excess cash from real estate programs. At November 30, 2012, the amount of the group's cash and cash equivalents stood at €153.8 million, to which is added €52.9 million for an undrawn revolving credit facility, taking Kaufman & Broad's financial capacity to €206.7 million. Lastly, apart from a case of accelerated repayment of the amounts due under the Senior Facilities Agreement should the group fail to fulfill its restrictive covenants under said agreement (see Section 1.2.1.5.5.), the Kaufman & Broad group does not consider itself to be exposed to liquidity risk in the short term.

1.2.1.5.2. The group's main debt facilities

As of November 30, 2012, the group's main debt facilities were as follows:

(in € thousands)	Debt capacity	Utilization as of November 30, 2012	Maturity	Rate[(a)]
Senior B	120,676	120,676	*bullet maturity,* July 10, 2015	E+275 BPS
Senior C	116,991	116,991	*bullet maturity,* July 10, 2016	E+325 BPS
RCF[(b)]	52,900	-	July 10, 2014	E+238 BPS
Total	**290,567**	**237,667**		

(a) E = Euribor is, for a given maturity, the setting of an average rate, calculated every business day, at which a panel of some fifty major banks in Europe make unsecured loans to other major banks.
(b) Revolving credit facility.

A timetable for contractual payments for financial liabilities reported in the balance sheet at the period-end date can be found in Section 4.1.5., note 25.3. "Maturity" to the Consolidated Financial Statements.

The group's use of debt presented in the table above is part of the Senior Facilities Agreement signed in early July 2007, when Financière Gaillon 8 acquired a stake in Kaufman & Broad SA.

This contract, which was amended on January 23, 2009 and gave rise to supplemental agreements signed on June 30, 2009, November 25, 2009, March 10, 2010 July 25, 2011 and October 17, 2012, made provision for:

1. keeping the B (200 million) and C (201.5 million) credit lines and the revolving credit line (175 million) "as is": i.e. amounts, interest rates and maturity remain unchanged. The supplemental agreement signed November 25, 2009 provided for mandatory early partial repayment of the facilities granted to the Company, which took place in fiscal year 2010;
2. Supplemental Agreement No. 6 signed on July 25, 2011 allows the Company to repay a portion of its long-term debt under the Senior Facilities Agreement for sums below the nominal value of said debt. This discount represents write-offs agreed by interested parties according to specific terms and conditions, primarily that the principal amount is not to exceed €70 million and that repayments must be made on one or more occasions before February 29, 2012 at the latest. Under this agreement, partial repayments were made during fiscal year 2011 totaling €50.8 million and in the first quarter of 2012 totaling €10 million;
3. Supplemental Agreement No. 7 signed on July 25, 2011 allowed the Company to cancel wholly or partially commitments under the renewable line of credit of certain lenders wishing to withdraw from said credit line before its final expiration, in return for payment by these lenders of a cancellation commission according to specific terms and conditions, primarily that the principal amount is not to exceed €75 million and that cancellations may be made on one or more occasions without limit and no later than February 29, 2012. As such, there was a partial cancellation of €72.1 million during fiscal year 2011. Furthermore, under these agreements, Kaufman & Broad SA made an additional repayment of €17.9 million in late January 2012;
4. Supplemental Agreement No 8 signed on October 17, 2012 provided for the voluntary early repayment of €40 million of revolving lines B and C that occurred on October 31, 2012, thus increasing to €68 million the total amount of debt repaid during fiscal 2012. This supplemental agreement also provided for the reduction of the right to draw on the RCF line of €50 million, increasing it to €52.9 million.

1.2.1.5.3. Primary restrictive undertakings under the Senior Facilities Agreement

In addition to the sureties made to the lenders described in Sections 1.2.3.1. and 1.2.3.2. below, the Senior Facilities Agreement (as amended) contains several covenants limiting the ability of Kaufman & Broad SA and its subsidiaries to carry out the following transactions (under terms other than those authorized by the Senior Facilities Agreement):

1. dispose of or transfer all or part of their assets;
2. acquire ownership interests, set up or participate in joint-ventures;
3. carry out restructuring transactions such as mergers with or into another Company;
4. take out new loans or extend loans;
5. materially change the nature of their operations or amend their bylaws;
6. grant guarantees or sureties;
7. issue equities;
8. decide whether to make certain payments, including dividends or loan repayments, to their direct or indirect partners and/or decide, as applicable, the amount of such payments;
9. enter into certain types of intra-group transactions; and
10. launch new construction programs.

The restructuring of the Senior Facilities Agreement signed on January 23, 2009 and the other amendments did not substantially modify the commitments made by the group with respect to the restrictions listed above as they had already resulted from the Senior Facilities Agreement in its version in effect prior to January 23, 2009, with the exception of the undertakings listed in points 2 and 8 above, to which were added financial covenants detailed in Section 1.2.1.5.4., points 2 and 3.

The execution of certain transactions discussed above under the terms authorized by the Senior Facilities Agreement, particularly the transactions stipulated in Section 1 above, may also generate accelerated partial repayment. Likewise, the Senior Facilities Agreement stipulates that a portion of the group's excess cash flow (as defined in the Senior Facilities Agreement) must, under certain conditions and as of the end of the year ending November 30, 2010, be used to repay early a portion of the credit lines drawn by the group.

1.2.1.5.4. Financial covenants under the Senior Facilities Agreement

Supplemental agreements to the Senior Facilities Agreement were signed on January 23, 2009, June 30, 2009, November 25, 2009, March 10, 2010, July 25, 2011 and October 17, 2012 and stipulate the following:

1. Supplemental Agreement No. 4, signed on November 25, 2009:

For each accounting quarter from May 2010 until the end of the agreement in May 2016, the group must meet the following three ratios, calculated on a consolidated basis:

Financial ratios	Nov. 2012	Feb. 2013	May 2013	Aug. 2013	Nov. 2013	Nov. 2014	Nov. 2015	May 2016
Debt ratio[(a)]	< 5.10	< 4.80	< 4.50	< 4.20	< 3.70	< 3.00	< 2.00	< 1.50
Ratio of coverage of net interest expenses[(b)]	> 1.80	> 2.00	> 2.10	> 2.30	> 2.50	> 3.50	> 4.50	> 5.00
Minimum cash flow level[(c)] *(in € millions)*	212	229	267	311	333	445	545	585

(a) Or Net Financial Debt divided by EBITDA
where:
- Net Financial Debt means gross financial debt less cash and cash equivalents and excluding certain subordinated debts and certain off-balance sheet items;
- EBITDA means net earnings of the consolidated group before tax on income, interest income (including net financial expenses (as defined below), foreign exchange gains and losses and other financial expenses), other extraordinary and/or non-recurring income and expenses, excluding estimated charges (including any increases or decreases in amortization, depreciation and provisions, fair-value adjustments, income and expenses related to the non-financial compensation of employees) and gains and losses from the sale of assets and less minority interests.
(b) Or EBITDA divided by net financial expenses.
where:
net financial expenses means the difference between the cost of gross financial debt less interest and financial expense received (excluding intra-group debt items).
(c) Or cash flows.
where:
- Cash Flow means EBITDA (as defined above) adjusted for changes in Working Capital Requirements (excluding income tax), payments made or received for income taxes, extraordinary payments made or received, investment expenses paid in cash, the share of companies accounted for by the Equity method, the amount of dividends paid in cash to minority shareholders of group companies, the amount of treasury stock buybacks, the amount of dividends received (other than intra-group dividends and dividends already included in EBITDA), minority interest earnings and net income from the disposal of assets;
These covenants are calculated on an annualized basis, with the exception of cash flow (cumulative since December 1, 2008).
Supplemental Agreement No. 5 signed on March 10, 2010 amended the financial definitions of EBITDA, cash flow and net cash interest stipulated by the Senior Facilities Agreement in order to neutralize the effects of IAS 23 ("Borrowing Costs") on these ratios and to ensure for the financial parties the same protection they received under the contract before the application of this standard.

2. The suspension of dividend payments for at least three fiscal years from fiscal year 2009: The Company was not allowed to distribute any dividends in the years ending November 30, 2009, 2010 and 2011 and from fiscal year 2012 it will be allowed to distribute dividends only if the Debt Ratio is less than or equal to 3.
3. A restriction on acquisitions and in particular the acquisition of stakes that could be made by the group, with the requirement to obtain the unanimous agreement of all lenders for any financing of such acquisitions through debt.

Result of the calculation of compliance with the 2012 covenants

Ratios	Nov. 2011	Feb. 2012	May 2012	Aug. 2012	Nov. 2012
Debt ratio	1.85	1.41	0.40	-	0.95
threshold	*< 6.40*	*< 6.20*	*< 5.80*	*< 5.60*	*< 5.10*
Net financial expenses cover ratio	17.59	24.80	24.79	6.75	6.83
threshold	*> 1.30*	*> 1.40*	*> 1.50*	*> 1.70*	*> 1.80*
Minimum cash flow level *(in € millions)*	371.1	411.3	502.0	541.0	507.5
threshold	*121.0*	*122.0*	*148.0*	*188.0*	*212.0*

The amount of the group's debt and the restrictive covenants under the Senior Facilities Agreement could reduce the group's flexibility in conducting its operations (see Section 1.2.1.5.6.).

1.2.1.5.5. The group may be unable to comply with the restrictive covenants of the Senior Facilities Agreement

The group may be unable to comply with the restrictive covenants and/or financial ratios set out in Sections 1.2.1.5.3. and 1.2.1.5.4., in particular due to circumstances affecting the real estate market. However, failure to comply with such covenants could constitute default under the Senior Facilities Agreement, which could in turn allow the lenders to call for accelerated repayment of all amounts borrowed, interest and fees under the Agreement and trigger the guarantees under the Agreement (see Section 1.2.3.2. "Pledges and security interests granted by Kaufman & Broad SA under the Senior Facilities Agreement") in the event of non-payment of the amounts due. In this respect, the Senior Facilities Agreement requires the prior consent of all or only some, as applicable, of the lenders under said Agreement (including lenders that granted financing to Financière Gaillon 8) for any easing of the group's covenants under the Senior Facilities Agreement. In the event of accelerated repayment of the amounts due under the Senior Facilities Agreement, assets may not be sufficient for full repayment.

The Senior Facilities Agreement between Kaufman & Broad SA, Financière Gaillon 8 and the lenders does not, however, provide for the event of descending default by virtue of which default by Financière Gaillon 8 would be likely to constitute a default by Kaufman & Broad SA with respect to its own debt.

1.2.1.5.6. The group's debt under the Senior Facilities Agreement may affect its operations

In the event of an increase in the group's debt, the restrictive covenants under the Senior Facilities Agreement (and under the Intercreditor Agreement) could reduce the group's flexibility in conducting its operations, particularly by:

- affecting its ability to react to changes in market conditions, whether by increasing its vulnerability in relation to unfavorable economic conditions or by preventing it from profiting from an improvement in those conditions;
- affecting its ability to seize sales opportunities;
- limiting its ability to obtain additional financing beyond any commitments already made, in order to cover its working capital requirements, investments, potential acquisitions and refinancings;
- forcing it to dedicate a significant portion of its cash flows to payment of the sums due for such loans, thus reducing its ability to utilize its cash flows for other purposes;
- limiting its ability to plan its expansion with flexibility; and
- affecting its competitive positioning, because the aforementioned restrictive covenants could prevent it from adapting to changes in the market under the same conditions as its competitors.

The Company has conducted a specific review of its liquidity risk and considers itself able to meet its future deadlines.

1.2.2. Market risks

Kaufman & Broad is not impacted by country or foreign exchange risks.

1.2.2.1. Interest-rate risks

The group's debt structure, which is indexed to variable rates, exposes the group to direct interest rate risks that could lead to a material increase in its obligations. In the event of an interest rate increase, its unhedged variable-rate debt service obligations would increase, even if the amount borrowed remained the same and its net earnings and available cash flows to service the debt, including debt securities, would decrease, thus reducing the funds available to finance operations and future commercial opportunities.

Under the Senior Facilities Agreement signed in July 2007 and its amendments, the group agreed to set up hedging instruments to cover the Euribor rate for a principal of at least €350 million until November 25, 2011 and then €250 million until November 25, 2012. These amounts would be reduced proportionally by any voluntarily or mandatory repayment made by the Company. Interest rate hedges are made by way of instruments listed on organized markets or over-the-counter with high-quality counterparties.

Since November 30, 2012, Kaufman & Broad has signed new hedging instruments to hedge its borrowing rates for an amount in principal of €150 million until November 30, 2014.

The aim of the risk management policy is to control changes in interest rates and their impact on net income and cash flows, so that the total cost of the debt remains acceptable. To achieve this objective, the group hedges its variable-rate loan interest flows with interest-rate swaps. The latter are derivatives serving to hedge cash flows. They are marked to market on the balance sheet.

Interest rate sensitivity of financial assets and liabilities

(in € thousands)	**Base**	**Book gain/loss** Increase 0,5%	**Book gain/loss** Decrease 25 bps
RCF + Seniors B and C[(a)]	237,667	(1,188)	594
Credit facilities	1	-	-
Cash and cash equivalents	91,967	460	(230)
Investment securities	61,343	307	(153)
Swap[(b)]	150,000	750	(375)
Net impact on income before tax	**-**	**328**	**(164)**

Assumptions: 1-month Euribor interest rate of 0.332%.

(a) Excluding hedging effects, a 0.5% increase in rates or a decrease of 25 basis points on the above liabilities would have an impact on pre-tax income of:.
- increase: €-1.2 million;
- decrease: €+0.6 million.

(b) Including hedging, a 0.5% increase or a decrease of 25 basis points on the above net assets and liabilities would have an impact on pre-tax income of:.
- increase: €-0.4 million;
- decrease: €+0.2 million.

Type of instrument	**Variable / fixed**	**Less than one year**	**1 to 5 years**	**More than 5 years**
RCF + Seniors B and C	variable	-	237,667	-
Credit facilities	variable	454	-	-
Financial liabilities		**454**	**237,667**	**-**
Cash and cash equivalents[(a)]	variable	92,421	-	-
Short-term investments	variable	61,343	-	-
Financial assets	**variable**	**153,764**	**-**	**-**
Net position before management		**(153,310)**	**237,667**	**-**
Swaps		-	*150,000*	-
Off-balance sheet		**-**	**150,000**	**-**
Net position after management		**(153,310)**	**87,667**	**-**

(a) Banks, available cash and reserve balances.

At November 30, 2012, 63.1% of sums due for the Senior B and C loans were hedged by swap agreements with a weighted average interest rate of 0.220% totaling €150 million and maturing on November 30, 2014.

1.2.2.2. Equity risks

The Company has only limited risk to equity risk because:

- the marketable securities held by Kaufman & Broad consist of money money-market mutual funds (SICAV) rated investment grade that are distributed by recognized institutions;
- treasury shares are held either to meet the objectives outlined in the description of the share buyback program by the Company of its own shares (see 5.2.3.1. "Buyback program authorized by the Shareholders' Meeting of April 19, 2012"), i.e., to be used principally for the stock option and bonus share plans, or under the liquidity contract. The outcome of stock purchases and bonus share allocations are respectively described in Sections 5.2.3.2. and 5.2.3.3. The impact of these shares and price fluctuations combined is described in the Notes to the Consolidated Financial Statements (see Section 4.1.5., note 22, "Shareholders' equity").

1.2.2.3. Currency risks

The group does not have exposure to foreign exchange risk as all of its assets and liabilities and flows are denominated in euros.

1.2.3. Legal risks

1.2.3.1. Risks related to the pledge of Kaufman & Broad SA shares held by Financière Gaillon 8 under the Senior Facilities Agreement

Kaufman & Broad SA shares held by Financière Gaillon 8 are pledged to lenders under the Senior Facilities Agreement firstly as a guarantee of Financière Gaillon 8 obligations as borrower and secondly as guarantor of the obligations undertaken by Kaufman & Broad SA. Thus, in the event Financière Gaillon 8 defaults on its obligations to lenders, said lenders will have the right to liquidate the sureties guaranteeing these obligations, including the aforementioned pledge. The lenders would then have the possibility of selling a significant number of Company shares, which could have a material impact on the price of the Company's shares as well as on the control of the Company.

1.2.3.2. Pledges and security interests granted by Kaufman & Broad SA under the Senior Facilities Agreement

The following securities were granted by Kaufman & Broad SA to secure its commitments under the Senior Facilities Agreement.

Type of pledge/Lien	Start date	Final expiration date	Amount of assets pledged [b]	Total balance sheet value	% of Kaufman & Broad SA's total balance sheet at Nov. 30, 2012
Pledge of financial instrument account – 100% of Kaufman & Broad Homes SAS shares held by the Company	July 11, 2007	[a]	€10,450,195	€10,450,195	2%
Pledge of the credit balance in the Kaufman & Broad SA bank accounts	July 11, 2007	[a]	€211,169	€211,169	-
Framework agreement for the assignment of intra-group receivables from Kaufman & Broad SA's subsidiaries, in particular Kaufman & Broad Financement SNC	July 11, 2007	[a]	-	-	-
Pledge of 100% of the Kaufman & Broad Europe S.A. shares	-	[a]	€217,436,878	€217,436,878	44%
Total			**€228,098,242**	**€228,098,242**	**46%**

(a) These pledges are intended to be maintained until full payment of the amounts and fees owed by the Company as borrower and guarantor under the Senior Facilities Agreement and ancillary agreements.
(b) Net book value in the statutory financial statements at November 30, 2012.

Under the Senior Facilities Agreement, Kaufman & Broad SA granted a joint surety on all the commitments of its subsidiaries under the revolving credit facility from which its subsidiaries can also draw (see 2.4.2. "Net debt"), but the Company is not joint co-debtor with its subsidiaries.

Should the group fail to meet its obligations under the Senior Facilities Agreement, in particular the various restrictive covenants set out in Sections 1.2.1.5.3. and 1.2.1.5.4., the lenders could be able to liquidate the sureties guaranteeing those obligations.

1.2.3.3. Relationship with the majority shareholder

The Senior Facilities Agreement stipulates that, in the event of a change in control of Kaufman & Broad SA, the debt contracted by Kaufman & Broad SA and its subsidiaries under said Agreement shall be subject to accelerated repayment. Under the terms of the Senior Facilities Agreement, a change of control would occur if funds managed by PAI partners and the managers and employees of the Company who have invested directly or indirectly in Financière Gaillon 8 cease to hold directly or indirectly more than 33 1/3% of the shares or voting rights in Kaufman & Broad SA, or cease to hold together, directly or indirectly, more shares or voting rights in Kaufman & Broad SA than any other shareholder.

The Senior Facilities Agreement also provides for accelerated repayment of the debt agreed by Financière Gaillon 8 if Financière Gaillon 8 ceases to hold more than 85% of the shares and voting rights of Kaufman & Broad SA.

Financière Gaillon 8 (a Company held by the funds managed by PAI partners), in its capacity as majority shareholder holding 87.96% of the capital and 94.51% of the voting rights of the Company (See Section 5.3.1. "Shareholders of the Company as of November 30, 2012 and three-year change") exercises significant influence over the Company in that it alone holds a number of voting rights sufficient to ensure the adoption of all resolutions submitted to the Company's Annual Shareholders' Meeting (such as resolutions on the election and removal of Board members, payment of dividends and approval of financial statements) and Extraordinary Shareholders' Meeting (such as resolutions on a merger, a spinoff or a capital increase); it is specified that the minority shareholders of the Company do not have a veto right over major decisions made by Financière Gaillon 8 in relation to the Company.

In the future, the PAI partners group could increase or decrease its stake in the Company. In addition, the interests and objectives of Financière Gaillon 8 may not always coincide with those of the Company.

1.2.3.4. Regulations directly applicable to the group

There is no specific regulatory treatment covering the group's business as a developer-builder of single-family homes, apartments and Commercial Property.

Nevertheless, the group does have to comply with numerous regulations when carrying out its operations. Any amendments to such regulations could have material financial consequences. For example, the adoption of stricter construction, environmental or building permit standards could have an adverse effect on the group's profitability and operating income. Similarly, changes to tax regulations and, in particular, the repeal of certain tax incentives, could have a significant impact on the real estate market and, as a result, on the group's financial position.

As the project owner and designer of its construction programs, the group must comply with applicable regulations set forth in urban planning documents drafted by city governments (occupancy plans in force, zoning plans and urban development programs). Such regulations include rules regarding the height of buildings, space between buildings, principles for placement of structures on land, possible exceptions to these rules and principles and the external and aesthetic aspects of structures.

The group must also comply with environmental regulations, particularly those governing water use (water distribution, waste water treatment) and the regulations governing classified facilities.

Constant changes in rules and their increased number (urban planning, construction standards, environmental standards, building bans and restrictions on classified sites, rules for issuing building permits, consumer protection regulations) could have an adverse impact on the group's business and growth. The increase in the number of standards has generated a growing complexity for the development of real estate programs, which could lead to longer delivery times for our programs and an increase in the number of objections from third parties and could, therefore, affect the group's earnings.

As a seller of real property, the group must comply with the standard legal provisions regarding sales and consumer protection, as well as specific regulations relating to sales before completion, as specified in Articles L.261-3 et seq. of the French Construction and Housing Code.

In accordance with Articles L.271-1 et seq. of the French Construction and Housing Code, non-professional homebuyers have a "cooling-off" period of seven days following receipt of a private purchasing agreement or ordering contract, if any. Said agreement or contract does not become final until the end of this period. The regulations relating to sales before completion contain a certain number of provisions designed to protect buyers. The main provisions include the obligation to have a deed of sale drawn up by a notary, to provide a Performance Bond (most often in the form of a bank guarantee), to sign a preliminary agreement that contains a condition precedent to obtain financing along with certain conditions allowing the buyer to verify that the program as completed and the reserved lot comply with the terms of the final deed of sale, to place the order deposit in escrow and to respect the schedule for future payments.

In addition, the group is subject to statutory liability rules that apply to all parties involved in the construction of a building (sound insulation guarantees and the two-year and ten-year warranties). According to the applicable regulations, there is a presumption of liability for all parties involved in the construction of a building for any damages, including those resulting from defects in the land itself, which adversely affect the structural integrity of the building or one of the major pieces of equipment in such a way as to render it unfit for its intended use.

Buyers have a ten-year warranty for any defect all damages that make the building unfit for its intended use and a two-year performance warranty for separate parts installed. They can file claims with the group, which can in turn hold the contractor responsible for construction defects. This warranty system is completed by mandatory insurance coverage, introduced by Law 78-12 of January 4, 1978 and called "Structural Damage" insurance, which must be obtained at the beginning of construction. This insurance allows pre-financing the repair of defects that trigger the two-year or ten-year warranties. This coverage is transferred to customers when they acquire their homes and to their successors upon sale of the property.

This insurance and other forms of insurance related to the group's business are described in Section 1.2.5., "Insurance." Concerning regulations relating to the group's construction sites, the Law of December 31, 1993 requires the project owner to designate, as of the design stage, a Health and Safety Coordinator. In addition to the appointment of this coordinator, the group's policy is to anticipate and identify the risks of construction programs, not only during construction but also during maintenance of the building after delivery.

Consequently, the group initiates prevention plans at its construction sites in order to identify risks, inform the various parties at the construction site of the potential risks and prohibit access to unauthorized personnel. In terms of labor regulations, the group's technical departments are required to verify, prior to the signature of a contract, that approved contractors and subcontractors are up-to-date with their payroll taxes and to obtain a sworn statement from executives of a subcontracting Company certifying that it does not employ illegal workers.

Details of ongoing litigation are provided in Section 1.3. "Current litigation."

In the course of its operations, particularly the filing of building permits, the group may face delays brought about by third parties. This is in addition to the normal time frame for receiving a building permit, which is typically three to five months. Third parties (associations and neighbors) may challenge building and demolition permits on the grounds that they do not comply with local urban planning regulations, such as zoning plans and development plans for mixed development zones (ZACs), or with the French Urban Planning Code. The main risk facing the group is essentially a delay caused to a program's schedule. Moreover, a description of this procedure and details of how the situation can be resolved are provided in Section 1.1.2.6.4., "Commitment Committee."

1.2.3.5. Tax incentives that may influence the new housing market

There has been a succession of tax incentives since the end of the 1990s that have had varying degrees of influence over new housing construction depending on their application conditions (see Section 1.1.2.1.2., "Tax incentives").

Like all players in its industry, Kaufman & Broad benefits from tax incentives designed to encourage private individuals to invest in property. The elimination of or change in certain benefits for rental investments could have a major impact on the real estate market and, therefore, adversely affect the group's business and/or profitability.

1.2.3.6. Changes in tax regulations

The group is subject to numerous tax regulations, including those concerning the valuation of direct tax expense, various VAT treatments and the calculation of the tax owed on the earnings of companies included in the consolidated tax group.

Although the Company takes all reasonable measures to avoid errors, the complexity of these regulations and the fact that they are continually amended may result in disputes with the tax authorities, which could lead to expenses with a material impact on the group's financial position.

1.2.3.7. Off-balance sheet commitments

Due to the nature of its business, the group has significant off-balance sheet commitments that may in aggregate represent a substantial expense. These primarily include the performance bonds, described in note 28, "Off-balance sheet commitments" to the Consolidated Financial Statements (see Section 4.1.6., "Additional information").

The group's main off-balance sheet commitments consist of property earnest deposits and performance bonds. Internal control procedures implemented to identify and manage these off-balance sheet commitments are detailed in Part 3, Paragraph 3 of the Chairman's report on Corporate governance and internal control (Section 9.2.).

1.2.4. Industrial, economic and environmental risks

1.2.4.1. Competition

The housing development-builder business is highly competitive. The group faces competition in land acquisition, the selling prices for its products and access to subcontractors from both national and regional builder-developers (see Section 1.1.2.1.6. "Principal market operators"). An additional source of competition is house and apartment resale market.

These competitive conditions for the group could:

- make it difficult to acquire land that meets the group's land acquisition criteria;
- slow construction of programs due to a lack of sub-contractors;
- reduce its revenues and/or profit margins;
- require Kaufman & Broad to offer or raise discounts;
- reduce sales of housing units or increase the cancellation rate.

Each of these factors could have a negative effect on operating income, increase expenses and/or prevent the growth of the group's business.

1.2.4.2. Dependence on customers, suppliers, patents, licenses, new manufacturing processes and contracts

Since Kaufman & Broad acquired the license for the KB Home brand and know-how, the group has not been overly dependent on any customers, suppliers, patents, licenses, new manufacturing processes or contracts. In fiscal year 2012, the top ten customers, who are mainly real estate companies and institutional customers (excluding Commercial Property customers), represented 10.6% of revenues. The top ten suppliers accounted for 23.1% of flows invoiced by suppliers during fiscal year 2012 and the leading provider 5.8% of flows.

1.2.4.3. Risks related to construction costs

As a builder-developer, Kaufman & Broad assigns construction work to third-party contractors from a variety of trades. Despite the existence of a "controlled" process in the conducting of business, which is used to validate strategic and financial suitability prior to engaging in a real estate program (see Section 1.1.2.5. "Development process" and following), the group may be exposed to risks intrinsic to its construction costs. Although the group estimates the budget for preliminary expenditure, uses technical studies and issues tender documents before land is purchased, it may still face additional costs related to unexpected technical challenges, exceptional weather conditions that delay work, an accident during construction or the bankruptcy of a subcontractor. These events, which cannot be anticipated, could potentially have a negative impact on the program's financial equilibrium.

Furthermore, the group is aware that when real estate prices are high, there is a tendency for higher costs to carry over to construction, due to the lack of availability of contractors or an increase in contractors' own expenses (rise in the costs of materials and increasingly rigorous regulatory standards, particularly when it comes to safety and the environment). This could have a negative impact on the group's margins unless the Company is able to pass along, at least partially, the cost increases in its selling prices.

Lastly, with regard to construction work, Kaufman & Broad selects its contractors through a tender process. If the companies operating in this sector were to decrease or merge, this could lead not only to a narrower choice of contractors but also to a rise in prices and reduced control over the quality of their work.

1.2.4.4. Risks related to contracts signed with public bodies

The complexity of the regulations concerning contracts signed with public bodies could lead Kaufman & Broad to incur additional costs in order to comply with the specific applicable rules. The group's cash flow could also be adversely impacted by such contracts, as the collection of payments from public organizations is generally longer than for the private market. In addition, the public bodies concerned may impose certain technical constraints that could reduce the profitability of the related real estate programs.

1.2.4.5. Risks related to the real estate market

The group's business requires a sufficient supply of land of suitable quality and size to be able to develop Single-family Homes in Communities and apartments. Increased competition or a decrease in the land available in certain sectors that meets the group's standards could significantly impact the group's future business.

1.2.4.6. Risks related to the discovery of archeological remains

Prior to each acquisition of land or a building, the group ensures that such property is not subject to significant archeological restrictions. Nonetheless, archeological remains or objects may be discovered during construction. Any such discovery may result in suspension of construction or the reclassification of the site, either of which could have material adverse financial consequences for the program in question. To date, the group has not been affected by any such discovery.

1.2.4.7. Pollution risks

Prior to any acquisition of land or a building, the group generally has a third-party expert evaluate the level of pollution of the soil and sub-soil, the real estate history of the land and the level of asbestos and lead in any building to be renovated or rebuilt.

In addition, the group requires that the sellers disclose any environmental risks of which they are aware. However, despite these preventive measures, Kaufman & Broad cannot guarantee that it can fully protect itself against all significant risks relating to the elimination of toxic waste, site rehabilitation and monitoring, or other environmental factors that could affect the assets the group owns or has owned.

No estimate of these contingent liabilities can be provided, even if we could acquire, as applicable, at the end of the appropriate prior inspections, real property requiring moderate restoration expenses. In such cases we obtain guarantees prior to the acquisition concerning the exact nature of the requisite work and the scale of the costs for eliminating toxic waste, rehabilitating and/or monitoring the site, based on detailed research performed by our environmental consultants.

Nonetheless, the group may encounter pollution or soil quality problems during or after construction. Although the seller of the land or building may sometimes be held liable under the sale agreement, discovery of pollution problems on a land parcel or building can cause delays and additional costs and have significant financial consequences if the seller of the land or the building is insolvent. There are currently no outstanding complaints against Kaufman & Broad regarding environmental standards and the group has not had any significant complaints on this basis in the past. The risks encountered by the group relating to asbestos are marginal and are taken into account when signing options to sell land.

1.2.4.8. Risks related to weather conditions

Weather conditions, excluding natural disasters whose exceptional nature makes risk unforeseeable and other environment-related factors may also adversely affect the group's housing or office construction business. For example, a particularly harsh winter could cause work on a program to be halted for several days (even several weeks) and potentially delay delivery, thus impacting the recognition of the group's revenues and margin.

1.2.4.9. Risks related to IT systems

Due to the nature of its business, organizational structure and different locations, the group has not identified losses that could threaten the continuity of its operations, with the exception of the partial or full physical destruction of its information systems, which could generate a break in its data flow.

In order to prevent this risk, the group has set up a business continuity plan providing for the prompt recovery of data and a back-up center with appropriate work stations designed to be used by the employees affected by any such incident.

1.2.5. Insurance

1.2.5.1. Risks related to insurance coverage

The group's business is covered by the following insurance: Comprehensive Construction, Structural Defects, Non-Builder Developer, Project Manager Liability, Developer's Liability and Real Estate Agents Liability. The group has not taken out any insurance covering the risk of operating loss.

There are only a limited number of insurers that offer such coverage. Consequently, the Company is exposed to the risk of an increase in premiums, which could have a material impact on its earnings or growth targets.

As the terms and conditions of the insurance policies are reviewed on a periodic basis, the group may not be able to obtain in the future the same coverage currently in place. This could increase its risk exposure and costs, which in turn would influence its business, profitability and growth.

1.2.5.2. Mandatory insurance

Pursuant to the regulations governing their business builder-developers described in Section 1.2.3.4. "Regulations directly applicable to the group", the group's companies take out the mandatory insurance required by Law 78-12 of January 4, 1978, covering the structure (known as "Structural Defects" insurance), liability as project owner (known as "Non-Builder Developer" insurance) and the project manager liability when this role is assumed by group companies.

Structural Defects insurance is taken out when construction begins. This insurance pre-finances the cost of repairing defects that appear after acceptance and are covered by the ten-year warranty. Coverage is transferred to the customers when the home is delivered and to their successors if the home is sold.

This insurance covers the costs to repair damages, even those resulting from soil defects, which compromise the soundness of the structures or affect one of the basic elements or an item of equipment making them unfit for the intended use, or affecting crucial integrated equipment inseparable from the foundation, framing, walls or roof as defined by Article 1792-2 of the French Civil Code.

It covers repair costs, including demolition work, excavation and the necessary installation or removal, once an expert has inspected the site and within certain pre-defined time limits. After making payments under these policies, insurance companies generally turn to the builders responsible for the defect and their insurers in order to obtain reimbursement of amounts paid out.

The ceiling for the coverage is the total construction cost including fees for non-housing structures and the repair cost for housing structures.

Group companies are also covered by a ten-year "Non-Builder Developer" (CNR) insurance policy.

This insurance covers work to repair the building to which the group has contributed in its capacity as builder, when it incurs liability based on the presumption provided for in Articles 1792 et seq. of the French Civil Code relating to construction work, up to the limit of this liability.

The ceiling for the cover is total construction cost including fees for non-housing structures and the repair cost for housing structures.

Since January 1, 2010, Structural Defects and CNR insurance contracts are with AXA France IARD.

Premiums amounted to €7.91 million for the fiscal year ended November 30, 2012.

Since January 1, 2010, the group companies engaged in the project management business are covered by a specific Public Works Engineering policy covering project manager professional liability for ten years underwritten by AXA ASSURANCES IARD under the terms of an insurance contract.

The premiums paid under that contract in the fiscal year ended November 30, 2012 totaled €0.42 million.

1.2.5.3. Other insurance related to group activities

The group also has optional "Developer's Liability", "Comprehensive Construction" and "Real Estate Agents Liability" insurance.

1.2.5.3.1. Developer's liability insurance

The Developer's Liability insurance contracts are intended to cover Kaufman & Broad against the financial consequences of any liability claims for injuries, property and/or consequential losses caused to third parties by its business and related services, as well by people, equipment, real estate and animals used in the conduct of its business for which it is liable.

In 2012 the cost of this was €0.92 million.

Since January 2009, coverage for bodily injury, property damage and consequential loss claims for the apartments and single-family homes businesses has amounted to €45 million.

1.2.5.3.2. Comprehensive Construction insurance and real estate agent liability insurance

The group has optional Comprehensive Construction insurance and Real Estate Agent Liability coverage.

Comprehensive Construction insurance is taken out for each program and covers the Project Owner and all program participants against losses or accidental damage to the structures during the construction period.

Coverage is equivalent to the total cost of the work performed at the site, including the fees for the general contractor and technical inspection.

Real Estate Agent liability policies are taken out for the companies acting as real estate agents, with coverage in compliance with the Hoguet Law (Law of July 2, 1970). Bodily injuries are covered up to €4,573,470 and property damage and consequential losses up to €152,449.

1.2.5.3.3. Officers' Liability insurance

The group has also taken out an Officers' Liability insurance policy to cover, subject to certain conditions, third-party liability claims against the group's Corporate Officers in the event of any professional negligence committed while performing their duties. It also covers defense costs incurred by the insured for civil or criminal liability in the performance of their duties.

1.2.6. Other risks

1.2.6.1. Dependence on key personnel

The group is dependent on certain key management personnel, the loss of whose services might impede the achievement of its business development objectives. The management team, whose members have been with the group for an average of approximately 14.0 years, has significant experience in the markets in which the group conducts its business. There can be no assurance that the group will be able to retain its executives and, in fact, some of those executives could claim their right to retirement, which could have a material adverse effect on the group's business, financial position, outlook and results.

The executives in question are the members of the Management Committee and the managers of regional operations.

1.2.6.2. Risks related to Human Resources

In addition to the risk of dependence on key personnel described in the above paragraph, Human Resources management carries risks inherent in the structure of the group's operations and the property development sector. The concentration of a limited number of personnel within key group departments incurs a risk of loss of knowledge or skills should any of these employees leave the Company.

1.2.6.3. Counterparty risks

The counterparty risks incurred by the Kaufman and Broad group primarily concern suppliers and subcontractors, customers and banking counterparties.

Because of the large number of suppliers and subcontractors, their insolvency is unlikely to have any material impact on operations. The group believes that the counterparty risk on trade receivables is very limited because of the large number of customers and the fact that sales are signed exclusively before a civil-law notary, generally after the financing for the property acquisition has already been secured.

Customer-related credit risks are managed by the agencies under the oversight of Corporate headquarters. Due to the nature of its business, the group's exposure to customer default risks is low. Aging receivables are reviewed monthly.

The group invests its cash and cash equivalents and its investment securities with top-tier financial institutions.

It also enters into interest rate agreements with leading financial institutions.

For programs developed jointly with partners, the consequences of the measures taken in 2009, whose impacts were felt in 2010 (particularly a reduction in sale prices), continue to pose the risk that the group may have to cover their insolvency in the financing of such programs and, as applicable, their share of the losses in non-profitable developments (see 1.2.1.2. "Risks related to joint-development programs").

1.2.6.4. Risks related to the strategy and management of the brand

The group sells a range of different products under one brand, Kaufman & Broad. The diversity of this offer could be a source of confusion for customers and thus change the brand image that the group wants to promote.

Furthermore, the group's agencies can, to some extent, independently organize their own advertising campaigns and marketing initiatives to supplement the national campaigns and could therefore project an image that is not aligned with the group's strategy, despite the existence of a common national Corporate identity.

1.3. CURRENT LITIGATION

Due to the nature of its business, the Company is exposed to legal action (government, civil and so on) against it resulting primarily from structural and other defects in its programs, the failure to comply with certain legal or regulatory requirements, claims against building permits obtained, or any other type of claim (local authority approval, for example).

The group believes that considering its net consolidated position, current litigation is not likely to have a material impact on its business, results, financial position, investment and development policy or growth outlook. Disputes are provisioned on the basis of an assessment of the risk carried out by the group's Legal Department and Senior Management in collaboration with the specialized attorneys responsible for the cases in question.

Kaufman & Broad believes that the provisions funded represent reasonable coverage in view of the degree of probability that the related risks will materialize.

There are no other government, legal or arbitration proceedings, or any proceedings of which the Company is aware, that are pending or threatened and that are likely to have or have had a material impact on the Company's and/or the group's financial position and/or profitability during the last 12 months.

1.4. INVESTMENT POLICY

1.4.1. Research and development

On July 10, 2007, the Licensing Agreement entered into between KB Home and Kaufman & Broad SA, for which the group had an exclusive grant of know-how and of the use of the Kaufman & Broad brand, was terminated. Following the acquisition of a controlling stake by Financière Gaillon 8, Kaufman & Broad SA became owner of the trademark, logo and know-how previously held by KB Home. The transfer procedure is described in Section 1.1.2.13.1. "The Kaufman & Broad brand."

For the Kaufman & Broad group, development expenses are mainly related to property development programs. Development expenses are comprised of expenses attached to the land (commitments related to programs for which commitments to buy the land have been executed) and are treated as inventory, as an element of the cost price, when it is probable that the program will be developed.

In addition, Kaufman & Broad has an in-house team led by an architect who continually tracks new products suitable for development (particularly single-family homes, eco-designed buildings and new ranges of more affordable homes) and a team of engineers that focuses on improving construction quality in areas such as soundproofing and insulation (BBC energy efficiency label, Passive House standard and airtightness).

Finally, the group periodically conducts surveys of consumers, their home-buying selection criteria and the products offered by competitors in order to adapt the products it sells.

No material research and development costs are pending at this time.

1.4.2. Principal investments

In the course of its real estate development operations, Kaufman & Broad makes many purchases for the establishment of its inventories and works in progress related to its programs. Inventories of programs under development are valued at cost. This cost includes the land acquisition price, the related fees, taxes, cost of roads and equipment, cost of construction and development of the model areas, land expenses, as well as the fees and commissions inherent in the agency agreements executed by Kaufman & Broad in order to sell the real estate programs. The group markets all its development programs under the system of sales before completions (VEFA) contracts, which means that the contract immediately transfers to the title to the land; title to the building is transferred as the building is being completed. In addition, revenues are recognized in accordance with, inter alia, the terms of IAS 11 "Construction Contracts" as regards recognition on the basis of the percentage of completion, i.e., based on technical completion, the starting point of which is the acquisition of the land and commercial completion (execution of the deeds of sale) of each program. As a result, inventories of programs in progress is thus reduced as construction is completed on the basis of estimates made by program (see 4.1.2., note 1.10, "Inventories").

Apart from these investments related to the operating cycle, investments can be divided into three categories:

- investments required for the group's ongoing operations: IT investments (software and hardware), fixtures of its administrative buildings, furniture and office equipment purchases, etc. These investment flows related to operations for the entire group amounted to €4.0 million in 2012, compared to €2.9 million in 2011 and €3.5 million in 2010;
- investments made in acquisition transactions to expand the group's business activity. These investments are made through the acquisition of companies or real estate programs, or through equity investments. The various acquisition transactions carried out by the group are described in Section 1.1.1.3. "Acquisition strategy; "
- financial-type investments made through acquisition of minority holdings (investments in programs developed jointly). These transactions are treated as financial assets and included in "Investments in affiliates and joint ventures" in the group's balance sheet. The carrying amount of the equity affiliates and joint ventures corresponds to the share of equity held. This item includes, for development operations, capital and similar investments, i.e. the current account advances made by the group in order to finance programs. Kaufman & Broad regularly purchases stakes in programs developed jointly, when the opportunity arises and if the program is of financial interest to the group.

However, the group made no major investment during the 2012 fiscal year.

1.4.3. Current and future principal investments

There are no significant pending investments.

The group does not exclude the possibility of continuing its policy of growth through acquisitions, subject to the conditions stipulated by the rescheduling of the Senior Facilities Agreement of January 23, 2009. It may review the programs proposed, provided that they also meet both the financial requirements and the general strategy of the group.

1.5. MAIN SUBSIDIARIES AND AFFILIATES

See "Organizational chart" in Section 5.3.4.

1.6. SUSTAINABLE DEVELOPMENT

Kaufman & Broad reports Corporate, environmental and social information as required by Articles R.225-104 and R.225-105 of the French Commercial Code for this fiscal year. However, pursuant to Decree 2012-557 of April 24, 2012 implementing Article 225 of Law 2010-788 of July 12, 2010 (the Grenelle 2 Law) and Article 12 of Law 2012-387 of March 22, 2012 (the Warsmann Law), Kaufman & Broad will publish its non-financial performance indicator for its 2013 tax year. In a desire to anticipate the publication of these data in order to prepare for audit by a third party and be faithful to its commitment to transparency regarding the evaluation and control of the impact of its business activities, starting this year, Kaufman & Broad has chosen to take these new requirements into account in its Registration Document and expand the scope covered by the information previously contained in this section, when they become available. The group believes that the creation of non-financial value is a tool for internal progress in the same way as a lever to increase the competitiveness and sustainability of its business model.

The Grenelle Environment Law has caused the property development sector to undergo in-depth changes to its practices. Kaufman & Broad has relied on its adaptability and resilience, as well as the level of trust that the brand enjoys with its stakeholders to adapt to these changes and enable it to question and change its practices. In 2012, Kaufman & Broad centralized the management of its social and environmental responsibility at its headquarters to encourage the collection of data on the impact of its activities. Kaufman & Broad has chosen to organize its sustainable development section by distinguishing the various challenges to its business activities while restoring the associated challenges and information as part of its business cycle. This structure thus helps it to explain its vision, the relationship with its stakeholders and its approach by placing it in the context of property development.

With the purchase of a home, our customers are making a major investment and choosing to place their trust in Kaufman & Broad. In accordance with its unique prestige and architectural know-how requirements, Kaufman & Broad invests to ensure that its customers make a purchase that is both durable and of the highest quality.

1.6.1. Environmental information

1.6.1.1. Challenges and responsibility

In addition to managing the direct impacts of administrative sites and sales areas (onsite sales offices of real estate programs and five showrooms), Kaufman & Broad is facing a variety of social and environmental issues in its real estate programs more than anywhere else. The group now wants to associate its programs with its commitment to sustainable development, in strict compliance with regulations by going, if necessary, beyond the legal requirements throughout the life cycle of its activities.

For over 40 years, Kaufman & Broad has been present throughout the property chain and has taken into account these issues throughout its business cycle, which corresponds to its historical position:

- identifying land for acquisition and land development;
- designing buildings;
- overseeing construction/development;
- delivery and customer service.

In the property development business cycle, developer-builders have a special responsibility to develop sustainable building since they design real estate programs and manage projects up through the marketing phase. One of the challenges stems from the fact that while the group can act directly on some issues (choice of land or building design criteria and type of certification, excluding in joint developments), on others it only has an indirect influence (influence over contractor practices at the job site through criteria in the initial specifications at the time the work contracts were awarded, influence over the behavior of building occupants only at the time of order and/or handover of keys).

The issue of urban planning regulations and land use for real estate developers

Policy choices determine the urban planning regulations that real estate developers must apply. These choices must balance quality of habitat, protection of natural and cultural heritage and economic and demographic development. In the 1970s, urban sprawl was preferable to densification, thus lowering the height of buildings and reducing the land occupation coefficients. Today this trend is reversed to encourage re-densification of urban areas. Urban growth is synonymous with concentration of activity and economic attractiveness. However, the expansion of urban areas causes soil sealing and surface runoff along with loss of topsoil and space dedicated to agricultural activity. Urban planning documents plan spaces so as to arbitrate between these various conservation and urbanization requirements.

With the decentralization of urban planning law in the 1980s, municipalities acquired regulatory and decision-making powers. They develop urban plans and issue building permits. Since the Law of December 13, 2000 respecting Solidarity and Urban Renewal (SRU Law), they define the Local Urbanism Plans (PLUs) and public establishments for inter-municipal cooperation develop the Territorial Coherence Schemes (SCOTs) in effect in several municipalities.

The challenges of sustainable development in regional planning choices are taken into account within PLUs, which may, for example, identify and define “the sites and sectors to be protected” (Article L123-1-5 of the French Urban Planning Code) and SCOTs, which “determine the overall balance between urban areas and areas to be urbanized and natural and agricultural or forest areas” (Article L122-1 of the French Urban Planning Code). These documents, which define areas that are and may be urbanized, are strategic for developers because they identify construction land.

However, depending on the capacity of municipalities and their urban planning departments, these documents do not always sufficiently state the specific environmental characteristics of a parcel of land.

One of the criteria necessary for the developer that should be included in these documents is biodiversity. In Europe, metropolitan France is the fifth-ranking country with the largest number of globally threatened species, so it has a special responsibility to protect these species. Acknowledging the contribution of biodiversity to our quality of life, one of the key commitments of the 2007 Grenelle Environment Round Table focuses on preserving and restoring a network across the country so that animal and plant species can move and reproduce. This network being developed on French territory will lead to the creation of a green and blue corridor that will allow the preservation of biodiversity to be a factor in land development choices, especially through PLUs and SCOTs.

1.6.1.2. Identifying land for acquisition – Land or building acquisition

The analysis of the risks and opportunities presented by a piece of land or a building is part of Kaufman & Broad's priorities and historical know-how. From a regulatory perspective, this upstream part of the group's business is severely restricted.

Risks related to the real estate market

In order to develop programs for Single-family Homes in Communities or apartments, Kaufman & Broad needs high-quality pieces of land of a sufficient size. On the pieces of land that it buys for its programs, the group conducts the preliminary studies required by the regulations in force in a systematic way.

History of the land: soil and subsoil quality and pollution

Before acquiring a piece of land through specialized firms, the group conducts a study of soil and subsoil quality and pollution and a land history of the site.

Kaufman & Broad first appoints a consulting firm to perform an additional pollution diagnostic on the land and prepare a methodological note. A contractor is then given the task of cleaning up the site if the diagnosis is negative.

The group pays particular attention to the analysis of the environment and implementation of depollution especially if it is on soils at risk such as clay or if the land is located on a brownfield area.

The Kaufman & Broad Human Resources Department offers employees a series of training sessions on environmental issues related to property development. Accordingly, Kaufman & Broad offers training on soil pollution to Technical employees (see also Section 1.2.4.7 "Pollution Risks").

Risks related to the discovery of archeological remains

Depending on the program, the property developer or land developer asks the Regional Directorate of Cultural Affairs (DRAC) to guarantee that there are no archeological plans for the piece of land. This process is carried out as a preventive measure upstream of the signing of any contractual commitment. It allows developers to learn about the option to conduct a preventive diagnosis. The discovery of archaeological remains adds an element of chance to project feasibility, partly because of delays that could affect the program. Its marketing is thus more complex due to the lack of visibility on the date of delivery of the structures and because of additional costs, which are difficult to quantify.

When the DRAC believes that a preventive diagnostic is necessary because the land may contain archeological remains, the developer signs an agreement to conduct it. Departmental services such as the National Institute for Preventive Archaeological Research and the General Council perform the diagnostic. Its implementation as a necessity causes delays for the developer and can complicate construction (see also Section 1.2.4.6. "Risks related to the discovery of archeological remains").

Consideration of natural and climatic risks in real estate program design

Kaufman & Broad has naturally integrated natural and climatic risks in the design and launch of its programs in accordance with the regulations in force. The group takes into account the Risk Prevention Plan, seismic regulations and flood risk prevention.

At the municipal level, land use is regulated by the Risk Prevention Plan (RPP). The RPP, which is an appendix to the PLU, defines building land on the basis of natural hazards (e.g., floods, avalanches, landslides, forest fires).

New seismic regulations entered into force on May 1, 2011. Seismic standards must be met for new construction or large-scale rehabilitation of buildings, equipment and facilities. A new zoning map of the French seismic areas was developed to prevent seismic risks affecting about 20,000 municipalities. These new regulations distinguish four categories of buildings, from least vulnerable to most vulnerable. It divides the country into five seismic zones ranging from "very low" to "high".

With regard to climate risk, since the Barnier Law of 1995, each municipality must have a flood risk prevention plan. That document defines the construction zones in areas that are prone to flooding. These areas are delineated on the basis of reference floods. A developer cannot build in a prohibited flood zone and is criminally liable in the event of a breach.

Under the Water Law of 2006, the execution of works that may affect water and aquatic environments is subject to authorization or declaration. Applications for authorization or declarations submitted to the prefect contain a document specifying corrective or compensatory measures, where appropriate. To take soil sealing, which prevents infiltration of rainwater, into account and prevent increased risks of flooding, Kaufman & Broad implements retention basins.

Provisions and guarantees for environmental risks

Since Kaufman & Broad offers conditional sale options, environmental risks are taken into account under these conditions. Within the legal framework of the sale options, Kaufman & Broad does not bear any risk and there are no provisions and guarantees for environmental risks.

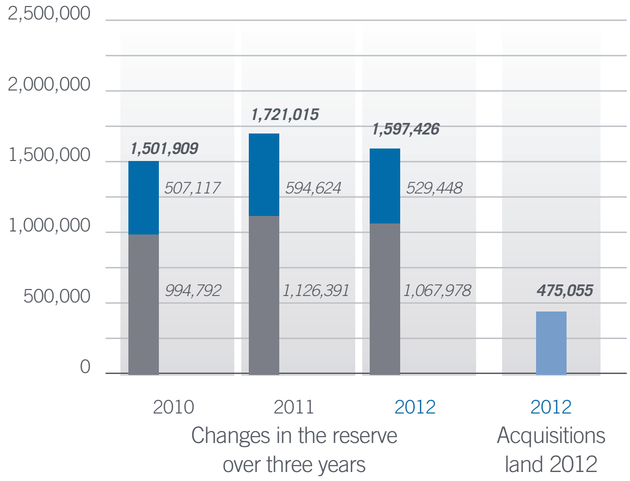
Risks associated with demolition

Before purchasing a property, the group uses a specialized firm to conduct asbestos and lead searches for buildings to be renovated or rebuilt.

With regard to demolitions, the project manager appoints a body to establish the Asbestos and Lead Diagnostic prior to any operation on the site. The Kaufman & Broad purchasing department of then chooses a demolition Company, which looks for a Company specializing in asbestos removal, whose role is to submit to the Labor Inspectorate and the Regional Health Insurer an asbestos and lead removal plan.

Land searches

Estimated net floor area in sq.m



- Land to be developed
- Land under survey
- Land acquisitions in 2012 (based on disbursements)

1.6.1.3. Eco-designed buildings

Investing in a home is a major decision. Kaufman & Broad has been designing programs tailored to the needs of its customers in order to honor the trust its customers place in it for over 40 years. In a highly regulated market, Kaufman & Broad takes into account the challenges of sustainable development from conception to delivery of housing to ensure comfort and peace of mind to its customers.

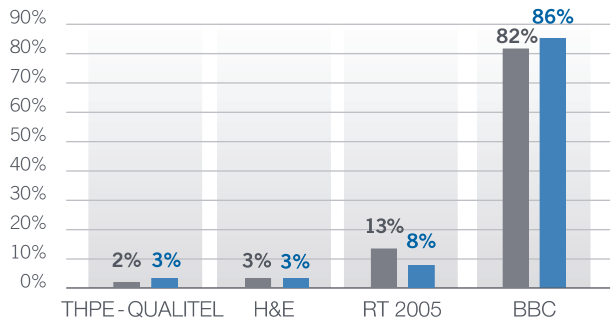
Eco-designed buildings involve the integration of environmental aspects in the design and development of real estate programs in all stages of completion. The quality of Kaufman & Broad construction programs ensures customers that their investments are protected, even during resale.

Compliance with environmental regulations and certifications

The environmental impact and energy efficiency of buildings are governed by standardization and by labels and certifications. Thermal regulations are strengthened in France every five years on average to meet national greenhouse gas reduction targets.

The 2012 thermal regulations have already been implemented for commercial properties since October 2011 and their application has been mandatory for all commercial buildings since January 1, 2012. For the construction of new housing, the application of the 2012 thermal regulations (RT 2012) has been mandatory since January 1, 2013. Starting in late 2009, Kaufman & Broad had emphasized the BBC certification, whose requirement level is close to RT 2012. In 2012, the number of programs with the BBC label accounted for 86% of programs under construction, compared to 82% in 2011. The group's technical skills gave it the ambition to be at the best level for environmental requirements.

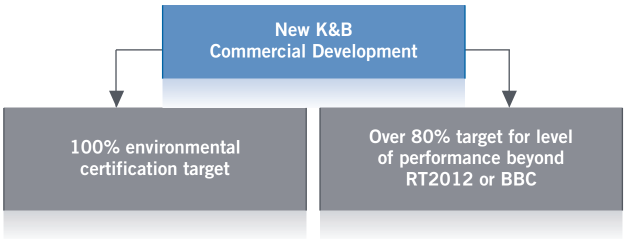
Environmental initiatives and certifications for housing under construction



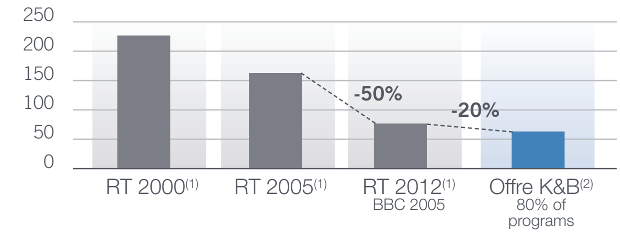
	2012		2011	
THPE – QUALITEL	213	3%	145	2%
H&E	170	3%	158	3%
RT 2005[(a)]	505	8%	718	13%
BBC	5,238	86%	4,562	82%
Total	**6,126**	**100%**	**5,583**	**100%**

(a) Regulatory level until January 1, 2013, date of entry into force of RT 2012.

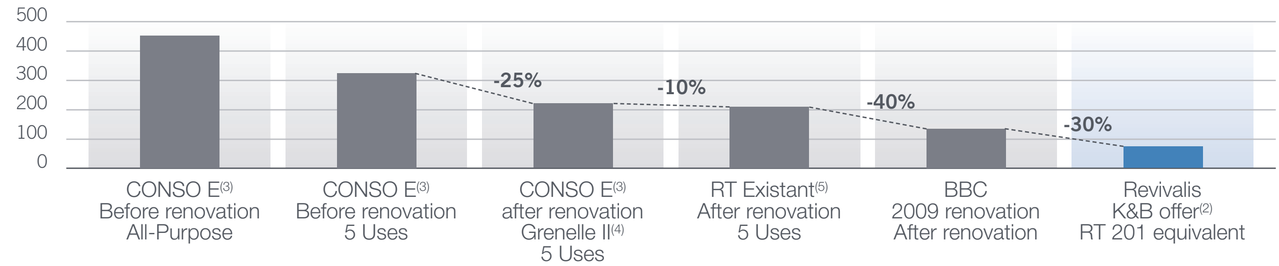
Commercial Property



(in Kwh PE/sq.m per year)



(in Kwh PE/sq.m per year)



(1) Average value.
(2) Kaufman & Broad.
(3) Actual primary energy consumption.
(4) In accordance with Gauchot Maurice Commission report (Nov. 2011).
(5) Existing RT applied to any renovation project whose cost of work exceeds 25% of the construction cost.

The pilot programs developed by Kaufman & Broad

In its constant search for new techniques to increase sustainability of buildings and improve occupants' quality of life, Kaufman & Broad is involved in innovative environmental and architectural programs.

The L'Orée du Parc program created by Kaufman & Broad in Saint-Herblain near Nantes was awarded the EDF 2011 Pyramide d'Argent Bleu Ciel for its innovative approach to saving energy. For this 96-apartment program, the Heliopac system combining heat pump and solar water heating was used to supply hot water needs. The program was certified by the BBC Effinergie label, highlighting its energy performance.

On Place Aristide Briand in Nantes, rehabilitation of the historic Carré Lafayette building allowed Kaufman & Broad to create a living space that combines shops, apartments and leisure and cultural spaces in a prestigious, completely revisited environment. Through the upgrading of Nantes's architectural heritage, a whole new discussion was begun about the preservation of a historical milieu and the creation of a harmonious living space.

Kaufman & Broad, together with three other developers, participated in the transformation of the fort of Issy-Les-Moulineaux, which dates from the nineteenth century, into an eco-district. Fort d'Issy is a 12-hectare site on which four hectares are green spaces in which Kaufman & Broad is constructing five buildings with 271 units. These units comply with three different labels: BBC, H&E (profile A) and ISSEO, the Issy-Les-Moulineaux environmental charter. The Fort d'Issy program combines social and functional diversity by uniting housing, local services, shops, transport, schools, offices and leisure areas in a living environment based on innovation and energy savings.

In this spirit, home automation enables residents to follow their consumption in a customized manner. Waste management also prevents any unpleasant odors and noise. Recycling bins are located outside the building and the site is equipped with a pneumatic suction waste collection system.

The Fort d'Issy program represented the opportunity for Kaufman & Broad to work on techniques combining energy efficiency and connectivity with the completion of its first BBC building, the use of geothermal energy to provide 78% of energy needs (for hot water and heating) and housing connected to a fiber optic network.

Residents have been made aware of the energy performance of their homes thanks to custom guides created by Kaufman & Broad for the Fort d'Issy program and its unique features (owner's manual and green action guide). This ambitious and unique operation, which reserves a special place for the challenges of sustainable development, has attracted great attention from the future owners.

The Cavaillon program, the first affordable housing program developed by Kaufman & Broad, is detailed in the social responsibility chapter (see Section 1.6.3.3 "Developing customized and accessible offers").

1.6.1.4. Construction and work sites

The impact and disturbance of work sites for residents as well as for the employees working on the construction site manifests itself in several ways: demolition and construction waste (residual cement, plaster, concrete, packaging, etc.), sewage, transportation, noise, dust and sludge, the visual appearance of the site, health risks and worker hardship etc. To reduce pollution, Kaufman & Broad requires it to be taken into consideration through contractual clauses or proactive initiatives.

Responsibility of the Project Owner and the Project Manager

With regard to sustainable development issues on construction sites, Kaufman & Broad, as a real estate developer, acts as "Project Owner", i.e., it assumes first and foremost all development risk for the real estate program. It initiates the program for its eventual sale, evaluates program opportunities and feasibility, manages it and assumes responsibility for it, especially with respect to financing.

The project owner uses services regarding the technical aspects of the program, such as architects, surveyors and technical inspectors for the design and execution of the work. The architect and the project engineer constitute the project management team for the program. The real estate developer then assigns the completion of the construction to companies with which it must verify, among other things, that they are current on the basis of an affidavit on their insurance policies, payroll contributions, RCS registration and so on. The architect appointed by the developer as project manager keeps track of works and oversees regulatory and contractual compliance of the performance of the program. It states its reservations to the construction companies on reception of the work and sees to it that they remove them. However, in some cases, it happens that Kaufman & Broad operates as a project manager for design and/or project manager for "in-house" performance. This is particularly the case in programs for Single-family Homes in Communities, as well as for apartment or office programs whose challenges (strategic, financial or technical) require it. The group then assumes responsibility not only the design but also the implementation and progress of the work as outlined above.

Reducing the impact of construction on the environment

Kaufman & Broad commissions the construction of its structures in two operating modes: general contractor programs, with the entire contract awarded to a single Company, or separate trade programs with contracts awarded to the various trades involved in building construction.

According to the terms for completing construction, the challenges of sustainable development differ depending on the structure and experience of stakeholders. A general contractor has more environmental expertise, in particular because of its size and therefore its structure. It often has its own internal charters and environmental commitments and personal on-site support to monitor those commitments. A general contractor, which constitutes a single point of contact for the developer, is often preferred in the case of programs executed in a complex environment, such as within Paris or in a Mixed Development Zone (ZAC).

When the group is working on a certified program for the Habitat & Environnement label, Kaufman & Broad is required to always work with an Assistant to the Owner (AMO), which helps it to define and manage the program. In this case, the AMO is outsourced and it is in charge of environmental compliance on the construction sites.

In all cases, the group's influence over its contractors is primarily through the criteria specified when selecting partners and contractors and awarding works contracts: The need to comply with all applicable environmental regulations is accordingly noted in the contractual clauses, specifications or terms of the special administrative clauses. As part of these programs, the commitments of the various stakeholders are formalized by the signing of "Clean Site" charters. These documents contain commitments of companies working on the programs to reduce disturbances and the pollution they generate.

- Kaufman & Broad thus promises to limit local soil and water pollution by collecting and storing waste (formwork oils, wash water and so on) for subsequent removal;
- As for noise pollution, Kaufman & Broad complies with the regulations in force and adapts to the specific demands of municipalities when they want particular schedules to be respected for the construction program. Quieter gear (with electric motors instead of internal combustion engines) is used on construction areas and outside them to reduce disturbances to residents. The generators must also be soundproofed.
- Depending on the land features and location of the site, different truck wheel cleaning systems are provided at the exit of the site, such as washing areas with streams or scrubbers so as to not track dirt onto the surrounding roads.
- Kaufman & Broad has promised in its specifications not to burn materials onsite.
- Where possible, depending on the nature of the soil, all available means are used to store the topsoil of the site and reuse it in the creation of green spaces in order to prevent rotation of trucks.
- With regard to work site waste, regulations are very strict; contractors are required to use specific containers and dispose of their waste at the appropriate treatment centers. On certified sites, sorting assessments must be done by the AMO. For demolitions, sorting of waste is the responsibility of the demolition Company, who must provide evidence that the waste was sorted and be able to certify that it was sent to the appropriate waste reception centers.
- If the area is environmentally sensitive: e.g., near a school, the group will request that the site be particularly well insulated with fences and siding.

For each development, these requirements are included in the contract file and environmental objectives are monitored by the technical or construction Director.

In addition, a "backcharge" procedure allows the owner to require contractors to pay to repair any damage they may have caused, including environmental damage.

Measuring the impact of our construction sites

As a "Developer", that is to say, a non-builder developer of its real estate projects, Kaufman & Broad acts as a principal with respect to its contractors on construction sites. Its responsibility for the management of water consumption and electricity on construction sites is therefore indirect. However, the group hopes to increase its visibility regarding the environmental impact of its projects on these points. It aims, therefore, to establish a system for collecting information necessary for the evaluation of all types of consumption on projects for next year.

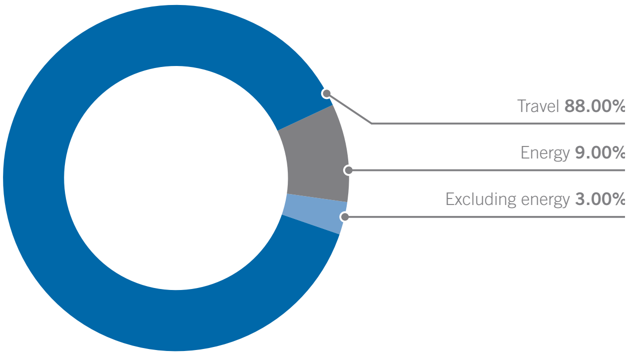
1.6.1.5. Administration buildings

Kaufman & Broad takes into account the environmental impact of its administrative activities, which are being evaluated, to raise awareness and mobilize its employees around objectives to reduce energy consumption and carbon emissions.

The GIE Kaufman & Broad Greenhouse Gas Emission Assessment

The scope of the 2011 GIE Kaufman & Broad Greenhouse Gas Emission Assessment (BEGES) covers all the activities of GIE Kaufman & Broad with the exception of property companies managed by the GIE. The assets concerned are the offices and premises of its 14 branches, hardware owned by the GIE and vehicles leased or owned by employees. At December 31, 2011, Kaufman & Broad employed 728 employees in its 14 geographic locations or branches.

For GIE Kaufman & Broad, the BEGES results show that 88% of greenhouse gas emissions come from travel (which include business travel and commuting). Energy (which includes computers, which represent nearly 43% of energy emissions, heating, cooling, ventilation and lighting) comes in second place, with 9%.



The BEGES is available online at the Kaufman & Broad website at the following address:

http://www.ketb.com/ketbmedia/FR/biblio/Rapport%20Bilan%20Carbone%20GIE%20KB%20Reglementaire.pdf

Aware of the fact that apart from business activity specific construction, the main driver of greenhouse gas emissions is related to travel (88% of BEGES in 2011), in 2009, Kaufman & Broad established a travel optimization program for its employees, which encourages increased use of videoconferencing, combination of trips and reduction of their frequency, preferred use of transport other than airplanes or cars such as trains as much as possible, etc.

Since 2009, Kaufman & Broad has established videoconferencing systems on most of its sites. For 2012, nearly 268 videoconferences were conducted, compared to 289 in 2011. The group believes it was able to avoid the emission of about 100 equivalent tons of CO_2 per year, a saving of 7% compared to the total emissions from business travel. Over the next year, Kaufman & Broad will keep more consistent records of the number of videoconferences conducted, which will allow its employees to avoid travel, in order to assess more accurately the reduction in greenhouse gas emissions thus achieved.

Inventory of emissions from travel and Company cars

Starting in the second half of 2012, Kaufman & Broad introduced a new long-term car leasing policy for employees. The Greenhouse Gas Emission Assessment (BEGES) for the Kaufman & Broad employee fleet included 277 vehicles in 2012. To compare 2011 and 2012, the agency responsible for carrying out this assessment carried out carbon emissions tests for the same parameters as 2011.

		2012	2011
Entity	Number of vehicles	Total Kg EQ CO_2/yr.	Total Kg EQ CO_2/yr.
Annecy	5	33,010	35,805
Bayonne	13	77,938	81,744
Bordeaux	17	106,722	112,183
Grenoble	10	58,024	63,219
Lyon	14	60,345	62,350
Marseille	24	124,418	133,388
Montpellier	15	109,658	119,315
Nantes	20	137,281	141,749
Neuilly	99	541,573	573,020
Nice	9	67,516	69,021
Rennes	2	14,767	14,767
Rouen	2	9,949	9,949
Toulon	17	134,370	137,753
Toulouse	30	151,690	160,079
Total	**277**	**1,627,261**	**1,714,342**

The IT & Telecoms Services Department initiative

In 2011, the IT Service Department conducted a diagnostic mission regarding printing practices at headquarters and throughout the group. The findings of this mission had highlighted the collapse of print management across multiple departments (IT for printers, general services for copiers and one of the two for consumables on a case-by-case basis). This partitioning between several departments caused oversupply that created costly waste for Kaufman & Broad.

Following this mission, starting in August 2012, a reorganization took place. Print management is now centralized within IT Services.

In order to streamline implementations, in 2012, Kaufman & Broad also began to modernize its fleet of copiers to renovate and standardize it. Seventy-five percent of the MFP (multifunction printers) fleet was renovated in August and September 2012. New models were selected for their eco-efficiency. They are Energy Star certified and consume only 1 watt in standby mode. These units reduce unnecessary printings through fax forwarding and digital storage options.

To limit the impact of the Kaufman & Broad's administrative activities on the environment and empower employees, best practices have been implemented throughout the new fleet, such as the universal use of scan-to-mail instead of photocopying where possible. At some sites, paperless faxes began to be sent to mailboxes.

The whole group also recovers and recycles computer equipment. Recycling is organized in connection with two bodies, one of which is engaged in the New Life program for the treatment of used consumables to avoid grinding, incineration, landfills and landfill burial. Used cartridges are collected by an organization and then the components are reused to produce products in a process guaranteed by the No Waste Solution by Revialis label certifying that all raw materials was reintroduced in the industry with 0% waste. This label is ISO 14001-compliant and this solution provides a 33% drop in greenhouse gas emissions compared to incineration.

Kaufman & Broad decided to virtualize its fleet of computer servers. The project was launched in late 2010 and today, just over 70% of the server fleet has been virtualized. This project has resulted in a reduction in electricity consumption, which has been divided by ten (for the cloud part), as well as a drop in equipment investment.

To cope with the increasing volume of data stored, Kaufman & Broad is renovating its file storage system. The group wishes to manage its storage units while minimizing the energy consumption of its data center. The choice was made of a scalable and energy-efficient technology that limits the number of hard drives and whose power supplies comply with the Energy Star Platinum standard.

For 2013, Kaufman & Broad plans to provide awareness training for operations staff to reduce their impact in terms of printing volume and encourage the recycling of computer equipment by campaigns and the establishment of an electronic document management system.

Total print volume in 2012 *(in millions of pages)*	**2012**	**2011**
Black and white photocopies	4,290	4,609
Color photocopies	4,963	5,273
Black and white printing	(a)	3,313
Color printing	(a)	712

(a) Change during the year; data comparable to 2011 not available.

Light pollution and consumption (water and electricity)

The group's Corporate headquarters, built by Kaufman & Broad in Neuilly-sur-Seine, are equipped with infrared light detectors to optimize power consumption. In the same vein and in accordance with the provisions of the Grenelle Environment Forum on light pollution and not leaving office lights on at night, the building has a centralized technical management system that switches off office lights after 9 p.m. every day and turns down the heating during non-working hours.

In order to assess and set consumption reduction targets, Kaufman & Broad is working to establish a system for collecting data on its water and electricity consumption.

1.6.2. Employment information

At November 30, 2012, the group employed 728 people, through an Economic Interest Grouping (GIE) that has covered all group entities since January 2008.

In accordance with the first directive of its Ethics Charter, "strict compliance with the law", Kaufman & Broad meets all the conventions of the International Labour Organization concerning the rights of employees ratified by France, particularly in matters of professional equality, hiring, training and compensation.

Employees are assigned to group companies depending on staffing requirements. Employees are divided in several teams responsible for purchasing land, program design, bid tenders, engineering, administration and supervision of construction, marketing, sales, customer service, financing and management of the group. The costs of employee assignments are distributed by each legal entity based on the volume of business generated by each entity.

Average number of employees over the past three years

Average number of employees	**2012**	**2011**	**2010**
Operating divisions	**614**	**591**	**565**
Land	158	162	138
Technical	181	174	161
Sales	175	169	157
Other	100	86	109
Support functions	**62**	**94**	**68**
Total	**676**	**685**	**633**

1.6.2.1. Workforce and new hires

1.6.2.1.1. Potential recruiting problems

In 2012, Kaufman & Broad hired qualified people for all positions. Recruitment proved difficult, however, as real estate development business grew, since there were many job offers in the sector.

In 2012, 76 people were hired, of which 37 were managers, 20 employees and 19 commercial representatives. Of these, 58 people were hired under a permanent contract and 18 under a fixed-term contract.

1.6.2.1.2. Terminations

In July 2008, the group implemented a restructuring and job protection plan leading to the termination of 166 positions and a planned economic layoff initially affecting 135 people.

The plan's initiatives brought about a reduction in the workforce at the end of 2008, continuing into 2009 as accounting services were centralized and certain operations were gradually shut down. In 2008, 47 people had left the Company under economic layoffs, 41 left in 2009, 18 in 2010 and the last 3 left in 2011 after finding other jobs.

Employee-related terminations affected four people out of an average workforce in the calendar year of 733 people.

Amicable terminations

In 2012, 27 people left the Company by mutual consent, in accordance with legal provisions set up in July 2008.

1.6.2.1.3. Overtime

Managers and sales representatives make up 70.5% of the workforce. No overtime was worked in group companies in 2012.

1.6.2.1.4. Temporary workers

The number of temporary workers used by the group account for only 3.8% of the workforce, representing the equivalent of 28 full-time employees. Temporary staff worked an average of 13.8 days per assignment.

1.6.2.2. Work organization

1.6.2.2.1. Working hours

Full-time employees work 35 hours a week.

In accordance with Law 2000-37 of January 19, 2000 relating to the negotiated reduction of the work week, as amended by Law 2003-47 of January 17, 2003 concerning salaries, working hours and job creation, GIE Kaufman & Broad negotiated a new framework for working hours with the representative trade unions. The agreement was signed on November 7, 2006, effective January 1, 2007 for an indefinite term. An amendment signed December 20, 2007 clarified the possibility to carry paid vacation days forward in relation to the organization of working hours.

In addition to the standard provisions concerning working hours, this agreement sets out work organization schedules for non-managerial employees as well as office- and non office-based managers:

- non-managerial employees and office-based managers work an average of 35 hours per week. As their actual working week represents 35 hours and 45 minutes they are granted five days of additional time off. The Company also grants two extra days off at holidays;
- non office-based managers' working hours are fixed and calculated on a yearly basis and represent 216 days worked per calendar year.

Executive managers – i.e. personnel whose responsibilities are such that their schedules need to be flexible and who have autonomous decision-making power – do not fall within the scope of the applicable working time regulations referred to in the above-mentioned agreement.

These are grade 6 managers as defined in the Collective Bargaining Agreement.

1.6.2.2.2. Part-time employee working hours

The group has 35 part-time employees, 20 employees and 15 managers. Most of these people work four-fifths time, mainly under parental leave.

In addition, 25 employees are entitled to flextime as part of the working/private life balance.

1.6.2.2.3. Absenteeism

Absenteeism by reason[(a)]	2012
Illness	2.21%
Workplace and commuting accidents	0.02%
Maternity leave	1.02%
Family events	0.09%
Total	**3.35%**

(a) Number of hours absent/theoretical number of hours worked.

1.6.2.3. Compensation

1.6.2.3.1. Average compensation

Employee compensation consists of a fixed base salary plus a variable portion primarily related to business levels and tasks performed.

These are average salaries paid to the employees (excluding Corporate Officers) in the Company for each of the last two years.

Average annual compensation

(in euros)			2012			2011
	Men	Women	Total	Men	Women	Total
Non-managerial employees	52,131	37,931	40,782	54,795	36,360	40,251
- basic salary	22,446	24,888	24,383	19,242	21,719	21,344
Managerial employees	80,135	56,366	71,762	73,068	51,106	65,368
- basic salary	57,034	43,638	52,315	50,601	38,874	46,479

Payroll taxes recognized under compensation for fiscal years 2011 and 2012 were €19.7 million and €20.9 million respectively (see Section 4.1.3., note 10).

1.6.2.3.2. Application of Section IV of Part IV of the French Labor Code: Incentive bonuses and profit-sharing

There are no incentive bonus schemes or profit-sharing agreements in place within the group.

1.6.2.3.3. Equal opportunities

Pursuant to the French Labor Code, a report containing employee data is prepared annually and reviewed with employee representatives.

The report covers, by category (managers, non-managers, sales staff), the respective positions of men and women in terms of hiring, training, promotion, qualifications, actual compensation and working conditions.

In accordance with the Law of January 9, 2010 on pension reform and Decree 2011-822 of July 7, 2011 requiring companies with more than 50 employees to negotiate an agreement, or failing this, to implement unilaterally an equal opportunities action plan, GIE Kaufman & Broad and trade union organizations entered into an agreement on November 18, 2011.

Of the eight areas of action defined by the legal framework, three were selected. These related to job classification, training and the balance between professional life and private life. This agreement defines the objectives and progress monitoring indicators to measure developments in each of the areas identified. It is also indicative of the group's desire to respect the principle of equality between men and women and to implement concrete measures to meet the expectations of employees in their career development and in accordance with said principle.

- To improve classifications, the measures mainly pertain to job vacancy communications, benchmark definitions, career development management during annual performance reviews, training of managers on this topic, identification of impediments to gender diversity, neutralization of the impact of maternity/adoption or parental leave on career development and promotion of women to the most senior jobs.
- The measures relating to professional training relate to access to training: time, place and training offered; aid for skills training and manager training for changes.
- The balance between work and private life is developed by encouraging working time arrangements and placing restrictions on Meeting times, developing respect for vacation or rest time, promoting discussion of this topic during annual employee interviews.

All of the above points are subject to goals and monitoring indicators that will be presented to employers once a year.

To increase the visibility of women in senior positions within the group, Kaufman & Broad has created a "Testimonials: Women's Paths" Section on its intranet site, which contains testimonies from women Directors.

1.6.2.3.4. Jobs for older people

Under the Law of December 17, 2008 on Social Security funding for 2009, the legislature enacted provisions whose purpose is to raise awareness about the culture of early retirement of older employees in order to eventually reach the European target of a 50% employment rate of people aged between 55 and 64. This requirement is part of an overall change in the French legal context since 2003.

Pursuant to Article 87 of the above Law and its implementation decrees, companies with at least 50 employees which, from January 1, 2010, are no longer covered by an action plan or Corporate agreement regarding jobs for older employees, are subject to a financial penalty of 1% of compensation taken into account when calculating Social Security contributions for the French retirement system (*Caisse Nationale d'Assurance Vieillesse*).

GIE Kaufman & Broad entered into an agreement on December 2, 2009 with trade unions on employing older employees for a three-year period. This agreement was based on the following two points:

- Job retention for employees aged 55 and over. GIE Kaufman & Broad set up a policy to promote career development. This involves supporting internal mobility, performing annual performance reviews and taking account of employee's expectations in terms of career development. To this end, a mobility charter was drawn up and distributed in the first half of 2010. It is updated at the start of each year and reviewed annually with managers who have employees in their team over the age of 50.
- Initiatives to promote job retention and recruitment of older employees. Second-half career interviews have been designed and are offered every five years to employees over the age of 50 to facilitate their potential repositioning and employability and take stock of their skills, training needs and career development wishes.

GIE Kaufman & Broad will continue to support skills development of employees over 50, particularly by improving their access to in-house training in all areas, such as management and business systems and asking managers to conduct a review of these issues once a year. The GIE will ensure that the average rate of training for employees aged 50 and over is in keeping with the general average. Information about accreditation of prior learning and skills and individual training leave is available on the group's intranet site and these initiatives are facilitated by Management.

In conjunction with the Human Resources Department, the GIE offers employee aged 57 and over a Retirement Assessment. In 2011, six people retired after reviewing their assessments with the HR department.

The three-year agreement signed on December 2, 2009 was subject to a ruling enforceable against the URSSAF to avoid any financial penalties in this regard.

The average retirement age of employee over 55, which was 60 at the signing of the agreement, was 60 in 2010, 59.5 in 2011 and 64.4 in 2012.

Employees over 50 years may be offered an interview about the second part of their career. In 2011, 13 people had such an interview and three in 2012.

The average training rate for employees aged 50 and over was 44.5% in 2010, it rose to 57.8% in 2011 and 76.4% in 2012.

Among people 57 and older, the number of proposed retirement assessments and interviews with HR was two in 2010, four in 2011 and six in 2012.

Following the national inter-professional agreement of October 19, 2012 concerning the "generation contract" and its legal transposition, the Company will have entered into an agreement or set up an action plan by September 30, 2013.

Mobility Charter

Under this agreement, in the first quarter of 2011, the Company established a mobility charter to offer support the changes and define geographic mobility aids. Financial terms for mobility aids have since been updated annually. These are searchable by Company employees on the KB-in intranet site.

1.6.2.3.5. Industrial relations

Employees elect 16 members of employee representative organizations (seven managers and nine non-managers).

The Works Council was elected in December 2009 for GIE Kaufman & Broad and it represents employees from all institutions (headquarters and secondary institutions). It is composed of three members and three alternates in each college (Managers and Employees). Employee representatives were appointed on the second ballot and voter turnout was 34.8% for managers and 49.8% for employees. The Works Council meets every month and whenever necessary. In 2012, the Committee held 14 meetings.

Within each of the institutions of the Company, the appointment of employee representatives was organized in December 2009 for terms of four years. Only the Neuilly-sur-Seine, Grenoble and Montpellier institutions have appointed staff representatives. In other institutions, since there were no candidates, a report on the failure to meet was drafted.

1.6.2.4. Collective bargaining agreements

Kaufman & Broad applies the National Developers Collective Bargaining Agreement.

1.6.2.4.1. Health and safety conditions

In 2012, there were a total of six workplace and commuting accidents, resulting in 385 cumulative calendar lost days.

Delegations of responsibility were established with the Agency Directors and they have established sub-delegations with their various departments, including technical, so that the Kaufman & Broad group managers concerned can directly or indirectly provide safety for people in activities for which the group is the Project Owner and/or project manager.

Safety training sessions are provided each year by the Company so that the Company's technical staff can constantly update their knowledge in this area.

In addition, the Company ensures the implementation of measures for the health and safety of people in the organization and preparation of all works contracts concerning real estate programs.

1.6.2.4.2. Training

Kaufman & Broad defines and annually updates its training policy. The purpose of the training plan established is to maintain and develop employability of employees and manage expertise and talents to support career development. The training plan is divided into four main areas:

1/ training in the Company businesses,

2/ personal development training to develop proper attitudes,

3/ office equipment training,

4/ language training for people with the minimum level required to be able to take this type of training.

To do this, the Company is designing a training catalog that groups together activities that have been or will be planned for the implementation of the plan presented.

A total of €1,300 thousand, or 2.70% of the payroll, was spent on training in 2012.

In 2012, 601 people received training (300 men and 301 women) and the number of registered courses totaled 1,229. This figure is so high because most employees were trained in new software applications. In 2012, the Company provided 12,307 hours of training, 6,573 for managers and 5,734 for employees.

The Company concluded 25 apprenticeship or qualification contracts during 2012. Accordingly, in late 2012, it employed in its various departments and agencies 41 people under apprenticeship or work-study contracts.

1.6.2.5. Employment and integration of disabled workers

The group employed five disabled workers in 2012.

In 2010, GIE Kaufman & Broad, with the help of a specialist firm, launched a survey to raise awareness of Departments and employees about employing disabled workers and to study all the measures likely to promote employment and integration of disabled workers in the group. A communications and action plan was developed at the end of 2011. This initiative and these plans continued in 2012 and should subsequently be formalized through an agreement or Corporate provisions.

1.6.2.6. Social initiatives

The Kaufman & Broad group's contributions in 2012 break down as follows:

- additional insurance and health care coverage: €1,197 thousand;
- meal expenses: €776 thousand;
- payment to Works Councils: €321 thousand.

Procedure for the purchase of Kaufman & Broad housing by an employee

The Kaufman & Broad SA group has always wanted to facilitate the sale of housing to its employees while preserving the interests of the Company and its shareholders. Kaufman & Broad SA is redefining its policy of selling housing (individual homes or apartments) to Kaufman & Broad SA group employees (not including any person that may act as a substitute for such employees, including members of the same family) to strengthen the policy and facilitate its implementation. This procedure applies to all Kaufman & Broad SA group companies and all employees of GIE Kaufman & Broad or one of the group companies. The purchase of a home in a development program of the group by an employee is considered an unusual transaction and while it benefits from specific conditions, the transaction must comply with the rules (defined in a document available to employees on the group intranet site) and receive the necessary approvals.

Commercial sponsorship

The relatives and loved ones of group employees are potential buyers of a house or an apartment, be it for the purchase of a primary residence, a rental investment or a second home. Employees are offered the opportunity to become their sponsor and, according to terms defined in a document available to employees on the group intranet site, to receive a sum of money.

1.6.2.7. Subcontracting

As a developer-builder, Kaufman & Broad uses subcontractors to build the real estate programs it develops. In fact, as a result of its status as "Non-Builder Developer", the group assigns construction work to third-party companies that either belong to various trades as part of a "separate trade" contract, or to a subcontractor as part of a "general contractor" contract. In addition, it is often the case that when Kaufman & Broad takes out a contract with a general contractor, the latter subcontracts a fairly substantial part of that contract.

1.6.2.8. Regional impact on employment and development

In France, the Kaufman & Broad group has operations in Neuilly-sur-Seine in Île-de-France, in the Regions, the group has operations in Annecy, Bayonne, Bordeaux, Grenoble, Lyon, Marseille, Montpellier, Nantes, Nice, Rouen, Rennes, Toulon and Toulouse.

In three years, the group's workforce rose from 680 at the end of 2010 to 729 at the end of 2011 and to 721 at the end of 2012. After a period of strong growth through 2007, the group was compelled to reduce its workforce between 2008 and 2010 in order to preserve its competitiveness. This reorganization has had an impact both in Île-de-France and in the Regions. Since 2010, despite the closure of the Lille and Strasbourg agencies, the group is planning to develop its business activities anew in areas where it was located and generate recurring or growing business there. In its capacity as a developer-builder, the Kaufman & Broad group and its growing businesses thus contribute to the economic development of the regions where it operates.

1.6.2.9. Employee representatives and trade unions

The union organizations are represented in GIE Kaufman & Broad by two union delegates: one from the *Force Ouvrière* union of the various welfare agencies in the Paris region and the other from the national union for urban planning and housing and property managers, which is part of the French management confederation (*Confédération Française de l'Encadrement* (CGC)).

1.6.2.10. Company savings plan

The Kaufman & Broad Company savings plan (*fonds commun de placement d'entreprise*) was created for the application of the Company Savings Plan established by GIE Kaufman & Broad in December 1999. It is invested primarily in Kaufman & Broad SA securities listed for trading on the *Premier Marché* of the Paris Stock Exchange.

The operation of the Kaufman & Broad Actionnariat FCPE is ensured by:

- Fongépar Gestion Financière, a French société par actions simplifiée, headquartered in Paris at 10 place de Catalogne and registered in the Paris Trade Register under number B 451 419 774, which serves as the management Company of the FCPE;
- CDC Finance – CDC Ixis, a French *société anonyme* with a Management and a Supervisory Board, headquartered at 26/28 rue Neuve Tolbiac, Paris and registered in the Paris Trade Register under number B 335 128 898, which serves as the depositary;
- Fongépar, a French *société anonyme*, headquartered in Paris at 10 place de Catalogne and registered in the Paris Trade Register under number B 692 042 310 as the custodian – account holder.

This FCPE also has a Supervisory Board with two employee-member unitholders, representing the unitholders and appointed by the Works Council and two members representing the Company named by Management. Each member may be replaced by an alternate appointed under the same conditions.

The principal duties of the Supervisory Board are to:

- review the annual report on the transactions of the FCPE and earnings at least once a year;
- exercise the voting rights attached to the securities in the Fund's assets (which may submit resolutions to Shareholder's Meetings);
- approve amendments to the regulations of the FCPE.

The Board elects a Chairman from its members and selects a Secretary from among the unitholders' representatives for a two-year term.

Board decisions are made by a simple majority of the members present or represented.

In the event of a tie vote, the Chairman of the Supervisory Board, elected from among the members of the Board representing the unitholders, casts the deciding vote.

The number of shares held by the Kaufman & Broad Actionnariat FCPE at November 30, 2012 is presented in Section 5.3.1. "Shareholders at November 30, 2012 and three-year change".

1.6.3. Social information

1.6.3.1. Compliance of business practices

Compliance and ethics at Kaufman & Broad

Kaufman & Broad has internal ethics documents that are regularly distributed to all employees. In 1997, Kaufman & Broad drafted its Business Ethics Charter, a compilation of the guidelines with which employees must comply. In case of doubt as to the legality or propriety of a decision, an employee is required to consult the Legal Department or a lawyer. The group also has recommendations on insider breaches and treatment of privileged information. In 2011, a compliance officer was appointed to coordinate these aspects.

Kaufman & Broad launched an action plan for 2013 to implement a sustainable development strategy to mobilize and raise awareness in the group. This will be formalized through the drafting of a commitment and good practices charter.

Prevention of undeclared work on construction sites

Kaufman & Broad implements the obligations of Project Owner to prevent undeclared work. If it uses a construction contractor that sub-contracts some of its work, the Project Owner has a duty of care and must see to it that a list of documents by the contracting party is distributed when the contract is entered into and every six months thereafter to ensure the regular status of employees. Kaufman & Broad fulfills its verification and enforcement duties with respect to the contractor companies.

Centralized purchasing

Efforts made in recent years by Kaufman & Broad to centralize its purchases at group level will increase the use of large, national suppliers who are committed to environmental issues and more exposed to them because of their size. For Kaufman & Broad, centralized purchasing is a way to control product quality and guarantee the same level of service and a common image for Kaufman & Broad programs throughout France. The group gives preference almost exclusively to French or European suppliers to ensure compliance with European-standard components. It selects and monitors all product models included in a Kaufman & Broad program.

1.6.3.2. Creating dialogue around the construction site

Consultation with stakeholders around the construction site

Upstream of the program, consultations organized with local residents makes it possible to explain the real estate program to them and defuse potential tensions in answering their questions. An independent expert invites all stakeholders to meetings to present the program and specify the methodologies for such matters as sub-soils. This procedure is a hearing with everyone present and all documents are distributed to all parties. During these meetings, for example, the issue of a dividing wall to be knocked down for the safety of local residents and the site may be mentioned.

Preventive summary procedures

It is also almost standard practice for Kaufman & Broad to set up a preventive summary procedure, usually voluntary, for any program launched in a dense urban area. These measures, which are designed to protect local residents as well as the group, ensure that before construction work begins, a court-appointed independent expert prepares a report on the condition of neighboring properties.

Where ordered by the court, this preventive procedure continues during the work and permits local residents to note any damage or nuisance caused by the construction and for corrective action to be taken.

1.6.3.3. Developing customized and accessible offers

Kaufman & Broad is committed to home ownership

Starting in 2008, in the context of the housing crisis and an economic downturn, Kaufman & Broad saw its customer base grow and rehabilitated its offer accordingly to provide affordable housing of the same quality. From 2009, Kaufman & Broad has redeployed its housing offer to first-time buyers and investors, by offering more compact and functional products while preserving useful floor area.

However, in the major cities where Kaufman & Broad operates, this effort is conflicting with the limitations of land prices and technical costs. In order to give first-time buyers easier access to property, in 2011 Kaufman & Broad began to develop a new design for affordable housing, which should be 20% less expensive than the market price. The benchmark goal is to offer apartment units at just under €3,000 per square meter (including VAT) in Île-de-France and from €2,500 to €2,600 per square meter (including VAT) in other regions. To achieve this, the group will build these housing units in areas farther away from town centers but nevertheless well served by public transport. Land is cheaper and construction costs are compressed because Kaufman & Broad chooses flat land that does not require special foundations. The design of these housing units will also improve on traditional elements while still respecting Kaufman & Broad's high quality and complying with the RT 2012 regulatory standard for new buildings. Basement parking will be removed and replaced by parking places.

With regard to affordable housing, Kaufman & Broad has worked extensively on design, leveraging its expertise to offer products that, while certainly more compact, will offer pleasant living in a small area. The first affordable housing program was launched by Kaufman & Broad in Cavaillon at prices 20% lower than market.

To be able to provide a high level of service at affordable prices, Kaufman & Broad will rethink the management of the value chain and how to optimize its technical costs.

In addition, to meet another challenge in homeownership for first-time buyers, Kaufman & Broad has developed partnerships with some bankers, who are present at sales offices during openings to inform and advise first-time buyers regarding financing solutions.

Diversification of supply

Kaufman & Broad is also diversifying its businesses to senior and student residences, which the group considers a potential market, but one with actual specific needs.

The student housing market is under tension because of lengthening duration of studies and the increase in the university population (+89% between 1980 and 2009 according to the French Ministry of Higher Education and Research). According to the Observatoire de la Vie Étudiante, only 33% of students had access to a home last year. Kaufman & Broad is thus diversifying its business by designing residences for students to meet the growing demand for student housing.

In the context of an aging French population, assisted living facilities are a compromise between maintaining a home or medical facility for the elderly, thus enabling them not to be isolated and to have access to a range of services.

For about three years, Kaufman & Broad has developed relationships with managers and is currently hiring a Director for managed products that will support the local branches and serve as a relay with respect to managers.

These developments are pushing the group to integrate a range of social and societal issues into its strategy related to living environment, quality of life at different ages, accessibility of housing, scalability and so on.

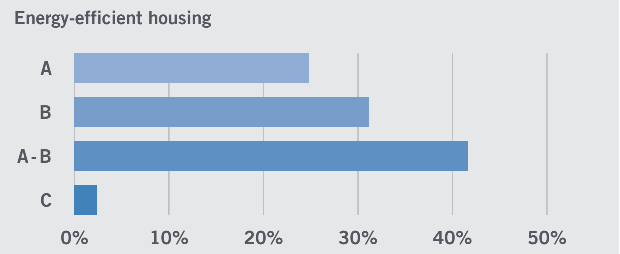
1.6.3.4. Kaufman & Broad customer support

Marketing

Through the marketing of real estate and customer service, Kaufman & Broad listens to the concerns of its customers to meet their expectations and provide the best product. On this occasion, the group can also raise awareness of sustainable development issues and choice of materials and best practices that exist in the real estate sector.

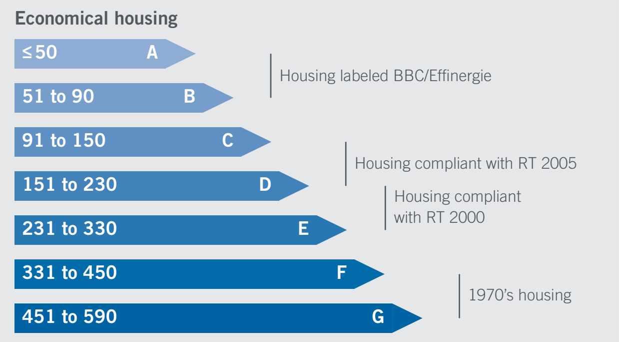
Since January 1, 2011, energy-guide labels are mandatory in real estate transactions pertaining to housing. Kaufman & Broad now features these labels in all of its sales literature aimed at potential customers: the graph below shows the breakdown of housing units offered for sale in 2012, based on their energy consumption and energy-label.

Energy consumption



(A-B): real estate programs with more than one building with thermal performance of either A or B depending on their intended use

Types of homes



Energy consumption in kWh EP/sq.m/year in primary energy

Educating customers about the choice of materials

Currently, much of the activity of the showrooms (the place of choice for customers to plan their housing) is centered around parquet flooring, which is one of the concerns of Kaufman & Broad customers and which the group has made one of the issues of its environmental responsibility. Sensitive to the needs of its customers, Kaufman & Broad offers them a durable material that is easy to maintain but also affordable.

Attentive to the quality of materials and the good practices of its partners, Kaufman & Broad is working with suppliers to use wood certified with the PEFC (Programme for the Endorsement of Forest Certification) standards. This label promotes sustainable forest management. It ensures that the wood will be reused and that the certified forest owners and operators have committed to specifications that include conservation of water, soil, fauna and flora.

The wood purchased is this fully traceable, ensuring trust and customer safety. Kaufman & Broad has almost completely eliminated its exotic wood offer and offers French and European wood instead, as oak is available in a wide range of colors.

Educating customers about the environmental performance of their homes

When our customers purchase a Kaufman & Broad home, it is an important investment as both a financial and a life choice that will affect them far into the future. Kaufman & Broad sees the responsibility inherent in the trust placed in it by its customers and therefore puts all its know-how and commitment to their service, long after the keys are handed over.

Beyond regulatory compliance, the actual performance of buildings depends on the occupant. Customers have a decisive influence on the energy performance of their homes. Depending on their lifestyle and the choices they make, they can successfully maximize its potential in terms of energy savings.

Kaufman & Broad gives all owners a guide with practical advice (administrative, facility maintenance and "good use" of the building) when our housing is delivered. Indeed, behavioral factors affecting thermal performance will naturally become increasingly important as energy-efficiency technology is incorporated into the design of new housing. Recent studies conducted by social-housing landlords have shown that even inappropriate behavior on the part of occupants (blocking of air vents, making holes in exterior walls and so on) could cancel out the eco-friendly performance theoretically provided by the building's technology.

Personalized customer service

Whatever its size, Kaufman & Broad offers the same services and benefits to its customers.

Through its customer center, Kaufman & Broad supports its customers from sale to deliver through a customized interface organized thematically.

This interface allows clients to communicate with Kaufman & Broad to submit their contact information changes and monitor their payment schedule. In their space, they use photos to follow site progress and access information about their housing and neighborhood (virtual visits and local services).

Kaufman & Broad services are also accessed through the space through links to the design space, rental management, customer service, the online owner's manual and sponsorships.

Following the delivery of their home, they participate in an online satisfaction survey, the results of which are communicated to the program Directors.

As part of the "Customer Privilege Program", Kaufman & Broad has partnerships with companies so that it can offer its customers a range of services when they change their place of residence, such as support for the move, maintenance or individual services, to help its customers get settled in their new neighborhood.

Non-financial indicators

Subject	Indicators	Comments	Unit	2012	2011
Equal opportunities	Women managers	In the number of managers	%	34.0	33.8
	Women senior managers	In the number of senior managers	%	18	17
	Difference in the average wage of female managers	Compared to the average salary of male managers	%	(29.7)	(30.1)
Training	Employees who received training	In the average workforce for the calendar year	%	82.0	65.0
	Amount spent on training	In the annual total payroll	%	2.7	1.95
	Hours of training (managers and non -managerial employees)	All types of training		12,307	6,008
Disabilities	Employees with disabilities	All types of contracts	number	5	4
Work life quality	Rate of absenteeism (all reasons for absenteeism)	Number of hours absent/theoretical number of hours worked.	%	3.35	3.32
	Employees with flexible work schedules	To achieve work/life balance	number	25	23
Health and safety conditions	Workplace and commuting accidents	-	number	6	5
Older employees	Employees aged 55 and over	In the average workforce for the calendar year	%	9.3	N/A
	Average training for employees aged 50 and over	Out of the number of employees who received training	%	76.4	57.8
Terminations	Termination rates	Out of the average workforce for the calendar year (for reasons related to the individual)	%	0.5	1.3
	Contractual termination rates	Out of the average workforce for the calendar year	%	3.68	2.36
Employment relations	Negotiated collective agreements in force	-	number	10	8
	Turnoutat the last WC election (2009)	Number of Voters/Number registered (2nd Round)	%	42.3	42.3
Social initiatives	Contributions to charitable work	Share of revenues devoted to charitable work	%	0.22	0.20
Sustainable use of resources	Share of BBC homes under construction	Out of all homes under construction	%	86	82
Affordable housing	Share of affordable housing ordered	Out of all housing ordered (including JVT)	%	23.6	14.2
CO_2 emission	Average employee vehicle emissions	Average annual emission/vehicle	kg CO_2 eq	5,875	6,189
Paper	Paper consumption	Annual paper consumption for photocopies	thousands of pages	9,253	9,882

CROSS-REFERENCE TABLE, SUSTAINABLE DEVELOPMENT SECTION

Indicators of Decree 2012-557 of April 24, 2012 on transparency obligations of companies regarding social and environmental issues amending Article R.225-105 of the French Commercial Code	Registration Document Section
1° Environmental information	
a) General environmental policy	
Organization of Company to take into account environmental issues and, where appropriate, approaches to environmental assessment or certification	1.6/1.6.1.1/1.6.1.3
Employee training and information in matters of environmental protection	1.6.1.2
Resources devoted to the prevention of environmental risks and pollution	1.6.1.2
Amount of provisions and guarantees for environmental risks (provided that such information is not likely to cause serious harm to the Company in an ongoing dispute)	1.6.1.2
b) Pollution and waste management	
Measures to prevent, reduce or remedy emissions into the air,water and soil that seriously affect the environment	1.6.1.3/1.6.1.4/1.6.1.5
Prevention, recycling and waste disposal measures	1.6.1.4/1.6.3.2/1.6.1.5
Consideration of noise and other forms of pollution specific to an activity	1.6.1.4
c) Sustainable use of resources	
Water supply and consumption according to local restrictions	1.6.1.2/1.6.1.5
Consumption of raw materials and measures to improve efficiency of their use	1.6.1.5/1.6.3.4
Energy consumption, measures to improve energy efficiency and use of renewable energy	1.6.1.3/1.6.1.5
Land use	1.6.1.1/1.6.1.2
d) Climate change	
Greenhouse gas emissions	1.6.1.3/1.6.1.5
Adaptation to climate change impacts	1.6.1.2
e) Protection of biodiversity	
Measures to preserve or enhance biodiversity	1.6.1.1
2° Employment information	
a) Employment	
Total number and distribution of employees by sex, age and geographical area	Business report – Employees/1.6.2
New hires and terminations	1.6.2.1.1/1.6.2.1.2
Compensation and wage changes	1.6.2.3.1/1.6.2.3.2
b) Work organization	
Organization of working time	1.6.2.2.1/1.6.2.2.2
Absenteeism	1.6.2.2.3
c) Employment relations	
Organization of social dialogue, including information and employee consultation and negotiation procedures with it	1.6.2.3.5/1.6.2.9
Collective bargaining agreements	1.6.2.4
d) Health and safety	
Health and safety conditions at work	1.6.2.4.1
Review of agreements with trade unions or employee representatives regarding workplace health and safety	
Workplace accidents, including their frequency and severity and occupational diseases	1.6.2.2.3/1.6.2.4.1
e) Training	
Training policies implemented	1.6.2.3.4/1.6.2.4.2
Total hours of training	1.6.2.4.2
f) Equal treatment	
Measures taken to promote equality between women and men	1.6.2.3.3
Measures taken to promote employment and inclusion of people with disabilities	1.6.2.5
Policy against discrimination	1.6.2.3.4

Indicators of Decree 2012-557 of April 24, 2012 on transparency obligations of companies regarding social and environmental issues amending Article R.225-105 of the French Commercial Code	Registration Document Section
g) Promotion and enforcement of provisions of the fundamental conventions of the International Labour Organization respecting	
Freedom of association and right to collective bargaining	1.6.2
the elimination of discrimination in respect of employment and occupation	1.6.2
the elimination of forced or compulsory labor	1.6.2
the effective abolition of child labor	1.6.2
3° Information about social commitments to promote sustainable development	
a) Territorial, economic and social impact of the Company's business	
In employment and regional development	1.6.2.8
On regional or local populations	1.6.3.3
b) Relationships with persons or organizations interested in the Company's business,including the inclusion associations, educational institutions, environmental protection associations, consumer associations and local residents	
Conditions for dialogue with these persons or organizations	1.6.3.2
Partnerships or sponsorships	N/D
c) Subcontractors and suppliers	
Taken into account in the procurement policy of social and environmental issues	1.6.3.1/1.6.3.4
Importance of outsourcing and consideration in relationships with suppliers and subcontractors for their social and environmental responsibility	1.6.2.7/1.6.3.1/1.6.3.4
d) Fair practices	
Actions taken to prevent corruption	1.1.2.6
Measures taken to promote consumer health and safety	1.6.1.2/1.6.3.4
e) Other actions taken under societal commitments to sustainable development, to promote human rights	**1.6.3.1**

2 Operating and financial review

2.1. KEY PERFORMANCE INDICATORS OF THE KAUFMAN & BROAD GROUP

The Kaufman & Broad group has operated as a property developer and builder in France since 1968. The group's activities are based on two main businesses – "Housing", which covers the development of Single-family Homes in Communities (grouped homes), Apartments (including mixed-use buildings containing apartments/business premises/retail space/offices), corporate, tourist, student housing and assisted living facilities and "Commercial Property".

The group also operates business related to the "Housing" segment, such as land and building lot sales, project management and additional housing services known as "Showroom" services. These are grouped under "Other operating activities".

Kaufman & Broad's core business remains "Housing", which is organized on the basis of two criteria.

The first criterion concerns the group's geographic presence:

- the group is present in major French cities where the market is deeper and more buoyant and where customers are most solvent;
- it focuses more specifically on the Atlantic and Mediterranean coastal regions, which have offered the strongest growth and best development prospects for several years.

The second criterion concerns the group's customer base. Kaufman & Broad customers are traditional home buyers (first- and second-time homebuyers) and investors (Scellier, LMNP, LMP, etc.).

The group does not have any development or construction operations outside France.

2.1.1. Significant data

Kaufman & Broad's good financial performance for fiscal year 2012 was comparable to 2011, with a gross margin rate that increased 0.2 points from its already high 2011 level, net income that remained stable year-on-year and, finally, continued rapid debt reduction:

- total revenues remained stable, at €1,030.0 million (-1.4% vs. 2011);
- Housing revenues increased slightly by 1.8% over the whole year and 5.5% over the fourth quarter;
- the gross margin rate was 19.6%, which is still high (19.4% in 2011);
- attributable net income totaled €47.6 million, stable compared to 2011, when it totaled €47.5 million;
- Net Financial Debt fell by half compared to its level at November 30, 2011 and represented net debt of €81.2 million at November 30, 2012.

This performance, with a slight rise in Housing revenues, took place in a real estate market that has been declining sharply in general since the beginning of the year. In terms of business, 5,487 housing units were ordered, for an amount of €1,096.0 million, compared to 6,408 housing units ordered in 2011 for an amount of €1,356.9 million, an increase of 14.4% in volume and 19.2% in value. During fiscal year 2012, total orders in value amounted to €1,109.9 million (including VAT), down 24.5% compared to 2011, when it totaled €1,469.8 million (including VAT). In the fourth quarter of 2012 alone, housing orders in volume fell only 5.7% compared to the same quarter in 2011. The Commercial Property business, meanwhile, recorded total orders of €13.8 million (including VAT), dedicated mainly to the "Balma – ZAC Vidailhan" program in Toulouse.

The commercial offer increased by 5.1% to 3,222 housing units at November 30, 2012.

The average monthly take-up rate for lots that entered the market (excluding JVT) was 14.4% in 2012 versus 20.8% in 2011. The attrition rate (excluding discontinued projects) was 22.4% in 2012, down 3.1 points compared to 2011.

Other significant factors occurring during fiscal year 2012 were the early partial repayment of the Senior debt, the payment of an interim dividend and the further buyback of minority interests.

Early partial repayment of the Senior debt

Following the double bidding process launched by Kaufman & Broad SA on July 26, 2011, which resulted in the early repayment in 2011 of a portion of its term debt under its Senior Credit Agreement in the amount of €50.8 million and the cancellation of part of the credit commitments that the Company has as part of its revolving credit line under that agreement, on February 29, 2012, Kaufman & Broad SA prepaid an additional amount of €10 million on its term debt.

Moreover, as provided in the bank documentation, Kaufman & Broad SA also made a prepayment of €17.9 million in late January 2012.

In late October 2012, following the signing of a new supplemental agreement to the Senior Credit Agreement, Kaufman & Broad SA made a voluntary early repayment of €40 million, thus increasing the total amount debt repaid during fiscal year 2012 to €68 million. Under this supplemental agreement, Kaufman & Broad SA also reduced its drawdown rights on the RCF line of €50 million to €52.9 million.

Payment of an interim dividend

At its Meeting on October 23, 2012, the Board of Directors, after reviewing of the Company's earnings in recent years and its prospects, decided to distribute an interim dividend of €2.31 per share for fiscal year 2012. This interim dividend was paid on November 15, 2012 for an amount of €48.4 million, excluding treasury shares.

Buyback of minority interests

The group purchased several minority interests during the year, through the acquisition of the equity interest of its associate Elgéa in a program in Île-de-France, Partim's interest in a program in Marseille, a share of the equity interest of its associate HDI in a program in Toulon and stakes from associates in companies at end-of-life for a total investment of €1.8 million under satisfactory profitability conditions. In accordance with IAS 27R, the €1.6 million impact from these programs was recognized in shareholders' equity.

Key financial data

The following table presents the key income statement items for the group for the last two fiscal years:

Fiscal year ended November 30 *(in € thousands)*	**2012**	**2011**
Revenues	1,030,046	1,044,255
including Housing	*1,000,660*	*983,430*
Gross margin	202,134	202,795
Current operating income	85,281	89,069
Operating income	86,809	89,851
Income (loss) attributable to shareholders	56,704	57,490
Attributable net income	47,624	47,513
Net earnings per share	**€2.25**	**€2.22**
Total orders (in value including VAT)	**1,109,911**	**1,469,812**
Total backlog (in value excluding VAT)	*1,122,569*	*1,205,281*

Fiscal year ended November 30 *(in € thousands)*	**2012**	**2011**
Assets		
Non-current assets	164,647	163,428
Current assets	887,570	870,678
Total Assets	**1,052,217**	**1,034,106**
Equity and Liabilities		
Shareholders' equity	149,111	156,846
Non-current liabilities	314,631	342,913
Current liabilities	588,475	534,347
Total Equity and Liabilities	**1,052,217**	**1,034,106**

Group consolidated revenues for fiscal year 2012 totaled €1,030.0 million, down 1.4% from 2011. Revenues from Housing increased 1.8% to €1,000.7 million versus €983.4 million for fiscal year 2011. This increase may be explained for the most part by the €51.4 million (+5.6%) increase in revenues from the Apartments business from 2011 to 2012. The share of the Housing business in total revenues was 97.1% in 2012 compared to 94.2% in 2011.

Revenues from Apartments totaled €976.7 million in 2012, compared with €925.3 million in 2011. Île-de-France accounted for 45.6% of these revenues and it is 97.6% of the total Housing business segment compared with 94.1% in 2011.

Revenues from Single-family Homes in Communities totaled €23.9 million, compared with €58.1 million in 2011, i.e., a decrease of 58.8%. The Regions accounted for 60.3% of these revenues compared to 31.4% for the same period in 2011.

In 2012, 5,669 EHUs [1] were delivered, compared with 5,653 EHUs the previous year, representing a rise of 0.3%.

Revenues for the Commercial Property amounted to €21.1 million compared with €48.9 million in 2011.

The total gross margin amounted to €202.1 million, compared to €202.8 million in 2011. The overall gross margin rate was 19.6%, which is still a satisfactory level compared to 19.4% in 2011. The Housing gross margin amounted to €194.6 million, up 2.4% compared to 2011. Its gross margin rate rose slightly by 0.1 points, reaching 19.4% of Housing revenues.

Current operating profit was down 4.3% from €89.1 million at November 30, 2011 to €85.3 million in 2012. This decrease is due to a slight decrease of €0.7 million in the gross margin and the increase of €3.1 million in operating expenses during the period.

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(1) *Equivalent Housing Units delivered (EHUs) (2) See definition in Section 2.1.2. "Business Indicators."*

Operating income improved by €1.5 million compared to current operating income and totaled €86.8 million. This increase is under "Other non-current operating income and expenses" amounting to €1.5 million at November 30, 2012, compared to €0.8 million in 2011. The group had made provisions for land acquired in previous fiscal years, believing that it would more likely be sold than developed. During fiscal year 2012, having revisited the launch of a real estate transaction on a previously depreciated parcel of land, the group decided to start marketing it. The provision for impairment has been reversed in the amount of €1.5 million.

Before-tax earnings of consolidated companies amounted to €82.6 million versus €85.2 million in 2011. The decrease of €2.6 million was due to the decrease of €3.0 million in operating profit, which was offset by a decrease of €0.4 million in the cost of net debt and other financial income and expenses (see Section 2.3.4. "Cost of Net Financial Debt and other financial income and expenses").

Income (loss) attributable to shareholders amounted to €56.7 million, compared to €57.5 million in 2011. Attributable net income recorded an increase of 0.2%, to €47.6 million. This improvement comes from the decrease of €0.9 million in minority interests compared to 2011. Moreover, it should be noted that net income was reduced by €1,450 million due to the impact of the tax paid in respect of payment on November 15, 2012 of an interim dividend of €48.5 million. Net income for fiscal year 2012 excluding this impact would have been more than €49 million.

At November 30, 2012, Kaufman & Broad's balance sheet total amounted to €1,052.2 million, compared with €1,034.1 million at November 30, 2011. Group shareholders' equity totaled €149.1 million at end 2012, compared with €156.8 million at end 2011, i.e., a decrease of €7.7 million. This decrease is mainly due to the decrease of €2.6 million in group reserves (offset by interim dividend) and the increase of €4.8 million the amount of treasury shares.

Group Net Financial Debt at November 30, 2012 totaled €81.2 million, compared with €163.7 million at November 30, 2011. The items responsible for this €82.5 million drop are described in Section 2.4.1. "Cash flow".

Off-balance sheet commitments given increased from €277.2 million in 2011 to €349.3 million in 2012, primarily due to the increase in outstanding Performance bonds (see note 28.1 "Commitments given" to the Consolidated Financial Statements). Off-balance sheet commitments consisting of work guarantees received amounted to €108.9 million, compared to €101.4 million in 2011.

2.1.2. Business indicators

The group's key business indicators are (i) order volume, (ii) number of Equivalent Housing Units (EHUs) delivered and (iii) backlog.

Orders (in volume and on a per month basis) reflect the sales activity of the group and provide a measure of its performance. Orders are recognized in revenue when they are converted into a signed and notarized deed, which is the point at which income is generated (see Section 2.2.2. "Sources of net income").

Orders in volume are expressed in units within the group. In addition, in Apartment programs that include mixed-use buildings (apartments/business premises/retail space/offices), all floor space is converted into housing equivalents.

Units define the number of housing units or Equivalent Housing Units (for mixed-use programs) for any given program; units are calculated on a per-program basis, with the following being considered as housing units: "Apartments," "Single-family Homes in Communities" and "subdivisions and building lots." Consequently, a housing unit (or lot) is equal to one unit. For business premises, retail space and small office spaces, a calculation for an equivalent housing unit is then applied based on the average area of the housing units in the aforementioned program. The average area of housing units is calculated as a ratio of the total useable floor area of the housing units to the number of housing units in the program.

The number of units in the Equivalent Housing Units is calculated as a ratio of the floor area by type (business premises/retail areas/offices) to the average floor area of the housing units previously obtained.

EHUs (Equivalent Housing Units delivered) directly reflect sales. The number of EHUs is calculated on a per-program basis and is equal to the product of (i) the number of homes for a given program for which the notarized sale deed has been signed, multiplied by (ii) the ratio between the amount of the land and costs incurred by the group for the program and the total budgeted costs for the program. Thus, a home sold under a program for which 30% of total costs have been incurred would result in an EHU of 0.3.

Backlog covers VEFA sales (sales before completion), ordered but undelivered units, sales for which a notarized sale deed has not yet been signed and the incomplete portion of undelivered units for which a notarized sale deed has been signed (for a unit program that is 30% complete, 30% is accounted for as sales and 70% remains in the backlog).

The backlog is a summary at any given moment, which gives a projection of future revenues for the coming months and serves as a basis for the group's forecasts.

2.1.3. Tracking of indicators

2.1.3.1. Orders, commercial offer and backlog

The following table illustrates the group's performance in terms of orders, programs launched and average number of employees for the last two fiscal years.

	Housing units in inventory at period end [(a)]	Net orders [(b)]	Housing units offered for sale [(c)]	Programs being marketed [(d)]	Average number of employees
Fiscal year 2012	**3,222**	**5,487**	**5,642**	**163**	**728** (170 salespeople, 163 property appraisers, 164 technical employees and 231 administrative and support employees)
Fiscal year 2011	**3,067**	**6,408**	**7,538**	**168**	**685** (169 salespeople, 162 property appraisers, 174 technical employees and 180 administrative and support employees)

(a) The sum of the inventory of housing units available for sale at November 30 of the year, i.e., all units that are not covered by orders at the fiscal year-end.
(b) The number of orders recorded during a given fiscal year, i.e., the number of orders signed by customers during the fiscal year less the number of canceled orders at the fiscal year-end.
(c) Total number of homes available for sale when the marketing offer is launched for programs whose marketing launch took place during the relevant accounting period.
(d) Number of programs that entered the marketing phase at the end of the period.

Kaufman & Broad offers Single-family Homes in Communities and Apartments with the following general characteristics:

	Living area (excluding parking)	Price range (including VAT) [(a)]	Average price [(a)]
Île-de-France			
Single-family Homes in Communities	59 to 110 sq.m	€120,000 to €650,000	€252,491
Apartments	20 to 129 sq.m	€2,160 to €8,659/sq.m	€4,324/sq.m
Regions			
Single-family Homes in Communities	65 to 164 sq.m	€171,000 to €675,000	€328,647
Apartments	18 to 166 sq.m	€1,345 to €11,868/sq.m	€4,050/sq.m

(a) Based on fiscal year 2012 sales, excluding exceptional items.

Since 2009, Kaufman & Broad has radically redefined its commercial offer for first-time buyers and investors. The goal is to offer products at reasonable prices that meet the financial and fiscal profitability criteria of investors and the solvency criteria of first-time buyers. This work was based on the optimization of floor areas so that more compact, better laid-out apartments could be offered with slightly lower useful floor areas, while maintaining the usual for the group quality standards.

At November 30, 2012 Kaufman & Broad SA had 163 housing programs on the market, of which 39 were in Île-de-France and 124 in the Regions, for a total of 3,222 units, compared to 3,067 units available for sale at November 30, 2011, i.e., an increase of 5.1%.

The following tables show quarterly orders and backlog for Single-family Homes in Communities, Apartments and Commercial Property, in volume and in value, for all four quarters of fiscal years 2011 and 2012.

Housing	Net orders [a]	Orders in value *(€ thousands including VAT)*	Deliveries (in EHUs) [b]	Backlog (EHU)	Backlog in value *(in € thousands excluding VAT)*	Backlog in months of business [c]
Single-family Homes in Communities						
Fiscal year ended November 30, 2011						
1st quarter	9	4,125	76	209	49,918	5.3
2nd quarter	3	1,491	67	145	34,483	4.3
3rd quarter	53	17,288	49	149	36,300	5.7
4th quarter	26	7,244	47	128	30,350	6.3
Total	**91**	**30,148**	**239**	-	-	-
Fiscal year ended November 30, 2012						
1st quarter	41	8,032	15	154	32,340	8.7
2nd quarter	56	14,993	21	179	37,768	13.5
3rd quarter	91	16,549	24	246	47,427	21.6
4th quarter	56	16,082	42	266	53,484	26.8
Total	**244**	**55,655**	**102**	-	-	-
Apartments						
Fiscal year ended November 30, 2011						
1st quarter	1,255	272,243	1,289	5,710	955,590	13.6
2nd quarter	2,027	408,067	1,136	6,602	1,110,116	15.1
3rd quarter	1,513	306,213	1,225	6,889	1,163,126	15.4
4th quarter	1,522	340,212	1,764	6,608	1,130,031	14.7
Total	**6,317**	**1,326,735**	**5,414**	-	-	-
Fiscal year ended November 30, 2012						
1st quarter	990	197,689	1,136	6,462	1,090,481	14.2
2nd quarter	1,409	273,896	1,255	6,616	1,092,592	13.7
3rd quarter	1,440	267,173	1,146	6,910	1,119,302	14.0
4th quarter	1,404	301,567	2,030	6,284	1,037,621	12.7
Total	**5,243**	**1,040,325**	**5,567**	-	-	-

(a) Net number of orders recorded during the relevant period, i.e., number of orders signed by customers during said period less the number of orders canceled at the end of the period.
(b) Number of Equivalent Housing Units delivered, hereinafter "EHUs" is calculated by program and is equal to (i) the number of units of a given program for which a notarized sale deed has been signed, multiplied by (ii) the ratio between the land expenses and the construction costs incurred by the group for said program and the total budgeted costs for the program. Thus, a unit sold under a program in which 30% of the costs have been incurred would result in 0.3 EHU.
(c) Backlog in months of business equals the product of (i) the ratio between the backlog at the end of month "M" and the sum of revenues (excluding VAT) of the 12 preceding months from M-1 to M-12, multiplied by (ii) 12 (i.e., the previous 12 months of business).

Commercial Property	Net surface area (sq.m) ordered	Orders in value *(in € thousands including VAT)*	Backlog in value *(in € thousands excluding VAT)*
Fiscal year ended November 30, 2011			
1st quarter	-	41,910	35,926
2nd quarter	-	(251)	23,745
3rd quarter	-	-	19,588
4th quarter	-	64,992	41,016
Total	-	**106,651**	-
Fiscal year ended November 30, 2012			
1st quarter	-	136	37,723
2nd quarter	-	13,687	44,402
3rd quarter	-	(33)	37,419
4th quarter	-	-	-
Total	-	**13,791**	-

2.1.3.1.1. Orders

2.1.3.1.1.1. Housing business

In fiscal year 2012, 5,487 net housing orders were recorded compared with 6,408 in 2011, a decrease of 14.4%. In value, housing orders totaled €1,096.0 million (including VAT), compared with €1,356.9 million (including VAT) in 2011, a decrease of 19.2%. In the second half, home orders were down 3.9% in volume and 10.4% in value. The Housing business represents 98.7% of total orders in value for the group, compared to 92.3% in 2011.

The following table shows the number and type of housing units ordered by type in Île-de-France and in the Regions in fiscal years 2012 and 2011 (*December 1 to November 30*).

	Number of Single-family Homes in Communities ordered				Number of apartments ordered			
	2012	**%**	**2011**	**%**	**2012**	**%**	**2011**	**%**
Île-de-France	131	54%	3	3%	2,368	45%	2,170	34%
Regions	113	46%	88	97%	2,875	55%	4,147	66%
Total	**244**	**100%**	**91**	**100%**	**5,243**	**100%**	**6,317**	**100%**

Apartments

In fiscal year 2012, 5,243 apartments were ordered, compared to 6,317 in 2011, a decrease of 17.0%. This decrease is mainly due to the 30.7% decline in orders in the Regions, which was partially offset by a 9.1% increase in Île-de-France. In value, these orders amounted to €1,040.3 million (including VAT), compared to €1,326.7 million (including VAT) in 2011, a decrease of 21.6%.

As regards apartment orders, 45.2% in volume and 45.7% in value were made in Île-de-France, compared to, respectively, 34.4% and 40.5% in 2011. The apartments share remains the largest in Kaufman & Broad orders since it reached 93.7% in value and 95.6% in volume of its total orders, compared to, similarly, 90.3% and 97.3% in 2011.

Single-family Homes in Communities

In 2012, orders for Single-family Homes in Communities amounted to 244 units versus 91 for all of 2011. The increase in the number of Single-family Homes in Communities ordered is due to the increase of 128 orders in Île-de-France and of 25 additional orders in the Regions. In value, amounted to €55.7 million, compared to €30.1 million in 2011, an increase of 84.6%. This increase reflects an even greater disparity between Île-de-France and the Regions: while the Île-de-France had 28.1 million additional orders, the Regions experienced a decline of 9.4% (€-2.6 million).

Orders by geographic area

Fiscal year ended November 30		2012		2011	
		Number of net orders	Orders in value *(in € thousands, including VAT)*	Number of net orders	Orders in value *(in € thousands including VAT)*
Île-de-France		**2,499**	**505,915**	**2,174**	**540,845**
	Housing	*2,499*	*505,915*	*2,173*	*539,733*
	Commercial property	-	-	-	-
	Other[(a)]	-	-	*1*	*1,112*
West		**506**	**78,572**	**530**	**67,714**
	Housing	*505*	*78,436*	*525*	*67,336*
	Commercial property	*1*	*136*	-	-
	Other[(a)]	-	-	*5*	*377*
Southwest		**1,051**	**201,705**	**1,218**	**200,694**
	Housing	*1,052*	*187,901*	*1,166*	*197,728*
	Commercial property	-	*13,654*	-	-
	Other[(a)]	*(1)*	*150*	*52*	*2,966*
Southeast		**1,139**	**268,211**	**1,791**	**443,696**
	Housing	*1,139*	*268,221*	*1,765*	*400,683*
	Commercial property	-	-	*19*	*42,307*
	Other[(a)]	-	*(10)*	*7*	*706*
Rhône-Alpes		**271**	**51,241**	**660**	**131,191**
	Housing	*271*	*51,241*	*660*	*130,075*
	Commercial property	-	-	-	-
	Other[(a)]	-	-	-	*1,116*
Other Regions		**21**	**4,266**	**119**	**85,672**
	Housing	*21*	*4,266*	*119*	*21,327*
	Commercial property	-	-	-	*64,345*
	Other[(a)]	-	-	-	-
Total		**5,487**	**1,109,911**	**6,492**	**1,469,812**
	Housing	*5,487*	*1,095,980*	*6,408*	*1,356,882*
	Commercial property	*1*	*13,791*	*19*	*106,652*
	Other[(a)]	*(1)*	*140*	*65*	*6,277*

(a) Land, building lots.

Geographically, the Housing business in Île-de-France recorded an increase of 15.0% in volume but was down 6.3% in value. As for the Regions, they were down by 29.4% in volume and 27.8% in value. The share of the Regions in the Housing business declined in favor of Île-de-France. In 2012, it accounted for 53.8% in value and 54.5% in volume of total group housing orders, compared to 60.2% in value and 66.1% in volume in 2011.

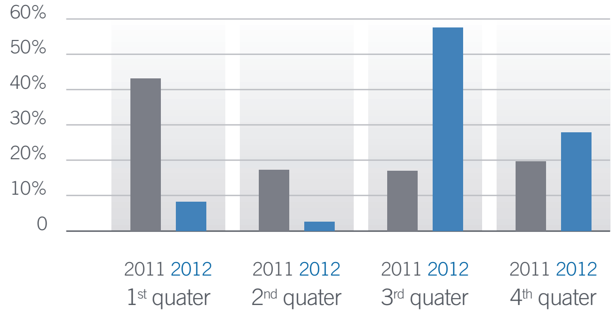
In 2012, the Southwest (Toulouse, Bordeaux, Bayonne) accounted for 17.1% of the total amount of housing orders, compared with 24.5% for the Southeast (Montpellier, Marseille, Toulon, Nice) and 4.7% for Rhône-Alpes (Lyon, Grenoble, Annecy). At the same time, the contribution from Île-de-France fell in value from 39.8% to 46.2% and in volume from 33.9% to 45.5%.

Over the course of one year, the average price of group housing orders experienced a decline of 5.7% from €211,700 (including VAT) in 2011 to €199,700 (including VAT) in 2012. Île-de-France experienced a decline of 18.5% in the average housing order price and the Regions experienced an increase of 2.3%. In terms of products, the average price of apartments ordered and the average price of single-family homes in communities were down by 5.5% and 31.2% respectively.

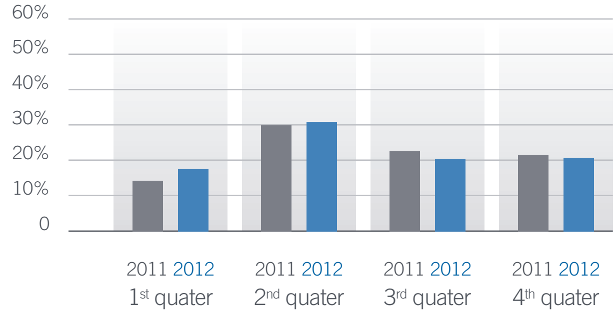
Finally, the average attrition rate for order contracts (excluding order cancellations related to discontinued projects) recorded by the group for all of fiscal year 2012 was 22.4%, which is below the level for all of fiscal year 2011, when it was 25.5%.

Cycles and seasonality of housing orders by product type (in %)

Single-family Homes in Communities



Apartments



In fiscal year 2012, the number of apartment orders was evenly distributed over the last three quarters of the year. In 2011, the group recorded the highest level of apartment orders in the second quarter. Orders for single-family homes reached the highest level in the third quarter in 2012 and in 2011.

2.1.3.1.1.2. Commercial Property

During 2012, the group recorded net Commercial Property orders totaling €13.8 million (including VAT), compared to €106.7 million (including VAT) in 2011. This includes the "Balma – ZAC Vidailhan" program, which has about 5,500 sq.m in floor space, located in the Vidailhan green district in the Gramont commercial park (ZAC) in Balma (Toulouse).

2.1.3.1.2. Backlog

Total backlog amounted to €1,122.6 million (excluding VAT) at November 30, 2012, compared with €1,205.3 million (excluding VAT) at November 30, 2011, a decline of 6.9%.

The following table shows the number and share of backlog by type of housing in Île-de-France and in the Regions in fiscal years 2012 and 2011 (*December 1 to November 30*).

	Backlog in number of Single-family Homes in Communities				Backlog in number of apartments			
	2012	**%**	**2011**	**%**	**2012**	**%**	**2011**	**%**
Île-de-France	113	42%	29	23%	2,496	40%	2,390	36%
Regions	153	58%	99	77%	3,788	60%	4,218	64%
Total	**266**	**100%**	**128**	**100%**	**6,284**	**100%**	**6,608**	**100%**

Housing backlog totaled €1,091.1 million (excluding VAT) at November 30, 2012, compared with €1,160.4 million (excluding VAT) at November 30, 2011, a decline of 6.0%. In volume, it recorded a decline of 2.8% compared with the previous year, totaling 6,550 housing units.

Apartments

The Apartments backlog totaled €1,037.6 million in 2012, a decrease of 8.2% compared with the end of 2011, when it totaled €1,130.0 million. In volume, it amounted to 6,284 units, compared with 6,608 units in 2011, a decrease of 4.9%. In Île-de-France, the Apartments backlog increased 4.4% in volume but fell by 7.7% in value. In the Regions, it is declining in volume and in value by, respectively, -10.2% and -8.6% between 2012 and 2011.

Single-family Homes in Communities

The Single-family Homes in Communities backlog has doubled in volume compared to November 30, 2011 and stood at 266 units. In value, it amounted to €53.5 million, an increase of 76.2%. These increases are attributed to both Île-de-France and the Regions. At November 30, 2012, Île-de-France had 113 Single-family Homes in Communities in backlog for €24.0 million, compared to 29 units for €6.6 million at the end of 2011. As for the Regions, they recorded an increase of 54.5% in volume and 24.4% in value.

Backlog by geographic area

Fiscal year ended November 30		2012		2011	
		Backlog (EHU)	Backlog in value *(in € thousands, excluding VAT)*	Backlog (EHU)	Backlog in value *(in € thousands, excluding VAT)*
Île-de-France		**2,609**	**464,488**	**2,422**	**484,282**
	Housing	*2,609*	*464,488*	*2,419*	*483,647*
	Commercial property	-	-	-	-
	Other (a)	-	-	*3*	*636*
West		**492**	**56,464**	**475**	**48,712**
	Housing	*492*	*56,464*	*474*	*48,601*
	Commercial property	-	-	-	-
	Other (a)	-	-	*1*	*111*
Southwest		**1,188**	**178,410**	**1,110**	**164,315**
	Housing	*1,184*	*166,450*	*1,099*	*161,279*
	Commercial property	-	*11,473*	-	-
	Other (a)	*4*	*487*	*11*	*3,036*
Southeast		**1,850**	**337,795**	**2,008**	**362,984**
	Housing	*1,849*	*337,008*	*1,997*	*346,273*
	Commercial property	-	*783*	*9*	*16,610*
	Other (a)	*1*	*3*	*2*	*100*
Rhône-Alpes		**347**	**56,516**	**636**	**102,490**
	Housing	*347*	*56,516*	*636*	*102,490*
	Commercial property	-	-	-	-
	Other (a)	-	-	-	-
Other Regions		**69**	**28,897**	**111**	**42,497**
	Housing	*69*	*10,178*	*111*	*18,091*
	Commercial property	-	*18,718*	-	*24,406*
	Other (a)	-	-	-	-
Total		**6,555**	**1,122,569**	**6,762**	**1,205,281**
	Housing	*6,550*	*1,091,105*	*6,736*	*1,160,381*
	Commercial property	-	*30,974*	*9*	*41,016*
	Other (a)	*5*	*490*	*17*	*3,883*

(a) Land, building lots.

At the end of 2012, the Housing backlog in the Regions experienced a decrease of 8.7% in volume and 7.4% in value compared to the previous year, which was mainly due to the decline in the apartments backlog. At the same time, Île-de-France recorded a 7.9% increase in volume, accompanied by a decline of 4.0% in value due to the 7.7% decline in Apartments activity.

The share of the Regions in the Housing backlog stood at 60.2% in volume and 57.4% in value at the end of 2012, compared to 64.1% in volume and 58.3% in value at the end of 2011. In similar trends to those for orders, the Southeast represents 30.9% of the total Housing backlog versus 15.3% for the Southwest and 11.3% for Rhône-Alpes and the other Regions. Île-de-France's share amounted to 42.6% in value at the end of 2012 versus 41.7% at the end of 2011. In volume, it increased by almost four percentage points, reaching 39.8%, compared to 35.9% at the end of 2011.

Finally, the Housing backlog at November 30, 2012 should make it possible to maintain a good level of Housing business in 2013 because it represents more than 13 months of Housing business.

2.1.4. Outlook

At the beginning of this fiscal year, the new housing market in France is characterized by still-strong fundamentals, but also by a number of negative elements.

First, new housing market indicators, even if they are slightly degraded, are still favorably oriented:

- the commercial offer is still inadequate, representing nearly 80,000 multi-family units in the fourth quarter of 2012, of which approximately 31,000 are under construction, 4,200 are completed and 44,600 units are currently planned and may not necessarily be started;
- demand remains high; the housing market in France is still characterized by a severe housing shortage;
- physical inventories remain low; they represent only over 4,000 multi-family units.

Despite that, the time needed to clear stocks of the available offer is increasing.

Secondly, the general economic climate, which is the second major determinant of the real estate market, has deteriorated throughout 2012. It is marked by a steady, significant increase in unemployment and a drop in household confidence. In this context, real estate is still a safe haven for investors. Moreover, despite the tightening of lending conditions by banks, interest rates remain very generous (about 3.2% over 15 years).

Finally, even though government support measures are considerably less generous, they still remain effective:

- the “Zero-Interest Plus Loan” was changed to favor first-time buyers, whose grace period has been improved even if the portion of the loan has been slightly reduced;
- regarding the “Duflot” incentive, even if it is still less favorable than the intermediate “Scellier” incentive generally since it does not allow the standard deduction of gross rental income of 30% and it does not benefit ascendants and descendants and it falls under the tax loophole ceiling of €10,000 per year, the tax reduction rate was improved from 13% to 18%. With regard to rent levels and income levels for tenants, the proposed system generally meets the expectations of investors in terms of profitability and the tenant ability. It is especially attractive for programs in the Regions, especially for studios and 2-room and 3-room units.

In this context, in 2013 Kaufman & Broad will continue to develop housing for first-time buyers who benefit from the new “Zero-interest Loan” and investors under the new incentive implemented in January 2013:

- development of programs at controlled prices;
- development of programs carried out in ANRU (urban renewal) areas, which have a 7% VAT and accounted for 745 orders during 2012.

It should be noted that during 2012, social housing sold through traditional programs by Kaufman & Broad represented 24.3% of orders in volume versus 14.5% in 2011. In light of the announcements made by the government, in 2013 the group is exploring the option to develop programs involving only social housing sold as a package to public housing operators.

Moreover, Kaufman & Broad will continue to grow by offering housing for students and seniors, which are still eligible for the “Censi-Bouvard” incentive.

Finally, in 2013 Kaufman & Broad will redevelop some Single-family Homes in Communities program with a more contemporary architecture in Île-de-France, the PACA region and the Southwest. Kaufman & Broad now has commitments to sell for 1,500 Single-family Homes in Communities. This segment of the Housing business remains important for the group’s image because in the past, it built the success of the Kaufman & Broad brand.

As regards Commercial Property, Kaufman & Broad will similarly continue the proactive policy adopted more than a year ago, which has already resulted in significant prospects for the next three years. The group will apply for building permits for three projects in Île-de-France of a significant size in Boulogne-Billancourt and Paris. The group’s office property reserves amount to almost 55,000 sq.m net floor area, representing potential revenues of €365 million.

In this context and given the strategy implemented, 2013 will see the continued already undertaken dynamic adaptation of our offer to market conditions. It is clear that the Kaufman & Broad’s chief strength is the ability to respond quickly to the most demanding environments and adapt our offer accordingly. These elements combined with a high backlog, despite a difficult economic and social environment, allow Kaufman & Broad to set a goal in 2013 to maintain financial performance entirely comparable to what it achieved in 2012 while keeping its operating expenses under control and continuing to deleverage.

Land purchases and property reserves

Land property purchased by the group represented a total amount of €170.8 million for fiscal year 2012 and €199.9 million for fiscal year 2011, a decline of 14.5%.

Because of the average duration of its programs and because it tracks certain indicators such as customer orders, backlog and land purchase options, the group has a fairly good overview of its business over a 12-month horizon (see Section 2.1.3. “Tracking of Indicators”).

Property reserves

Units available for development by 2015 *(at November 30, 2012)*	**Number**	**Estimated sq.m** [(c) (d) (e)]
Land to be developed [(a)]	**16,049**	**1,067,978**
Single-family homes	1,288	113,912
Apartments	14,759	916,260
Commercial Property	2	37,806
Land under survey [(b)]	**7,494**	**529,448**
Single-family homes	846	69,555
Apartments	6,556	422,893
Commercial Property	92	37,000
Total – France	**23,543**	**1,597,426**

(a) Land for which a sales contract or option has been signed.
(b) Land for which a sales contract or option has not yet been signed.
(c) Based on estimated net surface area.
(d) Based on a single-family home with an average area of 100 sq.m.
(e) Based on an apartment unit with an average surface area of 60 sq.m plus 15% for the communal areas.

In fiscal year 2012, Kaufman & Broad signed purchase commitments for land representing 10,670 housing units, which raised the group's property portfolio to 16,049 housing units, with 6,188 in Île-de-France and 9,861 in the Regions; this represents three years of business. The Office property portfolio, meanwhile, represents nearly 37,800 sq.m of net surface area.

Potential business at November 30, 2012, i.e., the commercial offer, launched programs tranches not opened to marketing and the real estate portfolio, represented 16,265 lots, a decrease of 7.6% compared with the same period in 2011, when it totaled 17,607 lots.

In the first quarter of 2013, Kaufman & Broad will develop 18 new programs (7 in Île-de-France including one Commercial Property and 11 in the Regions) amounting to a total of 786 housing units. For all of 2013, the group plans to develop 96 new programs representing 5,808 homes and a Commercial Property program in Île-de-France.opération d'Immobilier d'entreprise en Île-de-France.

2.2. MAIN INCOME STATEMENT ITEMS

2.2.1. Key figures

The following table presents the significant items on the group's income statement for the last two years.

Fiscal year ended November 30 *(in € thousands)*	**2012**	**2011**
Revenues	1,030,046	1,044,255
Gross margin	202,134	202,795
Current operating income	85,281	89,069
Operating income	86,809	89,851
Income (loss) attributable to shareholders	56,705	57,490
Attributable net income	47,624	47,513
Net earnings per share	€2.25	€2.22

2.2.2. Sources of net income

Pursuant to EU Regulation 1606/2002 of July 19, 2002, the Kaufman & Broad group prepared its 2012 Consolidated Financial Statements in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB) as adopted by the European Union and mandatory at the period-end date of these financial statements.

These standards, which are available on the European Commission website (http://ec.europa.eu/internal_market/accounting/ias/index_en.htm) include international accounting standards (IAS and IFRS) and IFRIC (International Financial Reporting Interpretations Committee) interpretations.

The accounting principles, estimates and assumptions used to prepare the Consolidated Financial Statements as of November 30, 2012 are described in note 1 to the Consolidated Financial Statements as of November 30, 2012.

The Consolidated Financial Statements and the accompanying notes are denominated in euros.

The group records its **revenues** and margin based on the percentage-of-completion of programs according to the following rule: revenues recognized for a given program are equal to the product of the cumulated revenues from the lots for which a deed of sale has been signed multiplied by the ratio between the amount of the land expenses and the construction expenses incurred by the group in respect of said program and the total budget of the program's expenditures.

Gross margin corresponds to revenues less cost of sales. Cost of sales consists of the price of land parcels, the related property costs (taxes, etc.), commissions paid to developers and to Kaufman & Broad sales staff, as well as fees and commissions provided for in the agency agreements executed by Kaufman & Broad in order to sell its real estate programs, construction costs and borrowing costs that may be directly attributed to program development.

Current operating income corresponds to the gross margin adjusted for selling expenses, general and administrative expenses, technical and after-sales service expenses and other operating income and expenses:

- **selling expenses** include the fixed portion of the salaries of salespeople, sales managers and showroom personnel, as well as the related payroll taxes, the costs of maintaining model homes, advertising costs and various other expenses (employee travel costs, showroom rental costs and the costs of leased sales offices). These expenses should be analyzed in relation to the number of programs marketed during the year;
- **general and administrative expenses** include payroll costs for administrative personnel, rent and rental charges (for principal and branch offices), external fees, travel costs, taxes other than on income (mainly local business tax), maintenance costs, supplies;
- **technical and after-sales service expenses** include all salaries for employees in charge of technical supervision of real estate programs and services related to after-sales operations, travel costs, maintenance costs and supplies;
- "**Other operating income and expenses**" includes all charges to and reversals of depreciation, amortization and provisions and expenses not allocated to the departments above (such as expenses from discontinued projects, fees and bank charges).

Pursuant to CNC recommendation 2009-R.03, the group uses the "Other operating revenues and expenses" item to state separately any unusual, infrequent and material items for the purposes of facilitating the understanding of current operating performance.

Operating income corresponds to income from continuing operations adjusted for non-recurring income and expenses.

Net income (loss) from fully consolidated companies corresponds to operating adjusted for:

- the cost of Net Financial Debt (financial income and expenses) corresponding to interest expense on the syndicated credit lines, interest expenses on swaps, fees paid on overdrafts, commitment fees and the prorated amortization expenses related to lines of credit, financial income generated by the loan to Seniors Santé, gains on the sale of money market funds, income from certificates of deposit and the capitalization of borrowing costs under IAS 23;
- other income and expenses;
- income tax.

Income (loss) attributable to shareholders corresponds to net income of fully consolidated companies less:

- the share in the earnings of associated companies and joint ventures (equity affiliates).

Attributable net income corresponds to net income of fully consolidated companies adjusted for:

- income from non-controlling equity interests (minority interests), which include all income and expenses attributable to minority shareholders in fully consolidated companies held in partnership with others.

The group's sale agreements with its customers are in the form of sale before completion (VEFA) contracts, under the terms of which the customer pays 5% of the price of the property into an escrow account when the order contract is signed at a sales office and progressively becomes the owner of the property as of the signature of the deed of sale and as construction proceeds. The amount paid by customers into the escrow account when the order is made is recorded as an asset in the consolidated balance sheet under "Cash and cash equivalents" with a corresponding liability recognized under "Other liabilities" (customer advances).

The amount paid by customers into the escrow account when the order is made is recorded as an asset in the consolidated balance sheet under "Cash and cash equivalents" with a corresponding liability recognized under "Other liabilities" (customer advances).

During fiscal year 2011, which began on December 1, 2011, the group applied the new standards and interpretations whose application for this fiscal year was mandatory. These standards and interpretations had no impact on the group's financial statements:

Standards	Mandatory application date for annual periods beginning on or after
IAS 24 (revised) – Related Party Disclosures	January 1, 2011
May 2010 Improvements to IFRS	January 1, 2011
Amendment to IFRS 7 – Financial Instruments: Disclosures	July 1, 2011
Amendment to IFRIC 14 – Prepayment of a Minimum Funding Requirement	January 1, 2011

2.3. MANAGEMENT REVIEW AND ANALYSIS

Consolidated statement of comprehensive income

Consolidated Income Statement

(in € thousands)	November 30, 2012	November 30, 2011
Revenues	1,030,046	1,044,255
Cost of sales	(827,912)	(841,460)
Gross margin	**202,134**	**202,795**
Selling expenses	(29,242)	(27,375)
Administrative expenses	(62,935)	(62,086)
Technical and customer service expenses	(16,301)	(15,634)
Other expenses	(9,326)	(10,026)
Other income	951	1,395
Current operating income	**85,281**	**89,069**
Other non-recurring income	1,538	1,734
Other non-recurring expenses	(10)	(952)
Operating income	**86,809**	**89,851**
Financial expenses	(5 918)	(15 141)
Financial income	1,797	3,619
Cost of net financial debt	**(4,121)**	**(11,522)**
Other interest expense	(1,109)	(2,444)
Other financial income	1,000	9,359
Pre-tax income of consolidated companies	**82,579**	**85,244**
Corporate income tax	(25,814)	(28,709)
Net income of consolidated companies	**56,765**	**56,535**
Share of income (loss) of equity affiliates and joint ventures	(61)	955
Income (loss) attributable to shareholders	**56,704**	**57,490**
Income from minority interests	9,080	9,977
Attributable net income	47,624	47,513
Average number of shares outstanding	21,135,155	21,381,864
Earnings per share	**€2.25**	**€2.22**
Diluted earnings per share	**€2.25**	**€2.22**

2.3.1. Breakdown of deliveries, revenues and gross margin

2.3.1.1. Breakdown by product line

The following table shows a breakdown of the number of Equivalent Housing Units (EHUs), revenues and gross margin by product line and geographic market for fiscal years 2012 and 2011:

Fiscal year ended November 30		2012			2011	
(in € thousands)	Deliveries (EHUs)	Revenues	Gross margin [b]	Deliveries (EHUs)	Revenues	Gross margin [b]
Apartments	5,567	976,726	189,645	5,414	925,282	182,962
Single-family homes in communities	102	23,933	4,967	239	58,148	7,040
Total Housing	**5,669**	**1,000,660**	**194,612**	**5,653**	**983,430**	**190,002**
Commercial property	10	21,087	5,781	24	48,901	9,901
Other [a]	11	1,649	278	87	7,642	1,973
Showroom	-	6,650	1,463	-	4,282	919
Overall total	**5,690**	**1,030,046**	**202,134**	**5,764**	**1,044,255**	**202,795**

(a) Corresponds primarily to sales of undeveloped plots and external fees (project management contracts).
(b) Revised IAS 23 "Borrowing costs": since December 1, 2009, the group prospectively applies this standard, which requires the capitalization of borrowing costs directly attributable to the acquisition and production of qualifying assets. The amount included in the gross margin as of November 30, 2012 was €10.1 million, or 5.0% of the gross margin, compared with €6.7 million as of November 30, 2011.

Deliveries (EHUs)

The total number of Equivalent Housing Unit (EHUs) delivered was up 0.3% between 2012 and 2011, from 5,653 units delivered in 2011 to 5,669 units delivered in 2012. The share of Apartments amounted to 98.2% of units delivered compared with 95.8% in 2011.

In fiscal year 2012, the group delivered 10 office units, compared to 24 in 2011. However, the Commercial Property business represents only 0.2% of deliveries, compared to 0.4% in 2011.

Revenues

In 2012, group revenues (excluding VAT) were down 1.4% compared to 2011, totaling €1,030.0 million versus €1,044.3 million in 2011. This decline is explained mainly by the decrease in revenues from the Single-family homes business and the Commercial Property business of, respectively, -58.8% and -56.9%.

Apartments business

Revenues from the Apartments business increased by 5.6% from €925.3 million to €976.7 million in 2012. The share of Apartments in the total revenues is 94.8%, compared with 88.6% in 2011.

This increase of over €51.4 million is distributed among an increase of €111.7 million for Île-de-France and a decrease of €60.3 million for the Regions. Île-de-France recorded an increase of 33.4% in Apartments revenues, from €334.0 million in 2011 to €445.7 million in 2012. At the same time, the revenues totaled €531.1 million in the Regions at the end of 2012, a decrease of 10.2% compared to 2011.

Single-family home in communities business

Revenues from the Single-family home in communities business decreased 58.8%, from €58.1 million to €23.9 million in 2012. However, its share of total revenues is only 2.3%, compared to 5.6% in 2011. Île-de-France has a sharp decline in revenues from this business, from €39.9 million in 2011 to €9.5 million in 2012. Its share in the revenues from single-family homes was only 39.7%, compared to 68.6% last year. Meanwhile, the Regions experienced a decrease of €3.8 million (-20.9%).

Other businesses

Revenues generated by the Commercial Property business totaled €21.1 million, compared to €48.9 million in 2011.

Revenues from land sales and outside fees (for project management contracts) declined €6.0 million, from €7.6 million in 2011 to €1.6 million in 2012.

Finally, Showroom revenues were up 55.3% from €4.3 million to €6.7 million in 2012.

Gross margin

The group's gross margin was slightly down 0.3%, from €202.8 million to €202.1 million in 2012.

The gross margin rate increased by 0.2 percentage points from 19.4% in 2011 to 19.6% in 2012. It was 19.9% in the second half of 2012, compared to 19.6% in the same period of the previous year.

Apartments business

The Apartments business had a gross margin of €189.6 million, compared to €183.0 million in 2011. Its gross margin rate was 19.4%, versus 19.8% in 2011. The gross margin increase is related to the increase in Île-de-France of 29.3% (€20.5 million), while the Regions recorded a gross margin decline of 12.2% (€-13.8 million).

Single-family home in communities business

The gross margin rate in this business was 20.8%, compared with 12.1% last year. In Île-de-France, the gross margin rate was 40.1%, compared with 18.2% in 2011 while its gross margin fell by €3.4 million compared to 2011. In the Regions, the gross margin was €1.2 million, compared to a negative gross margin of €-0.2 million in 2011. Its gross margin rate was 8.0%, compared to -1.2% last year.

Other businesses

The gross margin from other businesses amounted to €7.5 million, of which €5.8 million was from the Commercial Property sector, versus €12.8 million in 2011, down 41.2% compared to 2011. During that time, the Commercial Property segment fell by 41.6%.

2.3.1.2. Breakdown by geographical area

The following table shows a breakdown of the number of Equivalent Housing Units (EHUs), revenues and gross margin by geographic area for fiscal years 2012 and 2011:

Fiscal year ended November 30		2012			2011		
(in € thousands)		Deliveries (EHUs)	Revenues	Gross margin [b]	Deliveries (EHUs)	Revenues	Gross margin [b]
Île-de-France		**2,312**	**460,288**	**95,272**	**1,925**	**378,739**	**77,999**
	Housing	*2,309*	*455,158*	*94,255*	*1,912*	*373,858*	*77,210*
	Commercial property	-	-	-	-	-	-
	Other [a]	*3*	*5,130*	*1,017*	*13*	*4,881*	*789*
West		**489**	**56,703**	**9,117**	**350**	**47,412**	**10,512**
	Housing	*487*	*56,465*	*8,988*	*342*	*45,501*	*10,174*
	Commercial property	*1*	*109*	*(6)*	-	-	-
	Other [a]	*1*	*130*	*135*	*8*	*1,911*	*338*
Southwest		**969**	**151,545**	**28,973**	**1,512**	**218,677**	**44,101**
	Housing	*963*	*150,878*	*28,903*	*1,464*	*216,285*	*43,546*
	Commercial property	-	-	-	-	-	-
	Other [a]	*6*	*667*	*70*	*48*	*2,392*	*555*
Southeast		**1,297**	**256,148**	**45,987**	**1,231**	**251,364**	**47,404**
	Housing	*1,287*	*238,509*	*40,741*	*1,213*	*230,607*	*41,599*
	Commercial property	*9*	*15,291*	*4,736*	-	*18,044*	*5,327*
	Other [a]	*1*	*2,349*	*509*	*18*	*2,713*	*478*
Rhône-Alpes		**560**	**90,508**	**20,367**	**657**	**105,353**	**22,481**
	Housing	*560*	*90,507*	*20,365*	*657*	*104,181*	*21,794*
	Commercial property	-	-	-	-	-	-
	Other [a]	-	*2*	*2*	-	*1,172*	*687*
Other Regions		**63**	**14,854**	**2,419**	**89**	**42,710**	**298**
	Housing	*63*	*9,143*	*1,360*	*65*	*12,998*	*(4,321)*
	Commercial property	-	*5,688*	*1,051*	*24*	*19,506*	*5,553*
	Other [a]	-	*23*	*8*	-	*10,206*	*-934*
Corporate		-	-	-	-	-	-
Total		**5,690**	**1,030,046**	**202,134**	**5,764**	**1,044,255**	**202,795**

(a) Corresponds to the bare lot sales, external fees and Showroom business.
(b) Revised IAS 23 "Borrowing costs": since December 1, 2009, the group prospectively applies this standard, which requires the capitalization of borrowing costs directly attributable to the acquisition and production of qualifying assets. The amount included in the gross margin as of November 30, 2012 was €10.1 million, or 5.0% of the gross margin, compared with €6.7 million as of November 30, 2011.

Deliveries (EHUs)

By geographical area, the group has 40.7% of its housing segment in Île-de-France (40.6% for apartments and 46.1% for Single-family Homes in Communities). The group is also active in the Southeast (Nice, Toulon, Marseille, Montpellier), where it generates 22.7% of its Housing business with 22.3% of its apartments and 42.1% of Single-family Homes in Communities. In the Southwest (Toulouse, Bordeaux, Bayonne), the group delivered 17.0% of total Housing with 17.1% of its apartments and 10.8% of Single-family Homes in Communities.

Housing revenues

Housing revenues totaled €1,000.7 million in 2012, compared with €983.4 million in 2011, up 1.8%. The share of the Regions in the Housing business has declined in favor of Île-de-France, representing 54.5% versus 62.0% in 2011.

After Île-de-France, the Southwest (Toulouse, Bordeaux, Bayonne) and Southeast (Nice, Toulon, Marseille, Montpellier) were the two biggest contributors, contributing 15.1% and 23.8% of Housing business revenues respectively. The share of Rhône-Alpes (Lyon, Grenoble, Annecy) and the West (Nantes, Rennes) totaled 9.0% and 5.6% respectively.

Regarding the change in Housing revenues between 2012 and 2011, the €17.2 million increase reveals geographic disparities. Île-de-France comes in first with an increase of €81.3 million, followed by the West with €11.0 million and the Southeast with €7.9 million increases between the two years. The increases in these Regions were partially hampered by declines in the Southwest, Rhône-Alpes and Other Regions of, respectively, €65.4 million, €13.7 million and €3.9 million.

Housing gross margin

Gross margin for the Housing business at November 30, 2012 amounted to €194.6 million, compared with €190.0 million in 2011, an increase of 2.4% over one year. Expressed as a percentage of revenues, the Housing gross margin increased from 19.3% in 2011 to 19.4% in 2012.

Île-de-France contributed 48.4% of the Housing gross margin made by the group in 2012. The Southeast (Marseille, Toulon, Nice and Montpellier), for its part, accounts for 20.9% and the Southwest (Toulouse, Bordeaux and Bayonne) is the third-largest contributor with 14.9%. The Rhône-Alpes (Lyon, Grenoble, Annecy) and West (Nantes, Rennes) regions respectively contributed 10.5% and 4.6% in gross margin for the Housing business.

The increase of €4.6 million in the Housing gross margin between 2012 and 2011 was mainly contributed by Île-de-France for €17.0 million and Other Regions for €5.7 million. At the same time, the Southwest saw a decline in the gross margin of €14.6 million and the West, Southeast and Rhône-Alpes regions contributed negatively to the increase in the group Housing gross margin with a decrease of €3.5 million.

2.3.2. Current operating income – Operating margin

The group's current operating income declined 4.3%, from €89.1 million in 2011 to €85.3 million in 2012. The current operating margin was 8.3%, versus 8.5% in 2011.

The current operating income decrease of €3.8 million primarily reflects the gross margin decrease of €0.7 million, to which is added an increase in operating expenses of €3.1 million between 2011 and 2012. At November 30, 2012, operating expenses totaled €116.9 million, compared with €113.7 million in 2011. Operating expenses as a percentage of revenues stood at 11.3% in 2012 versus 10.9% in 2011.

The change in operating expenses primarily reflects the following items.

Selling expenses

Selling expenses amounted to €29.2 million compared with €27.4 million the previous year, an increase of 6.8%. This increase came mainly from advertising expenses related to enhanced communication on ongoing programs and new programs launched over the period and an increase in the "Salaries and payroll taxes" item related to the change in the number of employees and the annual increase in salaries.

Sales team compensation

The following table shows the change in payroll costs for the group's sales team (including commissions) over the last two fiscal years:

(in € thousands)	Fiscal year ended November 30 2012	 2011
Salaries and payroll taxes	7,468	7,008
Commissions paid to the sales team	9,049	11,762
As a percentage of total group revenues	*1.6%*	*1.8%*

Sales commissions

(in € thousands)	2012	2011
Commissions paid to the sales team	9,049	11,762
External commissions	17,973	28,234
Total commissions on sales	**27,022**	**39,996**
As a percentage of total group revenues	*2.6%*	*3.8%*
As a percentage of Housing gross margin	*13.9%*	*21.1%*

The amount of commissions on sales amounted to more than €27.0 million in 2012, including €9.0 million for internal commissions (paid to the sales teams) and €18.0 million for external commissions (paid to consultants). The decrease of €2.7 million in internal commissions is consistent with the 19.2% decline in home orders in value over the period. As for the decrease in external commissions, this is explained in part by the decrease of €79.1 million in Housing revenues in the Southwest and Rhône-Alpes, where the share of sales by networks is rather large. It should be emphasized that these expenses are included in cost of sales of real estate transactions.

Advertising

Kaufman & Broad's annual advertising costs represent between 1.5% and 2.0% of its revenues and are incurred in connection with the launches of real estate programs (Single-family homes and Apartments) as well as national advertising campaigns to promote the group's image and products.

The following table shows the amount of these advertising expenses and the percentage of these expenses in terms of revenues over the last two years:

	Fiscal year ended November 30	
(in € thousands)	**2012**	**2011**
Advertising expenses	19,076	18,627
As a percentage of revenues	*1.9%*	*1.8%*

The share of advertising expenses and costs of model areas was 1.9% of revenues, compared with 1.8% in 2011. Advertising expenses in 2012 increased by 2.4% while at the same time, revenues fell 1.4% between the two periods. The increase in advertising expenses is due to enhanced communication for ongoing programs and new programs launched over the period.

Administrative expenses

Administrative expenses amounted to €62.9 million in 2012, compared to €62.1 million in 2011. The increase of €0.8 million is mainly attributable to the increase in "Salaries and payroll expenses" of €0.7 million related to the increase in staff and the annual increase in wages, the increase in taxes resulting from the transition to the percentage-of-completion method for revenue in the financial statements of the group's main subsidiaries and an increase in "Other expenses" of €0.8 million related primarily a change in sponsorship spending.

Technical and customer service expenses

Technical and customer service expenses amounted to €16.3 million, compared with €15.6 million last year, an increase of 4.3%. This increase is mainly explained by increased salaries and benefits of €1.0 million due to an increased workforce.

Other income and expenses

"Other income and expenses" amounted to €8.4 million, stable from 2011 when it stood at €8.6 million. The net change in this item year-on-year is explained by the decrease in other expenses of €0.7 million, mainly from the reversal of provisions subsequent to the settlement of old legal disputes, as well as the drop of more than €0.4 million in other income. Expenses related to discontinued projects amounted to €4.6 million in 2012, versus €3.8 million in 2011. This increase reflects the decision to discontinue programs against which litigation was brought for the building permits or that do not meet group profitability criteria.

2.3.3. Other non-recurring income and expenses

At November 30, 2012, this item showed income of €1.5 million, compared with income of €0.8 million in 2011. The change in "Other non-current income and expenses" between 2011 and 2012 is explained mainly by reversals of provisions for impairment of land.

In 2009, in continuation of the reorganization plan from 2008, the "Other non-current income and expenses" item mainly recorded expenses or provisions for expenses recorded in order to cover in particular depreciation of land acquired in previous fiscal years, for which the group felt that disposal was preferable to development in market conditions that had deteriorated sharply.

In fiscal year 2012, having revisited the conducting of a real estate transaction, the group decided to market the project on a previously depreciated piece of land. The provision for depreciation was reversed in the amount of €1.5 million. The provision for impairment was increased from €0.8 million in 2011 for one of those pieces of land prior to its disposal.

2.3.4. Cost of net financial debt and other financial income and expenses

Cost of Net Financial Debt

The cost of net debt fell by €7.4 million, from €11.5 million in 2011 to €4.1 million in 2012. This sharp decline was mainly due to an increase of €4.8 million in capitalized financing costs related to the gradual application of IAS 23 to new programs since December 1, 2010 and cost reduction of financial expenses related to the drop in average financial debt. The financial expenses are mainly due to the use of syndicated credit facilities in the amount of €278.8 million on average in 2012, versus €339.9 million in 2011. The overall effective rate used to cover the interest on the debt is 4.04%, versus 6.21% in 2011. In addition, the group no longer supports the deferral costs of the cancellation adjustment, which amounted to €1.8 million in 2011.

Other income and expenses

Following the early repayment of Senior lines B and C as well as the abandonment of the drawdown right to a part of the RCF line that occurred in 2011 and 2012, an additional amortization of the setup costs for the Senior B and C lines was recorded in "Other financial expenses" for €1.1 million, compared to €2.3 million in 2011. In such transactions, financial income was recorded at €1.0 million, versus €9.4 million in 2011.

2.3.5. Net income

Tax liability

Income tax resulted in a tax charge of €25.8 million calculated based on the net profits of the group at year-end November 2012, compared to €28.7 million for fiscal year 2011 (see note 13.2 “Tax reconciliation” to the Consolidated Financial Statements). The tax charge incorporates an additional contribution of 3% due to the interim dividend paid in November 2012 for €1.5 million.

Minority interests

The amount of minority interests was down 9.0%, from €10.0 million in 2011 to €9.1 million in 2012. This decrease reflects the decreasing number of joint promotions carried out in 2012.

Net income

Attributable net income for fiscal year 2012 constituted slightly higher earnings of 0.2% compared to fiscal 2011. It amounted to €47.6 million, compared to €47.5 million in 2011.

The net margin (net income as a percentage of revenues) therefore amounted to 4.6% in 2012, compared with 4.5% in 2011.

2.3.6. Income by operating segment

In accordance with IFRS 8, the segment information presented herein corresponds to the organization of internal reporting provided to group management.

November 30, 2012

(in € thousands)	Île-de-France	West	Southwest	Southeast
Revenues	460,288	56,703	151,545	256,149
Gross margin	**95,272**	**9,117**	**28,973**	**45,988**
Selling expenses	(11,275)	(1,416)	(4,661)	(7,612)
Administrative expenses	(13,040)	(2,509)	(7,346)	(8,233)
Technical and customer service expenses	(6,739)	(901)	(2,428)	(3,891)
Other expenses	(4,726)	(1,313)	(2,341)	(3,355)
Other operating income	273	16	172	66
Reallocation of portion of corporate reinvoicing	(8,020)	(1,592)	(5,359)	(6,019)
Current operating income	**51,745**	**1,402**	**7,010**	**16,944**
Other non-recurring income and expenses	2	-	1,520	(14)
Operating income	**51,747**	**1,402**	**8,530**	**16,930**
Cost of net financial debt and other financial income/expenses	9,280	1,116	1,192	1,818
Reallocation of cost of net financial debt	(6,451)	(1,213)	(3,807)	(4,454)
Pre-tax income (loss) of consolidated companies	**54,576**	**1,305**	**5,915**	**14,294**
Income tax	(18,016)	(400)	(1,843)	(3,688)
Share of income (loss) of equity affiliates and joint ventures	(100)	98	(129)	7
Income (loss) attributable to shareholders	**36,460**	**1,003**	**3,943**	**10,613**
Attributable net income	*33,768*	*660*	*3,193*	*6,650*
Minority interests	*2,692*	*343*	*750*	*3,963*

November 30, 2012

(in € thousands)	Rhône-Alpes	Other Regions	Corporate	Total
Revenues	90,507	14,854	-	1,030,046
Gross margin	**20,365**	**2,419**	**-**	**202,134**
Selling expenses	(1,940)	(126)	(2,212)	(29,242)
Administrative expenses	(4,079)	(1,795)	(25,933)	(62,935)
Technical and customer service expenses	(1,188)	(500)	(654)	(16,301)
Other expenses	(1,156)	(358)	3,923	(9,326)
Other operating income	115	19	290	951
Reallocation of portion of corporate reinvoicing	(2,850)	(746)	24,586	-
Current operating income	**9,267**	**(1,087)**	**-**	**85,281**
Other non-recurring income and expenses	(1)	21	-	1,528
Operating income	**9,266**	**(1,066)**	**-**	**86,809**
Cost of net financial debt and other financial income/expenses	1,884	(1,192)	(18,328)	(4,230)
Reallocation of cost of net financial debt	(1,897)	(506)	18,328	-
Pre-tax income (loss) of consolidated companies	**9,253**	**(2,764)**	**-**	**82,579**
Income tax	(2,803)	938	(2)	(25,814)
Share of income (loss) of equity affiliates and joint ventures	58	(1)	6	(61)
Income (loss) attributable to shareholders	**6,508**	**(1,827)**	**4**	**56,704**
Attributable net income	*5,176*	*(1,827)*	*4*	*47,624*
Minority interests	*1,332*	*-*	*-*	*9,080*

November 30, 2011 *(in € thousands)*	Île-de-France	West	Southwest	Southeast
Revenues	378,739	47,413	218,677	251,364
Gross margin	**77,999**	**10,512**	**44,101**	**47,404**
Selling expenses	(9,022)	(1,581)	(3,729)	(7,677)
Administrative expenses	(10,496)	(2,461)	(8,044)	(7,373)
Technical and customer service expenses	(6,529)	(866)	(1,872)	(3,603)
Other expenses	(7,083)	(479)	(2,111)	(4,567)
Other operating income	157	15	177	134
Reallocation of portion of corporate reinvoicing	(7,384)	(2,028)	(6,594)	(5,860)
Current operating income	**37,643**	**3,112**	**21,928**	**18,458**
Other non-recurring income and expenses	312	-	628	683
Operating income	**37,955**	**3,112**	**22,556**	**19,141**
Cost of net financial debt and other financial income/expenses	8,070	926	128	654
Reallocation of cost of net financial debt	(4,479)	(986)	(3,239)	(3,380)
Pre-tax income (loss) of consolidated companies	**41,546**	**3,052**	**19,445**	**16,415**
Income tax	(15,028)	(1,276)	(5,945)	(5,002)
Share of income (loss) of equity affiliates and joint ventures	360	212	48	35
Income (loss) attributable to shareholders	**26,878**	**1,988**	**13,548**	**11,448**
Attributable net income	*26,337*	*1,928*	*9,672*	*7,805*
Minority interests	*541*	*60*	*3,876*	*3,644*

November 30, 2011 *(in € thousands)*	Rhône-Alpes	Other Regions	Corporate	Total
Revenues	105,353	42,711	-	1,044,256
Gross margin	**22,481**	**299**	**-**	**202,795**
Selling expenses	(2,352)	(607)	(2,407)	(27,375)
Administrative expenses	(3,649)	(1,559)	(28,504)	(62,086)
Technical and customer service expenses	(1,107)	(949)	(708)	(15,634)
Other expenses	(1,434)	480	5,168	(10,026)
Other operating income	188	9	714	1,395
Reallocation of portion of corporate reinvoicing	(3,056)	(814)	25,737	-
Current operating income	**11,071**	**(3,141)**	**-**	**89,069**
Other non-recurring income and expenses	327	(513)	(654)	782
Operating income	**11,398**	**(3,654)**	**(654)**	**89,851**
Cost of net financial debt and other financial income/expenses	1,347	(1,677)	(14,055)	(4,607)
Reallocation of cost of net financial debt	(1,620)	(352)	14,055	-
Pre-tax income (loss) of consolidated companies	**11,125**	**(5,683)**	**(654)**	**85,244**
Income tax	(3,575)	1,895	223	(28,709)
Share of income (loss) of equity affiliates and joint ventures	293	-	8	955
Income (loss) attributable to shareholders	**7,843**	**(3,788)**	**(423)**	**57,490**
Attributable net income	*5,984*	*(3,786)*	*(423)*	*47,513*
Minority interests	*1,859*	*(2)*	*-*	*9,977*

Details of this segment analysis are provided in note 3.1 "Segment information" in the notes to the Consolidated Financial Statements as of November 30, 2012.

2.4. LIQUIDITIES AND CAPITAL RESOURCES

2.4.1. Cash flows

The group's net cash flow totaled €153.8 million at November 30, 2012, up €14.9 million from November 30, 2011, when it totaled €138.9 million. The change is analyzed below:

(in € thousands)	November 30, 2012	November 30, 2011
Cash flow from operating activities	155,983	70,579
Cash flow from investing activities	6,145	4,564
Free cash flow	162,128	75,143
Cash flow from financing activities	(147,247)	(74,960)
Increase (decrease) in cash	14,881	183
Cash at beginning of year	138,878	138,695
Cash at end of year	153,763	138,878

Cash flow from operating activities

Cash flows generated by operating activities totaled €156.0 million, up from €70.6 million at November 30, 2011, an increase of €85.4 million. The change in cash flow generated from operating activities was primarily due to the improvement of the change in Operating Working Capital Requirements (excluding current taxes), which rose from €-26.8 million at November 30, 2011 to €58.8 million at November 30, 2012.

Operating Working Capital Requirements (excluding current taxes) for fiscal year 2012 decreased by €58.8 million compared with November 30, 2011. This decrease is mainly due to the increase in trade receivables related to the resumption of commercial activity.

Changes in working capital were as follows:

- inventories increased by €48.9 million;
- trade receivables fell by €37.5 million;
- trade payables were €64.0 million higher;
- other operating assets and liabilities decreased by €5.9 million.

Working Capital Requirements (WCR) totaled €144.4 million at end-November 2012, compared with €205.3 million at end-November 2011, a decrease of €60.8 million. WCR as a percentage of revenues amounted to 14.0% at November 30, 2012, compared with 19.7% for the same period in 2011.

Cash flow from investing activities

Cash flows from investing activities amounted to €6.1 million, compared with €4.6 million in the previous fiscal year, which resulted in:

- €-4.0 million in disbursements for acquisitions of tangible and intangible assets;
- €9.1 million to repay the loan granted in 2010 to Seniors Santé;
- €1.4 million for repayment of financial assets (loans);
- €-0.5 million in flows with equity affiliates.

Cash flow from financing activities

Cash flows from financing activities amounted to €-147.2 million, compared with €-75.0 million in 2011. These are comprised principally of:

- distributions to minority interests for an amount of €-9.4 million;
- the acquisition of any minority interests for €-1.8 million;
- the purchase of treasury shares of €-6.4 million;
- repayment of borrowings of €-67.9 million;
- the distribution of an interim dividend to shareholders of the parent Company for €-48.4 million;
- net financial interest paid in the amount of €-13.3 million.

2.4.2. Net debt

Gross financial debt consists of long-term and short-term financial liabilities, financial hedging instruments liabilities related to liabilities constituting gross financial debt and accrued interest on balance sheet items constituting gross financial debt.

It breaks down as follows:

(in € thousands)	November 30, 2012	November 30, 2011
Syndicated bank credit line	237,667	305,642
Other borrowings	4	23
Utilized credit facilities	454	533
Issuance expenses	(3,344)	(6,061)
Fair value of derivatives	212	2,484
Total debt	**234,993**	**302,621**
- of which non-current	234,535	283,284
- of which current	458	19,337

By way of reminder, in July 2007, the group implemented a new financial structure. The balance on syndicated bank credit facilities of €408.5 million at November 30, 2011 are due on July 10, 2014 for the RCF line and for the Senior B line on July 10, 2015 and July 10, 2016 for the Senior C line. The Senior Credit agreement, which is a result of the agreement signed by the Company and its lenders, has been amended by riders signed on January 23, 2009, June 30, 2009, November 25, 2009, July 25, 2011 and October 17, 2012. On this most recent date, Amendment 8 was signed, which stipulated:

- the voluntary early repayment of €40 million on revolving lines B and C occurring on October 31, 2012, which increased to €68 million the total amount of debt repaid in fiscal year 2012. This amendment also provided for the reduction of the drawdown right on the RCF line of €50 million to €52.9 million.

At November 30, 2012, the group had a syndicated bank credit facility of €290.6 million, of which €52.9 million of the RCF line is unused and Senior Credit B and C drawn in the amount of €237.7 million, compared with €305.6 million in use as of November 30, 2011.

(in € thousands)	Debt capacity	Utilization at November 30, 2012	Maturity	Rate [(a)]
Senior B	120,676	120,676	*bullet maturity,* July,10, 2015	E+275 BPS
Senior C	116,991	116,991	*bullet maturity,* July,10, 2016	E+325 BPS
RCF [(b)]	52,900	-	July,10, 2014	E+238 BPS
Total	**290,567**	**237,667**		

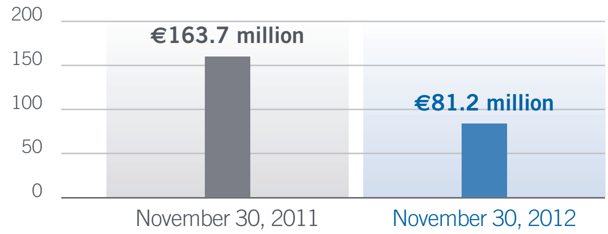
(a) E = Euribor is, for a given maturity, the pricing, calculated every business day, of an average rate at which a panel of about fifty major banks in Europe make unsecured loans to other major banks.
(b) Revolving credit facility.

The total effective rate on the debt, taking into account the total amortization of issue fees incurred in 2011 (€1.6 million) and hedges, is 4.04% versus 6.21% in 2011. Excluding the deferral of the cancellation adjustment, the total effective rate was 3.10% versus 4.66% in 2011.

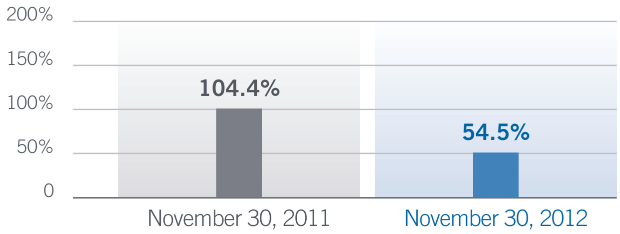
Gross financial debt amounted to €235.0 million, compared to €302.6 million at the end of 2011. Net Financial Debt amounted to €81.2 million, compared to €163.7 million last year.

2.4.2.1. Main changes in Net Financial Debt

Net financial debt



Gearing



Net financial debt means gross financial debt less cash and cash equivalents.

The gearing ratio (net debt to consolidated shareholders' equity) was 54.5% as of November 30, 2012, compared with 104.4% at November 30, 2011, reflecting both the decline in net debt of €82.5 million and the increase in shareholders' equity of €7.7 million between the two fiscal years.

2.4.2.2. Main changes in net financial debt

(in € millions)	November 30
Gross financial debt at November 30, 2011	**302,621**
Repayment of syndicated credit facilities (Senior B and C)	(67,975)
Change in other borrowings	(19)
Change in derivative instruments	(2,272)
Change in issue costs	2,717
Change in credit facilities	(79)
Gross financial debt at November,30, 2012	**234,993**
Change in gross financial debt at November,30, 2012	(67,628)

The change in gross financial debt between November 30, 2011 and November 30, 2012 represented a debt reduction of €67.6 million. This reduction is mainly due to early repayment of a portion of group term debt on the Senior Credit B and C lines. Following the double auction process initiated by Kaufman & Broad SA on July 26, 2011, partial repayments over 2011 amounted to €50.8 million and on February 29, 2012 amounted to €10 million. Moreover, as set forth in the banking documentation, Kaufman & Broad SA made an additional payment of €17.9 million in late January 2012. Following the signing of Amendment 8 to the Senior Credit Facility in late October 2012, Kaufman & Broad SA made an additional early repayment of €40 million.

The following table shows the group's financial structure over the past two years and changes in the maturity of its debt:

(in € millions)	November 30, 2012	November 30, 2011
Shareholders' equity	149.1	156.8
Total debt*	**235.0**	**302.6**
Debt due within one year	0.5	19.3
Debt due between one and five years	234.5	283.3
Average maturity	**3.1 years**	**4.1 years**
**of which:*		
Bond issuance expenses	(3.3)	(6.1)
Hedging Instruments	0.2	2.5
Bilateral credit lines	0.5	0.6
Senior B and C lines	237.7	305.6
Off-balance sheet commitments	349.3	277.2

Swap contracts – Interest rate risk hedging

The policy for managing interest rate risk is intended to limit and control fluctuations in interest rates and their impact on net earnings and cash flow, so that the total cost of the debt remains acceptable. To achieve this objective, the group hedges its variable-rate loan interest flows with interest-rate swaps. The latter are derivatives serving to hedge cash flows. They are marked to market on the balance sheet. Under the Senior Facilities Agreement, the group also agreed to keep hedges in place in the amount of 50% of borrowings.

Interest-rate hedges are made by way of instruments listed on organized markets or over-the-counter with high-quality counterparties.

The following table provides details of the portfolio, at November 30, 2012, of Euribor 1-month lender fixed rate borrower swaps.

Type	Notional amount *(in € millions)*	Fixed rate	Maturity	Type	Market value at November 30, 2012 as a% of face amount
EUR 1M fixed rate swap	50	0.202%	Nov. 30, 2012-Nov. 30, 2014	hedge	(-0.10%)
EUR 1M fixed rate swap	50	0.218%	Nov. 30, 2012-Nov. 30, 2014	hedge	(-0.14%)
EUR 1M fixed rate swap	50	0.240%	Nov. 30, 2012-Nov. 30, 2014	hedge	(-0.18%)
Total	**150**				

The fair value of these derivatives is provided by a specialized Company outside the group (level 2 valuation as defined by IFRS 7). The change in the hedging reserve net of tax at November 30, 2012 was €-139 thousand.

3 Corporate Governance

3.1. MEMBERS OF THE COMPANY'S ADMINISTRATIVE AND MANAGEMENT BODIES

3.1.1. Board of directors

3.1.1.1. Members of the Board of Directors

As of the date of this document the Board of Directors of the Company had eight members:

Chairman and Chief Executive Officer

Guy Nafilyan
Kaufman & Broad SA
127 avenue Charles de Gaulle
92207 Neuilly-sur-Seine Cedex

Other information

Guy Nafilyan joined the group in January 1977 as Chief Executive Officer, after a career as an attorney with the Court of Appeals of Paris. He was named Chairman of Kaufman & Broad SA in 1983.

Directors

Sylvie Charles
SNCF Geodis
24 rue Villeneuve
92583 Clichy Cedex

Principal position held outside the Company
Head of Freight Rail Transport
Division of the SNCF Geodis Branch,
Manager of FRET SNCF

Other directorships and positions held

President of Transport Ferroviaire Holding, Chairman of VFLI, Member of the Supervisory Board of STVA, Chairman of the Board of Directors of ITNOVEM.

Other information

Sylvie Charles was Technical Advisor to the Office of the Minister for Local Government from 1986 to 1988.

She joined the SNCF Group in 1988, where she held the positions of Deputy Director of Regional Activities.

In 1993, she was appointed Chief Executive Officer of Cariane Group and in 1999, she became Executive Vice President of Générale de Transport et d'Industrie.

She was advisor to the Chairman of the Board of STVA Group from 2001 and became its Chief Executive Officer in 2004.

In February 2010, she began her term as Manager of FRET SNCF and took over the Freight Rail Transport Division of the SNCF Geodis Branch.

Alain de Pouzilhac
21 rue de Miromesnil, 75008 Paris

Principal position held outside the Company
Chairman of the Supervisory Board of Joa Group

Other directorships and positions held

Director of UGC, member of the Advisory Board of INFRONT.

Other information

In 1982, Alain de Pouzilhac became Chairman and Chief Executive Officer of Havas and developed Havas Conseil in Europe. In the early 1990s, he directed the merger between Eurocom and RSCG to create Euro RSCG Worldwide and became the new Company's Chairman and Chief Executive Officer.

In 1996, he created the Havas Advertising parent Company, which became Havas in 2002.

In December 2005, he was named Chief Executive Officer of Chaîne Française d'Information Internationale (France 24).

In February 2008, the President of the French Republic named him Chairman and CEO of Audiovisuel Extérieur de la France and he stepped down from the position in July 2012.

Yves Galland
The Boeing Company
75 rue du Faubourg Saint-Honoré, 75008 Paris

Principal position held outside the Company
Chairman of Boeing France and Vice President of International Relations of Boeing since 2003

Other directorships and positions held

Director of Generali Vie and of Generali IARD.

Other information

Yves Galland was Deputy Minister for local authorities from 1986 to 1988, Minister of Industry in 1995 and Deputy Minister of Finance and Foreign Trade from 1995 to 1997.

Yves Galland was Chairman and Chief Executive Officer of Europe Assistance from 2000 to 2003.

Sophie Lombard
PAI partners
232 rue de Rivoli, 75001 Paris

Principal position held outside the Company
Advisor, PAI partners

Other directorships and positions held

Executive Vice President and Director of Financière Gaillon 8.

Other information

Sophie Lombard joined PAI partners in 2001.

Prior to that she spent three years with Société Générale in the capital market department for derivative products and four years with Deutsche Bank in the LBO department in London and Paris.

Sophie Lombard was Director of the Stoeffler Group between 2003 and 2008, of the Chr. Hansen Group between 2005 and 2010, the Yoplait Group between 2010 and 2011 and the Marcolin Group in 2012.

Frédéric Stévenin
PAI partners
232 rue de Rivoli, 75001 Paris

Principal position held outside the Company
Partner, Member of the Executive Committee, Member of the Investment Committee, and Head of consumer goods team of PAI partners.

Other directorships and positions held

Director of PAI partners UK, United Biscuits Topco Ltd, Cerberus Nightingale 2, Cristallo SpA, Marcolin SpA, Marmilada SpA, Manager of Cerberus Nightingale 1 and Financière Daunou 8, Chief Executive Officer of Financière Gaillon 8, Vice Chairman of the Board of Directors of Chr. Hansen Holding, Chairman of the Supervisory Board of Cerba European Lab.

Other information

After spending four years in the Private Banking division of Paribas, Frédéric Stévenin joined PAI partners for the first time in 1993 and worked five years in the agri-business division.

In 1998, he joined the LBO department of Deutsche Bank as a Director then Managing Director. Frédéric Stévenin returned to PAI partners in June 2001. He was Director of Provimi SA from 2004 to 2007, the Panzani Group from 2002 to 2007, Coin Group between 2002 and 2009, the Stoeffler Group between 2003 and February 2008, the Saeco Group between 2004 and 2009, the Yoplait Group from 2002 to 2011.

Lionel Zinsou
PAI partners
232 rue de Rivoli, 75001 Paris

Principal position held outside the Company
Partner, Chairman and Chairman of the Executive Committee of PAI partners, Member of the Investment Committee

Other directorships and positions held

Director of PAI Syndication GP, PAI Europe III General Partner, PAI Europe IV General Partner, PAI Europe V General Partner, PAI Europe VI General Partner, Director of ATOS SA, Member of the Supervisory Board of Cerba European Lab, Chairman of the Supervisory Board of Domaines Baron de Rothschild Lafitte, Manager of Sofia-Société Africaine, Director of Institut Pasteur, Director of Strategic Initiatives, Deputy Director at United Biscuits Topco Ltd.

Other information

Lionel Zinsou joined PAI partners in 2008.

He began his professional career as lecturer and professor of economics at Université de Paris XIII and was advisor to the Minister of Industry and later to the Prime Minister.

In 1986, Lionel Zinsou joined Danone where he held several positions, including Director of the Development Department, Chief Executive Officer of HP and of Lea & Perrins and member of the Executive Committee.

In 1997, Lionel Zinsou joined Rothschild & Cie as Managing Partner where he was responsible for the Consumer Goods Group for the Middle East and Africa and was a member of the Global Investment Bank Committee.

He was appointed Chairman of PAI partners in 2009. Lionel Zinsou was Director of the Yoplait Group from 2009 to 2011, of the Spie Group between 2009 and 2011 and of the Chr. Hansen Group from 2009 to 2011.

Olivier de Vregille

PAI partners
232 rue de Rivoli, 75001 Paris

Principal position held outside the Company
Partner and Member of the industrial goods and services sector of PAI partners

Other directorships and positions held

Manager of Xella International Holdings, Xella Topco and Xenia.

Other information

Olivier de Vregille joined PAI partners in 1983. From 1983 to 1996, he was responsible for mergers and acquisitions and investments in the sectors of construction, transport, security, engineering, environment and infrastructures.

Since 1996, he has been responsible for investments in the energy and construction sectors.

Olivier de Vregille was non-voting Director on the Board of Bouygues Telecom SA, Director of Saur Group from 2005 to 2007, of Spie Group between 2006 and 2011 and of Monier Group from 2007 to 2012.

At the Shareholders' Meeting called to approve the financial statements for fiscal year 2012, a recommendation will be made to the shareholders to renew the terms of office of Yves Galland, Guy Nafilyan and Lionel Zinsou, for a term of three years, that is, until the end of the Shareholders' Meeting called to approve the financial statements for the fiscal year ending November 30, 2015.

The Board of Directors met seven times in fiscal year 2012 (see Section 3.1.1.2.9. "Meetings of the Board of Directors in fiscal year 2012").

Under the Internal Rules of the Kaufman & Broad SA Board of Directors, each Director must hold at least 250 shares.

The Board of Directors of Kaufman & Broad SA currently comprises the following eight members who provide the group with a broad range of complementary skills sets and experience:

Name	Age[(a)]	Compensation and Nominating Committee	Audit Committee	Board of Directors	Years of service on the Board	Date of first appointment	Term of office expires[(b)]	Number of K&B shares held
Chairman and Chief Executive Officer								
Guy Nafilyan	68			✓	20	Jan. 1, 1983	2012	93,506
Independent Directors								
Sylvie Charles	53		✓	✓	1	Feb. 16, 2012[(d)]	2014	250
Alain de Pouzilhac	67	✓		✓	10	April 30, 2003	2014	250
Yves Galland	71		✓	✓	9	April 28, 2004	2012	600
Directors								
Sophie Lombard	43	✓	✓	✓	6	Sept. 29, 2010[(c)]	2014	250
Frédéric Stévenin	46	✓	✓	✓	6	July 10, 2007	2014	250
Lionel Zinsou	58			✓	4	Sept. 29, 2009	2012	250
Olivier de Vregille	57			✓	4	Sept. 29, 2009	2014	250

(a) At February 15, 2013.
(b) Approval of the financial statements for the fiscal year.
(c) The co-option of Sophie Lombard was ratified by the Shareholders' Meeting of April 14, 2011. It is further noted that Sophie Lombard served her first term as a Director of the Company from July 10, 2007 to January 20, 2010.
(d) The co-option of Sylvie Charles was ratified by the Shareholders' Meeting of April 19, 2012.

The Directors of the Company have declared that for at least the previous five years they have not:

- been convicted in relation to fraudulent offences;
- been involved in any bankruptcies, receiverships or liquidations;
- been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities;
- been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

Conflicts of interest within the administrative and management bodies

To the Company's knowledge and at the date this document was prepared, no conflicts of interest have been identified between the duties to the Company of any members of the Board of Directors or Senior Management in their capacity as Corporate Officers and their private interests or other duties.

To the Company's knowledge and at the date this document was prepared, there is no arrangement or agreement with major shareholders, customers or suppliers under which a member of the Board or Management has been elected for that reason.

To the Company's knowledge and at the date this document was prepared, no restrictions have been agreed to by members of the Board of Directors or Management with regard to the disposal of their holdings in the Company, with the exception of agreements made under the shareholders' agreement of December 3, 2007, described in Section 5.3.3.2. "Shareholders' Agreement".

To the Company's knowledge and on the date this document was prepared, there are no family ties among the Board members.

Service agreements between members of the Board of Directors and the Company or one of its subsidiaries

There are no service agreements between the Directors and the Company or its subsidiaries that provide for advantages.

3.1.1.2. Operations of the Board of Directors

3.1.1.2.1. Corporate Governance Code

For the preparation of this report, on the Company referred to the AFEP-MEDEF Corporate Governance Code, which may be consulted on the MEDEF website (http://www.medef.com).

It should furthermore be noted that:

- the proportion of Independent Directors on the Audit Committee and the Compensation and Nominating Committee is equal to half and to more than one-third respectively on the date of this report. In this regard, it is specified that the Company is controlled by a majority shareholder;
- the Board of Directors has eight members, including two women; there are plans to increase the proportion of women in the medium term;
- the terms of office of the Directors are not renewed on a rolling basis, but renewal of the three-year terms of office is staggered over time in order to avoid a block renewal of all Directors simultaneously;
- since 2013 is the year that Deputy Chief Executive Officer Philippe Jossé took office and since it is essentially a transition year, some elements of his compensation for that period are likely to deviate from the principles of the AFEP– MEDEF Code.

3.1.1.2.2. Provisions governing the membership of the Board of Directors

Kaufman & Broad SA is administered by a Board of Directors of no fewer than three members and no more than 18 members, who are appointed by the Ordinary Shareholders' Meeting for a term of three years. Outgoing Directors may be re-elected.

The Company's bylaws provide that the number of Directors over the age of 70 who are individuals or permanent representatives of Corporate entities may not be more than three at the end of each annual Ordinary Shareholders' Meeting called to approve the Corporate financial statements and that no Director may exercise such functions after reaching age 75. The Company's bylaws also provide that the Chairman of the Board of Directors must be an individual under the age of 70 and that no person may hold the office of Chief Executive Officer or Deputy Chief Executive Officer over the age of 70.

The Board's Internal Rules, which are detailed below, stipulate that the proportion of Independent Directors must equal at least one third of the membership of the Board of Directors.

The Board of Directors names, from among its members, a Chairman who must be an individual. The Chairman organizes and directs the work of the Board of Directors and reports thereon to the Shareholders' Meeting. He or she ensures that the Company's Corporate governance structures function effectively and that Directors are in a position to properly perform their duties.

The Kaufman & Broad SA Board of Directors currently has eight members.

3.1.1.2.3. Other provisions of the bylaws and Internal Rules

The bylaws of the Company also stipulate that the Board of Directors may, upon the recommendation of the Chairman, appoint a maximum of two non-voting Directors, chosen from among the shareholders. The Board has not used this option.

The Board of Directors of the Company has set down Internal Rules. These were last updated on February 13, 2009 in order to specifically reflect a certain number of recommendations contained in the AFEP-MEDEF Corporate Governance Code.

These Internal Rules describe the Board of Directors' mode of operation, powers and duties. They also clarify the rules of ethics applicable to members of the Board of Directors. They also include rules applicable to holding Board meetings by videoconferencing or other means of telecommunications, as well as provisions relating to the frequency of meetings, the attendance of Directors and the Directors' duties of disclosure concerning the number of directorships held, conflicts of interest, regulated agreements, transactions involving Company shares.

The rules stipulate that the Board may set up committees whose members are responsible for examining issues referred to them by the Board. The Internal Rules stipulate that each Director must own at least 250 shares and must not trade in the Company's shares during the 30 calendar days preceding the Company's release of its quarterly, half-year and annual results. The rules also stipulate that each Director must hold the shares held at the beginning of his or her term of office or acquired thereafter in registered form and inform the AMF of any purchase of new or existing shares or sale made, whether directly or through intermediaries, involving securities of the Company, or any forward financial instruments related to such securities.

The Board of Directors' Internal Rules are available on the Kaufman & Broad website (http://www.ketb.com).

3.1.1.2.4. Board of Directors' meetings and proceedings

The Board of Directors meets whenever the Company's interests so require, at least twice a year, either at the registered offices or at any other place indicated in the notice of Meeting. The Chairman can call meetings by any means, including verbally. If the Board has not met for more than two months, then one third of the Board Members may ask the Chairman to convene a Meeting of the Board in order to review a specific agenda. The Chief Executive Officer may also ask the Chairman to convene a Meeting of the Board in order to review a specific agenda.

Each Director is provided with all the information required to perform his or her duties and can ask for any document he or she deems useful.

Board meetings are chaired by the Chairman or, in his or her absence, by a Director designated for this purpose.

The Board may not validly deliberate unless at least half the Directors are present. Decisions are made by a majority of the votes of members present and represented.

Directors who participate in a Meeting via videoconferencing or other telecommunications methods under the conditions defined by applicable regulation are deemed present for the purposes of calculating the *quorum*. This provision does not apply to meetings of the Board of Directors whose agenda includes the approval of the annual financial statements, Consolidated Financial Statements and the management report.

Pursuant to the Internal Rules, the Chairman may ask any Director with conflict of interest, even a potential conflict, not to participate in the proceedings.

3.1.1.2.5. Responsibilities of the Board of Directors

The main role of the Board of Directors is to determine the Company's strategic direction and oversee its implementation. Except for the powers directly vested in shareholders and within the scope of the Corporate purpose, the Board is responsible for dealing with all matters concerning the efficient management of the Company and for making all related decisions.

In particular, the following operations are subject to the prior authorization or approval of the Board:

- any significant change in the business of the Company or any of its subsidiaries;
- any acquisition or disposal of an entity, other than those involving entities whose assets consist of land and/or buildings and made for the purpose of developing real estate programs, with an enterprise value greater than €10 million;
- any borrowings, other than credit facilities, bilateral lines of credit and authorized overdrafts;
- annual budget;
- medium-term business plan.

The Internal Rules also stipulate that in general, the Board examines and makes decisions on transactions of a truly strategic importance, possible after study by an *ad hoc* Committee; more specifically, any material transaction outside the scope of the strategy announced by the Company requires the prior approval of the Board. The scope of application of this prior approval not only covers external acquisitions or disposals, but all significant investments in organic growth and internal Company restructuring.

The Board carries out the controls and verifications it deems necessary and is responsible for reviewing and approving the annual and half-year (statutory and/or consolidated) financial statements and for reviewing and approving the related reports stipulated by current regulations.

3.1.1.2.6. Independence of Directors

The Board of Directors of the Company, whose majority shareholder since July 10, 2007 has been Financière Gaillon 8, which is itself controlled by funds managed by PAI partners, currently includes three Independent Directors of the eight members, as defined in the December 2008 AFEP-MEDEF Code of Corporate Governance, as revised in April 2010. These Directors are Sylvie Charles, Alain de Pouzilhac and Yves Galland.

For each appointment or renewal to the Board, the Board examines the applications on the basis of the independence criteria described below. The status of each Director with regard to these criteria is also discussed by the Compensation and Nominating Committee and reviewed annually by the Board of Directors.

The independence criteria currently adopted by the Company are those provided for in the AFEP-MEDEF Code of Corporate Governance. It should be noted that these criteria constitute a formal requirement; all Directors are expected to exercise independent judgment and contribute equally to the Board's deliberations according to their skills and experience, regardless of their classification.

3.1.1.2.7. Directors' fees

The Combined Ordinary and Extraordinary Shareholders' Meeting of April 11, 2008 set the aggregate amount of Directors' fees allocated annually to the Board of Directors at €260,000, applicable as of the fiscal year ended November 30, 2008 until decided otherwise by the Shareholders' Meeting. These fees are only paid to Directors who do not receive a salary from the group. Therefore, the Chairman and Chief Executive Officer of Kaufman & Broad SA does not receive any such payments.

This package corresponds to the maximum annual amount that the Board of Directors may, on the recommendation of the Compensation and Nominating Committee, freely distribute among the Directors. It has not changed since 2008.

The Board's Internal Rules provide that Directors' fees shall be apportioned among Directors who perform no other duties within Kaufman & Broad other than their role as Director and that a portion determined by the Board and deducted from the aggregate amount allocated to the Board shall be paid to members of the various committees who perform no other duties within Kaufman & Broad. Payment of these fees shall be based on their attendance at meetings.

On recommendation of the Compensation and Nominating Committee, at its Meeting on January 22, 2013, the Board of Directors decided to pay Directors' fees for fiscal year 2012:

- in the maximum individual amount of €40,000 to the Directors of the Company who are considered independent, i.e., Sylvie Charles, Alain de Pouzilhac and Yves Galland;
- in the maximum individual amount of €20,000 to the other Directors of the Company, with the exception of the Chairman and Chief Executive Officer, who does not receive Directors' fees.

The Directors' fees allocated to each Director for fiscal year 2012 take into account the attendance of each of them in the Committees and meetings of the Board of Directors.

3.1.1.2.8. Annual evaluation of the Board of Directors

Under the AFEP-MEDEF Code of Corporate Governance and the Rules Internal Rules of the Board, the Board of Directors is required to devote at least once a year one item on its agenda to evaluate its operation. A formalized evaluation is conducted every three years, which may be optionally implemented under the direction of an Independent Director with the help of an external consultant. At their Meeting of February 15, 2013, the Directors discussed the operations of the Board for fiscal year 2012.

3.1.1.2.9. Meetings of the Board of Directors in fiscal year 2012

In fiscal year 2012, the Board of Directors met seven times (the attendance rate of Directors at Board meetings was 89.3%)[1]:

- On **January 17, 2012**, the Board of Directors met with seven members attending and discussed the following agenda:
  - report of the Compensation and Nominating Committee: minutes of the Meeting of January 11, 2012;
  - resignation of a member of the Board of Directors and Audit Committee;
  - compensation of Corporate Officers and management for fiscal years 2011 and 2012;
  - amount of Directors' fees – allocation for fiscal year 2011;
  - report of the Audit Committee: minutes of the Meeting of January 17, 2012;
  - review of the estimated consolidated financial data at November 30, 2011;
  - approval of the 2012 budget;
  - allotment of bonus shares – recording of definitive allotment of bonus shares allotted on January 20, 2010.
- On **February 16, 2012**, the Meeting of the Board of Directors met with eight members attending and discussed the following agenda:
  - report of the Compensation and Nominating Committee: minutes of the Meeting of February 3, 2012;
  - co-option of a Director – Ratification of the appointment by the next Shareholders' Meeting;
  - appointment of a Director to the Audit Committee of the Board of Directors;
  - report of the Audit Committee: minutes of the Meeting of February 14, 2012;
  - review and approval of the statutory financial statements at November 30, 2011 and recommended net appropriation of earnings for the fiscal year;
  - review and approval of Consolidated Financial Statements for the fiscal year ended November 30, 2011;
  - agreements referred to in Article L.225-38 of the French Commercial Code;
  - renewal of the term of office of Directors;
  - renewal of the share buy-back program;
  - renewal of the delegations for capital decreases and increases;
  - renewal of the authorization to allocate existing or new bonus shares;
  - notice of Meeting and agenda of a Combined Ordinary and Extraordinary Shareholders' Meeting and text of the draft resolutions;
  - preparation and approval of the Board of Directors' management report;
  - preparation and approval of special reports;
  - review and approval of the Chairman's report on Corporate governance and internal control;
  - review of Company policy on professional equality;
  - renewal of the authority to make pledges and guarantees;
  - review and approval of the draft management documents and the report analyzing those documents.

(1) As defined by Article L.225-37 of the French Commercial Code.

- On **April 19, 2012**, the Board of Directors met with seven members attending and discussed the following agenda:
  - report of the Audit Committee;
  - business activities in the 1st quarter 2012;
  - financial results of the 1st quarter 2012;
  - review of the revised 2012 Budget (Update II);
  - implementation of a share buy-back program.
- On **July 11, 2012**, the Board of Directors met with seven members attending and discussed the following agenda:
  - report of the Audit Committee: minutes of the Meeting of July 10, 2012;
  - review and approval of the half-year Consolidated Financial Statements at May 31, 2012;
  - update III: presentation of the revised 2012 Plan and 2013 trends.
- On **September 26, 2012**, the Board of Directors met with five members attending and discussed the following agenda:
  - report of the Audit Committee: minutes of the Meeting of September 26, 2012;
  - presentation of the estimated consolidated financial data at August 31, 2012;
  - 2012/2013 business outlook;
  - review and approval of the updated 2012 management review and the analysis of those documents;
  - regulated agreements: agreement relating to group payment of VAT.
- On **October 17, 2012**, the Board of Directors met with five members attending: and discussed the following agenda:
  - report of the Audit Committee of October 17, 2012;
  - review and approval of the signing of the amendment to the Senior Facilities Agreement;
  - review and approval of Kaufman & Broad SA interim financial statements at August 31, 2012.
- On **October 23, 2012**, the Meeting of the Board of Directors met with eight members attending and discussed the following agenda:
  - payment of an interim dividend from the profit of the fiscal year ended November 30, 2012 on the basis of the interim statutory financial statements at August 31, 2012.

Since November 30, 2012, the Board of Directors has met three times:

- On **December 20, 2012**, the Board of Directors met with seven members attending and discussed the following agenda:
  - report of the Compensation and Nominating Committee of December 20, 2012;
  - appointment of a Deputy Chief Executive Officer with effect from February 1, 2013;
  - organization of the transition within the General Management of the Company;
  - adjustments to be made to the compensation of Guy Nafilyan as Chairman and Chief Executive Officer;
  - role and compensation of Guy Nafilyan as Chairman of the Board;
  - terms of exercise of office and compensation of the new Deputy Chief Executive Officer: approval of the term of office agreement;
  - determining the variable compensation of the Chairman and Chief Executive Officer and management for fiscal year 2012.
- On **January 22, 2013**, the Board of Directors met with seven members attending and discussed the following agenda:
  - report of the Compensation and Nominating Committee of January 22, 2013;
  - compensation of Corporate Officers and management for fiscal year 2013;
  - amount of Directors' fees – allocation for fiscal year 2012;
  - report of the Audit Committee of January 22, 2013;
  - review of the estimated consolidated financial data at November 30, 2012;
  - approval of the 2013 budget;
  - allotment of bonus shares – recording of definitive allotment of bonus shares allotted on February 17, 2011.
- On **February 15, 2013**, the Meeting of the Board of Directors met with six members attending and discussed the following agenda:
  - report of the Audit Committee of February 14, 2013;
  - review and approval of the statutory financial statements at November 30, 2012 and recommended net appropriation of earnings for the fiscal year;
  - review and approval of Consolidated Financial Statements for the fiscal year ended November 30, 2012;
  - agreements and commitments referred to in Articles L.225-38 and L.225-42-1 of the French Commercial Code;
  - reappointment of three Directors and assessment of status of Independent Directors;
  - renewal of the share buy-back program;
  - notice of Meeting of the Ordinary Shareholders' Meeting and setting the agenda and the text of the draft resolutions;
  - preparation and approval of the Board of Directors' management report;
  - preparation and approval of special reports;
  - review and approval of the Chairman's report on Corporate governance and internal control;
  - review of Company policy on professional equality;
  - renewal of the authority to make pledges and guarantees;
  - review and approval of the draft management documents and the report analyzing those documents;
  - assessment of the operation of the Board of Directors.

3.1.2. Special Committees of the Board of Directors.

3.1.2.1. Audit Committee

The Audit Committee is a special Committee of the Board of Directors. Its primary mission is to conduct a prior review of the financial statements and risks to the Company in order to deepen the knowledge of and facilitate the exercise by the Board of Directors of its responsibility to approve the statutory financial statements and the Consolidated Financial Statements.

3.1.2.1.1. Audit Committee Charter

A charter describes the organization, powers and operations of the Audit Committee. At the Board meetings of January 22, 2009 and February 13, 2009, several additions were made to the Committee charter in order to take into account the AFEP-MEDEF Code of Corporate Governance and prepare the Company for compliance with the Ordinance of December 8, 2008 regarding Audit Committees, which transposes European Directive 2006/43/EC of May 17, 2006 regarding Statutory Auditors. At the Board of Directors Meeting on February 18, 2010, the charter was amended with respect to the minimum number of members that comprise the Audit Committee.

3.1.2.1.2. Members of the Audit Committee

The Audit Committee is composed of at least three members. At the Board of Directors Meeting of February 18, 2010, it was reiterated in the Audit Committee charter that the Committee must be composed of at least one Independent Director to comply with the independence criteria adopted by the Company and it was specified that:

- the members of said Committee would be appointed for an indefinite term and chosen on the basis of:
  - their independence; and
  - their expertise in financial or accounting matters; more specifically, at least one member of the Committee shall be independent and have special expertise in finance and/or accounting acquired through professional experience;
- it should be noted, however, that their term of office on the Committee will expire at the same time as their term on the Board; and
- at the time of their appointment, Committee members shall receive information regarding the specifics of the Company's accounting, financial and operating procedures.

The Audit Committee enjoys solid financial and accounting competencies contributed by all of its members, regardless of their independence:

- Sophie Lombard and Frédéric Stévenin, due to their positions at Private Equity PAI partners;
- Yves Galland, Chairman of the Audit Committee, due to his current term of office as Chairman of Boeing France and his prior positions, especially as Minister of Industry and Chairman and Chief Executive Officer of Europe Assistance;
- Sylvie Charles (replacing Antoine Jeancourt-Galignani after the Board Meeting of February 16, 2012) due to her current terms of office as Chairman of VFLI (Sodefret-Fertis) and Chairman of the Board of Itnovem, member of the Supervisory Board of STVA and her various past General Management positions.

Given the level of participation of the majority shareholder, it seems difficult to comply with the two-thirds proportion of Independent Directors on the Audit Committee specified in the AFEP-MEDEF Code; however, the Company exceeds the percentage required by Article L.823-19 of the French Commercial Code because two out of four members of the Audit Committee are independent and the Committee is chaired by an Independent Director.

Since February 16, 2012, the Audit Committee was comprised of four members appointed for their term as Director: Sophie Lombard, appointed on September 29, 2010, Frédéric Stévenin, appointed on July 10, 2007 and two independent members, Yves Galland, Chairman, appointed on July 10, 2007 and Sylvie Charles, appointed on February 16, 2012.

The fact that the Audit Committee is chaired by an Independent Director strengthens management oversight and ensures a balance of powers.

3.1.2.1.3. Mission of the Audit Committee

The charter of the Audit Committee of the Company stipulates that its members are charged with an advance review of the accounts and risks of the Company, specifically:

- review of the financial statements, relevance and consistency of the regulatory accounting methods used to prepare the statutory financial statements and Consolidated Financial Statements and their scope of application;
- monitoring the process of preparing the financial information;
- monitoring the effectiveness of the internal control, internal audit and risk management systems and especially the review of significant off-balance-sheet commitments;
- monitoring the accounting treatment of any material transaction conducted by the Company;
- monitoring the internal data collection and control procedures and the quality and reliability of the Company's financial statements;
- control before publication of all accounting and financial documents, in particular in relation to the approval of the statutory financial statements and semi-annual and annual Consolidated Financial Statements;
- monitoring the Company's financial policy and the risks related thereto;
- monitoring the independence and objectivity rules for the Statutory Auditors.

Members of the Audit Committee must also review the effectiveness of the group's internal control and risk management procedures to allow the Board of Directors to assess its relevance.

Finally, it should be noted that the Audit Committee does not make any decisions; its role is restricted to the preparation of information to be used by the Board at its meetings.

The Audit Committee has reviewed the July 2010 AMF recommendations to implement the conclusions of the Poupart Lafarge working group on the reference framework for risk management and internal control procedures.

3.1.2.1.4. Audit Committee procedures

Meetings of the Audit Committee are validly held if at least one-half of the members are present. The Audit Committee's agenda is set by the Chairman.

The Committee meets at least twice a year and as many times as it deems necessary. Meetings are held prior to meetings of the Board of Directors and at least two days prior to this Meeting if the Committee's agenda includes a review of the annual and half-year financial statements for the Board's approval. Also, the Committee may meet, either at the request of the Board of Directors, or at the request of its Chairman or the majority of its members, in order to review any matter within the scope of its responsibilities.

The Committee charter specifically stipulates that the Committee's review of the annual or half-year financial statements must be accompanied by a presentation from the Statutory Auditors that highlights the essential items of the results, the accounting options used and a presentation from the Chief Finance Officer describing the Company's exposure to risks and material off-balance sheet commitments.

The Chairman and Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Finance Officer, the Director of Management and Budget Control, the Director of Accounting and Consolidation, the Internal Audit Officer and the Statutory Auditors are invited, if necessary, to participate in meetings of the Committee.

The Committee may also interview the Company's employees or its Statutory Auditors without management present; however, management must be informed thereof beforehand.

The Committee's work is reported to the Board of Directors by its Chairman, who also prepares a written summary. The secretary of the Committee is the secretary of the Board of Directors.

The Committee receives all material documents within the scope of its responsibilities (documents intended for financial analysts, rating agency reports). If necessary, it may request additional assessments.

For the review of the financial statements, the Audit Committee receives:

- the draft financial statements and notes which will be submitted to the Board of Directors, as well as any information that makes it possible to verify the method of preparing the financial statements and verify the relevance of the accounting methods and principles applied, the accounting standards and the scope of consolidation;
- a summary memorandum prepared by the Statutory Auditors which highlights the essential points of their work;
- a report from the Chief Finance Officer describing the Company's main exposure to risks and material off-balance sheet commitments;
- information, which makes it possible to review in detail the terms of material transactions carried out during the period.

For the review of the organization and internal control procedures:

- a presentation of the Audit department's work program;
- periodic summaries of the controls performed by the Kaufman & Broad Internal Audit Department to assess compliance with internal control procedures relating to accounting and financial information;
- various reports prepared by the Kaufman & Broad Internal Audit Department.

3.1.2.1.5. Compensation paid to members of the Audit Committee

Refer to Section 3.2.1.1. "Compensation paid to members of the Board of Directors".

3.1.2.1.6. Directors' fees paid to members of the Audit Committee

A portion, set by the Board of Directors and taken from the Directors' fees allocated to the Board by the Shareholders' Meeting, is paid to the Independent Directors on the Audit Committee.

3.1.2.1.7. Audit Committee Meetings in fiscal year 2012

In fiscal year 2012, the Audit Committee met six times (the attendance rate of Directors of Audit Committee meetings was 91.7%)[1]:

- On **January 17, 2012**, the Board of Directors met with three members attending and discussed the following agenda:
  - internal audit: presentation of the result of the D.C.I. (Internal Control System) tests at the end of 3rd quarter 2011,
  - review of the estimated consolidated financial data at November 30, 2011;
  - comments of the Statutory Auditors on the estimated consolidated financial data at November 30, 2011;
  - review of the 2012 budget.
- On **February 14, 2012**, the Board of Directors met with three members attending and discussed the following agenda:
  - review of the notes to the Consolidated Financial Statements at November 30, 2011;
  - review of the statutory financial statements at November 30, 2011 and recommended appropriation of earnings for the fiscal year;
  - comments of the Statutory Auditors on the statutory financial statements at November 30, 2011;
  - review of the Chairman's report on Corporate governance and internal control;
  - review of the report of the Board of Directors and text of the resolutions to be submitted to the Shareholders' Meeting;
  - internal audit: results of Internal Control System tests for the second half of 2011 and 2011 annual overview, 2012 draft plan and tests of the Internal Control System;
  - review of management forecasts and the analysis of those documents.

(1) As defined by Article L.225-37 of the French Commercial Code.

- On **April 17, 2012**, the Board of Directors met with two members attending and discussed the following agenda:
  - review of estimated consolidated financial data for 1st quarter 2012 and review of the main potential risks identified to date;
  - review of revised 2012 Budget (Update II).
- On **July 10, 2012**, the Board of Directors met with four members attending and discussed the following agenda:
  - review of the estimated financial data for the first half of 2012;
  - review of activity in the first half of 2012 – review of the main potential risks identified to date;
  - internal audit: presentation of the results of the D.C.I. (Internal Control System) test as of 1st quarter 2012 and specific items.
- On **September 26, 2012**, the Board of Directors met with four members attending and discussed the following agenda:
  - review of the estimated consolidated financial data at August 31, 2012;
  - presentation of revised management forecasts for 2012 and the analysis of those documents;
  - quarterly results of the D.C.I. (Internal Control System) tests.
- On **October 17, 2012**, the Board of Directors met with four members attending and discussed the following agenda:
  - review of the conditions and terms of Supplemental Agreement No. 8 to the Senior Facilities Agreement;
  - review of Kaufman & Broad SA interim statutory financial statements as at August 31, 2012;
  - comments of the Statutory Auditors on the Kaufman & Broad SA interim statutory financial statements as at August 31, 2012.

Since November 30, 2012, the Audit Committee has met twice:

- On **January 22, 2013**, the Board of Directors met with four members attending and discussed the following agenda:
  - internal audit: presentation of the D.C.I. (Internal Control System) test results for the 3rd quarter 2012 and specific items;
  - review of the estimated consolidated financial data at November 30, 2012;
  - comments of the Statutory Auditors on the estimated consolidated financial data at November 30, 2012;
  - Review of the 2013 budget.
- On **February 14, 2013**, the Board of Directors met with four members attending and discussed the following agenda:
  - review of the notes to the Consolidated Financial Statements at November 30, 2012;
  - review of the statutory financial statements at November 30, 2012 and recommended appropriation of earnings for the fiscal year;
  - comments of the Statutory Auditors on the statutory financial statements at November 30, 2012;
  - review of the Chairman's report on Corporate governance and internal control;
  - internal audit: results of tests of the Internal Control System in 4th quarter 2012 and 2012 annual summary – other actions performed by the Internal Audit in 2012 – 2013 forecast plan of tests of the Internal Control System;
  - review of management forecasts and the analysis of those documents.The Statutory Auditors attended all meetings of the Audit Committee and were also asked to make any observations they deemed useful to submit to the members of the Committee.

3.1.2.2. Compensation and Nominating Committee

3.1.2.2.1. Membership and responsibilities

The Compensation and Nominating Committee is composed of three Directors, at least one of whom must be independent. It is chaired by an Independent Director. As at the date hereof, it is comprised of Sophie Lombard, who was appointed at the Board of Directors Meeting of February 17, 2011, Alain de Pouzilhac, Chairman, appointed on March 6, 2007 and Frédéric Stévenin, appointed on July 10, 2007.

Given the level of participation of the majority shareholder, the Compensation and Nominating Committee is not composed of a majority of Independent Directors as recommended by the AFEP-MEDEF Code; however, the Committee is chaired by an Independent Director.

The mission of the Compensation and Nominating Committee is to assist the Board of Directors in determining the compensation paid to Corporate Officers and other Company executives. To this end, the Committee considers the criteria referred to in Section 3.2.1. "Compensation and in-kind benefits received, on any basis, by the members of the Company's administrative and management bodies for the latest fiscal year ended". In particular, it recommends the amounts of Directors' fees and individual compensation to be allocated to Directors, based on their actual attendance at meetings of the Board and Board Committees. the Committee also provides the Board of Directors with an opinion on the general policy for granting stock purchase and/or subscription options and bonus shares and on option plans prepared by the group's Management. the Committee also recommends to the Board the stock purchase or subscription option or bonus share awards.

Finally, it provides recommendations to the Board of Directors on the appointment and/or reappointment of Corporate Officers, Directors and Committee members.

The Compensation and Nominating Committee is not a decision-making body. Its role is to prepare information to be used by the Board of Directors during its meetings when it considers matters that fall under the Committee's prerogative.

The Committee's duties and operating procedures are specified in a charter. At its Meeting of February 13, 2009, the Board of Directors approved certain changes to the Committee charter in order to stipulate that:

- the Committee shall establish a succession plan for Corporate Officers and Directors so that it can advise the Board on succession in the event of unforeseen events; and
- in making its recommendations for the appointment of Corporate Officers, Directors and Committee members, the Committee shall take a variety of factors into consideration, including the skills, experience and independence of each candidate and the balance deemed appropriate for the Board's membership based on the Company's shareholding structure.

3.1.2.2.2. Compensation paid to members of the Compensation and Nominating Committee

Refer to Section 3.2.1.1. "Compensation paid to members of the Board of Directors".

3.1.2.2.3. Meetings of the Compensation and Nominating Committee in fiscal year 2012

In 2012, the Compensation and Nominating Committee met twice:

- on **January 11, 2012**, the Compensation and Nominating Committee met with three members attending and discussed the following agenda:
  - resignation of a member of the Board of Directors and Audit Committee;
  - proposed co-option of a new Independent Director;
  - compensation of Corporate Officers and management for fiscal year 2011;
  - compensation of Corporate Officers and management for fiscal year 2012;
  - allotment of bonus shares – definitive allotment of bonus shares allotted on January 20, 2010 – proposals for 2012;
  - amount of Directors' fees – recommended allocation for fiscal year 2011.
- on **February 3, 2012**, the Compensation and Nominating Committee met with three members attending and discussed the following agenda:
  - proposed co-option of a new Independent Director;
  - proposed appointment of an Independent Director to the Audit Committee;
  - re-appointment of five Directors whose terms expire at the end of the Shareholders' Meeting called to approve the financial statements for the fiscal year ended November 30, 2011.

Since November 30, 2012, the Compensation and Nominating Committee has met twice:

- on **December 20, 2012**, the Compensation and Nominating Committee met with three members attending and discussed the following agenda:
  - hiring of a new Deputy Chief Executive Officer;
  - organization of the transition within the General Management of the Company;
  - adjustments to be made to the compensation of Guy Nafilyan as Chairman and Chief Executive Officer;
  - role and compensation of Guy Nafilyan as Chairman of the Board of Directors;
  - terms of exercise of office and compensation of the new Deputy Chief Executive Officer; draft term of office agreement;
  - setting of compensation of the Chairman and Chief Executive Officer and management for fiscal year 2012;
  - Board of Directors' Report.
- on **January 22, 2013**, the Compensation and Nominating Committee met with three members attending and discussed the following agenda:
  - proposed reappointment of three Directors (Yves Galland, Guy Nafilyan and Lionel Zinsou) and assessment of the status of the Independent Directors;
  - compensation of Corporate Officers and management for fiscal year 2013;
  - allotment of bonus shares – definitive allotment of bonus shares allotted on February 17, 2011 – bonus share proposals for 2013;
  - amount of Directors' fees – recommended allocation for fiscal year 2012.

3.1.3. Responsibilities and powers of the chairman and chief executive officer and the chief operating officers

The Chairman of the Board of Directors is responsible for the General Management of the Company. The Chairman and Chief Executive Officer is vested with the broadest powers to act in all circumstances on behalf of the Company. Those powers are exercised within the limits of the Corporate purpose subject to the powers which the law expressly attributes to Shareholders' Meetings or which it specifically reserves to the Board of Directors as well as within the limits of the transactions that are subject to the prior authorization of the Board in accordance with its Internal Rules. The Chairman and Chief Executive Officer represents the Company with respect to third parties.

On February 16, 2012, the Board of Directors renewed, for a term of one year, the authority granted to its Chairman and Chief Executive Officer, with the option to delegate such authority, to issue on behalf of the Company any guarantees, bonds or endorsements (including any performance bonds):

- to tax and customs authorities, without any limitation as to the term or amount;
- to any other third party, without any time limitation and in an aggregate amount not exceeding €2,200,000,000 including any amounts required for performance bonds.

This authority was renewed for one more year and for the same total amount by the Board of Directors on February 15, 2013.

On a recommendation of the Chairman and Chief Executive Officer, the Board of Directors may appoint one or more Chief Operating Officers, provided that the number shall not be in excess of five. They must be individuals; they do not have to be Board members. In agreement with the Chairman and Chief Executive Officer, the Board determines the scope and term of the powers granted to Chief Operating Officers.

On the proposal of the Chairman and Chief Executive Officer and after having heard the report of the Compensation and Nomination Committee, on December 20, 2012, the Board of Directors appointed Philippe Jossé as Deputy Chief Executive Officer with effect from February 1, 2013, with the same powers as the Chief Executive Officer.

The Chief Executive Officer may be dismissed by the Board at any time. If such removal is made without cause, it may result in the payment of damages, except for the Chief Executive Officer when he or she is also the Chairman of the Board of Directors.

3.1.4. Senior executives

The management of the group is organized under the leadership of Guy Nafilyan, Chairman and Chief Executive Officer and Philippe Jossé, Deputy Chief Executive Officer. The other senior executives are as follows: Bruno Coche, Senior Vice President and Chief Financial Officer, Christian Delapierre, Senior Vice President of Institutional Sales, David Laurent, Senior Vice President of Corporate Real Estate, Jean-François Demaris, Senior Vice President of Human Resources, Marc Nafilyan and Patrick Zamo, Senior Vice Presidents Île-de-France Region, William Truchy, Senior Vice President Regions and Jacques Rubio, Senior Vice President Southwest Region.

3.1.4.1. Management Committee

Since February 1, 2013, the Management Committee of Kaufman & Broad has been comprised of eight members: Guy Nafilyan, Chairman and Chief Executive Officer, Philippe Jossé, Deputy Chief Executive Officer, Bruno Coche, Senior Vice President and Chief Financial Officer, Jean-François Demaris, Senior Vice President Human Resources, Jacques Rubio, Senior Vice President Southwest Region, William Truchy, Senior Vice President Regions, Patrick Zamo and Marc Nafilyan, Senior Vice Presidents Île-de-France Region.

3.1.4.1.1. Guy Nafilyan, Chairman and Chief Executive Officer

After a career as an attorney with the Paris Court of Appeals with a law firm specialized in real estate and Corporate law, Guy Nafilyan joined Kaufman & Broad in 1977 as Chief Executive Officer with particular responsibility for expanding the housing business in France. In 1983, he was appointed Chairman of Kaufman & Broad France and in 1986 became Senior Vice President of Kaufman & Broad Home Corporation, the Company's parent which is listed on the New York Stock Exchange. In 1987, he was elected as a Director of that Company and appointed Executive Vice President of Kaufman & Broad Home Corporation in 1992. In 2000, he oversaw Kaufman & Broad SA's initial public offering on the Paris Bourse and has since led the Company's expansion both in Île-de-France and to other regions in France.

3.1.4.1.2. Philippe Jossé, Deputy Chief Executive Officer

Philippe Jossé is a graduate of IEP Paris and of Institut des Hautes Études de Droit Rural et d'Économie Agricole. He began his career in 1979 with the Bouygues group. He served successively as Head of Real Estate Projects, Branch Director and Regional Director. He was then Chief Executive Officer of the Spanish subsidiary, Director Europe and finally Managing Director of Housing France at Bouygues Immobilier.

Philippe Jossé joined Kaufman & Broad in February 2013 as Deputy Chief Executive Officer.

3.1.4.1.3. Bruno Coche, Senior Vice President and Chief Financial Officer

Bruno Coche holds a law degree and is a graduate of IEP Bordeaux. In 1989, he joined the Sediver Group as Cash Manager, then became Director of Administrative and Financial Services in the France/Export Commercial Division. In 1996, he continued his career with the Giraud group, assuming responsibility for Cash and Financing in a European context and participated in the group's growth and equity financing.

He joined Kaufman & Broad in June 2002 as Director of Cash and Financing. In this position, he contributed to the growth of the group and participated in the structuring of its financing. He has been Chief Finance Officer and a member of the Management Committee since December 2009.

3.1.4.1.4. Jean-François Demaris, Senior Vice President Human Resources

After earning a Master's degree in economics, Jean-François Demaris began his career with Alcatel, where he was in charge of economic and social research for the Company's regional plants. He was then appointed as Divisional Head of Insurance and Asset Management and Head of Administrative Services for a Documentation Unit. In 1982, he joined the Optronics division of CGE as Human Resources Director, where he oversaw the merger and restructuring of several companies. In 1989, he joined SAFT as Human Resources Director for the international Power Electronics division, where he worked on organizational development, HR projects and the development of a manufacturing culture. In 1993, he became Human Resources Director for Alcatel Data Networks, a French-American joint venture specializing in data network products and services, before his appointment in 1998 as Director of Management Development for an Alcatel division. Jean-François Demaris joined Kaufman & Broad SA as Vice President, Human Resources in January 2000, when he was also appointed to the Management Committee. He has been a member of the Management Committee since January 2000 and Senior Vice President, Human Resources since January 2007.

3.1.4.1.5. Marc Nafilyan, Senior Vice President Île-de-France Region

After earning a law degree, Marc Nafilyan began his career in 1987 with an independent developer in Paris. He joined Coprim in 1993 as land developer focusing on the Paris/Île-de-France region. In 2005, he co-founded the Company Pyramide Promotion Immobilière and worked closely with Kaufman & Broad. In 2007, he joined Kaufman & Broad as head of the Nice agency, before becoming Regional Vice President Provence Côte d'Azur in 2008. He has been a member of the Management Committee and Senior Vice President Île-de-France region since January 2009.

3.1.4.1.6. Jacques Rubio, Senior Vice President Southwest Region

After studying engineering, Jacques Rubio formed SA Malardeau in 1975 with the Malardeau family, a real estate Company in southern France. He served as Corporate Secretary, then as Chairman and Chief Executive Officer in 1985. In 2004, SA Malardeau became a subsidiary of the Kaufman & Broad group and he was named Senior Vice President Kaufman & Broad Southwest. In 2009, he was named Senior Vice President Southwest Region, with agencies in Toulouse, Bordeaux and Bayonne. He has been a member of the Management Committee since December 2009.

3.1.4.1.7. William Truchy, Senior Vice President Regions

After earning a degree in business, William Truchy began his career in real estate in 1980, working for an agency in Nancy, before joining Promogim in 1982. He was head of sales in Burgundy and the Rhône-Alpes region and subsequently Sales Director for the Provence Côte d'Azur, Bordeaux and Toulouse regions. He was appointed National Sales Director in 1987 and then Senior Vice President in 1989. William Truchy joined Kaufman & Broad in March 2003 as Sales and Marketing Director for Île-de-France. He was named Senior Vice President, Marketing in January 2005 and currently leads the Sales and Marketing and Showroom operations in Paris and Île-de-France. In 2008, he was named Senior Vice President for Sales & Marketing. He has been a member of the Management Committee since December 2004 and Senior Vice President for the Regions since January 2009.

3.1.4.1.8. Patrick Zamo, Senior Vice President Île-de-France Region

With a Works Management degree from *École Supérieure des Travaux Publics* (ESTP), Patrick Zamo joined Bouygues as an on-site foreman in 1971 before moving in 1976 to Kaufman & Broad, where he oversaw the construction of single-family homes. He was appointed Building Production Director in 1983 and then Technical Director in 1988. In July 1991 he became Senior Vice President of Kaufman & Broad Homes in charge of production. In 2002, he was appointed Regional Vice President Île-de-France, tasked with overseeing the Project Design department for Single-family Homes in Communities in France. In 2008, he was named Senior Vice President for operations for the South and Kaufman & Broad Île-de-France Apartments. Patrick Zamo has been a member of the Management Committee since July 1991 and Senior Vice President Île-de-France Region since January 2009.

The members of the Management Committee have declared that for at least the previous five years they have not:

- been convicted in relation to fraudulent offences;
- been involved in any bankruptcies, receiverships or liquidations;
- been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities;
- been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

With the exception of Guy and Marc Nafilyan and Béatrice Mortier and Yves Galland, there are no family relationships between the members of the Management Committee and the members of the administrative bodies, or between the members of the Management Committee and the members of the Board of Directors.

3.1.4.2. Regional divisions

The heads of the group's regional divisions are as follows:

Paris/Île-de-France
Marc Nafilyan and Patrick Zamo, Senior Vice Presidents Île-de-France
Frédéric Bourg, Senior Vice President Île-de-France

Île-de-France
Cyril Doucet, Agency Director Sector 1
Marc Vettraino, Assistant Branch Manager Sector 1
Vincent Lhermitte, Agency Director Sector 2
Stéphane Dalliet, Agency Director Sector 3

Normandie
Christian Delapierre, Director

West/Rhône Alpes/Southeast Regions
William Truchy, Senior Vice President Regions

Loire-Atlantique/Bretagne
Christophe Duretete, Regional Director Nantes and Rennes

Rhône-Alpes
François-Xavier Delfour, Agency Director Lyon

Savoie
Gwenaël Mersaoui, Agency Director Grenoble and Annecy

Côte d'Azur/Provence
Stéphane Gress, Regional Director,Nice and Toulon

Mediterranean
Marc Speisser, Regional Director Marseille

Languedoc-Roussillon
Béatrice Mortier, Regional Director Montpellier

Midi-Pyrénées/Aquitaine Regions
Jacques Rubio, Senior Vice President Southwest Region

Pyrénées-Atlantiques
Denis Caniaux, Agency Director Bayonne

Aquitaine
Andràs Boros, Agency Director Bordeaux

3.1.4.3. Directorships and Other Positions held by the Chairman and Chief Executive Officer and by the Deputy Chief Executive Officer

3.1.4.3.1. Guy Nafilyan, Chairman and Chief Executive Officer

Kaufman & Broad group	
Kaufman & Broad SA	Chairman of the Board of Directors and Chief Executive Officer
Kaufman & Broad GIE	Director
Kaufman & Broad Financement SNC	Representative of Kaufman & Broad SA as Legal Manager
Kaufman & Broad Rénovation SAS	Representative of Kaufman & Broad SA as Chairman
Kaufman & Broad Maisons Individuelles SNC	Representative of Kaufman & Broad SA as Joint Legal Manager
Saint-Cloud Armengaud 15 SNC	Representative of Kaufman & Broad SA as Joint Legal Manager
Kaufman & Broad Europe SA	Representative of Kaufman & Broad SA as Executive Director
Outside directorships and positions	
Financière de Neuilly SAS	Chairman

3.1.4.3.2. Philippe Jossé, Deputy Chief Executive Officer

None

3.2. DIRECTORS' INTERESTS

3.2.1. Compensation and in-kind benefits received by members of the company's administrative and management bodies during the past fiscal year

3.2.1.1. Compensation paid to members of the Company's administrative bodies

At the Combined Ordinary and Extraordinary Shareholders' Meeting of April 11, 2008, the aggregate amount of Directors' fees allocated annually to the Board of Directors was set at €260,000, applicable as of the year ended November 30, 2008 until the next Meeting.

This package corresponds to the maximum annual amount that the Board of Directors may, on the recommendation of the Compensation and Nominating Committee, freely distribute among the Directors.

The Board's Internal Rules provide that Directors' fees shall be apportioned among Directors who perform no other duties within Kaufman & Broad other than their role as Director and that a portion determined by the Board and deducted from the aggregate amount allocated to the Board shall be paid to members of the various committees who perform no other duties within Kaufman & Broad.

On recommendation of the Compensation and Nominating Committee, the Board of Directors in its Meeting of January 22; 2013, resolved to pay a total amount of €191,400 in Directors' fees for fiscal year 2012 broken down as follows:

Table 3 of the AFEP-MEDEF Code

	Directors' fees received by non-executive Corporate Officers	
Non-executive Corporate Officers *(amount in euros)*	**Amount paid in fiscal year 2013**	**Amount paid in fiscal year 2012**
Yves Galland	40,000	40,000
Alain de Pouzilhac	40,000	36,800
Antoine Jeancourt-Galignani	-	40,000
Frédéric Stévenin	20,000	20,000
Sophie Lombard	20,000	20,000
Andràs Boros	-	11,167
Lionel Zinsou	20,000	20,000
Olivier de Vregille	20,000	20,000
Sylvie Charles	31,400	-
Total	**191,400**	**207,967**

No other compensation was paid to the group's Directors.

3.2.1.2. Compensation paid to members of the management bodies

3.2.1.2.1. Compensation paid to Corporate Officers

The Board of Directors sets the compensation of the Company's Corporate Officers. It makes decisions from time to time regarding the compensation and benefits to be granted to the Chairman and Chief Executive Officer for his or her office, in particular as concerns the variable portion of such compensation.

In accordance with the Company's decision to take into account the AFEP-MEDEF Code of Corporate Governance, the Board, with the assistance of the Compensation and Nominating Committee, now establishes the rules for determining the compensation paid to executive officers, ensuring in particular that the rules are complete, understandable and transparent, that the compensation package is balanced, that the compensation is consistent with the Company's market and the amount paid to other Directors and employees of the group, that the compensation is in line with market rates, that the performance of the Director in question and the general interest of the Company are considered and that the compensation will attract, retain and/or motivate high-caliber Directors.

The compensation and benefits paid in fiscal year 2012 to Kaufman & Broad SA's Corporate Officers are listed in the following table.

Table 1 of the AFEP-MEDEF Code

Summary table of compensation and stock options allocated to each Corporate executive officer:

Guy Nafilyan	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2011
Compensation due for the fiscal year (details in Table 2)	1,768,530	1,769,790
Valuation of the options granted during the fiscal year (details in Table 4)	-	-
Valuation of the bonus shares granted during the fiscal year (details in Table 6)	-	-
Total	**1,768,530**	**1,769,790**

Table 2 of the AFEP-MEDEF Code

Summary table of compensation paid to each Corporate executive officer:

Guy Nafilyan	Fiscal year ended November 30, 2012		Fiscal year ended November 30, 2011	
Chairman and Chief Executive Officer	Amount due[(a)]	Amount paid	Amount due	Amount paid
Fixed compensation	525,000	525,000	525,000	525,000
Variable compensation[(b)]	1,236,810	445,621	1,236,810	1,366,500
Deferred variable compensation[(c)]	-	371,690	-	-
Directors' fees	-	-	-	-
Benefits-in-kind	6,720	6,720	7,980	7,980
Total	**1,768,530**	**1,349,031**	**1,769,790**	**1,899,480**

(a) The amount corresponds to the theoretical amount when goals are met 100%.
(b) This compensation for fiscal year 2012 was paid in January 2013. The additional €891,243 will be paid in January 2014 if the Chairman is still in office and/or active the group at that time.
(c) This variable deferred compensation for fiscal year 2010 was paid in late January 2013 in accordance with the provisions.

Furthermore, Guy Nafilyan is entitled to a supplemental defined contribution pension plan pursuant to the provisions of Article 83 of the French General Tax Code. In 2012, the Company paid contributions to this plan of €23,278, corresponding to the annual contributions capped at 8% of gross salary, up to a maximum of eight times the Social Security ceiling.

At November 30, 2012, the Chief Executive Officer held 93,506 shares allotted on April 19, 2006 and November 6, 2007. These shares were delivered after a vesting period of two years and may be sold after a two-year holding period.

Also, the Chairman and Chief Executive Officer held stock options exercisable for 12,000 Company shares that Kaufman & Broad allotted to him under the plan set up on April 19, 2006.

Stock-options

Corporate Officers	Stock-options granted and not exercised at November 30, 2012	Stock options granted in 2012	Kaufman & Broad SA stock held at November 30, 2012
Guy Nafilyan	12,000	-	93,506

Table 4 of the AFEP-MEDEF Code

Stock purchase or subscription options granted to each executive Corporate officer during fiscal year 2012:

Options granted to each executive Corporate officer by the issuer and by any group Company	No. and date of the plan	Type of options (stock purchase or subscription)	Valuation of the options under the method used for the Consolidated Financial Statements	Number of options granted during the fiscal year	Exercise price
Guy Nafilyan	-	None	-	-	-

Table 5 of the AFEP-MEDEF Code

Stock purchase or subscription options exercised during fiscal year 2012 by each executive Corporate officer:

Options exercised during the fiscal year by each executive officer	No. and date of the plan	Type of options (stock purchase or subscription)	Valuation of the options under the method used for the Consolidated Financial Statements	Number of options exercised during the fiscal year	Exercise price
Guy Nafilyan	-	None	-	-	-

Table 6 of the AFEP-MEDEF Code

Bonus shares allotted to each executive Corporate officer:

Bonus shares allotted during the fiscal year to each executive Corporate officer by the issuer and by all group companies (listed by name)	No. and date of the plan	Number of shares granted during this year	Valuation of the shares under the method used for the Consolidated Financial Statements	Date of vesting	Date available
Guy Nafilyan	**-**	**None**	**-**	**-**	**-**

Table 7 of the AFEP-MEDEF Code

Bonus shares vested during fiscal year 2012 for each executive Corporate officer:

Bonus shares vested for executive Corporate Officers (list of names)	Date of plan	Number of shares that became exercisable during the fiscal year	Vesting conditions
Guy Nafilyan	None	-	-

Table 10 of the AFEP-MEDEF Code

Executive Corporate Officers	Employment contract	Supplemental retirement plan termination	Indemnities or benefits due or likely to be due by reason of the cessation or change of positions	Indemnities relating to a non-competition clause
Guy Nafilyan Chairman and Chief Executive Officer Start of term of office: January 11, 1983 End of term of office: Approval of the financial statements for fiscal year 2012	Yes[a]	Yes[b]	No	No

(a) Since the employment contract began before the term of the Chairman of the Board of Directors, it is suspended for the duration of the term in office.

(b) Guy Nafilyan is entitled to a supplemental defined contribution pension plan pursuant to the provisions of Article 83 of the French General Tax Code. In 2012, the Company paid contributions to this plan of €23,278, corresponding to the annual contributions capped at 8% of gross salary, up to a maximum of eight times the Social Security ceiling.

At November 30, 2012, non-Director executives held options under the 2006 Plan to purchase 19,100 shares of the Company.

The **Chairman and Chief Executive Officer** receives a fixed annual compensation plus a variable portion. At the Board Meeting of January 17, 2012, the fixed annual compensation for the Chairman was set at gross €525,000 for 2012. His variable compensation was tied to the of Kaufman & Broad SA's business targets for the fiscal year. The amount of this variable compensation with fixed objectives for fiscal year 2012 was set at a gross of €1,236,810. To receive this variable compensation, the Chairman must remain in office without interruption until payment of such variable compensation to be paid in a one-time payment in January 2013. If he leaves Kaufman & Broad SA, or if for some reason his term of office before is terminated before these dates, he shall not receive the corresponding variable compensation.

After calculation and assessment of the achievement of these targets, on December 20, 2012, on the proposal of the Compensation and Nominating Committee on the same day, the Board of Directors set the amount of the variable compensation payable to the Chairman in January 2013 at €1,336,864. The variable part of this incentive was calculated as follows:

- 2/3 of the amount based on the following quantitative elements, each subject to weighting: revenues, EBITDA, attributable net income, Kaufman & Broad SA WCR, annual housing orders, number of Commitment Committees lots for fiscal year 2012;
- 1/3 of the amount using the following qualitative elements: brand awareness, group team management, diversified product offer, customer satisfaction and preparation for fiscal year 2013.

At the Board Meeting of January 22, 2013, the Chairman's fixed annual compensation due was set at €525,000 gross for fiscal year 2013; in addition, it comprises variable compensation tied to Kaufman & Broad SA's business targets. The amount of this variable compensation for fiscal year 2013 if 100% of targets are achieved, is set at €1,236,810 gross, two-thirds of which will be calculated using quantitative elements, each subject to weighting and one-third will be calculated using qualitative elements. These qualitative elements will be assessed by the Compensation and Nominating Committee at the end of the fiscal year (management of group teams, preparation for fiscal year 2014, Company awareness, etc.).

Two thirds of this variable compensation will be paid to Guy Nafilyan on January 31, 2014 provided that he has not ended his term as Chief Executive Officer and/or Chairman of the Board of Directors for any reason whatsoever before January 31, 2014; the balance will be paid on January 31, 2015 under the above condition and provided that Guy Nafilyan has not resigned from office as Chief Executive Officer and/or Chairman of the Board of Directors prior to the date of payment of the balance, in accordance with the conditions set forth by the Compensation and Nominating Committee at its Meeting on December 20, 2012 and approved by the Board of Directors.

In addition, the Board of Directors determines the general policy for the allotment of stock options and option plans recommended by Management. In this context, Directors [were] allotted shares. Nevertheless, no stock options or new bonus shares were allotted to the Chairman and Chief Executive Officer during fiscal year 2012.

In addition, it should be noted that the Chairman and Chief Executive Officer was granted 243,747 Company stock warrants in 2007 (see Section 4.2).

The Chairman and Chief Executive Officer does not receive any severance payment.

With regard to the **Deputy Chief Executive Officer**, on December 20, 2012, the Board of Directors appointed Philippe Jossé as Deputy Chief Executive Officer with effect from February 1, 2013 and endorsed, on the proposal of the Compensation and Nominating Committee, the terms and conditions of its term of office agreement. Philippe Jossé has gross annual fixed compensation in the amount of €350,000, plus a variable amount of up to 100% of his fixed annual compensation if the targets set at the beginning of the fiscal year are achieved and up to120% of his fixed annual compensation in the event of outperformance.

For 2013, this incentive is calculated as follows:

- 2/3 of the amount based on the following quantitative items, each subject to weighting: revenues, EBITDA, operating expenses/revenues, attributable net income, WCR at end 2013, housing orders, number Commitment Committees lots in 2013;
- 1/3 of the amount based on qualitative items.

Since 2013 is the year that Philippe Jossé took office and it is essentially a transition year, it was agreed that he would be guaranteed a variable "base" compensation for 2013 (corresponding to 75% of his annual gross fixed compensation). However, the payment of the variable compensation is contingent on Philippe Jossé remaining with the Company on December 31, 2013.

In addition, Philippe Jossé may receive a special bonus at the end of a period of three years starting from February 1, 2013, according to the Company's performance assessed on the basis of the Company's share price (provided he is still Deputy Chief Executive Officer or Chief Executive Officer of the date of the third anniversary of his term).

Moreover, in the event that he should removed from office for any reason other than gross misconduct or gross negligence, as defined by the Court of Cassation in labor law, the Company shall pay to the Deputy Chief Executive Officer a compensatory payment intended to remedy the injury suffered as a result of the loss of his office.

In the event of removal from office during the first two years of his term, the compensatory payment shall be equal to 12 months' gross fixed and variable compensation. In the event of a dismissal during the following two fiscal years, the compensatory payment shall be payable only in the event of removal from office occurring within six months following a sale of the Company to a third party (other than the sale of securities of the Company on the market by issuing new shares or transfer of existing shares), provided that the special bonus paid after the first three years will not be taken into account in the calculation of the compensatory payment.

In all cases, such compensatory payment shall be payable only if the Deputy Chief Executive Officer has received or should have received for the fiscal year prior to the termination of his term of office of at least 70% of the maximum variable portion of his compensation, with that variable part being based on both the quantitative and qualitative targets.

In the event of removal from office during the first year of his term, the performance of the Deputy Chief Executive Officer and consequently the percentage of the variable compensation that would have been received will be determined by the Board of Directors.

Moreover, in the event of the departure of Philippe Jossé, he will be bound by an obligation of non-competition and non-solicitation that will apply barring a reduction or waiver from the group for a period of 12 months following the end of his term as a Corporate officer. He will receive in return a gross monthly lump-sum allowance equivalent to 50% of the fixed compensation he received during the twelve months preceding the end of his term (or during the time he was in office if it is less than twelve months).

The Deputy Chief Executive Officer is entitled to a supplemental defined contribution pension plan pursuant to the provisions of Article 83 of the General Tax Code.

Philippe Jossé also receives, as a benefit in kind, special unemployment insurance coverage for Directors and Corporate Officers (GSC).

Pursuant to Article L.225-42-1 of the French Commercial Code, the provisions relating to commitments made to the Deputy Chief Executive Officer on the occasion of his appointment to this office shall be subject to the approval of the Shareholders' Meeting of April 25, 2013.

3.2.1.3. Compensation paid to members of the Management Committee

Management Committee members receive fixed and variable compensation paid in the form of a bonus. For fiscal year 2012, total gross compensation and benefits received by members of the Management Committee (excluding Kaufman & Broad SA Corporate Officers) came to €2,395,713, representing €1,099,000 in fixed salaries, bonuses of €1,270,067 and in-kind benefits for €26,646. Management Committee members do not receive any other deferred and/or conditional compensation and the group does not record provisions for pensions or golden parachutes. The only sums provisioned are sums for retirement indemnities as required by law. For the members of the Management Committee, the amount provisioned was €577,177 in fiscal year 2012. Moreover, the Management Committee members, including the executive Corporate Officers, are also entitled to a defined contribution supplemental pension plan under Article 83 of the French General Tax Code.

At November 30, 2012, non-Director executives who are members of the Management Committee held options allotted on April 19, 2006 allowing them to purchase 15,800 existing shares of the Company. The non-Director executives, members of the Management Committee in 2012, held, at November 30, 2012, 13,691 bonus shares allotted on November 6, 2007, 3,500 bonus shares allotted on December 3, 2007, 83,855 bonus shares allotted on February 13 and July 8, 2009 and 26,000 bonus shares allotted on January 20, 2010; these shares became definitively allotted two years after their allotment. They also received an allotment of 22,000 shares on February 17, 2011. The allotment of these shares will become definitive only two years after the decision to allot them if the conditions of the plan are met by the beneficiaries. The minimum holding period for the shares is set at two years from the date of definitive allotment.

Note: The compensation of executive Corporate Officers and members of the Management Committee, mentioned in Sections 3.2.1.2. "Compensation paid to members of the management bodies" and 3.2.1.3. "Compensation paid to members of the Management Committee" regarding Directors' interest is generally paid by GIE Kaufman & Broad as fixed and variable compensation as well as benefits in kind (GIE Kaufman & Broad is an entity dedicated to providing funds to the different legal entities comprising the group and in particular the staff). Also, the stock option and bonus share plans were authorized by the Shareholders' Meeting and the allotments to the beneficiaries decided by the Board of Directors of Kaufman & Broad SA. Finally, the shares delivered were taken from the Company's treasury shares.

3.2.2. Number of stock options granted

See Section 3.3.3. "Stock option plans – Bonus share awards – Stock subscription warrants".

Details concerning the exercise of stock options are provided in Section 5.2.3.2., "Summary of share purchases" and the following sections.

3.2.3. Stock options exercised during the fiscal year

See Section 3.3.3. "Stock purchase or subscription option plans – Bonus share awards – Stock subscription warrants".

3.2.4. Transactions with members of the company's administrative and management bodies

None.

3.2.5. Loans and guarantees to members of the company's administrative and management bodies

None.

3.2.6. Transactions with companies that have directors in common with the company or other group companies

See Sections 4.1.6. "Additional information" (note 31, "Related party transactions") and 9.3.3., "Special report of the Statutory Auditors on related party agreements."

3.3. INCENTIVE PROGRAMS

3.3.1. Incentive and profit-sharing agreements

There are no employee incentives or profit-sharing agreements in force within the group.

3.3.2. Company savings plan

A Company savings plan was established as part of the IPO in February 2000 and modified in February 2001, March 2002, July 2003, September and December 2006, December 2007, December 2008 and December 2009. The savings collected under this plan are invested in the Kaufman & Broad Actionnariat FCPE, in which the assets consist primarily of shares in the Company, or the *Capri Sécurité* FCPE, which is invested mainly in money market securities, or the *Capri Équilibre* FCPE the assets of which are primarily consist of money market securities and diversified stocks or *Fongepargne Insertions Emplois Sérénité Solidaire*, a socially responsible solidarity fund to bring the Company savings plan into compliance with the economy modernization Law of August 4, 2008.

The Kaufman & Broad Actionnariat FCPE is described in Section 1.6.2.10. "Company Savings Plan".

3.3.3. Stock purchase or subscription option plans – Bonus share awards – Stock subscription warrants

The Extraordinary Shareholders' Meeting of April 19, 2006 authorized the Board of Directors to grant employees and Corporate Officers' options to purchase a maximum of 400,000 new or existing Company shares. This authority was used to allot 95,500 options in 2006, primarily to two Kaufman & Broad SA Corporate Officers.

Guy Nafilyan was allotted 12,000 options in 2006. These options must be exercised within 10 years of the allotment date. However, if he leaves the Company, the options must be exercised in the six months after his leaving, or they will be void.

The Extraordinary Shareholders' Meeting of April 19, 2006 also authorized the Board of Directors to grant a maximum of 200,000 bonus shares (new or existing) to employees and/or Corporate Officers. 92,000 shares were granted in 2006. The shares were granted to two Kaufman & Broad SA Corporate Officers, Guy Nafilyan and Joël Monribot. The allotment of the shares to the beneficiaries became definitive on April 20, 2008 with the allotment of existing shares.

At its Meeting of November 6, 2007, the Board of Directors granted the plan's remaining 108,000 shares, including 53,543 to two Kaufman & Broad SA Corporate Officers, Guy Nafilyan and Joël Monribot. The allotment of shares to their beneficiaries became definitive on November 7, 2009 by the allotment of 104,349 existing shares, 3,651 allotments having been voided.

The minimum holding period for the shares is set at two years from the date of definitive allotment, i.e., until November 7, 2011.

The Extraordinary Shareholders' Meeting of December 3, 2007 also authorized the Board of Directors to grant a maximum of 92,000 bonus shares (new or existing) to employees and/or Corporate Officers. The minimum holding period for the shares is set at two years from the date of definitive allotment. The details of the allotments granted by the Board of Directors are presented in Section 3.3.3.2.1. "2007 bonus share award plan".

The Company's Shareholders' Meeting of April 9, 2009 authorized the Board to make one or more allotments of existing or to be issued Company bonus shares, to the beneficiaries to be determined among the members of the salaried staff of the Company or the companies of the groups affiliated with it and the Corporate Officers of the Company or the companies or groups affiliated with it, on a maximum number of 220,000 shares of the Company. The minimum holding period for the shares is set at two years from the date of definitive allotment. The details of the grants by the Board of Directors are presented in Section 3.3.3.2.2. "2009 bonus share award plan".

The Company's Shareholders' Meeting of April 19, 2012 authorized the Board to make one or more allotments of existing or to be issued Company bonus shares, to the beneficiaries to be determined among the members of the salaried staff of the Company or the companies of the groups affiliated with it and the Corporate Officers of the Company or the companies or groups affiliated with it, on a maximum number of 100,000 shares of the Company. The minimum holding period for the shares is set at two years from the date of definitive allotment. The details of the grants by the Board of Directors are presented in Section 3.3.3.2.3. "2012 bonus share award plan".

3.3.3.1. Stock purchase or subscription option plans

The rules governing the various stock purchase or subscription option plans implemented by the Company contain provisions allowing beneficiaries to exercise options early during the offer period and for a period of three months following a change in control and to tender in the offer or trade outside the offer the shares issued from exercising options, even when the tax and Social Security lock-in period has not expired. Sale of the shares before the expiration of the tax and Social Security lock-in period will trigger unfavorable tax or Social Security consequences in respect of the acquisition gain. Consequently, the acquisition gain will incur income tax and Social Security charges for the beneficiary and payroll taxes for the Company.

The bonus share award plan implemented by the Company includes provisions the effect of which is, because of the change in control, to reduce the vesting period to two years from the date of the bonus share award.

The terms and conditions of the stock purchase or subscription option and bonus share plans will not be modified as a result of the change of control or the offer.

Beneficiaries may freely dispose of their shares at the end of the applicable tax and Social Security lock-in period.

Stock option plans

The Company no longer has a stock option plan in effect as of the date hereof.

3.3.3.2. Bonus share plan

3.3.3.2.1. 2007 bonus share plan

The Company's Shareholders' Meeting of December 3, 2007 authorized the Board of Directors to grant new or existing bonus Company shares on one or more occasions to employees selected by it.

Under this plan, the Company's Board of Directors allotted 13,300 bonus shares on December 3, 2007 and 51,000 bonus shares on February 13, 2009 representing 0.06% and 0.24% respectively of the Company's capital. At its Meeting of February 17, 2011, the Board of Directors duly recorded that the February 13, 2009 award conditions of the bonus shares had been fulfilled.

3.3.3.2.2. 2009 bonus share plan

At its Meeting of April 9, 2009, the Shareholders' Meeting authorized the Board of Directors to allot bonus Company shares (new or existing) on one or more occasions to selected employees of the Company or its related companies or entities within the meaning of Article L.225-197-2 of the French Commercial Code and to Corporate Officers of the Company or its related companies or entities within the meaning of Article L.225-197-1 of said Code, under the following conditions:

- the total number of bonus shares allotted may not exceed 220,000;
- the definitive allotment of the shares shall be subject to a minimum vesting period of two years from the date of allotment;
- the minimum holding period for the shares is set at two years from the date of definitive allotment;
- if new shares are issued through a capitalization of reserves or premiums for the beneficiaries, existing shareholders implicitly waive their pre-emptive rights to purchase any new shares;
- this authority is valid for a period of thirty-eight months.

The Shareholders' Meeting granted full powers to the Board of Directors to use this authority and to delegate said powers subject to compliance with the law, to determine if the bonus shares to be allotted are new or existing shares, select the beneficiaries, carry out any and all filing and other formalities, implement any adjustments required as a result of any capital transactions, charge the capital increase (s) against reserves and/or additional paid-in capital, amend the bylaws to reflect the new capital and generally do whatever is necessary.

Under this plan, the Company's Board of Directors granted 143,515 bonus shares on July 8, 2009, 58,000 shares on January 20, 2010 and 36,000 shares on February 17, 2011 and, after taking into account void allotments, 20,000 shares on January 17, 2012 representing 0.66%, 0.27%, 0.17% and 0.09% respectively of the Company's capital.

3.3.3.2.3. 2012 bonus share plan

At its Meeting of April 19, 2012, the Shareholders' Meeting authorized the Board of Directors to allot bonus Company shares (new or existing) on one or more occasions to selected employees of the Company or its related companies or entities within the meaning of Article L.225-197-2 of the French Commercial Code and to Corporate Officers of the Company or its related companies or entities within the meaning of Article L.225-197-1 of said Code, under the following conditions:

- the total number of bonus shares allotted may not exceed 100,000;
- the definitive allotment of the shares shall be subject to a minimum vesting period of two years from the date of allotment;
- the minimum holding period for the shares is set at two years from the date of definitive allotment;

- if new shares are issued through a capitalization of reserves or premiums for the beneficiaries, existing shareholders implicitly waive their pre-emptive rights to purchase any new shares;
- this authority is valid for a period of thirty-eight months.

The Shareholders' Meeting granted full powers to the Board of Directors to use this authority and to delegate said powers subject to compliance with the law, to determine if the bonus shares to be allotted are new or existing shares, select the beneficiaries, carry out any and all filing and other formalities, implement any adjustments required as a result of any capital transactions, charge the capital increase (s) against reserves and/or additional paid-in capital, amend the bylaws to reflect the new capital and generally do whatever is necessary.

Under this plan, the Company's Board of Directors allotted 35,800 bonus shares on January 22, 2013 representing 0.17% of the Company's capital.

3.3.3.3. Summary tables

3.3.3.3.1. Stock purchase or subscription option plans

None.

3.3.3.3.2. Bonus share plan

2007 bonus share plan

2007 Plan	
Date of the Extraordinary Shareholders' Meeting authorizing the allotment plan	December 3, 2007
Number of shares available for allotment	92,000
Tranche 1 – Date of the Board of Directors' Meeting granting shares	**December 3, 2007**
Number of beneficiaries	19
Number of bonus shares allotted on December 3, 2007	13,300
End of vesting period/Share transfer date	December 4, 2009
Lock-in period	2 years
End of lock-in period	December 4, 2011
number of shares allotted to Corporate Officers at December 3, 2007	-
number of shares under options granted and void	*2,100*
Tranche 2 – Date of the Board of Directors' Meeting granting shares	**February 13, 2009**
Number of beneficiaries	15
Number of bonus shares allotted on February 13, 2009	51,000
End of vesting period/Share transfer date	February 14, 2011
Lock-in period	2 years
End of lock-in period	February 14, 2013
number of shares allotted to Corporate Officers at February 13, 2009	-
number of shares under options granted and void at November 30, 2010	*10,000*

2009 Bonus share plan

2009 Plan

Date of the Extraordinary Shareholders' Meeting authorizing the allotment plan	April 9, 2009
Number of shares available for allotment	220,000
Tranche 1 – Date of the Board of Directors' Meeting granting shares	**July 8, 2009**
Number of beneficiaries	16
Number of bonus shares allotted on July 8, 2009	143,515
End of vesting period/Share transfer date	July 9, 2011
Lock-in period	2 years
End of lock-in period	July 9, 2013
number of shares allotted to Corporate Officers at July 8, 2009	-
number of shares void	*34,698*
Tranche 2 – Date of the Board of Directors' Meeting granting shares	**January 20, 2010**
Number of beneficiaries	30
Number of bonus shares allotted on January 20, 2010	58,000
End of vesting period/Share transfer date	January 21, 2012
Lock-in period	2 years
End of lock-in period	January 21, 2014
number of shares allotted to Corporate Officers at January 20, 2010	-
number of shares void	*3,000*
Tranche 3 – Date of the Board of Directors' Meeting granting shares	**February 17, 2011**
Number of beneficiaries	14
Number of bonus shares allotted on February 17, 2011	36,000
End of vesting period/Share transfer date	February 18, 2013
Lock-in period	2 years
End of lock-in period	February 18, 2015
number of shares awarded to Corporate Officers at February 17, 2011	-
number of shares void	*2,000*
Tranche 4 – Date of the Board of Directors' Meeting granting shares	**January 17, 2012**
Number of beneficiaries	21
Number of bonus shares allotted on January 17, 2012	20,000
End of vesting period/Share transfer date	January 18, 2014
Lock-in period	2 years
End of lock-in period	January 18, 2016
number of shares allotted to Corporate Officers at January 17, 2012	-
number of shares void	*1,000*

2012 bonus share plan

2012 Plan

Date of the Extraordinary Shareholders' Meeting authorizing the allotment plan	April 19, 2012
Number of shares available for allotment	100,000
Tranche 1 – Date of the Board of Directors' Meeting granting shares	**January 22, 2013**
Number of beneficiaries	40
Number of bonus shares allotted on January 22, 2013	35,800
End of vesting period/Share transfer date	January 23, 2015
Lock-in period	2 years
End of lock-in period	January 23, 2017
number of shares allotted to Corporate Officers	-
number of shares void	-

3.3.4. Stock subscription warrants

The Extraordinary Shareholders' Meeting of December 3, 2007 decided to issue immediately 721,086 warrants to subscribe to shares of the Company, under the terms and conditions stipulated in the attachment to the minutes of the Meeting, which were reserved for the employees and Corporate Officers of the Kaufman & Broad group or companies controlled by those companies as defined in Article L.233-3 of the French Commercial Code, the list of which is given in the table below, in the following proportions. Financière Daunou 10 has waived its rights to 150,311 stock subscription warrants and as a result there are 570,775 SSW outstanding at the fiscal year-end 2012.

The issuance of these 570,775 stock subscription warrants (SSW) could result in a future capital increase for a maximum nominal amount of €148,401.50, plus the amount of the additional capital increases necessary to preserve the rights of the SSW holders in the event of new financial transactions.

The issue of stock subscription warrants was reserved for employees and Corporate Officers of the Kaufman & Broad group or of companies controlled by them as defined in Article L.233-3 of the French Commercial Code, including 243,747 warrants reserved the Chairman and Chief Executive Officer, in the following proportions:

Name	Number of SSWs	Maximum amount of the capital increase if the SSWs are exercised *(in euros)*
Guy Nafilyan	243,747	63,374.22

4 Assets, financial position and results at November 30, 2012

4.1. CONSOLIDATED FINANCIAL STATEMENTS AT NOVEMBER 30, 2012

Statement of consolidated comprehensive income

Consolidated income statement

(in € thousands)	Note	November 30, 2012	November 30, 2011
Revenues	(4)	1,030,046	1,044,255
Cost of sales		(827,912)	(841,460)
Gross margin		**202,134**	**202,795**
Selling expenses	(5)	(29,242)	(27,375)
General and administrative expenses	(6)	(62,935)	(62,086)
Technical expenses and customer service	(7)	(16,301)	(15,634)
Other expenses	(8)	(9,326)	(10,026)
Other income	(8)	951	1,395
Current operating income		**85,281**	**89,069**
Other non-recurring income	(9)	1,538	1,734
Other non-recurring expenses	(9)	(10)	(952)
Operating income		**86,809**	**89,851**
Financial expenses		(5,918)	(15,141)
Financial income		1,797	3,619
Cost of net financial debt	**(11)**	**(4,121)**	**(11,522)**
Other financial expenses	(12)	(1,109)	(2,444)
Other financial income	(12)	1,000	9,359
Pre-tax income of consolidated companies		**82,579**	**85,244**
Income tax (expenses)/income	(13)	(25,814)	(28,709)
Net income of consolidated companies		**56,765**	**56,535**
Share of income (loss) of equity affiliates and joint ventures		(61)	955
Income (loss) attributable to shareholders		**56,704**	**57,490**
Minority interest income (loss)	*(22.3)*	*9,080*	*9,977*
Attributable net income		*47,624*	*47,513*
Average number of shares	(14)	21,135,155	21,381,864
Earnings per share	**(14)**	**€2.25**	**€2.22**
Diluted earnings per share	**(14)**	**€2.25**	**€2.22**

Consolidated net comprehensive income

(in € thousands)	November 30, 2012	November 30, 2011
Income (loss) attributable to shareholders	**56,704**	**57,490**
Change in the gross value of derivative instruments	2,271	1,192
Tax impact on derivative instruments	(785)	(410)
Deferral of fair value of swaps unwound at the end of 2009	-	1,812
Tax effect of swaps unwound at the end of 2009	-	(581)
Change in actuarial gains and losses	(1,566)	(453)
Tax effect on actuarial gains and losses	539	156
Total gains and losses recognized directly in equity	**460**	**1,716**
Consolidated net comprehensive income	**57,164**	**59,206**
Attributable	*48,084*	*49,229*
Minority interest	*9,080*	*9,977*

Statement of consolidated financial position

Assets

(in € thousands)	Note	November 30, 2012	November 30, 2011
Goodwill	(15)	68,511	68,511
Intangible assets	(16.1)	84,897	83,010
Property, plant and equipment	(16.2)	5,604	5,883
Equity affiliates and joint ventures	(17)	4,373	3,473
Other non-current financial assets	(17)	1,262	2,551
Non-current assets		**164,647**	**163,428**
Inventories	(18)	284,469	235,556
Accounts receivable	(19)	268,189	305,673
Other receivables		143,161	141,260
Other financial receivables		2,379	11,535
Current tax		34,601	36,971
Cash and cash equivalents	(21)	153,763	138,878
Prepaid expenses	(19)	1,008	805
Current assets		**887,570**	**870,678**
Total assets		**1,052,217**	**1,034,106**

Equity and liabilities

(in € thousands)	Note	November 30, 2012	November 30, 2011
Capital stock	(22)	5,612	5,612
Reserves related to capital		979	979
Attributable reserves		156,886	111,001
Other reserves		(12,177)	(12,274)
Treasury shares	(22.1)	(9,778)	(4,455)
Dividend advance		(48,455)	-
Attributable net income		47,624	47,513
Attributable shareholders' equity		**140,691**	**148,376**
Minority interest	(22.3)	8,420	8,470
Shareholders' equity		**149,111**	**156,846**
Non-current provisions	(24)	24,510	24,424
Borrowings and other non-current financial liabilities	(25.1)	234,535	283,284
Deferred taxes	(20)	55,586	35,205
Non-current liabilities		**314,631**	**342,913**
Current provisions	(24)	1,000	-
Other current financial liabilities	(25.1)	458	19,337
Accounts payable	(26)	473,624	409,668
Other payables	(26)	111,777	103,985
Deferred income	(26)	1,616	1,357
Current liabilities		**588,475**	**534,347**
Total equity and liabilities		**1,052,217**	**1,034,106**

Statement of cash flows

(in € thousands)	Note	November 30, 2012	November 30, 2011
Consolidated net income		56,704	57,490
Share of income (loss) of equity affiliates and joint ventures		61	(955)
Estimated income and expenses		12,441	10,089
Cash flow after cost of financial debt and tax		**69,206**	**66,624**
Cost of net financial debt		4,121	11,522
Other interest expenses (income)		109	(6,915)
Tax liability (income)		25,814	28,709
Cash flow before cost of financial debt and tax		**99,250**	**99,940**
Tax (paid)/received		(2,057)	(2,540)
Change in working capital requirement	(27)	58,789	(26,821)
Cash flow from operating activities (A)		**155,982**	**70,579**
Investing activities			
Acquisition of tangible and intangible assets (net of disposals)		(3,960)	(2,888)
Repayment of financial assets		10,622	5,029
Cash flow with equity affiliates and joint ventures		(517)	2,841
Change in the scope of consolidation[(a)]		-	(418)
Cash flow from investing activities (B)	**(27)**	**6,145**	**4,564**
Free cash flow		**162,127**	**75,143**
Financing activities			
Distributions to minority interests		(9,374)	(13,292)
Buyback of minority interests		(1,828)	(3,315)
Buyback of treasury shares, net of resales		(6,392)	(2,385)
Loan repayments		(67,939)	(50,847)
Distributions to shareholders		(48,455)	-
Net financial interest paid		(14,254)	(14,380)
Other net financial income received		1,000	9,259
Cash flow from financing activities (C)	**(27)**	**(147,242)**	**(74,960)**
Increase (decrease) in cash (A + B + C)		**14,885**	**183**
Cash at beginning of the period		138,878	138,695
Cash at end of the period		153,763	138,878
Increase (decrease) in cash		**14,885**	**183**
Cash and cash equivalents		153,763	138,878
Credit facilities		(454)	(533)
Interest accrued on cash and cash equivalents		454	533
Cash at end of the period		**153,763**	**138,878**

(a) Acquisition of ASA Immo in 2011.

Statement of change in consolidated shareholders' equity

(in € thousands)	Number of shares	Capital stock	Reserves related to capital	Attributable reserves	Other reserves	Treasury shares	Interim dividends	Attributable net income	Attributable shareholders' equity	Minority interest	Total shareholders' equity
December 1, 2010	**21,584,658**	**5,612**	**979**	**96,467**	**(13,914)**	**(3,438)**	**-**	**18,063**	**103,769**	**11,785**	**115,554**
Allocation of profit or loss	-	-	-	18,063	-	-	-	(18,063)	-	-	-
Actuarial gains (losses)	-	-	-	-	297	-	-	-	(297)	-	(297)
)Change in hedging reserves	-	-	-	-	2,013	-	-	-	2,013	-	2,013
Gains and losses recognized directly in shareholders' equity	-	-	-	-	1,716	-	-	-	1,716	-	1,716
Net income at November 30, 2011	-	-	-	-	-	-	-	47,513	47,513	9,977	57,490
Consolidated net comprehensive income	**-**	**-**	**-**	**-**	**1,716**	**-**	**-**	**47,513**	**49,229**	**9,977**	**59,206**
Distributions	-	-	-	-	-	-	-	-	-	(13,292)	(13,292)
Treasury share transactions	-	-	-	-	(1,151)	(1,017)	-	-	(2,168)	-	(2,168)
Share-based payments	-	-	-	-	1,075	-	-	-	1,075	-	1,075
Buyback of minority interests	-	-	-	(3 529)	-	-	-	-	(3 529)	-	(3 529)
Total transactions with shareholders	**-**	**-**	**-**	**(3,529)**	**(76)**	**(1,017)**	**-**	**-**	**(4,622)**	**-**	**(4,622)**
November 30, 2011	**21,584,658**	**5,612**	**979**	**111,001**	**(12,274)**	**(4,455)**	**-**	**47,513**	**148,376**	**8,470**	**156,846**
Allocation of profit or loss	-	-	-	47,513	-	-	-	(47,513)	-	-	-
Actuarial gains (losses)	-	-	-	-	(1,027)	-	-	-	(1,027)	-	(1,027)
Change in hedging reserves	-	-	-	-	1,487	-	-	-	1,487	-	1,487
Gains and losses recognized directly in shareholders' equity	-	-	-	-	460	-	-	-	460	-	460
Net income at November 30, 2012	-	-	-	-	-	-	-	47,624	47,624	9,080	56,704
Consolidated net comprehensive income	**-**	**-**	**-**	**-**	**460**	**-**	**-**	**47,624**	**48,084**	**9,080**	**57,164**
Distributions	-	-	-	-	-	-	(48,455)	-	(48,455)	(9,130)	(57,585)
Treasury share transactions	-	-	-	-	(879)	(5,322)	-	-	(6,201)	-	(6,201)
Share-based payments	-	-	-	-	516	-	-	-	516	-	516
Buyback of minority interests	-	-	-	(1,629)	-	-	-	-	(1,629)	-	(1,629)
Total transactions with shareholders	**-**	**-**	**-**	**(1,629)**	**(363)**	**(5,322)**	**-**	**-**	**(7,314)**	**-**	**(7,314)**
November 30, 2012	**21,584,658**	**5,612**	**979**	**156,885**	**(12,177)**	**(9,777)**	**(48,455)**	**47,624**	**140,691**	**8,420**	**149,111**

4.1.1. Significant events of the period

4.1.1.1. Early partial repayment of the Senior debt

Following the double bidding process launched by Kaufman & Broad SA on July 26, 2011, which resulted in the early repayment in 2011 of a portion of its term debt under its Senior Facilities Agreement in the amount of €50.8 million and the cancellation of part of the credit commitments that the Company has as part of its revolving credit line under that agreement, on February 29, 2012, Kaufman & Broad SA prepaid an additional amount of €10 million on its term debt. This transaction led to a net profit of €1 million, recognized in other financial income.

Moreover, as set forth in the loan documentation, Kaufman & Broad SA also made a prepayment of €17.9 million in late January 2012.

At the end of October 2012, following the signing of a new supplemental agreement to the Senior Facilities Agreement, Kaufman & Broad SA made a voluntary early repayment of €40 million, bringing the total amount of debt repaid in fiscal year 2012 to €68 million. Under this supplemental agreement, Kaufman & Broad SA also reduced its drawdown right for the RCF line by €50 million to €52.9 million (see note 25.4).

4.1.1.2. Buyback of minority interests

The group bought back several minority interests during the fiscal year through the acquisition of the equity interest of its associate Elgéa in a program in Île-de-France, the equity interest of Partim in a program in Marseille, a share of the equity interest of its associate HDI in a program in Toulon and a few equity interests of associates in companies at the end of their lifespan for a total investment of €1.8 million under satisfactory profitability conditions. In accordance with IAS27R, an impact of €1.6 million was recognized in shareholders' equity for these transactions.

4.1.1.3. Payment of an interim dividend

On October 23, 2012, after reviewing the results of the Company over the past few years and its prospects, the Board of Directors decided to distribute an interim dividend of €2.31 per share for fiscal year 2012. This interim dividend was paid November 15, 2012 for an amount of €48.5 million, excluding treasury shares.

4.1.2. General information

NOTE 1. ACCOUNTING METHODS AND PRINCIPAL VALUATION ASSUMPTIONS

NOTE 1.1. INFORMATION RELATING TO THE COMPANY

The Consolidated Financial Statements at November 30, 2012 reflect the transactions of Kaufman & Broad SA and its subsidiaries (the "Kaufman & Broad group" or "the group"), a French Company listed for trading on Euronext Paris, Compartment B and having its registered office at 127 avenue Charles de Gaulle, 92207 Neuilly-sur-Seine Cedex.

Kaufman & Broad SA is a subsidiary of Financière Gaillon 8, a Company controlled by funds managed by PAI partners. For more than 40 years, the Kaufman & Broad group has designed, developed and sold Single-family Homes in Communities, apartments and offices on behalf of third parties. Its size in combination with its strong brand name has made Kaufman & Broad one of France's leading developers/homebuilders.

The annual Consolidated Financial Statements at November 30, 2012 and the related notes were approved by the Board of Directors on February 15, 2013.

NOTE 1.2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

Pursuant to EU Regulation 1606/2002 of July 19, 2002, the Kaufman & Broad group prepared its 2012 Consolidated Financial Statements in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB) as adopted by the European Union and mandatory at the period-end date of these financial statements.

These standards, which are available on the European Commission (http://ec.europa.eu/internal_market/accounting/ias/index_en.htm) website, include international accounting standards (IAS and IFRS) and IFRIC (International Financial Reporting Interpretations Committee) interpretations.

The methods described below have been continuously applied to all the periods presented in the Consolidated Financial Statements, except for the new standards and interpretations described below.

The Consolidated Financial Statements and the accompanying notes are denominated in euros.

NOTE 1.2.1. STANDARDS AND INTERPRETATIONS

Standards, interpretations and amendments which must be applied to the fiscal year beginning on December 1, 2011

No new standard or interpretation whose application is mandatory for the fiscal year beginning on December 1, 2011 had any impact on the Kaufman & Broad group's financial statements.

These standards are as follows:

Standards	Mandatory effective date for fiscal years beginning on or after
IAS 24 revised – Related Party Disclosures	January 1, 2011
May 2010 improvements to IFRSs	January 1, 2011
Amendment to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets	July 1, 2011
Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement	January 1, 2011

Standards and interpretations effective after the balance-sheet date

Subject to final adoption by the European Union, the standards, amendments to standards and interpretations published by the IASB and presented below must be applied after November 30, 2011. IFRS 10, 11 and 12 were adopted by the European Union in late 2012.

Standards	Date of application to periods beginning on or after
IFRS 9 – “Financial Instruments”: classification and measurement	January 1, 2013
IFRS 10 – Consolidated Financial Statements	January 1, 2013
IFRS 11 – Joint Arrangements	January 1, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13 – Fair Value Measurement	January 1, 2013
IAS 28 revised – Investments in Associates and Joint Ventures	January 1, 2013
IAS 19 revised – Employee Benefits	January 1, 2013
Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets	January 1, 2012
Amendment to IAS 1 – Presentation of items of other income and expenses recognized directly in equity	July 1, 2012
Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities	January 1, 2014
Amendment to IFRS 7 – Disclosures: offsetting financial assets and financial liabilities	January 1, 2013
Amendments to IFRS 1: public subsidies	January 1, 2013
Improvements to IFRS 2012: Annual Improvements to various standards (published in the IASB on May 17, 2012)	January 1, 2013
IAS 27 – Separate Financial Statements	January 1, 2014

The Kaufman & Broad group has not made early application of any of these new standards or interpretations and is in the course of assessing the impact of their initial application.

NOTE 1.2.2. USE OF ESTIMATES AND ASSUMPTIONS

In order to prepare the group’s financial statements, the management of Kaufman & Broad is required to make estimates and assumptions for items in the financial statements which cannot be given a precise value.

These estimates and assumptions are made based on past experience and from the expected changes in the markets in which the group operates, or other factors deemed reasonable considering the circumstances. These assessments have an effect on the amounts of the income and expenses and on the book value of the assets and liabilities.

The estimates and assumptions concern primarily:

- earnings forecasts for the real-estate programs used to recognize percentage-of-completion transactions (notes 1.11 and 4);
- the business plans used to perform impairment tests on goodwill and other intangible assets;
- the recoverability of tax assets.

Selling price and take-up rate assumptions based on the earnings forecast for real-estate developments and actual budget results for the medium-term provisional budgets used for such purposes could be impacted by the economic environment and regulatory changes, particularly government tax incentives.

NOTE 1.3. OPTIONS MADE AVAILABLE BY ACCOUNTING STANDARDS AND ADOPTED BY THE KAUFMAN & BROAD GROUP

Certain IASB standards developed by IASB provide for options with regard to the measurement and recognition of assets and liabilities. The group thus opted for:

- the measurement method based on the amortized historic cost of property, plant and equipment and intangible fixed assets as of each period-end date. The group decided not to re-measure its property, plant and equipment and intangible assets at each period-end date (IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets");
- application of the option provided for by the amendment to IAS 19 "Employee Benefits" to recognize all actuarial gains and losses on defined-benefit plans in the balance sheet through equity, net of deferred taxes;
- application of the option provided for by IAS 31 para. 38 to consolidate companies held under joint control using the Equity method.

Consolidation based on the financial statements at November 30 includes almost all businesses included in the Company. A few equity affiliates have a different period-end date and are consolidated on the basis of interim financial statements at November 30, corresponding to 12 months of operations, as their contribution is not material.

NOTE 1.4. CONSOLIDATION METHODS

The Consolidated Financial Statements fully consolidate the financial statements of companies over which Kaufman & Broad holds direct or indirect control. Control is the authority to direct the financial and operational policies of a Company in such a way as to derive benefit from the latter's activities.

Jointly controlled companies and those over which the group exercises significant influence are accounted for using the Equity method.

NOTE 1.5. BUSINESS COMBINATIONS AND GOODWILL

IFRS 3R has been applied to business combinations since December 1, 2009. Once control is achieved, the identifiable assets, liabilities and contingent liabilities of the entity acquired that satisfy IFRS recognition requirements are generally recognized at fair value determined as of the acquisition date. For partial acquisitions, minority interests may either be recognized at their share of the fair value of the assets and liabilities acquired or measured at fair value. This option is applied on a transaction-by-transaction basis.

In accordance with the provisions of the standard, costs associated with combinations since December 1, 2009 are recognized in expenses for the period in which they were incurred.

Goodwill is measured once on the date of assumption of control (one-time goodwill). Purchase-price allocation is finalized during the valuation period, i.e., 12 months from the date of assumption of control. The impact of subsequent percentage changes not affecting control is recognized in equity. Debt indexed to a price adjustment clause is recognized at fair value starting from the acquisition date. Any adjustments to the fair value of the debt are recognized in income.

NOTE 1.6. INTANGIBLE ASSETS

Intangible assets include primarily the valuation of the Kaufman & Broad brands and logos. The life of this asset is indefinite and is therefore not amortized, but is subject to impairment testing annually or as soon as there is indication of impairment.

The other intangible assets consist of design costs and software, which are recognized at the acquisition or production costs and are amortized using the straight line method over the useful life, which generally does not exceed 5 years.

Research and Development Expenses

For the Kaufman & Broad group, development expenses are comprised of expenses associated with real estate (commitments on projects for which there is a signed commitment to buy the land) and are treated as inventory, as an element of the cost price, when it is probable that the program will be developed.

NOTE 1.7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at acquisition cost.

Depreciation expenses are calculated on the basis of the rate of consumption of the economic benefits expected per asset on the basis of the acquisition cost, minus, where applicable, a residual value.

In this respect, the straight-line method is generally applied over the following periods:

- fittings, fixtures, facilities: 10 years;
- construction equipment: 5 years;
- transportation equipment: 5 years;
- office equipment: 5 years;
- office furniture: 10 years;
- IT equipment: 3 years.

The assets available to the Kaufman & Broad group under a finance lease agreement, which correspond primarily to IT equipment, are treated as if they had been acquired on credit and are depreciated on a straight-line basis over the period indicated above.

Payments under operating leases are recognized as expenses until termination of the lease.

Commitments under operating leases (other than sub-leases) are shown in off-balance sheet commitments.

NOTE 1.8. IMPAIRMENT OF LONG-TERM ASSETS

Cash Generating Units

Cash Generating Units (CGUs) are homogeneous groups of assets, the continuous use of which generates cash inflows that are largely independent of the cash inflows generated by other groups of assets.

The CGUs selected by the Kaufman & Broad group are as follows (full list):

- Kaufman & Broad Paris;
- Kaufman & Broad Île de France;
- Kaufman & Broad Sud-Ouest;
- Résidences Bernard Teillaud;
- Kaufman & Broad Normandie;
- Kaufman & Broad Rhônes-Alpes;
- Kaufman & Broad Méditerranée;
- Kaufman & Broad Nantes;
- Kaufman & Broad Pyrénées-Atlantiques;
- Kaufman & Broad Côte d'Azur;
- Kaufman & Broad Bretagne.

Impairment testing

For goodwill and intangible assets with an indefinite useful life, impairment testing is carried out a minimum of once a year in order to ensure that the net book value of the goodwill and the non-amortizable intangible assets allocated to each CGU or group of CGUs is at least equal to the recoverable value.

Fixed assets (both tangible or intangible) are subject to impairment when, because of events or circumstances during the relevant period (obsolescence, physical deterioration, material changes in the mode of use, performance below forecasts, decrease in income and other external factors, etc.), their recoverable value appears to be permanently lower than their net book value.

The impairment tests are carried out per asset group (Cash Generating Unit) by comparing recoverable value and net book value.

The need to recognize an impairment is assessed by comparing the book value of the assets and liabilities of the CGUs and their recoverable value. The recoverable value is the greater of the net fair value of the exit costs and the value in use.

The net fair value of the exit costs is determined as the best estimate of the sale value net of the exit costs for a transaction made at arm's length between informed and willing parties. This estimate is determined on the basis of the market information available taking into account specific situations.

The value in use adopted by the Kaufman & Broad group corresponds to the aggregate discounted free cash flows generated over a five-year period, with a terminal value.

NOTE 1.9. EQUITY AFFILIATES AND JOINT VENTURES

The carrying amount of the equity affiliates and joint ventures corresponds to the share of equity held. This item includes, for development operations, capital and similar investments, i.e. the current account advances made by the group in order to finance programs.

NOTE 1.10. INVENTORIES

"New projects" are programs that have not yet been developed. These projects are valued at cost and include the reservation deposits for acquisition of land, the design fees, the land development expenses and all other fees incurred in connection with the projects.

On each accounting period-end date, the fraction of these expenditures incurred in respect of projects for which land purchase promises are not signed and for which there is a lack of probability of development in the near future is expensed.

Inventories of programs under development are valued at cost. This cost includes the land acquisition price, the related fees, taxes, cost of roads and equipment, cost of construction and development of the model areas, land expenses, as well as the fees and commissions inherent in the agency agreements executed by Kaufman & Broad in order to sell the real estate programs. For new programs since December 1, 2009, cost also includes financial expenses in accordance with IAS 23, "Borrowing Costs."

All advertising expenses, including the expenses directly attributable to the real estate programs, are expensed.

IAS 2 provides for the recognition of indirect fixed expenses to inventories, insofar as such expenses are clearly identifiable and can be allocated. These expenses must be integrated into the inventories by using systematic and rational methods applied in a consistent and ongoing manner to all costs having similar characteristics.

Indirect fixed expenses (salaries, payroll expenses and other expenses), for that portion directly allocable to real estate programs and incurred after a promise to purchase the land has been signed, should be included in inventories when they are related to the land, technical and general administration departments and essentially consist of expenses related to development, works supervision, project management and after-sales management.

Since the group does not have in place management tools to identify and measure those costs in accordance with the IFRS criteria, they are expensed as indirect fixed costs.

Provisions are set aside in order to cover foreseeable losses, which are valued on the basis of an analysis of economic data and financial forecasts specific to each project.

NOTE 1.11. ACCOUNTS RECEIVABLE

Accounts receivable correspond to receivables accrued because of the recognition of revenues according to the completion of the programs. Accounts receivable include the following:

- calls for funds, made to customers at various stages of the work in accordance with regulations in force, that are still unpaid;

- the lag that can exist between the calls for funds and the actual completion at the fiscal year-end.

This lag generates most of these receivables; these receivables are not yet payable.

Accounts receivable are measured at nominal value, after deducting the impairment charges recognized when the realizable value of the amounts due is less than the carrying amount.

NOTE 1.12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the cash, demand deposits and cash equivalents as defined by IAS 7: these are short-term investments, generally for less than three months, readily convertible into a known amount of cash and not subject to any material risk of change in value; they are denominated in euros (primarily money-market SICAVs and Collective Investment Undertakings and certificates of deposit).

At each period-end date, short-term investments are marked to market and any difference is booked through income.

NOTE 1.13. PREPAID EXPENSES

Prepayments are primarily related to rent and other maintenance expenses.

NOTE 1.14. TREASURY SHARES

Purchases of treasury shares are applied against shareholders' equity on the basis of their acquisition cost. Gains and losses on the sale of treasury shares are posted to consolidated reserves up to their amount net of taxes.

NOTE 1.15. SHARE-BASED PAYMENTS

Under IFRS 2 "Share-based Payment", the stock options, offerings reserved for employees and bonus share allotments of Kaufman & Broad shares awarded to employees and Corporate Officers of the group are valued as of the date of the award.

The group valued the benefit awarded to employees on the basis of its fair value on the date of allotment of the rights. The value of the stock options and bonus shares is determined on the basis of the exercise price and term of the option, the current price of the underlying shares, the anticipated volatility in the share price, the dividends anticipated on the shares, the likelihood of exercise of the option and the risk-free interest rate for the term of the option. This value is posted to general and administrative expenses on a straight-line basis between the options award date and the exercise date of the option or the date of availability of the shares with a direct contra entry posted to shareholders' equity.

NOTE 1.16. CURRENT AND NON-CURRENT PROVISIONS

Under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognized when, at the end of the year, the group has an obligation to a third party resulting from a past event, the settlement of which is expected to result for the Company in an outflow of resources representing economic benefits.

Where applicable, such outflow of resources may be discounted.

The obligation may be statutory, regulatory or contractual. It may also result from the group's practices or from public commitments that created a legitimate expectation from the third parties concerned as regards the assumption of certain responsibilities by the group.

The estimate of the amount included as a provision corresponds to the resource outflow that the group will probably have to suffer in order to extinguish its obligation. If no reliable estimate of such amount can be prepared, then no provision is set aside. The liability is then contingent.

Contingent liabilities correspond to potential obligations resulting from past events and whose existence will be confirmed only by the occurrence of uncertain future events not under the Company's control, or from current obligations resulting from past event, but which are not recognized because either (i) it is not probable that an outflow of resources representing economic benefits will be required to extinguish the obligation or (ii) the amount of the obligation cannot be determined with sufficient reliability. These liabilities are disclosed in note 28.3.

Non-current provisions primarily include the following:

- a provision for risks with respect to certain equity affiliates;
- provisions for commercial and legal risks;
- and employee benefits.

The group has no commitment other than retirement indemnities that are provisioned in the group's Consolidated Financial Statements in accordance with IAS 19.

This provision is valued by an independent expert.

The actuarial method used corresponds to the projected units of credit method described in IAS 19. This method consists in evaluating, for each employee, the amount of the indemnity corresponding to the projected salary at the end of the career and to the rights applied to the seniority vested on the valuation date. The amount of the indemnity as thus valued is discounted and tested for probability using the mortality table and the employee turnover table.

Actuarial differences are fully recognized directly in equity over the course of the period in which they arise.

NOTE 1.17. FINANCIAL LIABILITIES

Financial liabilities are classified into two categories and include:

- borrowings at amortized cost;
- financial liabilities recognized at fair value through profit or loss.

Current and non-current borrowings and financial liabilities

Borrowings and other financial liabilities consist primarily of the syndicated lines of credit. These borrowings are initially marked to market and then valued at amortized cost, calculated by using the effective interest rate (EIR).

Transaction expenses that can be directly allocated to the acquisition or issuance of a financial liability are applied against the amount of such financial liability. The expenses are then amortized according to an actuarial method over the term of the liability by using the EIR method.

The effective interest rate is the rate which discounts the anticipated future cash outflows until maturity or until the date closest to the next date the price is re-determined at the market rate, at the current net book value of the financial liability. This calculation includes all commissions paid or received between the parties to the agreement.

The portion of the financial debt maturing in less than one year is shown among current liabilities.

Trade payables and other liabilities

Because of their short-term nature, the book values stated in the Consolidated Financial Statements are reasonable estimates of market value.

Derivative financial instruments

The Kaufman & Broad group is exposed to market risk, in particular to interest rate risk. To deal with such risk, the group relies on a number of derivative financial instruments.

Derivatives are marked to market. Any change in the fair value of derivatives is recognized as a contra in the income statement, except in cases of hedging as indicated below.

Cash flow hedging instruments

The group uses only future cash flow hedging instruments:

- the cash flow hedge covers the exposure to changes in cash flows attributable to a specific risk associated with a recognized asset or liability or with an anticipated transaction (e.g., interest flows on variable-rate debt) where such risk would affect the reported net income;
- the effective portion of the change in fair value of the hedging instruments is booked directly through equity. The change in the value of the ineffective part of the hedging instrument is recognized in financial income. The amounts recorded as equity are shown in income in a manner symmetrical to the way in which the hedged assets and liabilities are recognized.

NOTE 1.18. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements are broken down by level, in accordance with the following fair-value hierarchy:

- the instrument is quoted on an active market (level 1);
- the measurement employs measurement techniques based on observable data, directly (price) or indirectly (price derivatives) (level 2);
- at least one significant component of the fair value is based on non-observable data (level 3).

The fair value of financial instruments traded on active markets is based on quotations on the financial statement closing date. A market is considered to be active if the quotations are readily and regularly available from an exchange, traders, brokers, an appraiser or a regulatory agency and these quotations are based on regular transactions. These instruments are classified as Level 1.

The fair value of financial instruments not quoted on an active market (for example, over-the-counter derivatives) is determined through the use of measurement techniques. These various methods make maximum use of observable market data, if available and have little basis in the group's own estimates. If all elements required for the fair value calculation are observable, this instrument is classified as Level 2.

If one or more of the main elements of the calculation are not based on observable market data, the instrument is classified as Level 3.

NOTE 1.19. DEFERRED TAXES

Under IAS 12 "Income Taxes", deferred taxes are recognized on timing differences between the book values of assets and liabilities and their tax bases and on tax losses, according to the variable carry forward method. Deferred tax assets are recognized only when their recovery is likely.

IAS 12 requires, in particular, the recognition of deferred tax liabilities relating to all intangible assets recognized at the time of a business combination (trademarks, etc.).

Under IAS 12, deferred tax assets and liabilities are not discounted.

The group is not recognizing any tax expense with regard to that portion of income attributed to holders of minority interests in transparent companies, with account being taken of their tax status.

The main impacts on the deferred tax are as follows:

- application of the percentage of completion method for the determination of the margin on operations;
- elimination of internal services;
- deductibility of some goodwill for tax purposes;
- timing differences related to provisions for liabilities and charges;
- the Company recognizes its tax assets when they are recoverable either because of tax policies or because of income projections.

NOTE 1.20. STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

As allowed by IAS 1 "Presentation of Financial Statements", the Kaufman & Broad group reports income by function. The group applied CNC recommendation 2009-R-03 of July 8, 2009 for the presentation of the income statement.

The identification of the cost of goods sold makes it possible to determine gross margin, which is an intermediate sub-total defined by the Kaufman & Broad group, in accordance with IAS 1, § 83.

Operating income corresponds to net income before:

- financial income;
- financial expenses;
- current and deferred taxes;
- the share of income (loss) of equity affiliates;
- income (loss) from operations discontinued or held for sale.

Revenue recognition

The group markets all of its development projects under the sale before completion (VEFA) plan.

Through the VEFA contract, lawmakers have given real estate developers the option to call for the clients' funds according to the percentage of completion of programs, based on a schedule determined by law, while giving clients a Performance Bond. The customers' cumulated payments may not exceed 35% of the prices upon completion of the foundations, 70% upon completion of the roof and 95% upon completion of the building. The VEFA contract transfers to the buyer the title to the land and building as the building is completed.

Revenues are recognized in accordance with IAS 18 "Revenue" and in accordance with the terms of IAS 11 "Construction Contracts" as regards recognition on the basis of the percentage of completion, i.e., based on technical completion, the starting point of which is the acquisition of the land and commercial completion (execution of the deeds of sale) of each program.

The revenues and margin are recognized as the work is completed, based on project forecasts and in accordance with the rule below: revenue recognized for a given program is equal to the product of the cumulated revenues from the lots for which a deed of sale has been signed multiplied by the ratio between the amount of the land expenses and the construction expenses incurred by the group in respect of said program and the total budget of the program's expenditures.

The forecasts used were re-examined in full at year end and take into account, to the best of management's knowledge, expected changes in sales prices, marketing and costs.

The net income (loss) is attributed to the owners of the parent Company and to minority interests even if this results in a loss for minority interests.

Minority interests include all income and expenses attributable to the minority shareholders of the companies held in partnership and fully consolidated.

NOTE 1.21. EARNINGS PER SHARE

The group discloses earnings per share and diluted earnings per share.

Earnings per share are calculated by dividing the net income of the fiscal year attributable to the group's shareholders by the average number of shares of common stock outstanding during the fiscal year.

Diluted net earnings per share are calculated according to the share purchase method. It is calculated on the basis of the net income attributable to the group's shareholders, corrected for the financial costs of the diluting instruments, net of the corresponding tax effect.

The number of shares used for the calculation of diluted earnings takes into account the conversion into shares of common stock of diluting instruments outstanding at the close of the period.

In order to ensure the comparability of the earnings per share presented, the weighted average numbers of shares outstanding during the fiscal year and during earlier years are adjusted in case of a capital increase made at a price lower than the market price.

Treasury shares held by the Company and deducted from consolidated shareholders' equity are not included in the calculation of net earnings per share.

NOTE 1.22. STATEMENT OF CASH FLOWS

The Statement of Cash Flows is presented in accordance with IAS 7 and CNC recommendation 2009-R-03.

The group's cash position, the changes in which are analyzed in the cash flow statement, is defined as the net change in the following balance sheet items:

- cash and cash equivalents;
- credit facilities;
- interest accrued on cash and cash equivalents.

NOTE 1.23. OFF-BALANCE SHEET COMMITMENTS

The summary of the group's contractual obligations and commercial commitments is provided in note 28.

NOTE 1.24. FINANCIAL INDICATORS

Definition of the main financial indicators:

NOTE 1.24.1. GROSS MARGIN

This indicator is the difference between revenues and the cost of goods sold. The gross margin rate is the margin-to-revenues ratio.

NOTE 1.24.2. EBITDA

This indicator is equal to the net income, corrected for net amortization, depreciation and provisions, Corporate income tax, the cost of Net Financial Debt, other financial expenses, impairments, if any, non-recurring expenses, income of companies accounted for by the Equity method and other expenses.

NOTE 1.24.3. FREE CASH FLOW AND CASH FLOW

Free cash flow is equal to cash flow, less the net operating investments made during the year.

Cash flow after the cost of financial debt and taxes is equal to the consolidated net earnings adjusted for the portion of net earnings of equity affiliates, joint ventures and earnings of discontinued operations and for the income and expenses calculated.

NOTE 1.24.4. FINANCIAL DEBT

See note 25.

NOTE 2. SCOPE OF CONSOLIDATION

The Consolidated Financial Statements of the Kaufman & Broad group at November 30, 2012 include the financial statements of 287 companies, 229 of which fully consolidated companies and 58 are equity affiliates.

The principal business entities within the group are as follows:

Corporate name	Legal structure	Capital	% controlled by the group	Consolidation method[a]
Kaufman & Broad Financement	SNC	3,040,500	100.00%	FC
Kaufman & Broad Homes	SAS	2,247,403	100.00%	FC
Kaufman & Broad Maisons individuelles	SNC	152,449	100.00%	FC
Kaufman & Broad Développement	SAS	152,449	100.00%	FC
Kaufman & Broad Development[b]	SA	61,500	100.00%	FC
Kaufman & Broad Europe[b]	SA	266,440,548	100.00%	FC
Kaufman & Broad Nantes	SARL	100,000	100.00%	FC
Kaufman & Broad Rénovation	SAS	160,000	100.00%	FC
GIE Kaufman & Broad	GIE	-	100.00%	FC
Kaufman & Broad Immo	SNC	1,000	100.00%	FC
SMCI Développement SAS	SAS	762,245	100.00%	FC
Kaufman & Broad Méditerranée	SARL	100,000	100.00%	FC
Kaufman & Broad Normandie	SARL	100,000	100.00%	FC
Kaufman & Broad Savoie	SARL	100,000	100.00%	FC
Kaufman & Broad Rhônes-Alpes	SARL	1,300,000	100.00%	FC
Kaufman & Broad Pyrénées-Atlantiques	SARL	100,000	100.00%	FC
Kaufman & Broad Provence	SARL	100,000	100.00%	FC
Kaufman & Board Midi-Pyrénées	SARL	2,858,910	100.00%	FC
Kaufman & Broad Aquitaine	SARL	100,000	100.00%	FC
Kaufman & Broad Languedoc-Roussillon	SARL	100,000	100.00%	FC
Show Room	SNC	457,347	100.00%	FC
Kaufman & Broad Côte d'Azur	SARL	100,000	100.00%	FC
Park Promotion	SNC	15,245	100.00%	FC
Kaufman & Broad Participations	SAS	205,280	100.00%	FC
Kaufman & Broad Promotion 1	SNC	1,000	100.00%	FC
Kaufman & Broad Promotion 2	SNC	1,000	100.00%	FC
Kaufman & Broad Promotion 3	SNC	1,000	100.00%	FC
Kaufman & Broad Promotion 4	SNC	1,000	100.00%	FC
Kaufman & Broad Promotion 5	SNC	1,000	100.00%	FC
Kaufman & Broad Promotion 6	SNC	1,000	100.00%	FC
Kaufman & Broad Promotion 7	SNC	1,000	100.00%	FC
Kaufman & Broad Promotion 8	SNC	1,000	100.00%	FC
Kaufman & Broad Promotion 9	SNC	1,000	100.00%	FC
Résidences Bernard Teillaud	SARL	840,000	100.00%	FC
Immobilière ACTO	SARL	661,800	100.00%	FC
Foncière JLG Avantis	SARL	20,000	50.00%	EM
Profipar	SARL	7,622	25.00%	EM
Lotisseurs and Cie	SARL	7,622	25.00%	EM
SM2I	SARL	1,000,000	100.00%	FC

(a) FC = Full Consolidation, EM = Equity method.
(b) Companies registered in Belgium.

Listed below are the main real estate companies (SCI), construction/sale companies (SCCV) or partnerships (SNC), which are special purpose vehicles managing a real estate program with revenues calculated on the basis of percentage of completion method over €1 million in 2012.

Corporate name	Legal structure	Capital	% controlled by the group	Consolidation method[(a)]
Marseille 9 – Bd de la Fabrique	SCI	1,000	51.00%	FC
SCI Marseille 14e – 41 Chemin de Four	SCI	1,000	100.00%	FC
SCI Marseille 4e – rue Chape	SCI	1,000	50.10%	FC
SCI Campus Cannebiere	SCI	1,000	100.00%	FC
La Garenne Colombes Voltaire Sartoris	SNC	1,002,820	100.00%	FC
SCI Bagnolet Fransisco Ferrer	SCI	1,000	100.00%	FC
Nogent sur Marne (10 bd de Strasbourg	SCI	1,000	75.00%	FC
SNC SO Nice	SNC	75,000	100.00%	FC
SCI Antibes Quatre chemins	SCI	1,000	51.00%	FC
St Raphael – Horizon 360	SCCV	1,000	80.00%	FC
SCCV Colombes Marine Lot D	SCCV	1,000	70.00%	FC
SCI Paris – 142 av Paul Vaillant Couturier	SCI	1,000	100.00%	FC
SCCV La courneuve – Le Bellevue	SCCV	1,000	80.00%	FC
SCI Epinay Sur Seine – Rue de Dunkerque	SCI	1,000	60.00%	FC
SCI Osny William Thornley	SCI	1,000	100.00%	FC
SCCV Pole Helios	SCCV	1,000	40.00%	FC
SCI Moissy Cramayel – Av Philippe Bur	SCI	1,000	100.00%	FC
SCCV Croissy sur Seine – 18 Hostachy	SCCV	1,000	51.00%	FC
SCI Chelles – 6 av du Général Leclerc	SCI	1,000	70.00%	FC
SNC Le caducée	SNC	1,000	60.00%	FC
SCI Castelnau	SCI	1,000	100.00%	FC
SCCV Bleu royal	SCCV	1,000	99.00%	FC
SCI Montpellier – Chemin de Moulares	SCI	1,000	51.00%	FC
SCCv Les Cariatides	SCCV	1,000	40.00%	FC
SCCV Saint Malo – Telimob	SCCV	1,000	51.00%	FC
SCCV Saint Malo – L'Opaline Lande Gatelle	SCCV	1,000	51.00%	FC
SCI Carre Brun	SCI	2,000	51.00%	FC
SCI L'Avant Scène	SCI	609,500	51.00%	FC
SCI les terrasses de la Chartreuse	SCI	1,500	51.00%	FC
SCI VILLA ROSA	SCI	2,000	51.00%	FC
SCI L'entracte	SCI	1,765,300	51.00%	FC
SCI Parc de Margot	SCI	1,000	100.00%	FC
SNC Pénitents Blancs Pénitents Blancs	SNC	1,000	100.00%	FC
SNC Jardins du Prieure	SNC	1,000	100.00%	FC
SCI Résidence Croix du Sud	SCI	1,000	51.00%	FC
SC Résidence Charles Lindberg	SCI	1,000	51.00%	FC
SC Résidence – Le carré des pionniers	SCI	1,000	51.00%	FC
SNC Portes de Bruges	SNC	1,600	100.00%	FC
SNC Domaine de Marquisat	SNC	1,000	100.00%	FC
SCI Residence Basseri	SCI	1,000	100.00%	FC

(a) FC = Full Consolidation, EM = Equity method.

NOTE 3. SEGMENT REPORTING

The segment information reported corresponds to the organization of the internal reports intended for group's Management Committee, which is the major operational decision-maker.

NOTE 3.1. INCOME BY OPERATING SEGMENT

At November 30, 2012 *(in € thousands)*	Île-de-France	West	Southwest	Southeast
Revenues	460,288	56,703	151,545	256,149
Gross margin	**95,272**	**9,117**	**28,973**	**45,988**
Selling expenses	(11,275)	(1,416)	(4,661)	(7,612)
General and administrative expenses	(13,040)	(2,509)	(7,346)	(8,233)
Technical expenses and customer service	(6,739)	(901)	(2,428)	(3,891)
Other expenses	(4,726)	(1,313)	(2,341)	(3,355)
Other operating income	273	16	172	66
Reallocation of portion of corporate reinvoicing	(8,020)	(1,592)	(5,359)	(6,019)
Current operating income	**51,745**	**1,402**	**7,010**	**16,944**
Other non-recurring income and expenses	2	-	1,520	(14)
Operating income	**51,747**	**1,402**	**8,530**	**16,930**
Cost of net financial debt and other financial income/expenses	9,280	1,116	1,192	1,818
Reallocation of cost of net financial debt	(6,451)	(1,213)	(3,807)	(4,454)
Pre-tax income of consolidated companies	**54,576**	**1,305**	**5,915**	**14,294**
Income tax (expenses)/income	(18,016)	(400)	(1,843)	(3,688)
Share of income (loss) of equity affiliates and joint ventures	(100)	98	(129)	7
Income (loss) attributable to shareholders	**36,460**	**1,003**	**3,943**	**10,613**
Attributable	*33,768*	*660*	*3,193*	*6,650*
Minority interest	*2,692*	*343*	*750*	*3,963*

At November 30, 2012 *(in € thousands)*	Rhône-Alpes	Other Regions	Corporate	Total
Revenues	90,507	14,854	-	1,030,046
Gross margin	**20,365**	**2,419**	**-**	**202,134**
Selling expenses	(1,940)	(126)	(2,212)	(29,242)
General and administrative expenses	(4,079)	(1,795)	(25,933)	(62,935)
Technical expenses and customer service	(1,188)	(500)	(654)	(16,301)
Other expenses	(1,156)	(358)	3,923	(9,326)
Other operating income	115	19	290	951
Reallocation of portion of corporate reinvoicing	(2,850)	(746)	24,586	-
Current operating income	**9,267**	**(1,087)**	**-**	**85,281**
Other non-recurring income and expenses	(1)	21	-	1,528
Operating income	**9,266**	**(1,066)**	**-**	**86,809**
Cost of net financial debt and other financial income/expenses	1,884	(1,192)	(18,328)	(4,230)
Reallocation of cost of net financial debt	(1,897)	(506)	18,328	-
Pre-tax income of consolidated companies	**9,253**	**(2,764)**	**-**	**82,579**
Income tax (expenses)/income	(2,803)	938	(2)	(25,814)
Share of income (loss) of equity affiliates and joint ventures	58	(1)	6	(61)
Income (loss) attributable to shareholders	**6,508**	**(1,827)**	**4**	**56,704**
Attributable	*5,176*	*(1,827)*	*4*	*47,624*
Minority interest	*1,332*	*-*	*-*	*9,080*

The reinvoicing portions of Corporate expenses (including the cost of Net Financial Debt) are reallocated on the basis of the relative proportion of each segment in the group total. This share is assessed on the basis of the activity (measured in delivered Equivalent Housing Units – EHU) and the employees projected in the budget for the relevant fiscal year. In addition, the income tax is calculated on the basis of a theoretical tax for each of the segments based on their net income before taxes. The impacts related to the permanent differences included in the calculation of the income tax are reallocated using the key described above.

At November 30, 2011 *(in € thousands)*	**Île-de-France**	**West**	**Southwest**	**Southeast**
Revenues	378,739	47,413	218,677	251,364
Gross margin	**77,999**	**10,512**	**44,101**	**47,404**
Selling expenses	(9,022)	(1,581)	(3,729)	(7,677)
General and administrative expenses	(10,496)	(2,461)	(8,044)	(7,373)
Technical expenses and customer service	(6,529)	(866)	(1,872)	(3,603)
Other expenses	(7,083)	(479)	(2,111)	(4,567)
Other operating income	157	15	177	134
Reallocation of portion of corporate reinvoicing	(7,384)	(2,028)	(6,594)	(5,860)
Current operating income	**37,643**	**3,112**	**21,928**	**18,458**
Other non-recurring income and expenses	312	-	628	683
Operating income	**37,955**	**3,112**	**22,556**	**19,141**
Cost of net financial debt and other financial income/expenses	8,070	926	128	654
Reallocation of cost of net financial debt	(4,479)	(986)	(3,239)	(3,380)
Pre-tax income of consolidated companies	**41,546**	**3,052**	**19,445**	**16,415**
Income tax (expenses)/income	(15,028)	(1,276)	(5,945)	(5,002)
Share of income (loss) of equity affiliates and joint ventures	360	212	48	35
Income (loss) attributable to shareholders	**26,878**	**1,988**	**13,548**	**11,448**
Attributable	*26,337*	*1,928*	*9,672*	*7,805*
Minority interest	*541*	*60*	*3,876*	*3,644*

At November 30, 2011 *(in € thousands)*	**Rhône-Alpes**	**Other Regions**	**Corporate**	**Total**
Revenues	105,353	42,711	-	1,044,256
Gross margin	**22,481**	**299**	**-**	**202,795**
Selling expenses	(2,352)	(607)	(2,407)	(27,375)
General and administrative expenses	(3,649)	(1,559)	(28,504)	(62,086)
Technical expenses and customer service	(1,107)	(949)	(708)	(15,634)
Other expenses	(1,434)	480	5,168	(10,026)
Other operating income	188	9	714	1,395
Reallocation of portion of corporate reinvoicing	(3,056)	(814)	25,737	-
Current operating income	**11,071**	**(3,141)**	**-**	**89,069**
Other non-recurring income and expenses	327	(513)	(654)	782
Operating income	**11,398**	**(3,654)**	**(654)**	**89,851**
Cost of net financial debt and other financial income/expenses	1,347	(1,677)	(14,055)	(4,607)
Reallocation of cost of net financial debt	(1,620)	(352)	14,055	-
Pre-tax income of consolidated companies	**11,125**	**(5,683)**	**(654)**	**85,244**
Income tax (expenses)/income	(3,575)	1,895	223	(28,709)
Share of income (loss) of equity affiliates and joint ventures	293	-	8	955
Income (loss) attributable to shareholders	**7,843**	**(3,788)**	**(423)**	**57,490**
Attributable	*5,984*	*(3,786)*	*(423)*	*47,513*
Minority interest	*1,859*	*(2)*	*-*	*9,977*

NOTE 3.2. BREAKDOWN OF INVENTORIES BY OPERATIONAL SEGMENTS

(in € thousands)	November 30, 2012	November 30, 2011
Île-de-France	59,742	57,945
West	23,835	12,824
Southwest	91,301	62,520
Southeast	97,022	84,888
Rhône-Alpes	6,942	14,630
Other	5,628	2,749
Corporate	-	-
Total inventories	**284,470**	**235,556**

Information on other asset and liability segment items is not provided in this segment breakdown since these items are managed either at program level or group level. Furthermore, this information is not provided to the principal operational decision-makers.

4.1.3. Statement of comprehensive income

NOTE 4. REVENUES AND GROSS MARGIN

(in € thousands)	November 30, 2012		November 30, 2011	
	Revenues	Gross margin	Revenues	Gross margin
Total Apartments	**976,726**	**189,645**	**925,282**	**182,961**
Total Single-family Homes in Communities	**23,933**	**4,967**	**58,148**	**7,040**
Total Housing	**1,000,660**	**194,612**	**983,430**	**190,001**
Commercial Property	21,087	5,781	48,901	9,901
Land & fees	1,649	278	7,642	1,974
Showroom	6,650	1,463	4,282	919
Total revenues and gross margin	**1,030,046**	**202,134**	**1,044,255**	**202,795**

The group does not provide services other than those under the delegated general contracting agreement and there was no significant exchange of goods or services as of November 30, 2012.

NOTE 5. SELLING EXPENSES

(in € thousands)	November 30, 2012	November 30, 2011
Salaries and payroll taxes	7,468	7,008
Advertising expenses and cost of the model areas	19,076	18,627
Rents and rental expenses	385	21
Fees	18	28
Temporary employees	652	402
Recruitment costs	39	16
Vehicle expenses – Travel	748	627
Telephone – Electricity (EDF) – Minor maintenance	36	36
Taxes	768	567
Other expenses	52	42
Total selling expenses	**29,242**	**27,375**

Selling expenses amounted to €29.2 million in 2012, compared to €27.4 million in 2011. This 6.8% increase is mainly due to advertising expenses related to enhanced communication about current programs and programs launched during the period as well as an increase in "Salaries and payroll taxes" related to the change in the number of employees and the annual increase in salaries.

NOTE 6. GENERAL AND ADMINISTRATIVE EXPENSES

(in € thousands)	November 30, 2012	November 30, 2011
Salaries and payroll taxes	36,503	35,762
Rents and rental expenses	5,969	5,744
Fees	4,397	4,876
Financial reporting costs	307	298
Taxes	6,451	6,199
Recruitment costs	254	316
Temporary employees	446	446
Insurance	209	73
Internet	453	308
Telephone – Electricity (EDF) – Maintenance costs	2,310	2,450
Vehicle expenses – Travel	2,151	2,270
Information systems	949	1,588
Other expenses	2,536	1,756
Total general and administrative expenses	**62,935**	**62,086**

General and administrative expenses amounted to €62.9 million in 2012, compared to €62.1 million in 2011, an increase of 1.4%, due mainly to the €0.7 million increase in the “Salaries and payroll taxes” item related to the increased workforce and the annual increase in salaries, higher taxes following the change to the percentage-of-completion method for the recording of revenues in the statutory financial statements of the group’s major subsidiaries and a €0.8 million increase in the “Other expenses” item related primarily to a change in sponsorship spending amounting to €791 thousand in 2012, compared to €61 thousand in 2011.

NOTE 7. TECHNICAL EXPENSES AND CUSTOMER SERVICE

(in € thousands)	November 30, 2012	November 30, 2011
Salaries and payroll taxes	14,662	13,593
Fees	39	75
Recruitment costs	36	152
Temporary employees	106	212
Vehicle expenses – Travel	1,155	1,229
Telephone – Electricity (EDF) – Minor maintenance	76	63
Taxes	266	288
Other expenses	(39)	22
Total technical expenses and customer service	**16,301**	**15,634**

Technical expenses and customer service amounted to €16.3 million in 2012 as against €15.6 million in 2011, up 4.3%. This was primarily due to the increase in the “Salaries and payroll taxes” item related to the increased workforce.

NOTE 8. OTHER EXPENSES AND OTHER INCOME

(in € thousands)	November 30, 2012	November 30, 2011
Fees	4	65
Bank fees	1,491	1,496
Expenses on discontinued projects	4,553	3,789
Amortization, depreciation and provision expenses (net of reversals)	2,212	2,366
Other expenses	1,066	2,310
Total other expenses	**9,326**	**10,026**
Sale of services	(951)	(1,395)
Total other income	**(951)**	**(1,395)**

Other expenses decreased by €0.7 million compared to 2011. This change includes the increase in the “Expenses on discontinued projects” item and a decrease in the “Other expenses” item primarily from the reversal of provisions following completion of prior litigation.

Expenses related to discontinued projects amounted to €4.6 million in 2012, compared to €3.8 million in 2011. This increase reflects the decision to discontinue projects that were subject of litigation brought against building permits or that did not meet group profitability criteria.

All of the amortization and depreciation expense is posted to "Other expenses and other income" and breaks down as follows:

(in € thousands)	November 30, 2012	November 30, 2011
Increases on intangible assets	1,330	1,228
Increases on property, plant and equipment (net of reversals)	1,023	1,522
Total amortization and depreciation expense	**2,353**	**2,750**

NOTE 9. OTHER NON-CURRENT EXPENSES AND INCOME

(in € thousands)	November 30, 2012	November 30, 2011
Income from discontinued projects[b]	-	668
Reversal of provisions for impairment of land[a]	1,500	-
Reversal of provision tied to the Employment Preservation Plan	38	995
Risk on associated litigation	-	71
NAV of sold assets	-	-
Total other non-current income	**1,538**	**1,734**
Expenses on discontinued projects[b]	-	(93)
Increase in provisions for impairment of land[a]	-	(779)
NAV of sold assets	3	(80)
Risk on associated litigation	7	-
Total other non-current expenses	**10**	**(952)**

(a) The group purchased land in previous years and it estimated at November 30, 2009 that sale was more likely than development. In this context, a provision of €5.1 million was made to reduce the valuation of these properties to market value. To continue the reorganization plan adopted in 2008, these items are classified as other non-recurring expenses. In fiscal year 2012, after revisiting the financing of a real estate transaction, the group decided to begin marketing the project on a previously impaired piece of land. The impairment provision was thus immediately reversed, resulting in a net reversal of €1.5 million for fiscal year 2012. The impairment provision was increased for 2011 by €0.8 million for one of those land properties prior to its disposal.

(b) Reversals of provisions for discontinued projects recorded in 2008 and 2009 in the "Other non-current expenses" item. Expenses associated with discontinued projects since fiscal year 2010 have been recorded under "Other current expenses" (see note 8).

NOTE 10. PAYROLL EXPENSES

Payroll expenses incurred for group employees break down as follows:

(in € thousands)	November 30, 2012	November 30, 2011
Average number of employees (full-time equivalent)	711	714
Salaries and payroll taxes	59,889	58,118
Including: salary and benefits[a]	39,031	38,457
Including: employer contribution	733	732
bonus shares[b]	515	1,077
Payroll taxes[c]	20,858	19,661
Total payroll expenses	**59,889**	**58,118**

(a) Detailed information relative to the group's commitments for retirement benefits is provided in note 24.2.
(b) Detailed information relative to share-based payments is provided in note 23.
(c) The amount of the expenses recognized for pension plans was €5.0 million in fiscal year 2012 compared with €5.0 million in fiscal year 2011.

NOTE 11. COST OF NET FINANCIAL DEBT

Cost of net financial debt

(in € thousands)	November 30, 2012	November 30, 2011
Financial expenses	5,918	15,141
Financial income	(1,797)	(3,619)
Cost of net financial debt	**4,121**	**11,522**

The cost of Net Financial Debt amounted to €4.1 million, a reduction of €7.4 million compared to 2011, which was mainly due to the €4.7 million increase in the capitalization of borrowing costs related to the gradual application of IAS 23 to new programs since December 1, 2010 and the reduction in financial expenses related to the decline in average financial debt. In addition, the group no longer supports the expenses from the deferral of the cancellation adjustment, which amounted to €1.8 million in 2011.

Financial expenses can be analyzed as follows:

(in € thousands)	November 30, 2012	November 30, 2011
Interest expenses on syndicated loans	10,395	14,776
Interest expenses on swaps and deferral of the cancellation adjustment	3,438	3,879
Expenses for deferral of the origination fees for syndicated lines	1,608	2,180
Capitalization of financial expenses	(11,356)	(6,626)
Other	1,833	932
Financial expenses	**5,918**	**15,141**

Interest expenses on syndicated loans are due to the drawdown of the syndicated loans in the average amount of €278.8 million in 2012 as against €339.9 million in 2011.

Through the application of the total effective interest rate, financial expenses include amortization of the €1.6 million syndicated loan origination fees.

The total effective rate on the debt, taking into account the total amortization of issue fees incurred in 2012 (€1.6 million) and hedges, was 4.04% versus 6.21% in 2011. Excluding the deferral of the cancellation adjustment, the total effective rate was 3.10% versus 4.66% in 2011.

Cash income can be analyzed as follows:

(in € thousands)	November 30, 2012	November 30, 2011
Capital gain on sale of money-market SICAVs and certificates of deposit	(1,532)	(2,314)
Other income from cash and cash equivalents	(265)	(1,305)
Financial income	**(1,797)**	**(3,619)**

Other income from cash and cash equivalents consisted primarily of interest on a loan to Seniors Santé in 2010 in the amount of €0.3 million, compared to €0.7 million in 2011.

In 2011, this item also included late fees charged to buyers in the amount of €0.5 million.

NOTE 12. OTHER FINANCIAL EXPENSES AND INCOME

Other financial expenses

(in € thousands)	November 30, 2012	November 30, 2011
Expenses to defer origination fees on syndicated loans	1,109	2,344
Trading commission	-	100
Total other financial expenses	**1,109**	**2,444**

Other financial income

(in € thousands)	November 30, 2012	November 30, 2011
Financial income relating to the early repayment of the Senior B and C lines	(1,000)	(3,756)
Financial income tied to waiver of the use of a portion of the RCF line	-	(5,603)
Total other financial income	**(1,000)**	**(9,359)**

Following the early repayment of the Senior B and C lines and the waiver of drawdown rights on a portion of the RCF line that occurred in 2011 and 2012 (see note 4.1.1. "Significant events of the period"), additional amortization of the origination fees for the Senior B and C lines was recorded in "Other financial expenses" for €1.1 million in 2012 versus €2.3 million in 2011 and financial income was recorded in the amount of €1.0 million in 2012 versus €9.4 million in 2011.

NOTE 13. CORPORATE INCOME TAX

NOTE 13.1. ANALYSIS OF TAX LIABILITY

At November 30, 2012, the group noted expenses as follows:

(in € thousands)	November 30, 2012	November 30, 2011
Current tax expense/(income)	3,811	(646)
Provision for tax risk	1,600	3,710
Deferred tax	20,403	25,645
Total Corporate income tax – expense/(income)	**25,814**	**28,709**

The share of net income of affiliates is shown on a pre-tax basis. The corresponding tax liabilities are included in the group's tax liability

Tax is calculated on the group's share of net earnings.

NOTE 13.2. TAX RECONCILIATION

Deferred taxes are calculated on the basis of the tax rates, i.e., 34.43% for 2012 and the following years.

The reconciliation between the theoretical tax expense and the effective tax liability is as follows:

(in € thousands)	November 30, 2012	November 30, 2011
Pre-tax income (loss) of consolidated companies	82,579	85,244
Applicable tax rate	34.40%	34.40%
Theoretical tax expense/(income)	28,405	29,324
Tax on share of profit (loss) of equity affiliates	(21)	329
Tax reversals on minority interests	(3,126)	(3,435)
Provision for tax risk	1,600	3,635
Impact of permanent differences	(1,044)	(1,144)
Group tax liability/(income)	**25,814**	**28,709**

Permanent differences are mainly related to tax savings enjoyed by the group for its Belgian subsidiary in the amount of €-1.5 million in 2012, compared to €-3.9 million in 2011, the interest expenses from undercapitalizing the subsidiaries of €1.0 million (€1.0 million in 2011), the additional contribution of 3% on the interim dividend paid in November 2012 for €1.5 million and other nondeductible expenses. In addition, Kaufman & Broad SA as parent Company of the consolidated group recorded a tax savings of €2.4 million related to the interest expenses from undercapitalizing, deduction of which had been deferred for previous years.

The share of the income (loss) of equity affiliates is presented before taxes in the income statement due to their fiscally transparent nature. The corresponding tax liabilities are included in the group's tax liability. In addition, the group's tax liability does not include the portion for minority interests as the subsidiaries in question are also fiscally transparent. Balance sheet tax items are described in note 20.

NOTE 13.3. ANALYSIS OF TAX RECOGNIZED DIRECTLY IN EQUITY

(in € thousands)	November 30, 2012	November 30, 2011
Actuarial gains or losses on deferred income taxes	539	156
Hedging instruments (deferred tax)	(785)	(991)
Tax recognized directly in equity	**(246)**	**(835)**

NOTE 14. NET EARNINGS AND DILUTED EARNINGS PER SHARE

(in € thousands)	November 30, 2012	November 30, 2011
Attributable net income	47,624	47,513
Average number of shares outstanding	21,135,155	21,381,864
Adjustment for diluting effect of share awards	-	-
Earnings per share	**€2.25**	**€2.22**
Diluted earnings per share	**€2.25**	**€2.22**

The instruments issued by the group that could have a diluting effect in the future are the stock subscription warrants issued on December 3, 2007, which may still be exercised (570,775 shares) and the shares under tranche 1 of stock option plan 3 (31,100 options, net of void options) established in fiscal year 2006.

Given their exercise price, these instruments have no impact on the calculation of diluted earnings per share as of November 30, 2012.

4.1.4. Statement of financial position – Assets

NOTE 15. GOODWILL

The main goodwill items of consolidated companies by Cash Generating Unit (CGU) can be analyzed as follows:

(net amount in € thousands)	November 30, 2012	November 30, 2011
Île-de-France	8,346	8,346
Kaufman & Broad Sud-Ouest	47,287	47,287
Résidences Bernard Teillaud	12,878	12,878
Total goodwill	**68,511**	**68,511**

The change in the net amount of goodwill can be analyzed as follows:

(in € thousands)	November 30, 2012	November 30, 2011
Balance at the beginning of the period	68,511	68,511
Impairment	-	-
Balance at the end of the period	**68,511**	**68,511**

Goodwill was subjected to impairment testing in accordance with the principles described in note 1.8. The tests showed that there was no impairment at November 30, 2012. The recoverable amount used was based on the value in use.

The discount rate, used to determine the useful value as of November 30, 2012, is equal to 6.50% (6.79% as of November 30, 2011). The group uses a single discount rate, as the geographic and industry segments do not have any specific features that might have an impact on the discount rate. This rate is calculated based on the average cost of capital employed and includes a risk premium. The decrease in the discount rate at November 30, 2012 from the rate used at November 30, 2011 is the result of the decrease in the group's debt.

The group used the projections established at the end of the fiscal year for the 2013 -2017 period and uses a 0.5% infinite growth rate.

The tests for recoverability of assets are conducted for each CGU and take into account the goodwill allocated upon the various acquisitions and assets with a fixed-useful life (property, plant and equipment and net working capital requirements). The Kaufman & Broad brand, the balance sheet net value of which comes to €80.4 million (see note 16.1) is not allocated to the CGUs of the group and its impairment testing is carried out at the group level using the discounted cash flow method.

Sensitivity tests were carried out for the main items, i.e.: an increase in the discount rate (50 basis points), a decline in the long-term growth rate (50 basis points) and an increase in the working capital requirement rate (5 basis points). No reasonable possible change in a key assumption would lead to impairment of non-current assets.

NOTE 16. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

NOTE 16.1. NET INTANGIBLE ASSETS

(in € thousands)	November 30, 2012			November 30, 2011
	Gross amount	Cumulated amortization	Net amount	Net amount
Kaufman & Broad brand	80,422	-	80,422	80,422
Other intangible assets	10,572	(6,096)	4,475	2,588
Total intangible assets	**90,994**	**(6,096)**	**84,897**	**83,010**

The brand is being tested for impairment of overall value with goodwill (see note 15)

The change in the net amount of intangible assets can be analyzed as follows:

(in € thousands)	November 30, 2012	November 30, 2011
Balance at the beginning of the period	**83,010**	**82,310**
Acquisition of intangible assets	1,931	731
Sales and disposals and change in scope of consolidation	1,286	1,197
Amortization expense	(1,330)	(1,228)
Balance at the end of the period	**84,897**	**83,010**

The acquisition of intangible assets and amortization concern only software programs.

NOTE 16.2. NET PROPERTY, PLANT AND EQUIPMENT

(in € thousands)	November 30, 2012			November 30, 2011
	Gross amount	Cumulated amortization	Net amount	Net amount
Land	144	-	144	144
Buildings	1,114	(946)	168	199
Technical facilities	-	-	-	-
Other property, plant and equipment	13,409	(8,932)	4,477	4,729
Property, plant and equipment in progress	815	-	815	811
Total net property, plant and equipment	**15,482**	**(9,878)**	**5,604**	**5,883**
of which finance leases (amortized over 3 years)	28	(14)	14	23

Other property, plant and equipment include the office fixtures and furnishings at the headquarters and various agencies of the group. Finance leases primarily cover IT equipment.

The change in the net amount of property, plant and equipment can be analyzed as follows:

(in € thousands)	November 30, 2012	November 30, 2011
Balance at the beginning of the period	**5,883**	**5,988**
Acquisitions of property, plant and equipment	2,030	4,134
Sales and disposals and changes in scope of consolidation	(1,286)	(2,717)
Depreciation (net of reversals)	(1,023)	(1,522)
Balance at the end of the period	**5,604**	**5,883**

NOTE 17. NON-CURRENT FINANCIAL ASSETS

(in € thousands)	November 30, 2012	November 30, 2011
Equity affiliates and joint ventures	4,373	3,473
Security deposits and bonds	1,262	2,551
Non-current financial assets	**5,635**	**6,024**

NOTE 17.1. EQUITY AFFILIATES AND JOINT VENTURES

Equity affiliates and joint ventures at November 30, 2012 are broken down as follows:

(in € thousands)	Portion of capital held	Share of shareholders' equity of equity affiliates and joint ventures	Current account	Contribution to consolidated financial position
SARL Profipar	25.00%	(36)	8	(28)
SAS St Exupéry Montaudran	50.00%	(938)	37	(901)
SCI 87(91 av de la div Leclerc	50.00%	106	38	144
SCCV Colombes Marine Lot H	10.00%	(41)	552	511
SCI Gonesse – Fontaine St Nico	43.00%	206	820	1,026
SCCV Athena	40.00%	789	138	927
La Lilatte	33.33%	(126)	328	202
SCI Les Terrasses du Parc	50.00%	(175)	300	125
SARL Foncière JLG Amenageur	50.00%	(152)	1,644	1,492
SCI Les Terrasses de Diane	30.00%	(78)	34	(44)
SCI Les Hameaux de Chartreuse	50.00%	(61)	80	19
SARL Les Jardins de Daudet	25.00%	(42)	73	31
Other companies	-	35	834	869
Equity affiliates and joint ventures		**(513)**	**4,886**	**4,373**

The share of fiscal year 2012 net earnings represented by equity affiliates and joint ventures coming within the scope of consolidation at November 30, 2012 representing €-61 thousand is included in shareholders' equity above.

The change in the value of the equity associates and joint ventures can be analyzed as follows:

(in € thousands)	November 30, 2012	November 30, 2011
Balance at the beginning of the period	**3,473**	**5,359**
Change in current and other accounts	961	(2,841)
Attributable net income	(61)	955
Balance at the end of the period	**4,373**	**3,473**

NOTE 18. INVENTORIES

(in € thousands)	November 30, 2012			November 30, 2011		
	Gross	Write-downs	Net	Gross	Write-downs	Net
New projects	24,248	(718)	23,529	17,882	(559)	17,323
Current programs	262,631	(1,691)	260,940	220,878	(2,645)	218,233
Total inventories	**286,879**	**(2,409)**	**284,469**	**238,760**	**(3,204)**	**235,556**

The change in write-downs can be broken down as follows:

(in € thousands)	November 30, 2011	Expenses	Reversals	November 30, 2012
New projects	559	1,611	(1,452)	718
Current programs	2,645	868	(1,822)	1,691
Total inventories	**3,204**	**2,479**	**(3,274)**	**2,409**

Gross inventories for current programs increased by €42.7 million in the year following the acquisition and the launch of several significant operations. New project inventories net of expenses rose by €6.2 million, a consequence of the development of new operations.

Recognized reversals of provisions for impairment mainly correspond to the reduction in provisions for loss at termination on operations developed in 2007 as they progressed.

NOTE 19. ACCOUNTS RECEIVABLE

(in € thousands)		November 30, 2012			November 30, 2011		
	Note	Gross	Write-downs	Net	Gross	Write-downs	Net
Accounts receivable	(19.1)	269,367	(1,178)	268,189	307,423	(1,750)	305,673
Government – VAT	(19.2)	126,522	(971)	125,550	117,189	-	117,189
Government – Current tax	(20)	34,601	-	34,601	36,971	-	36,971
Advances and down payments		2,182	-	2,182	629	-	629
Current equity affiliates accounts	(19.3)	9,170	-	9,170	10,644	-	10,644
Other financial receivables	(19.4)	2,379	-	2,379	11,535	-	11,535
Receivables from notaries		811	-	811	7,712	-	7,712
Other		9,265	(3,817)	5,447	8,856	(3,770)	5,086
Prepaid expenses		1,008	-	1,008	805	-	805
Total		**455,304**	**(5,967)**	**449,338**	**501,764**	**(5,520)**	**496,244**

All accounts receivable, excluding the current tax receivable, mature in less than one year.

(in € thousands)	Change in impairment			
	November 30, 2011	Expenses	Reversals	November 30, 2012
Accounts receivable	1,750	139	(712)	1,178
Other receivables and VAT	3,770	1,549	(530)	4,789
Total	**5,520**	**1,688**	**(1,242)**	**5,967**

During the period, there were no significant allowances, or reversals of allowances, for trade and other receivables.

NOTE 19.1. ACCOUNTS RECEIVABLE

The difference between net accounts receivable (€268.2 million) and the amount of cash calls outstanding (€35.8 million) net of provisions, i.e. €232.4 million, corresponds to the lag time between the contractual calls for funds and the program percentage-of-completion revenues recognized. Receivables corresponding to that difference are posted exclusive of tax.

The civil-law notary drafting the deed of sales is generally required to ensure that the financing of the sale is closed upon the execution of the deed. Therefore, provisions for accounts receivable are rare.

Receivables beyond 90 days essentially include payment delays on cash calls on lots not yet delivered to buyers. Receivables on which the group believes there is a risk of non-collection are provisioned in the amount of €1.2 million.

According to our standard terms of payment, calls for funds are payable immediately upon receipt. As of November 30, 2012, the calls for funds' by age were as follows:

between 0 and 30 days	€28.0 million
between 30 and 60 days	€2.9 million
between 60 and 90 days	€1.5 million
more than 90 days	€3.4 million
Total cash calls	**€35.8 million**

NOTE 19.2. GOVERNMENT – VAT

At November 30, 2012, the VAT item included the VAT deductible on recorded supplier invoices, amounting to €42.3 million (€41.7 million in 2011), the VAT recognized on unreceived invoices associated with the recognition of expenses on a program percentage-of-completion basis, amounting to €60.0 million (€45.7 million in 2011) and VAT credits amounting to €23.9 million (€29.8 million in 2011).

NOTE 19.3. CURRENT EQUITY AFFILIATES ACCOUNTS

This item reflects the portion of the loss allocated to minority equity affiliates and not settled as of November 30, 2012 on fully consolidated operations. A provision was recorded in the amount of €10.1 million to cover the risk associated with defaulting equity affiliates (see note 24.2).

NOTE 19.4. OTHER FINANCIAL RECEIVABLES

Other financial receivables represent the portion due in less than one year on the loan granted to Seniors Santé. The portion due in less than one year at November 30, 2011 of €11.5 million was repaid in the amount of €9.2 million in fiscal year 2012. In accordance with the rescheduling negotiated in late June 2012, the balance of the debt and the corresponding interest, an amount of €2.4 million due on November 30, 2012 was postponed and settled during January 2013.

NOTE 20. CURRENT AND DEFERRED TAXES

(in € thousands)	November 30, 2012	November 30, 2011
Current tax	34,601	36,971
Deferred tax liabilities	(55,586)	(35,205)
Balance at the end of the period	**(20,985)**	**1,766**

The result of the tax consolidation of the group for 2012 was a profit of €21 million. Thirteen million euros in previous loss carryforwards were able to be allocated, thus increasing the group's loss carryforwards to €80.7 million. Current tax debt as of November 30, 2012 of an amount of €34.6 million includes debt from carryback losses of €33.4 million recorded in fiscal years 2009 and 2010, as well as other debts related to sponsorship tax credits of €0.6 million and advance payments of €0.6 million over several non-tax consolidated subsidiaries at November 30, 2012.

Source of deferred taxes by type

(in € thousands)	Deferred tax base at November 30, 2012	Deferred taxes at November 30, 2012
Differences in recognition of real estate programs	191,882	(66,067)
Provisions and expenses with deferred deductibility	(19,966)	6,874
Kaufman & Broad brand	44,292	(15,055)
Bond issuance expenses	3,344	(1,151)
Tax deductible beneficial ownership	24,301	(8,367)
Provisions for land	(600)	207
Hedging swaps	(212)	73
Tax loss carryforwards	(81,719)	28,137
Other	686	(236)
Balance at the end of the period	**162,008**	**(55,586)**

Most of the deferred taxes originate in the differences in the recognition of real estate programs between the fiscal accounts and the consolidated accounts (nature of the costs integrated in inventories and recognition of income by completion in the fiscal accounts).

Deferred taxes changed as follows:

(in € thousands)	November 30, 2012	November 30, 2011
Balance of deferred taxes at the beginning of the period – assets/(liabilities)	**(35,205)**	**(8,857)**
Recognized in net earnings – (expense)/income[(a)]	(20,135)	(25,645)
Recognized in equity	(246)	(835)
Other changes[(b)]	-	132
Balance of deferred taxes at the end of the period – assets/(liabilities)	**(55,586)**	**(35,205)**

(a) This expense at November 30, 2011 included the impairment of previously recognized assets in the amount of €4.2 million (see note 13.2).
(b) The other changes correspond to the reclassification of the prior period as current tax.

NOTE 21. CASH AND CASH EQUIVALENTS

The Kaufman & Broad group's cash and cash equivalents break down as follows:

(in € thousands)	November 30, 2012	November 30, 2011
Bank balances and cash on hand[c]	88,583	57,820
Short-term investments[a]	61,343	78,190
Order balances[b]	3,837	2,868
Cash and cash equivalents	**153,763**	**138,878**

(a) Short-term investments comprised SICAV money-market funds and certificates of deposit.
(b) Order balances were €3.8 million as of November 30, 2012. They represent 5% of deposits made by clients to a blocked bank account. These amounts are released and therefore available upon execution of the notarized deed.
(c) In accordance with the provisions of the Construction and Housing Code, payment of any sum owed by program companies to their equity affiliates may only be made strictly within the limits of the amounts freely available to the program companies based on the percentage of completion of building operations.

4.1.5. Statement of financial position – Liabilities

NOTE 22. SHAREHOLDERS' EQUITY

As of November 30, 2012, Kaufman & Broad's capital stock amounted to €5,612,011.08, subdivided into 21,584,658 shares of common stock each with a par value of €0.26. The weighted average number of common shares outstanding totaled 21,135,155 shares excluding treasury shares, compared to 21,381,864 shares excluding treasury shares at November 30, 2011.

NOTE 22.1. TREASURY SHARES

As of November 30, 2012, the group held 643,093 treasury shares, including 1,750 shares under the liquidity agreement. As of November 30, 2011, the group held 278,109 treasury shares, not including any shares under the liquidity agreement.

NOTE 22.2. DIVIDENDS

On October 23, 2012, after reviewing the results of the Company over the past few years and its prospects, the Board of Directors decided to distribute an interim dividend of €2.31 per share for fiscal year 2012. This interim dividend was paid on November 15, 2012 for an amount of €48.5 million, excluding treasury shares.

NOTE 22.3. MINORITY INTEREST

As of November 30, 2012, minority interest on the balance sheet, amounting to €8.4 million, relate to 122 companies, including a debit amount of €2.2 million.

At November 30, 2011, minority interest posted to the balance sheet in the amount of €8.5 million pertained to 140 companies. The total amount of minority interest amounted to €2.6 million.

In order to take into account the risk associated with the recovery of minority interests and debit balance current accounts of partners in co-development operations, in 2009 the group recorded a provision of €7.5 million (including €1.1 million as an allowance for impairment of receivables (see note 19), in particular covering debit balance current accounts related to this partner, up to the amount €6.4 million. This provision was maintained at November 30, 2012.

For fiscal year 2012, buybacks of units of holders of minority interest securities of €1.8 million were recorded, compared to €3.5 million in 2011. The difference between the price paid and the corresponding reduction of any minority interests is offset in attributable shareholders' equity.

NOTE 23. SHARE-BASED PAYMENTS

NOTE 23.1. STOCK OPTION PLANS

The stock option plan set up by the group in 2006 was still outstanding as at November 30, 2012. No new tranche was granted and no new stock option plan was set up in 2012.

Details concerning the main features of the group's plans in effect at November 30, 2012 are set out in the table below:

Stock options	Plan 3
Date of the Extraordinary Shareholders' Meeting authorizing the plan	April 19, 2006
Date of the Board of Directors' Meeting granting the options/shares	April 19, 2006
Number of options granted	95,500
Number of beneficiaries	26
Start of exercise period	April 19, 2008
Expiration date	April 19, 2016
Expiration of holding period	April 19, 2010
Exercise price	€44.23
Options outstanding at beginning of the fiscal year	36,100
Options granted during the fiscal year	-
Options forfeited during the fiscal year	-
Options exercised during the fiscal year	-
Expired options	5,000
Options outstanding at November 30, 2012	31,100
Options exercisable at November 30, 2012	31,100

NOTE 23.2. BONUS SHARE PLAN

Pursuant to the authorizations of the April 2006 and April 2009 Shareholders' Meetings of Kaufman & Broad SA, it was decided to set up a share award plan for certain executives of Kaufman & Broad SA and its affiliates, in particular to give them the opportunity to share in the Company's growth.

Under the bonus share plan of January 20, 2010, 55,000 bonus shares were definitively allotted at the end of the vesting period and were delivered during fiscal year 2012.

Title to the shares allotted under the various plans detailed below was transferred at the end of the vesting period, i.e., two years after the allotment date set by the Board of Directors.

Beneficiaries of these plans may not transfer title to the shares actually vested by any means whatsoever prior to the end of the lock-in period, i.e., two years after the vesting date of said shares.

Details concerning the main features of the group's plans in effect at November 30, 2012 are set out in the table below:

Bonus shares	February 17, 2011 Plan	January 17, 2012 Plan
Date of the Extraordinary Shareholders' Meeting authorizing the plan	April 9, 2009	April 9, 2009
Date of the Board of Directors' Meeting granting the shares	February 17, 2011	January 17, 2012
Total number of options/shares granted	36,000	20,000
Number of beneficiaries	14	21
Date of transfer of ownership of bonus shares	February 17, 2013	January 18, 2014
Date of sale of bonus shares	February 17, 2015	January 18, 2016
Void shares	2,000	1,000
Shares outstanding at November 30, 2012	34,000	19,000

The bonus share plans generated an expense of €0.5 million before tax over the fiscal year, detailed as follows, recognized through equity.

(in € thousands)	January 20, 2010 Plan	February 17, 2011 Plan	January 17, 2012 Plan	Total
Initial valuation	902	762	270	1,934
Expense for the fiscal year	61	343	111	515

AUTHORITY FROM THE SHAREHOLDERS' MEETING OF APRIL 9, 2009 AND BONUS SHARE PLAN OF FEBRUARY 17, 2011 AND JANUARY 17, 2012

As authorized by the April 9, 2009 Extraordinary Shareholders' Meeting in relation to a plan for 220,000 bonus shares for certain managers and employees of Kaufman & Broad SA and its affiliates, the Board of Directors' Meeting of February 17, 2011 awarded 36,000 bonus shares, while its Meeting of January 17, 2012 awarded 20,000 shares.

Bonus share plan	February 17, 2011	January 17, 2012
Date of the Extraordinary Shareholders' Meeting authorizing the stock option plan	April 9, 2009	April 9, 2009
Total number of bonus shares that may be awarded	162,000	126,000
Date of the Board of Directors' Meeting granting the shares	February 17, 2011	January 17, 2012
Number of beneficiaries	14	21
Types of shares	Existing	Existing
Number of bonus shares awarded	36,000	20,000
Exercise price	-	-
Price on the award date	€22.89	€14.62
Date of acquisition	February 17, 2013	January 18, 2014
Date available	February 17, 2015	January 18, 2016
Initial fair value of the plan	€762,249	€270,314
Data entered into the model:	Binomial model	Binomial model
- exercise price	-	-
- loss of liquidity of the shares (% of the forward price)	1%	1%
- anticipated dividends (as % of capitalization)	-	-
- risk-free interest rate (market rate)	2.00%	1.25%
- share lending/borrowing rate	0.50%	0.50%
- forward price discounting rate	Euribor +300 bps	Euribor +300 bps
- turnover rate	-	-

NOTE 24. PROVISIONS

The provisions can be analyzed as follows:

(in € thousands)	Note	November 30, 2011	Expenses	Reversals used	Reversals unused	November 30, 2012
Provisions for retirement indemnities	(24.2)	2,088	1,446	(90)	-	3,444
Provisions for associated risks	(24.3)	10,222	842	(638)	(1,491)	8,935
Provision for tax risk	(24.4)	4,026	1,600	(113)	(913)	4,600
Provisions for restructuring	(24.5)	305	-	-	(47)	258
Provisions for liabilities		20	-	-	-	20
Provisions for industrial relations risks	(24.5)	2,437	2,823	(1,025)	(1,269)	2,966
Provisions for other risks	(24.6)	5,326	2,038	(830)	(1,248)	5,287
Provisions		**24,424**	**8,749**	**(2,695)**	**(4,969)**	**25,510**

NOTE 24.1. MATURITY

(in € thousands)	November 30, 2012	Less than one year	More than one year
Provisions for retirement indemnities	3,444	-	3,444
Provisions for associated risks	8,935	-	8,935
Provision for tax risk	4,600	-	4,600
Provisions for restructuring	258	-	258
Provisions for liabilities	20	-	20
Provisions for industrial relations risks	2,966	506	2,460
Provisions for other risks	5,287	494	4,793
Provisions	**25,510**	**1,000**	**24,510**

NOTE 24.2. PROVISIONS FOR RETIREMENT BENEFITS

The following assumptions were used in order to calculate retirement indemnities:

- discount rate: 3.00% rate on "AA" Corporate bonds (value determined by the IBOXX index);
- average wage increase rate: 2.00%;
- inflation rate: 2.00%;
- retirement age of 62 for all personnel categories;
- average annual turnover of 6.71%, knowing that a differential rate calculated on the average of the last three years was applied by age bracket in 2012.

The discount rate applied by the Company depending on market conditions is based on commitments made over periods similar to the estimated duration of the Company's commitments for employee benefits.

The Company does not hold any hedging assets for retirement benefits.

This provision includes the payroll taxes which the Company would have to pay if it required employee retirement pursuant to the labor laws in force.

The table below shows the details of the expense items recognized for the fiscal year for retirement indemnities:

(in € thousands)	November 30, 2012	November 30, 2011
Costs of services rendered during the fiscal year[a]	101	73
Financial cost[b]	66	48
Expense recognized In income	**167**	**121**

(a) *The cost of services rendered during the fiscal year was recognized in "Salaries and payroll expenses.".*
(b) *The financial cost is recorded under the "Cost of Net Financial Debt" item.*

The change in the provision is as follows:

(in € thousands)	November 30, 2012	November 30, 2011
Net liability at the beginning of the period	**2,088**	**1,600**
Cost for the fiscal year	167	121
Benefits paid	(376)	(86)
Actuarial gains or losses (recognized in equity)	1,566	453
Net liabilities at the end of the period	**3,445**	**2,088**

The total amount of actuarial gains (losses) as of November 30, 2012 was €2,113 thousand (€547 thousand as of November 30, 2011). The increase was mainly due to the introduction of a differential turnover rate calculated by age bracket.

As of November 30, 2012, the net liability would be €3,368 thousand with a discount rate of 3.25% and to €3,521 thousand at a discount rate of 2.75%.

The actuarial gains and losses generated can be presented on an historical basis as follows:

(in € thousands)	November 30, 2012	November 30, 2011	November 30, 2010	November 30, 2009
Commitment	3,445	2,088	1,600	1,098
Financial assets	-	-	-	-
Financial hedging	**3,445**	**2,088**	**1,600**	**1,098**
Actuarial losses and (gains) generated on the commitment	1,566	453	586	(390)

NOTE 24.3. PROVISIONS FOR RELATED RISKS

This provision of €8.9 million covers the risk associated with defaulting affiliates, with €6.4 million representing the risk relating to a partner as the result of a dispute (see note 22.3).

NOTE 24.4. PROVISIONS FOR TAX RISK

Following an audit of the accounts for fiscal years 2005 to 2008, a proposed correction was sent to Kaufman & Broad SA on July 13, 2010 by France's National and International Tax Audit Directorate (DVNI) in respect of Kaufman & Broad's operations in Belgium. The amount of the correction was €7.6 million, including €2.4 million in interest and penalties. In September 2010 Kaufman & Broad SA shared its observations regarding the proposed correction with the DVNI, which maintained its position. The Company filed an appeal with a higher authority, following which the DVNI advised that it wished to pursue the correction proceedings.

With the outcome yet to be determined, Kaufman & Broad SA has recorded a liability provision of €3 million as of November 30, 2011.

The Departmental Committee on Direct and Other Taxes on revenues originally scheduled for December 3, 2012 will be held on February 21, 2013.

Kaufman & Broad SA has been involved in adjustment proceedings solely for the year ended November 30, 2009, for which the tax authorities contest the group's Belgian activities. The proceedings resulted in a proposed correction received on July 16, 2012, for an amount of €4.2 million, which includes €1.2 million in interest and penalties.

Consequently, an additional provision of €1.6 million was recorded in 2012, increasing the initial provision to €4.6 million at November 30, 2012.

NOTE 24.5. PROVISIONS FOR RESTRUCTURING AND INDUSTRIAL RELATIONS RISKS

A provision for restructuring charges had been recognized in the financial statements at November 30, 2008 primarily to meet the Company's employee commitments. This provision has been reduced for fiscal year 2012 to an amount not used. It amounts to €0.3 million at November 30, 2012, which reflects the costs associated with labor disputes related to the Employment Preservation Plan that appeared during fiscal year 2009.

The provision for disputes with former employees of the group is €1.2 million.

A provision in the amount of €1.8 million covers Urssaf adjustments of which notice was given to GIE Kaufman & Broad. This adjustment, which is for the unpaid contributions on travel allowances, was provisioned for the risk estimated by the Company to the extent that part of the documentation to be provided must reduce the amount of the adjustment.

NOTE 24.6. PROVISIONS FOR OTHER RISKS

The provision for commercial and legal risks essentially covers ongoing disputes with customers or suppliers of delivered projects, amounting to €5.3 million.

NOTE 25. BORROWINGS AND OTHER FINANCIAL LIABILITIES

NOTE 25.1. GROSS FINANCIAL DEBT BY TYPE

Gross financial debt represents:

- long-term and short-term financial liabilities;
- hedging instruments related to liabilities comprising the gross financial debt;
- interest accrued on balance sheet items that constitute gross financial debt.

(in € thousands)	November 30, 2012	November 30, 2011
Syndicated bank credit line	237,667	305,642
Other borrowings	4	23
Utilized credit facilities	454	533
Issuance expenses	(3,344)	(6,061)
Fair value of derivatives	212	2,484
Gross financial debt	**234,993**	**302,621**
- of which non-current	234,535	283,284
- of which current	458	19,337

As of November 30, 2012, the group had a €237.7 million syndicated bank credit line, versus €305.6 million as of November 30, 2011.

1. The Senior Facilities Agreement, as it results from the agreement signed by the Company and its lenders on January 23, 2009 and from the supplemental agreements signed on June 30, 2009, November 25, 2009, July 25, 2011 and October 17, 2012 stipulates:

1.1. Keeping the B (200 million) and C (201.5 million) credit lines and the revolving credit line (175 million) "as is": i.e. amounts, interest rates and maturity remain unchanged. The supplemental agreement signed on November 25, 2009 provided for mandatory early partial repayment of the facilities granted to the company, which took place in fiscal year 2010;

1.2. Supplemental agreement no. 6, signed on July 25, 2011, provides that the company to repay a portion of its term debt under the Senior Facilities Agreement for sums below the nominal value of said debt. This discount takes the form of waivers of receivables granted by the relevant lenders, in accordance with specific terms and conditions, in particular that the principal amount is not to exceed €70 million and that repayments must be made on one or more occasions before February 29, 2012 at the latest. In this context, partial repayments were made in fiscal year 2011 amounting to €50.8 million and in the first quarter of 2012 amounting to €10 million;

1.3. Supplemental agreement no. 7, signed on July 25, 2011, provides that the company may cancel all or part of the commitments of certain lenders under the revolving line of credit who wished to withdraw from said credit line before its final expiration, in exchange for payment by these lenders of a cancellation fee in accordance with specific terms and conditions, in particular that the principal amount is not to exceed €75 million and that cancellations may be made on one or more occasions without limitation and no later than February 29, 2012. As such, there was a partial cancellation of €72.1 million during fiscal year 2011. Moreover, under these agreements, Kaufman & Broad SA made an additional repayment of €17.9 million in late January 2012;

1.4. Supplemental agreement no. 8, signed on October 17, 2012, provided for the voluntary early repayment of €40 million on term lines B and C that occurred on October 31, 2012, bringing the total amount of debt repaid during fiscal year 2012 to €68 million. This supplemental agreement also provided for the reduction of the right to draw down the RCF line by €50 million to €52.9 million;

2. Financial ratios in the accounting quarters from May 2010 until the expiration of the agreement in 2016, the group is required to comply with three ratios, calculated on a consolidated basis, with levels redefined as follows:

Ratios	Nov. 2012	Feb. 2013	May 2013	Aug. 2013	Nov. 2013	Nov. 2014	Nov. 2015	May 2016
Debt ratio	<5.10	<4.80	<4.50	<4.20	<3.70	<3.00	<2.00	<1.50
Net financial expenses cover ratio	>1.80	>2.00	>2.10	>2.30	>2.50	>3.50	>4.50	>5.00
Minimum cash flow level *(in € millions)*	212	229	267	311	333	445	545	585

3. The Company will not be allowed to distribute any dividends in the years ended November 30, 2009, 2010 and 2011 and from fiscal year 2012 it will be allowed to distribute dividends only if the Debt Ratio is less than or equal to 3;

4. Restriction related to external acquisitions and, in particular, to the acquisition of stakes which could be made by the group, with the requirement to obtain the unanimous agreement of all lenders for any financing of such acquisitions through debt. It also provides for a cash sweep clause under certain conditions. For 2012, no repayment was scheduled.

Supplemental Agreement No. 5, signed on March 10, 2010, modified the financial definitions of EBITDA, cash flow and net cash interest stipulated by the Senior Facilities Agreement in order to neutralize the effects of IAS 23 (Borrowing Costs) on these ratios and to ensure for the financial parties the same protection they received under the contract before the application of this standard.

Details of covenant at November 30, 2012

	Threshold	November 2012
Debt ratio[a]	<5.10	0.95
Net financial expenses cover ratio	>1.80	6.83
Minimum cash flow level *(in € millions)*	212.0	507.5

(a) Or Net Financial Debt divided by EBITDA.

The covenants were respected as at November 30, 2012.

NOTE 25.2. PRINCIPAL USE OF FINANCIAL DEBT BY THE GROUP

(in € thousands)	Debt capacity	November 30, 2012	Maturity	Interest rate[a]
Senior B	120,676	120,676	*bullet maturity,* July,10, 2015	E+275 BPS
Senior C	116,991	116,991	*bullet maturity,* July,10, 2016	E+325 BPS
RCF[b]	52,900	-	July,10, 2014	E+238 BPS
Total	**290,567**	**237,667**		

(a) E = Euribor is, for a given maturity, the setting of an average rate, calculated every business day, at which a panel of some fifty major banks in Europe make unsecured loans to other major banks.
(b) Revolving credit facility.

NOTE 25.3. MATURITY

(in € thousands)	November 30, 2012	Less than one year	Maturing in 1 to 5 years	More than 5 years
Syndicated line[a]	237,667	-	237,667	-
Credit facilities utilized	454	454	-	-
Other borrowings	4	4	-	-
Issuance expenses[b]	(3,344)	(1,219)	(2,125)	-
Fair value of derivatives	212	-	212	-
Gross financial debt	**234,993**	**(761)**	**235,754**	**-**

(a) The syndicated bank credit lines set up in 2007 mature on July 10, 2014 for the RCF line (€52.9 million), July 10, 2015 for the Senior B line (€120.7 million) and July 10, 2016 for the Senior C line (€117.0 million).
(b) The negative portion due in less than one year was included in the balance sheet in non-current gross financial debt.

NOTE 25.4. CHANGE IN GROSS FINANCIAL DEBT

Gross financial debt at November 30, 2011	**302,621**
Repayment of Senior B and C borrowings	(67,975)
Change in other borrowings	(19)
Change in the fair value of derivative instruments	(2,272)
Deferral of issue costs	2,717
Change in credit facilities	(79)
Gross financial debt at November 30, 2012	**234,993**

Following the double bidding process launched by Kaufman & Broad SA on July 26, 2011, partial repayments were made during fiscal year 2011 amounting to €50.8 million and at February 29, 2012 in the amount €10 million. Moreover, as described in the loan documentation, Kaufman & Broad SA made an additional payment of €17.9 million in late January 2012.

Following the signing of Supplemental Agreement No. 8 to the Senior Facilities Agreement in late October 2012, Kaufman & Broad SA made an additional early repayment of €40 million.

The aggregate amount of repayments made in fiscal year 2012 thus amounted to €68 million.

NOTE 25.5. MAIN ITEMS CONSTITUTING NET FINANCIAL DEBT

Net Financial Debt is comprised of the gross financial debt, as defined above, less the net cash position.

The balance sheet items contributing to Net Financial Debt are as follows:

(in € thousands)	November 30, 2012	November 30, 2011
Gross financial debt	**234,993**	**302,621**
Cash and cash equivalents[(a)]	153,763	138,878
Net financial debt	**81,230**	**163,743**

(a) See note 21.

NOTE 26. CURRENT LIABILITIES

(in € thousands)	November 30, 2012	November 30, 2011
Current provisions	1,000	-
Other current liabilities[(a)]	458	19,337
Accounts payable	473,624	409,668
Other payables	111,777	103,985
Deferred income	1,616	1,357
Total current liabilities	**588,475**	**534,347**

(a) See note 25.3.

The “Other liabilities” item corresponds primarily to tax and Social Security liabilities of €71.5 million, including €46.7 million in VAT, €22.0 million in advances and down payments received and €17.6 million in shareholders’ current accounts.

4.1.6. Additional Information

NOTE 27. NOTES TO THE STATEMENT OF CASH FLOWS

Cash flows from operating activities include €99.3 million in cash flow before the cost of the financial debt and before taxes, an amount of €2.1 million net of taxes paid and a €61.2 million decrease in WCR.

Details of the Change in Operating Working Capital Requirement

(in € thousands)	November 30, 2011	Change in WCR	Change in the scope of consolidation	Other changes	November 30, 2012
Inventories	235,556	47,246	289	1,378	284,469
Accounts receivable	305,673	(37,484)	-	-	268,189
Accounts payable	(409,668)	(62,530)	(364)	(1,062)	(473,624)
Other operating assets and liabilities	36,723	(6,021)	75	-	30,777
Operating Working Capital Requirement (Statement of cash flows)	**168,284**	**(58,789)**	**-**	**316**	**109,811**
Current taxes	36,971	(2,370)	-	-	34,601
Working Capital Requirement	**205,255**	**(61,159)**	**-**	**316**	**144,412**

The change in Operating Working Capital Requirement (excluding current taxes) for fiscal year 2012 was €-58.8 million relative to November 30, 2011.

Cash flows from investing activities amounted to €6.1 million, consisting of:

- disbursements for acquisitions of property, plant and equipment and intangible assets (€-3.96 million);
- repayment of the loan granted in 2010 to Seniors Santé (€9.1 million);
- repayments of financial assets (loans) granted as part of real estate projects (€1.4 million);
- cash flow with companies consolidated using the Equity method, amounting to €-0.5 million.

Cash flows tied to financing operations came to €-147.2 million, consisting of:

- repayment of borrowings amounting to €-67.9 million;
- distribution of an interim dividend to shareholders amounting to €-48.4 million;
- financial interest paid, amounting to €-14.3 million;
- other net financial income received amounting to €1.0 million due to the early repayment of Senior lines B and C;
- distributions to minority interests, amounting to €-9.4 million;
- buyback of treasury shares in the amount of €-6.4 million;
- acquisition of minority interests, amounting to €-1.8 million.

NOTE 28. OFF-BALANCE SHEET COMMITMENTS

At November 30, 2012, Management considers, to the best of its current knowledge, that there are no commitments likely to have a material impact on the current or future financial position of the Kaufman & Broad group, other than those indicated in this note and in note 25.1.

NOTE 28.1. COMMITMENTS GIVEN

Guarantees and bonds given

All items detailed below are related to the normal course of our operations.

(in € thousands)	November 30, 2012	November 30, 2011
Performance bonds[a]	268,062	215,873
Hoguet Law guarantees[b]	220	220
Order indemnities[c]	17,014	9,144
Other guarantees given[d]	64,004	51,935
Guarantees and bonds given	**349,300**	**277,172**

(a) *Financial performance bonds are given to customers in sales before completion (VEFA sales). Kaufman & Broad asks a financial institution, mutual guarantee institution or insurance Company to issue a guarantee of completion in favor of the Kaufman & Broad customers. These guarantees are established on a transaction by transaction basis and have a term comparable to the transaction completion term.*
In consideration for such guarantees, Kaufman & Broad typically gives such financial institutions or insurance companies a mortgage commitment and a non-assignment of shares undertaking if the program is funded by a special-purpose entity.
Performance bonds are shown on the balance sheet in the amount of the risk incurred by the financial institution issuing such guarantees. Such risk is valued, for each transaction, as follows: program's forecast production cost less the part financed by the group and the amount of sales signed as of the closing date. This valuation thus does not take into account orders made as of the closing date or the percentage of completion of construction on lots not sold.
Performance bonds are valued internally each month and are then updated on the basis of the figures communicated by the financial institution on the basis of its own reports to Banque de France or to the Insurance Control Commission.
(b) *The Hoguet Law guarantees are required from companies intending to operate as a real estate agent. This purely ad-hoc operation does not form part of the group's strategy.*
(c) *Order indemnities are bank guarantees given in lieu and in place of security deposits in connection with land acquisition commitments.*
(d) *These other guarantees principally cover acquisitions of land and matters related to roads and infrastructure.*

Pledges and liens

Security interests have been granted by Kaufman & Broad SA to guarantee its commitments for the financing set up in July 2007.

Type of pledge/lien	Start date	Final expiration date	Amount of assets pledged[b]	Total balance sheet value	Total % of Kaufman & Broad SA balance sheet at Nov. 30, 2012
Pledge of financial instrument account – 100% of Kaufman & Broad Homes SAS shares held by the Company	July 11, 2007	[a]	€10,450,195	€10,450,195	2%
Pledge of the credit balance in the Kaufman & Broad SA bank accounts	July 11, 2007	[a]	€211,169	€211,169	-
Framework agreement for the assignment of intra-group receivables from Kaufman & Broad SA's subsidiaries, in particular Kaufman & Broad Financement SNC	July 11, 2007	[a]	-	-	-
Pledge of 100% of the Kaufman & Broad Europe SA shares	-	[a]	€217,436,878	€217,436,878	44%
Total			**€228,098,242**	**€228,098,242**	**46%**

(a) *These pledges are intended to be maintained until full payment of the amounts and fees owed by the Company as borrower and guarantor under the Senior Facilities Agreement and ancillary agreements.*
(b) *Net book value in the individual Company financial statements as of November 30, 2012.*

Commitments related to capital expenditures, purchases and rentals

(in € thousands)	November 30, 2012	Payments due by maturity: Less than one year	1 to 5 years	More than 5 years	November 30, 2011
Commitments for leases	50,324	6,902	24,863	18,559	50,805
Investing commitments	-	-	-	-	22
Total	**50,324**	**6,902**	**24,863**	**18,559**	**50,827**

This table includes the commitment given by the Kaufman & Broad group in connection with a 9-year lease of its offices in a real estate transaction initiated by the group beginning with the delivery of the building envisages for June 2014, for annual rental payments of €3.2 million, i.e., a total of €28.6 million. However, the group reserves the right to find another lessee, who would bring this commitment to an end.

Commitments for leases

The table below shows, as of November 30, 2012, the minimum future rents on leases not subject to any termination:

(in € thousands)	November 30, 2012	November 30, 2011
2012	-	5,805
2013	6,902	5,725
2014	7,733	8,535
2015	7,866	4,274
2016	5,042	4,134
2017	4,222	4,048
2018 and beyond	18,559	18,284
Total minimum future rents	**50,324**	**50,805**

The rent expense recognized on the income statement at November 30, 2012 for operating leases amounted to €6.4 million (€5.7 million at November 30, 2011).

The group's finance leasing agreements are capitalized.

NOTE 28.2. COMMITMENTS RECEIVED

Work guarantees

All items detailed below are related to the normal course of our operations.

(in € thousands)	November 30, 2012	November 30, 2011
Guarantees on work contracts	108,929	101,399

Unutilized syndicated lines of credit

(in € thousands)	November 30, 2012	November 30, 2011
Unutilized RCF line[a]	52,900	102,900

(a) The amount of this credit line maturing in July 2014 was reduced in fiscal year 2012 by €50 million as part of Supplemental Agreement No. 8 to the Senior Facility Agreement signed in October 2012. (see note 4.1.1.1).

Pledges and liens

Under a memorandum of understanding, Kaufman & Broad SA stood surety for one of its partners, limited to €4 million excluding VAT and the provision of a first-demand bank guarantee, in respect of commitments made by two of its subsidiaries in the aforementioned memorandum of understanding. In exchange, this partner's main shareholder stood surety for its subsidiary's commitments to joint ventures for the same amount plus its own provision of a first-demand bank guarantee.

NOTE 28.3. CONTINGENT ASSETS AND LIABILITIES

The dispute that originated in 1996 over the Roissy Park development, where a Kaufman & Broad SA subsidiary was accused of faulty workmanship and miscellaneous defects, saw no significant developments over the course of the fiscal year. No provision was recognized for this proceeding, the updated amount of which totals €6.5 million, excluding any late penalties, as the remedies of Kaufman & Broad appear to be preserved.

The concession agreement granted to Kaufman & Broad on a real estate project launched by the group in 2012 is being challenged. Procedures related to this challenge are in progress at the balance sheet date. The margin on sales related to the transaction, which was concluded under conditions precedent and rescission, was recognized on November 30, 2012 at €1.1 million. Since the cancellation risk for the concession agreement is considered low, no provision has been recorded in the financial statements.

NOTE 29. EXPOSURES TO MARKET AND FINANCIAL INSTRUMENT RISKS

NOTE 29.1. MANAGEMENT OF INTEREST RATE RISK

The policy for managing interest rate risk is intended to limit and control fluctuations in interest rates and their impact on net earnings and cash flow, so that the total cost of the debt remains acceptable. To achieve this objective, the group hedges its variable-rate loan interest flows with interest-rate swaps. Swaps are derivatives serving to hedge cash flows. They are marked to market on the balance sheet. Kaufman & Broad applies cash flow hedge accounting. Under the Senior Facilities Agreement, the group also agreed to keep hedges in place in the amount of 50% of borrowings.

Interest rate hedges are made by way of instruments listed on organized markets or over-the-counter with high-quality counterparties.

The following table contains details of the portfolio of one-month Euribor lender/fixed-rate borrower swaps as at November 30, 2012.

Nature	Notional amount *(in € millions)*	Fixed rate	End of term	Type	Market value at November 30, 2012 as a% of nominal
EUR 1M fixed rate swap	50	0.202%	Nov. 30, 2012 – Nov. 30, 2014	Hedge	(-0.10%)
EUR 1M fixed rate swap	50	0.218%	Nov. 30, 2012 – Nov. 30, 2014	Hedge	(-0.14%)
EUR 1M fixed rate swap	50	0.240%	Nov. 30, 2012 – Nov. 30, 2014	Hedge	(-0.18%)
Total	**150**				

The fair value of these derivatives is provided by a specialized third-party Company (level 2 valuation as defined by IFRS 7). The change in the hedging reserve net of deferred tax at November 30, 2012 was €-139 thousand.

The exposure of the group's net debt is:

Type of instrument	Variable/ Fixed	Less than one year	1 to 5 years	More than 5 years
RCF + Senior B and C	Variable	-	237,667	-
Credit facilities	Variable	454	-	-
Financial liabilities	**-**	**454**	**237,667**	**-**
Bank balances and cash on hand	Variable	88,584	-	-
Short-term investments	Variable	61,343	-	-
Order balances	Variable	3,837	-	-
Financial assets	**-**	**153,764**	**-**	**-**
Net position before management	**-**	**(153,310)**	**237,667**	**-**
Swap	-	-	150,000	-
Off-Balance sheet items	**-**	**-**	**150,000**	**-**
Net position after management	**-**	**(153,310)**	**87,667**	**-**

Interest rate sensitivity of financial assets and liabilities

Assumptions: 1-month EURIBOR at 0.332%

Before the effect of hedging, a 50-basis point rise in interest rates or a 25-basis point fall in the above liabilities would have the following impact on pre-tax earnings:

- rise: €-1.2 million;
- fall: €+0.6 million.

After hedging is taken into account, a 50-basis point rise in interest rates or a 25-basis point fall in the above liabilities would have the following impact on pre-tax earnings:

- rise: €-438 thousand;
- fall: €+219 thousand.

NOTE 29.2. MANAGEMENT OF CURRENCY RISK

The group does not have exposure to foreign exchange risk as all of its assets and liabilities and its flows are denominated in euros.

NOTE 29.3. MANAGEMENT OF EQUITY RISK

The Company has only limited risk to equity risk because:

- the marketable securities held by Kaufman & Broad consist of the most highly-rated money market mutual funds (SICAV) and certificates of deposit that are subscribed by recognized institutions;
- treasury shares are held either to cover the objectives presented in the description of the share buy-back plan, including stock options and bonus share plans, or as part of the liquidity agreement. The impact of all these shares and of price fluctuations is described in note 21.

NOTE 29.4. MANAGEMENT OF COUNTERPARTY RISK

The counterparty risks incurred by the Kaufman and Broad group primarily concern suppliers and subcontractors, customers and banking counterparties.

Because of the large number of suppliers and subcontractors, their insolvency is unlikely to have any material impact on operations. The Kaufman and Broad group considers that the counterparty risk on trade receivables is very limited because of the large number of customers and the fact that sales are signed exclusively before a civil-law notary, generally after the financing for the property acquisition has been obtained.

Customer-related credit risks are managed by the agencies under the oversight of Corporate headquarters. Due to the nature of its business, the group's exposure to customer default risks is low. Aging receivables are reviewed monthly.

The Kaufman & Broad group invests its cash and cash equivalents and its investment securities with top-tier financial institutions.

It enters into interest rate agreements with leading financial institutions.

For programs developed jointly with partners, the consequences of the measures taken in 2009, whose impacts were felt in 2010 (particularly a reduction in sale prices), continue to pose the risk that the group may have to cover their insolvency for their portion of the financing of such programs and, as applicable, their share of the losses in non-profitable developments.

NOTE 29.5. MANAGEMENT OF LIQUIDITY RISK

The table below shows the group's contractual obligations for payment of interest, repayment of financial debt, derivatives excluded and the derivatives with their positive or negative fair values. The variable rate interest payments were calculated on the basis of the latest interest rates known prior to November 30, 2012.

(in € thousands)	Carrying amount Nov. 30, 2012	Less than one year		1 to 5 years		More than 5 years	
		Interest	Repayments	Interest	Repayments	Interest	Repayments
Borrowings and financial liabilities							
Syndicated lines of credit	237,667	7,644	-	16,066	237,667	-	-
Credit facilities and other borrowings	458	-	458	-	-	-	
Total	**238,125**	**7,644**	**458**	**16,066**	**237,667**	**-**	**-**

The interest flows are paid monthly and take into account the swaps taken out in November 2012 and classified as hedging instruments. Details on the syndicated credit are provided in note 25.

NOTE 29.6. CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS BY IAS 39 CATEGORY AND FAIR VALUE

Loans and receivables, financial assets available-for-sale

The Kaufman & Broad group believes that the balance sheet value of cash, accounts receivable and accounts payable is the value most representative of their market value because of the high level of liquidity of these items.

Debt at amortized cost

The group believes that the fair value of non-current variable-rate financial liabilities was close to their carrying amount.

November 30, 2012	Carrying amount	Fair value through profit or loss	Fair value through equity	Assets available for sale	Loans and receivables	Debt at amortized cost
Financial assets						
Accounts receivable	268,189	-	-	-	268,189	-
Cash and cash equivalents	153,763	153,763	-	-	-	-
Current tax	34,601	-	-	-	34,601	-
Other current receivables	143,161	-	-	-	143,161	-
Other non-current financial assets	1,262	-	-	-	1,262	-
Total financial assets	**600,976**	**153,763**	**-**	**-**	**447,213**	**-**
Financial liabilities						
Loans and financial debts	234,993	-	212	-	-	234,781
Supplier payables	473,624	-	-	-	-	473,624
Other current liabilities	113,394	-	-	-	-	113,394
Total financial liabilities	**822,011**	**-**	**212**	**-**	**-**	**821,799**

NOTE 30. MANAGEMENT OF CAPITAL RISK

The objectives of the group in terms of capital management are to maintain the ability of the group to continue as a going concern and be profitable for its shareholders and also to maintain an optimal capital structure in order to limit the cost of capital.

Net Financial Debt at November 30, 2012 totaled €81.2 million. The Net Financial Debt to equity ratio was thus equal to 54%, as against 104% at November 30, 2011.

NOTE 31. RELATED PARTY TRANSACTIONS

The Consolidated Financial Statements include the financial statements of Kaufman & Broad SA and of all subsidiaries listed in note 2.

Parent Company and entity with significant influence over the group

The Kaufman & Broad group is controlled by Financière Gaillon 8, which in turn is controlled primarily by Financière Daunou 10.

There were no transactions between the Kaufman & Broad group and Financière Daunou 10.

The transactions conducted between Kaufman & Broad SA and Financière Gaillon 8 were authorized by the Board of Directors; they are presented under related party transactions: these involve an administrative and bookkeeping services agreement implemented in September 2007 and a service agreement implemented on March 1, 2008.

No other entity exercises significant influence over the group.

Equity affiliates and joint ventures

Equity affiliates and joint ventures are presented in detail in note 2.

The principal amounts concerning related parties are detailed below; the other companies consolidated using the Equity method are immaterial:

Affiliated companies *(in € thousands)*	Assets at November 30, 2012	Liabilities at November 30, 2012[a]	Results at November 30, 2012
SCI Gonesse	1,277	798	118
SCCV Athena	10,305	8,332	708
SAS St Exupéry	23,257	25,132	(129)

(a) Liabilities not including shareholders' equity.

Group Corporate Officers

In 2011 and 2012 the group did not grant any loans to the members of its administrative and management bodies.

Terms and conditions of related party transactions.

Sales and purchases entered into with related parties were conducted at market prices. Fiscal year-end open balances are not guaranteed, do not carry interest and are paid in cash. There were no guarantees given or received for amounts receivable and payable with related parties. For fiscal years ended November 30, 2011 and November 30, 2012, the group did not book any provision for doubtful receivables in relation to amounts due from related parties. This assessment is conducted yearly by reviewing the financial position of the related parties and the markets on which they operate.

Compensation of Members of the administration and management bodies

The table below shows the compensation of persons who at the year-end are or during the fiscal year ended were members of the group's governing and management bodies.

(in € thousands)	November 30, 2012	November 30, 2011
Short-term benefits other than employer contributions[a]	4,264	4,118
Short-term benefits: employer contributions	2,034	1,966
Post-employment benefits – balance sheet impact[b]	NA	886
Other long-term benefits[c]	NA	NA
Retirement benefits	NA	NA
Directors' fees[d]	208	216
Share-based payments	-	-
Stock option awards (number)	-	-
Bonus share awards (number)	-	22,000

(a) Include gross salaries, compensation, bonuses, incentives, profit-sharing and in-kind benefits paid for the fiscal year. Compensation relates to members of the Management Committee.
(b) Services rendered representing a retirement benefit.
(c) Other compensation vested but due in the long term.
(d) Compensation paid only to non-executive Corporate Officers.

RELATED PARTY AGREEMENTS

Related party agreements authorized or amended since the 2011 fiscal year-end:

Senior Facilities Agreement

On July 10, 2007, Kaufman & Broad SA became party, as borrower and joint surety, to a "Senior Facilities Agreement" (drafted in English) by and between, in particular, Financière Gaillon 8 SAS, as the original borrower and original joint surety, Calyon and Merrill Lynch International as the mandated lead arrangers, Calyon as agent and a group of financial institutions. Kaufman & Broad SA is a party to the Senior Facilities Agreement as Borrower. Under the Senior Facilities Agreement, the Banks named in said Agreement granted to Kaufman & Broad SA: (a) a term credit facility B for up to €200 million; (b) a term credit facility C for up to €202 million; (c) a Capex/Acquisition Facility for up to €80 million and (d) a Revolving Facility for up to €200 million. The latter two facilities can also be drawn down on by some of Kaufman & Broad SA's subsidiaries. Under the Senior Facilities Agreement, Kaufman & Broad SA granted a joint surety for all commitments of Kaufman & Broad SA subsidiaries under the Capex Acquisition Facility and under the Revolving Facility, but the Company is not joint debtor with the secured debtors. Execution of the Senior Facilities Agreement and the joint surety were authorized by the Board of Directors at its Meeting of July 10, 2007.

A memorandum of understanding was signed on December 26, 2008, the terms and conditions of which were previously authorized by the Board of Directors on December 22, 2008.

Supplemental Agreement No. 2 to the Senior Facilities Agreement, signed on January 23, 2009, stipulates an adjustment in the financial ratios applicable to the group and the suspension of dividend payments for fiscal years 2009, 2010 and 2011. The group may distribute dividends as of fiscal year 2012 only provided that the Debt Ratio is less than or equal to 3.

The signing of this Supplemental Agreement to the Senior Facilities Agreement was authorized by the Board of Directors on January 22, 2009.

Supplemental Agreement No. 3 to the Senior Facilities Agreement was then signed on June 30, 2009, for the purpose of making the technical and formal changes necessary to implement the adjustments agreed on in the memorandum of understanding between Financière Gaillon 8, principal shareholder of Kaufman & Broad SA and its banks. Kaufman & Broad is committed to providing Financière Gaillon 8 with all information it may need in order to meet its financial documentation obligations.

The signing of this Supplemental Agreement to the Senior Facilities Agreement was authorized by the Board of Directors on June 30, 2009.

Supplemental Agreement No. 4 to the January 23, 2009 agreement, signed on November 25, 2009, provides, in particular, for the replacement of the cash flow coverage ratio with minimum cash flow levels as well as for early repayment by Kaufman & Broad SA of a portion of its debt under the Senior Facilities Agreement in January 2010 and, under certain conditions, when the consolidated accounts are approved for the period ending August 31, 2010, for a maximum total amount of €25 million.

The signing of this Supplemental Agreement to the Senior Facilities Agreement was authorized by the Board of Directors on November 25, 2009.

Supplemental Agreement No. 5, signed on March 10, 2010, modified the financial definitions of EBITDA, cash flow and net cash interest stipulated by the Senior Facilities Agreement in order to neutralize the effects of IFRS IAS 23 (Borrowing Costs) on these ratios and to ensure for the financial parties the same protection they received under the contract before the application of this standard. The signing of this Supplemental Agreement to the Senior Facilities Agreement was authorized by the Board of Directors on February 18, 2010.

Supplemental Agreement No. 6, signed on July 25, 2011, provides that the Company may start repaying a portion of its term debt under the Senior Facilities Agreement for sums below the nominal value of said debt. This discount takes the form of waivers of receivables granted by the relevant lenders, in accordance with specific terms and conditions, in particular that the principal amount is not to exceed €70 million and that repayments must be made on one or more occasions before February 29, 2012 at the latest.

Supplemental Agreement No. 7, signed on July 25, 2011, provides that the Company may cancel all or part of the commitments of certain lenders under the revolving line of credit who wished to withdraw from said credit line prior to its final expiration, in exchange for payment by these lenders of a cancellation fee in accordance with specific terms and conditions, in particular that the principal amount could not exceed €75 million and the cancellations may be made on one or more occasions without limitation and no later than February 29, 2012.

The signing of Supplemental Agreements No. 6 and No. 7 to the Senior Facilities Agreement was authorized by the Board of Directors on July 20, 2011.

Supplemental Agreement No. 8 signed on October 17, 2012 provides that the Company may voluntarily prepay the term lines B and C in the amount of €40 million and the reduction of the right to draw down the RCF line by €50 million.

The signing of Supplemental Agreement No. 8 to the Senior Facilities Agreement was authorized by the Board of Directors on October 17, 2012.

The various effects on the Consolidated Financial Statements are specified in note 25.

Related party agreements approved in prior fiscal years and continued in fiscal year 2012 and concerning transactions other than those with fully consolidated companies:

Service Agreements

On February 28, 2008, Kaufman & Broad SA signed an agreement, effective March 1, 2008, between Financière Gaillon 8 and the main subsidiaries of Kaufman & Broad SA pursuant to which the companies assigned a support and consulting function to Financière Gaillon 8 for, among other things, the preparation of consolidated reports, forward-looking financial plans, of budgets and forecasts, the preparation of the Consolidated Financial Statements, the provision of tools and systems required for the performance of reporting and management tools.

In consideration for these services, Kaufman & Broad SA and its main subsidiaries pay Financière Gaillon 8 fees equal to 100% of the direct and indirect costs incurred by Financière Gaillon 8 for the services under this agreement, plus an additional 5%. These fees, apportioned among Kaufman &Broad group companies using an allocation key defined in the agreement, came to €707 thousand at November 30, 2012.

The signing of this agreement was authorized by the Board of Directors on February 19, 2008.

Administrative Support Agreements

On April 11, 2008, Kaufman & Broad SA signed an agreement to define the conditions under which Kaufman & Broad SA would provide Financière de Neuilly SAS with the material and Human Resources necessary to perform administrative, financial, accounting and legal services.

Invoicing will be done on the basis of a strict parity with the costs paid by Kaufman & Broad SA for providing the same employees by GIE Kaufman & Broad, so that the transaction remains strictly financially neutral for Kaufman & Broad SA. At November 30, 2012, this came to €1 thousand.

Intercreditor Agreement

On July 10, 2007, by signing an Accession Agreement authorized by the Board of Directors on that same day, Kaufman & Broad SA became party to a subordination agreement titled “Intercreditor Agreement” signed by all the parties to the financing agreements signed on July 10, 2007 by Financière Gaillon 8 SAS and Kaufman & Broad SA, the purpose of which, in particular, is govern the order and terms for repayment of the sums due from Kaufman & Broad SA and its subsidiaries under the Senior Facilities Agreement and the intra-group loans.

Administrative Support Agreement

On October 5, 2007, Kaufman & Broad SA signed an agreement to define the conditions under which Kaufman & Broad SA would provide Financière Gaillon 8 SAS with the material and Human Resources necessary to perform administrative, financial, accounting and legal services.

Invoicing will be done on the basis of a strict parity with the costs paid by Kaufman & Broad SA for providing the same employees by GIE Kaufman & Broad, so that the transaction remains strictly financially neutral for Kaufman & Broad SA. At November 30, 2012, this came to €21 thousand.

Defined contribution pensions

Since fiscal year 1979, members of the Management Committee, including one Corporate officer, Guy Nafilyan, have been the beneficiaries of a defined-contribution supplemental pension contract.

For fiscal year 2012, the amount recognized as expense by our Company for this contract was €163 thousand.

NOTE 32. FEES PAID BY THE GROUP TO THE AUDITORS AND MEMBERS OF THEIR NETWORKS

Fiscal years covered: 2011 and 2012[(a)] *(in € thousands)*	**Ernst & Young Audit**				**Deloitte & Associés**			
	Amount (excl. VAT)		**%**		**Amount (excl. VAT)**		**%**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Audit								
Account audit and certification, review of the statutory and consolidated financial statements[(b)]								
Issuer: Kaufman & Broad SA	215	181	34%	27%	182	167	84%	88%
Fully consolidated subsidiaries	419	453	66%	68%	35	23	16%	12%
Other work and services directly related to the engagement of the auditor[(c)]								
Issuer: Kaufman & Broad SA	-	35	-	5%	-	-	-	-
Fully consolidated subsidiaries	-	-	-	-	-	-	-	-
Subtotal	**634**	**669**	**100%**	**100%**	**217**	**190**	**100%**	**100%**
Other services rendered by the networks to the fully consolidated subsidiaries[(d)]								
Legal, tax, Corporate	-	-	-	-	-	-	-	-
Other (specify if >10% of Audit fees)	-	-	-	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**634**	**669**	**100%**	**100%**	**217**	**190**	**100%**	**100%**

(a) For the relevant period, these are services rendered for an accounting period and posted to the income statement.
(b) Including the services of independent experts or members of the Auditor's network used by the Auditor to certify the financial statements.
(c) This item shows the directly related audit and services rendered to the issuer or its subsidiaries:
- by the Statutory Auditor in accordance with Article 10 of the Code of Ethics;
- by a member of the network in accordance with the provisions of Articles 23 and 24 of the Code of Ethics.
(d) Non-audit services rendered pursuant to the provisions of Article 24 of the Code of Ethics, by a member of the network to the subsidiaries of the issuer whose financial statements are being certified. Fees related to an audit of an unsuccessful acquisition.

The fees of the other Auditors for the fully consolidated subsidiaries were €50 thousand in 2012 and €51 thousand in 2011.

NOTE 33. POST-CLOSING EVENTS

No significant event took place after the closing date.

4.2. STATUTORY FINANCIAL STATEMENTS AT NOVEMBER 30, 2012

Annual financial statements at November 30, 2012

Income Statement

(in € thousands)	Section	November 30, 2012	November 30, 2011
Revenues	4.2.2.13	1,076	238
Other purchases and outsourcing	4.2.2.14	(2,085)	(2,113)
Wages and salaries		(1,478)	(1,734)
Taxes		(306)	(278)
Amortization, depreciation and provisions	4.2.2.8	(2,425)	(3,912)
Reversal of provisions and expense transfer		1,459	1,502
Other operating income and expenses		(271)	(495)
Operating income		**(4,030)**	**(6,792)**
Profits allocated and losses incurred	4.2.2.15	74,019	66,605
Net financial income (including dividends from subsidiaries)	4.2.2.16	257	3,345
Current operating income		**70,246**	**63,158**
Non-recurring income (loss)	4.2.2.17	232	44
Corporate income tax	4.2.3	1,565	4,813
Net income		**72,043**	**68,015**

Balance Sheet

Assets

(in € thousands)	Section	November 30, 2012	November 30, 2011
Intangible assets	4.2.2.2	-	-
Property, plant and equipment	4.2.2.3	131	133
Financial assets	4.2.2.4	370,361	418,850
Fixed assets		**370,492**	**418,983**
Inventories		13	22
Receivables	4.2.2.5	116,916	114,271
Treasury shares	4.2.2.6	9,778	4,268
Cash and cash equivalents		211	257
Prepaid expenses		97	15
Current assets		**127,015**	**118,833**
Total assets		**497,507**	**537,816**

Equity and liabilities

(in € thousands)	Section	November 30, 2012	November 30, 2011
Authorized capital		5,612	5,612
Premiums and reserves		134,687	66,673
Interim dividends		(48,455)	-
Net income		72,043	68,015
Shareholders' equity	**4.2.2.7**	**163,887**	**140,300**
Provisions for liabilities and charges	4.2.2.8	8,239	5,944
Financial debt	4.2.2.9	238,859	305,841
Trade payables and related accounts		495	610
Other payables	4.2.2.10	86,027	85,121
Total equity and liabilities		**497,507**	**537,816**

4.2.1. General principles

The fiscal year lasts 12 months, from December 1 to November 30 of the following year.

The annual financial statements were prepared in accordance with prevailing French accounting regulations (Chart of Accounts and Commercial Code).

4.2.1.1. Property, plant and equipment and intangible fixed assets

Property, plant and equipment and intangible fixed assets are posted to the balance sheet at acquisition cost. Amortization and depreciation are calculated on a straight-line basis according to the expected life of the asset concerned.

The depreciation periods generally used are as follows:

- IT licenses: 3 years;
- fittings, fixtures, facilities: 10 years;
- office furniture: 10 years.

4.2.1.2. Financial assets

The gross amount of the equity investments of the companies listed on the balance sheet is equal to their acquisition cost. A provision is recognized when the book value is lower than the value in use.

The useful value of each Company is measured on the basis of the share of the net-position held, a share that includes the share in the income from projects lodged with the Company. Account is taken of consolidated goodwill and the earnings outlook of the subsidiaries.

To assess the useful value of the group's subsidiaries, the Management of Kaufman & Broad makes estimates and uses assumptions that are based on past experience and anticipated changes in the markets in which these companies operate, or other factors considered to be reasonable under the circumstances.

The estimates and assumptions concern primarily:

- forecasts for the results of real-estate developments;
- business plans for upcoming periods.

Selling price and take-up rate assumptions based on the earnings forecast for real-estate developments and actual budget results for the medium-term provisional budgets used to carry out impairment tests could be impacted by the economic environment and regulatory changes, particularly government tax incentives.

Receivables related to equity interests correspond to current account advances to group companies.

The net income of the tax-transparent subsidiaries (construction and sale businesses, or partnerships), of which Kaufman & Broad SA is a partner, immediately and entirely inures to Kaufman & Broad SA at the end of the year. At year-end, the positive share in the income of the tax-transparent companies for the fiscal year is posted in the current account. In accordance with the provisions of the French Construction and Housing Code, the payment of any sum owed to their partners by companies with programs under development must be strictly limited to the sums that the companies with said programs may access freely as and when construction projects are completed.

4.2.1.3. Treasury shares

The bonus shares purchased for allotment to group employees (under bonus share plans) are recognized in a dedicated "Treasury shares" account by destination in accordance with the decision to allot the shares. Treasury shares under the liquidity contract or not yet allocated are valued at the average market price for the last month of the fiscal year; a provision is booked in the event of impairment of the acquisition price. Treasury shares allocated under a bonus share plan are kept at their value on the allocation date. In accordance with CNC Notice 2008-17, a provision in the amount of the loss that the Company will suffer when the shares are allotted to employees is deferred using the straight line method over the vesting period for the rights. This cost is listed under personnel expenses.

4.2.1.4. Provisions for liabilities and charges

The litigation provisions posted as liabilities on the balance sheet are reviewed on a quarterly basis by the legal and accounting departments. Provisions made at an earlier date are reviewed and reassessed on the basis of the status of current proceedings. Where applicable, new provisions are made based on a case-by-case risk assessment in the event of new litigation. The creation of a provision is not conditional on the existence of judicial proceedings but depends on the nature of the risk.

4.2.1.5. Adjustment accounts and financial instruments

Unrealized gains and losses on interest-rate instruments in hedging transactions are not recognized. When such instruments are cancelled or terminated early, the cash balance paid is booked directly in the income statement.

4.2.1.6. Share of profits and losses incurred

Significant events in 2011

As from fiscal year 2011, most of the group's subsidiaries have been using the preferred percentage-of-completion method to recognize revenues and the margin on real-estate programs in their annual financial statements.

Recognition of revenues and margin is now done in proportion to technical completion, the starting point of which is the acquisition of land and progress of sales (signed deeds) of each program. This method applies regardless of whether the margin is expected to be profitable or non-profitable.

Taxable income of these subsidiaries is still determined using the method of recognizing revenues and margin on completion.

The bylaws of these companies organized in the legal forms of SCIs and SNCs provide for the automatic transfer of profits to their partners during the same fiscal year.

In accordance with the provisions of the French Construction and Housing Code, the payment of any sum owed to their partners by companies with programs under development must be strictly limited to the sums that the companies with said programs may access freely as and when construction projects are completed.

4.2.1.7. Tax consolidation

The tax consolidation agreement signed by companies belonging to the consolidated group stipulates that tax liabilities are incurred by consolidated companies (subsidiaries and the parent Company), as they would in the absence of tax consolidation, after allocation of all their previous losses. In addition, tax savings from losses are kept by Kaufman & Broad SA, as the parent Company and are considered earnings for the period even if they give rise to a liability for the period during which non-profitable subsidiaries become profitable.

4.2.2. Analysis of the financial statements

4.2.2.1. Significant events

Early partial repayment of the Senior debt

Following the double bidding process launched by Kaufman & Broad SA on July 26, 2011, which resulted in the early repayment in 2011 of a portion of its term debt under its Senior Facilities Agreement in the amount of €50.8 million and the cancellation of part of the credit commitments that the Company has as part of its revolving credit line under this agreement, on February 29, 2012, Kaufman & Broad SA prepaid an additional amount of €10 million on its term debt. This transaction led to a net profit of €1 million, recognized in financial income.

Moreover, as stipulated in the loan documentation, Kaufman & Broad SA also made a prepayment of €17.9 million in late January 2012.

At the end of October 2012, following the signing of a new amendment to the Senior Facilities Agreement, Kaufman & Broad SA made a voluntary early repayment of €40 million, bringing the total amount of debt repaid in fiscal year 2012 to €68 million. Under this supplemental agreement, Kaufman & Broad SA also reduced its drawdown right for the RCF line by €50 million to €52.9 million (see note 4.2.2.9.).

Payment of an interim dividend

On October 23, 2012, after reviewing the results of the Company over the past few years and its prospects, the Board of Directors decided to distribute an interim dividend of €2.31 per share for fiscal year 2012. This interim dividend was paid on November 15, 2012 for an amount of €48.5 million, excluding treasury shares.

4.2.2.2. Intangible assets

(in € thousands)	November 30, 2012	November 30, 2011
IT licenses	274	274
Depreciation and amortization	(274)	(274)
Net intangible assets	**-**	**-**

4.2.2.3. Property, plant and equipment

(in € thousands)	November 30, 2012	November 30, 2011
Facilities and fittings	184	184
Depreciation and amortization	(53)	(51)
Facilities and fittings	**131**	**133**
Office and IT equipment – furnishings	601	601
Depreciation and amortization	(601)	(601)
Office and IT equipment – furnishings	**-**	**-**
Net property, plant and equipment	**131**	**133**

4.2.2.4. Financial assets

(in € thousands)	November 30, 2012	November 30, 2011
Equity interests	324,798	369,815
Receivables related to equity interest and loans[(a)]	55,256	53,208
Other financial assets[(b)]	1,545	1,479
Impairment[(c)]	(11,238)	(5,652)
Net financial assets	**370,361**	**418,850**

(a) Receivables related to equity interests correspond to current account advances to group companies due within one year.
(b) Other investments and loans are largely composed of deposits and guarantees, including cash made available by Rothschild Bank as part of the share purchase agreement, in the amount of €1.5 million.
(c) At November 30, 2012 provisions on shares of a number of subsidiaries (shares of SMCI for €0.8 million, Vascosan for €0.1 million, Park Promotion for €0.7 million and Kaufman & Broad Rénovation for €0.2 million) were maintained. The provision of Kaufman & Broad Financement was increased by €0.5 million and totals €4.3 million and the securities of SM2I were written down to €5 million due to the losses of the subsidiary and the prospects for business development in Brittany).

(in € thousands)	Nov. 30 2011	Increase	Decrease	Nov. 30, 2012
Equity interests[(a)]	369,815	-	45,017	324,798
Receivables related to equity interest and loans	53,208	2,048	-	55,256
Other fixed assets	1,479	66	-	1,545
Impairment provision	(5,652)	(5,586)	-	(11,238)
Financial assets	**418,850**	**(3,472)**	**45,017**	**370,361**

(a) Kaufman & Broad Europe reduced its share capital by payment in cash following the decision of February 22, 2012.

4.2.2.5. Receivables

(in € thousands)	November 30, 2012	November 30, 2011
Value added tax	207	232
Corporate income tax[(a)]	34,123	36,363
Current accounts[(c)]	82,393	76,945
Other receivables[(b)]	193	731
Receivables	**116,916**	**114,271**

(a) The Corporate income tax receivable includes tax receivables of €34.1 million related to the carry-back receivable for the loss generated in 2009 and 2010.
(b) In 2011, this amount included a VAT receivable of €0.6 million on Treasury recorded after a favorable decision by the French court of appeal as part of a tax dispute in 2001 and repaid by the tax authorities in 2012.
(c) Includes €77 million of the share of subsidiaries' earnings upstreamed to parent and €5 million in current accounts relative to the tax consolidation with the other group companies (see note 4.2.2.15.).

(in € thousands)	November 30, 2012	Up to 1 year	More than 1 year
Value added tax	207	207	-
Corporate income tax	34,123	-	34,123
Current accounts	82,393	42,845	39,548
Other debtors	193	193	-
Receivables	**116,916**	**43,245**	**73,671**

4.2.2.6. Treasury shares

(in € thousands)	November 30, 2012	November 30, 2011
Treasury shares	9,778	4,455
Provisions for impairment of treasury shares	-	(187)
Treasury shares (value net of impairment)	**9,778**	**4,268**

As of November 30, 2012, there were 643,093 treasury shares including:

- the 56 thousand shares allocated to bonus share plans in the amount of €1,117 thousand;
- shares held for which no allocation decision has yet been made totaling 585,343 shares for an amount of €8,630 thousand;
- 1,750 shares held under the liquidity contract for the amount of €32 thousand.

As of November 30, 2011, the group held 278,109 treasury shares, including 91,000 shares allocated to bonus share plans and 187,109 shares for which no allocation decision had been made.

At its Meeting of January 17, 2012, the Board of Directors allocated 20,000 treasury shares to a new bonus share plan. In addition 55,000 shares were delivered to their beneficiaries in January 2012 (January 20, 2010 plan).

4.2.2.7. Shareholders' equity

The change in shareholders' equity is to be analyzed as follows:

(in € thousands)	November 30, 2012	November 30, 2011
Capital stock	5,612	5,612
Share premium	975	975
Stock subscription warrants	781	781
Statutory reserve	979	979
Other reserves	30,656	30,656
Retained earnings	101,296	33,282
Interim dividends	(48,455)	-
Net income	72,043	68,015
Shareholders' equity	**163,887**	**140,300**

(in € thousands)	Capital stock	Statutory reserve	Stock subscription warrants	Share premium	Other reserves	Retained earnings	Interim dividends	Net income	Share-holders' equity
November 30, 2010	**5,612**	**979**	**781**	**975**	**30,656**	**24,060**	**-**	**9,221**	**72,284**
Appropriation of 2010 earnings	-	-	-	-	-	9,221	-	(9,221)	-
Net income for the fiscal year	-	-	-	-	-	-	-	68,015	68,015
November 30, 2011	**5,612**	**979**	**781**	**975**	**30,656**	**33,281**	**-**	**68,015**	**140,299**
Appropriation of 2011 earnings	-	-	-	-	-	68,015	-	(68,015)	-
Interim dividends	-	-	-	-	-	-	(48,455)	-	(48,455)
Net income for the fiscal year	-	-	-	-	-	-	-	72,043	72,043
November 30, 2012	**5,612**	**979**	**781**	**975**	**30,656**	**101,296**	**(48,455)**	**72,043**	**163,887**

Change in capital

(in euros)	November 30, 2011	Increase	Decrease	November 30, 2012
Number of shares	21,584,658	-	-	21,584,658
Par value	0.26	-	-	0.26
Capital	**5,612,011**	**-**	**-**	**5,612,011**

At November 30, 2011 and at November 30, 2012, Kaufman & Broad's capital stock amounted to €5,612,011.08, subdivided into 21,584,658 shares of common stock each with a par value of €0.26.

4.2.2.7.1. Stock option plans

The stock option plan set up by the group in 2006 was still outstanding as at November 30, 2012. No new tranche was granted and no new stock option plan was set up in 2012.

Details concerning the main features of the group's plans in effect at November 30, 2012 are set out in the table below.

Stock options	Plan 3
Date of the Extraordinary Shareholders' Meeting authorizing the plan	April 19, 2006
Date of the Board of Directors' Meeting granting the options/shares	April 19, 2006
Number of awarded options	95,500
Number of beneficiaries	26
Start of exercise period for the options	April 19, 2008
Expiration date	April 19, 2016
Expiration of holding period	April 19, 2010
Exercise price	€44.23
Options outstanding at beginning of the fiscal year	36,100
Options granted during the fiscal year	-
Options forfeited during the fiscal year	-
Options exercised during the fiscal year	-
Expired options	5,000
Options outstanding at November 30, 2012	31,100
Options exercisable at November 30, 2012	31,100

4.2.2.7.2. Bonus share plan

Pursuant to the authorizations of the April 2006, December 2007 and April 2009 Shareholders' Meetings of Kaufman & Broad SA, it was decided to set up a share award plan for certain executives of Kaufman & Broad SA and its affiliates, in particular to give them the opportunity to share in the Company's growth.

Under the bonus share plan of January 20, 2010, 55,000 bonus shares were definitively allotted at the end of the vesting period and were delivered during fiscal year 2012.

As authorized by the April 9, 2009 Extraordinary Shareholders' Meeting in relation to a plan for 220,000 bonus shares for certain managers and employees of Kaufman & Broad SA and its affiliates, the Board of Directors' Meeting of February 17, 2011 awarded 36,000 shares, while its Meeting of January 17, 2012 awarded 20,000 shares.

Title to the shares allotted under the various plans detailed below was transferred at the end of the vesting period, i.e., two years after the allotment date set by the Board of Directors.

Beneficiaries of these plans may not transfer title to the shares actually vested by any means whatsoever prior to the end of the lock-in period, i.e., two years after the vesting date of said shares.

Details concerning the main features of the group's plans in effect at November 30, 2012 are set out in the table below.

Bonus shares	Feb. 17, 2011 Plan	Jan. 17, 2012 Plan
Date of the Extraordinary Shareholders' Meeting authorizing the plan	April 9, 2009	April 9, 2009
Date of the Board of Directors' Meeting granting the shares	February 17, 2011	January 17, 2012
Total number of shares granted	36,000	20,000
Number of beneficiaries	14	21
Date of transfer of ownership of bonus shares	February 17, 2013	January 18, 2014
Date of sale of bonus shares	February 17, 2015	January 18, 2016
Void shares	2,000	1,000
Shares outstanding at November 30, 2012	34,000	19,000

Stock subscription warrants

The Shareholders' Meeting of December 3, 2007 issued 721,086 stock subscription warrants. Financière Daunou 10 waived its rights to the 150,311 stock subscription warrants it holds. The residual number of stock subscription warrants (SSWs) at the end of fiscal year 2012 was 570,775. The issuance of these 570,775 SSWs could result in an eventual capital increase for a maximum nominal amount of €148,401.50, plus the amount of the additional capital increases necessary to preserve the rights of the SSW holders in the event of new financial transactions.

4.2.2.8. Provisions for liabilities and charges

(in € thousands)	November 30, 2012	November 30, 2011
Provision for allotment of bonus shares[(a)]	862	1,197
Provision for tax liabilities	4,600	3,000
Provision for subsidiary liabilities[(b)]	2,358	1,602
Other provisions for liabilities and charges	419	145
Provisions for liabilities and charges	**8,239**	**5,944**

(a) Provision booked for the loss the Company will suffer when the bonus shares are remitted to employees; it is deferred using the straight line method over the vesting period for the rights.
(b) Provision in the amount of the net negative position of the Kaufman & Broad Rénovation, SMCI, Kaufman & Broad Financement and SM2I subsidiaries.

Following an audit of the accounts for fiscal years 2005 to 2008, a proposed correction was sent to Kaufman & Broad SA on July 13, 2010 by France's National and International Tax Audit Directorate (DVNI) in respect of Kaufman & Broad's operations in Belgium. The amount of the correction was €7.6 million, including €2.4 million in interest and penalties. In September 2010 Kaufman & Broad SA shared its observations regarding the proposed correction with the DVNI, which maintained its position. The Company filed an appeal with a higher authority, following which the DVNI advised that it wished to pursue the correction proceedings.

With the outcome yet to be determined, Kaufman & Broad SA has recorded a liability provision of €3 million under the "Provisions" item at November 30, 2011.

The Departmental Committee on Direct and Other Taxes for revenues originally scheduled on December 3, 2012 will be held February 21, 2013.

Kaufman & Broad SA has been involved in adjustment proceedings solely for the year ended November 30, 2009, for which the tax authorities contest the group's Belgian activities. This procedure resulted in a proposed correction received on July 16, 2012, for an amount of €4.2 million, which includes €1.2 million in interest and penalties.

Consequently, an additional provision of €1.6 million was recorded in fiscal year 2012, increasing the initial provision to €4.6 million at November 30, 2012.

(in € thousands)	Nov 30, 2011	Increase	Reversals used	Reversals unused	Nov. 30, 2012
Provision for allotted bonus shares	1,197	539	874	-	862
Provision for tax liabilities	3,000	1,600	-	-	4,600
Provision for subsidiary liabilities	1,602	908	152	-	2,358
Other provisions for liabilities and charges	145	274	-	-	419
Provisions for liabilities and charges	**5,944**	**3,321**	**1,026**	**-**	**8,239**

4.2.2.9. Financial debt

(in € thousands)	November 30, 2012	November 30, 2011
Syndicated banking credit line	237,666	305,642
Utilized credit facilities	1,080	78
Interest accrued on borrowings	113	121
Financial debt	**238,859**	**305,841**

Kaufman & Broad SA holds a syndicated line of bank credit whose features are detailed below.

Principal use of debt

(in € thousands)	Debt capacity	Utilization at November 30, 2012	Maturity	Interest rate[(a)]
Senior B	120,676	120,676	*bullet maturity,* July 10, 2015	E+275 BPS
Senior C	116,991	116,991	*bullet maturity,* July 10, 2016	E+325 BPS
RCF[(b)]	52,900	-	July 10, 2014	E+238 BPS
Total	**290,567**	**237,667**		

(a) E = Euribor is, for a given maturity, the setting of an average rate, calculated every business day, at which a panel of some fifty major banks in Europe make unsecured loans to other major banks.
(b) Revolving credit facility.

As of November 30, 2012, the group had a €237.7 million syndicated bank credit line, versus €305.6 million as of November 30, 2011.

1. The Senior Facilities Agreement, as it results from the agreement signed by the Company and its lenders on January 23, 2009 and from the supplemental agreements signed on June 30, 2009, November 25, 2009, July 25, 2011 and October 17, 2012 stipulates:

1.1. keeping the B (200 million) and C (201.5 million) credit lines and the revolving credit line (175 million) "as is": i.e., amounts, interest rates and maturity remain unchanged. The supplemental agreement signed November 25, 2009 provided for mandatory early partial repayment of the facilities granted to the Company, which took place in fiscal year 2010,

1.2. supplemental agreement no. 6, signed on July 25, 2011 provides that the Company may start repaying a portion of its term debt under the Senior Facilities Agreement for sums below the nominal value of said debt. This discount takes the form of waivers of receivables granted by the relevant lenders, in accordance with specific terms and conditions, in particular that the principal amount is not to exceed €70 million and that repayments must be made on one or more occasions before February 29, 2012 at the latest. In this context partial repayments totaled over fiscal year 2011 amounting to €50.8 million in the first quarter of 2012 amounting to €10 million,

1.3. supplemental agreement no. 7, signed on July 25, 2011, provides that the Company may cancel all or part of the commitments of certain lenders under the revolving line of credit who wished to withdraw from said credit line before its final expiration, in exchange for payment by these lenders of a cancellation fee in accordance with specific terms and conditions, in particular that the principal amount is not to exceed €75 million and that cancellations may be made on one or more occasions without limitation and no later than February 29, 2012. In this context, there was a partial cancellation of €72.1 million during fiscal year 2011. Moreover, under these agreements, Kaufman & Broad SA made an additional repayment of €17.9 million in late January 2012.

1.4. Supplemental agreement no. 8, signed on October 17, 2012 provided for the voluntary early repayment of €40 million on term lines B and C that occurred on October 31, 2012, bringing the total amount of debt repaid during fiscal year 2012 to €68 million. This supplemental agreement also provided for the reduction of the right to draw down the RCF line by €50 million to €52.9 million.

2. Financial ratios in the accounting quarters from May 2010 until the expiration of the agreement in 2016, the group is required to comply with three ratios, calculated on a consolidated basis, with levels redefined as follows:

Ratios	Nov. 2012	Feb. 2013	May 2013	Aug. 2013	Nov. 2013	Nov. 2014	Nov. 2015	May 2016
Debt ratio	<5.10	<4.80	<4.50	<4.20	<3.70	<3.00	<2.00	<1.50
Net financial expenses cover ratio	>1.80	>2.00	>2.10	>2.30	>2.50	>3.50	>4.50	>5.00
Minimum cash flow level *(in € millions)*	212	229	267	311	333	445	545	585

3. The Company will not be allowed to distribute any dividends in the years ending November 30, 2009, 2010 and 2011 and from fiscal year 2012 it will be allowed to distribute dividends only if the Debt Ratio is less than or equal to 3;

4. Restriction related to external acquisitions and, in particular, to the acquisition of stakes which could be made by the group, with the requirement to obtain the unanimous agreement of all lenders for any financing of such acquisitions through debt. It also provides for a cash sweep clause under certain conditions. For 2012, no repayment was scheduled.

Supplemental Agreement No. 5, signed on March 10, 2010, modified the financial definitions of EBITDA, cash flow and net cash interest stipulated by the Senior Facilities Agreement in order to neutralize the effects of IAS 23 (Borrowing Costs) on these ratios and to ensure for the financial parties the same protection they received under the contract before the application of this standard.

Details of covenant at November 30, 2012

	Threshold	November 2012
Debt ratio[(a)]	<5.10	0.95
Net financial expenses cover ratio	>1.80	6.83
Minimum cash flow level *(in € millions)*	212.0	507.5

(a) Or Net Financial Debt divided by EBITDA.

The covenants were respected as at November 30, 2012.

Schedule

(in € thousands)		Maturity		
	November 30, 2012	Less than 1 year	1 to 5 years	More than 5 years
Syndicated credit facility	237,666	-	237,667	-
Credit facilities utilized	1,080	1,080	-	-
Accrued interest	113	113	-	-
Gross financial debt	**238,859**	**1,193**	**237,667**	**-**

4.2.2.10. Other payables

(in € thousands)	November 30, 2012	November 30, 2011
Value added tax	53	56
Other taxes	1,479	-
Other miscellaneous receivables	260	266
Current accounts[(a)]	84,235	84,798
Other payables	**86,027**	**85,120**

(a) This amount represents the cash advances granted by group companies, including the portion of SNC Kaufman & Broad Financement, the group's cash flow center, amounting to €82 million.

(in € thousands)	November 30, 2012	≤ 1 year	1 to 5 years	More than 5 years
Value added tax	53	53	-	-
Other taxes	1,479	1,479	-	-
Other miscellaneous receivables	260	260	-	-
Current accounts	84,235	84,235	-	-
Other payables	**86,027**	**86,027**	**-**	**-**

4.2.2.11. Amounts due to or owed by equity affiliates

(in € thousands)	November 30, 2012	November 30, 2011
Receivables on equity interests	55,256	53,208
Other receivables	82,393	76,945
Current accounts	(84,235)	(84,798)
Related companies receivables and payables	**53,414**	**45,355**

4.2.2.12. Accrued expenses and revenues

(in € thousands)	November 30, 2012	November 30, 2011
Loans and financial debts	(113)	(121)
Trade payables and related accounts	(446)	(490)
Tax and Social Security liabilities	(1,456)	-
Total payables	**(2,015)**	**(611)**

The amount listed under trade payables and related accounts corresponds primarily to fees not yet invoiced.

The amount appearing in tax and Social Security liabilities corresponds to the additional contribution for the dividend distribution of 3%.

(in € thousands)	November 30, 2012	November 30, 2011
Other receivables	193	98
Other accrued income	**193**	**98**

4.2.2.13. Revenues

(in € thousands)	November 30, 2012	November 30, 2011
Services	1,076	238
Total	**1,076**	**238**

Revenues correspond to reinvoicing of operating costs incurred in 2012 by Kaufman & Broad SA on behalf of group companies or its shareholders and since 2012 the reinvoicing to GIE Kaufman & Broad, an entity that employs Kaufman & Broad group employees, for expenses related to the distribution of bonus shares.

4.2.2.14. Other purchases and outsourcing

(in € thousands)	November 30, 2012	November 30, 2011
Legal fees and arrangements	(566)	(644)
Audit fees	(398)	(431)
Internal services	(854)	(794)
Other expenses	(267)	(244)
Total	**(2,085)**	**(2,113)**

4.2.2.15. Profits allocated and losses incurred

This item records the income from program support companies for a net total of €74 million as at November 30, 2012, compared with €66.6 million as at November 30, 2011. It comprises:

- €78.3 million at the end of November 2011 versus €74.4 million at the end of November 2011, for profits allocated;
- €4.3 million at the end of November 2012, versus €7.8 million at the end of November 2011, for losses incurred.

4.2.2.16. Financial income

(in € thousands)	November 30, 2012	November 30, 2011
Dividends received[(a)]	21,442	14,247
Net change in provisions[(b)]	(6,285)	(1,884)
Financial income relating to the early repayment of the Senior B and C credit lines[(c)]	1,000	3,756
Financial income relating to the waived use of a share of the RCF credit line[(c)]	-	5,603
Net interest expenses[(d)]	(15,900)	(18,377)
Total	**257**	**3,345**

(a) Dividends and financial income comprise dividends paid by subsidiary companies.
(b) In 2012 this amount included:.
- an allocation of €5.5 million on the impairment of SM2I securities (€5.1 million) and Kaufman & Broad Financement (€0.5 million);
- allocations to provisions of €0.3 million on SM2I and €0.5 million on KB Financement considering the negative equity of these subsidiaries and their earnings prospects (see note 4.2.2.8).
In 2011 this amount included:
- an allocation of €0.3 million for impairment of securities;
- allocations to provisions for risk amounting to €1.6 million for subsidiaries Kaufman & Broad Rénovation and SMCI;
(c) Following the redemption of the Senior B and C lines that occurred in 2012 (see note 4.2.2.1. "Significant events of the period");.
(d) Financial interest corresponds to interest incurred on borrowings and swaps and on intra-group current accounts.

4.2.2.17. Non-recurring income (loss)

(in € thousands)	November 30, 2012	November 30, 2011
Other net exceptional income[(a)]	232	44
Total	**232**	**44**

(a) Non-recurring income in 2012 comes from late interest paid by the Treasury following the favorable decision of the courts of appeal in a tax dispute in 2001 (see note 4.2.2.5).

4.2.2.18. Off-balance sheet items

Interest-rate hedges

Interest rate hedges are made by way of instruments listed on organized markets or over-the-counter with high-quality counterparties.

The following table contains details of the portfolio of one-month Euribor lender/fixed-rate borrower swaps as at November 30, 2012.

Nature	Notional amount *(in € millions)*	Fixed rate	End of term	Type	Market value at November 30, 2012 as a % of nominal
EUR 1M fixed rate swap	50	0.202%	Nov. 30, 2012-Nov. 30, 2014	Hedge	(-0.10%)
EUR 1M fixed rate swap	50	0.218%	Nov. 30, 2012-Nov. 30, 2014	Hedge	(-0.14%)
EUR 1M fixed rate swap	50	0.240%	Nov. 30, 2012-Nov. 30, 2014	Hedge	(-0.18%)
Total	**150**				

Off-balance sheet commitments received

Unutilized syndicated lines of credit

(in € thousands)	November 30, 2012	November 30, 2011
Unutilized RCF line[(a)]	52,900	102,900

(a) The amount of this line maturing in July 2014 was reduced in fiscal year 2012 by 50 million as part of Supplemental Agreement No. 8 to the Senior Facilities Agreement signed in October 2012. (see note 4.1.1.1).

(in € thousands)	November 30, 2012	November 30, 2011
Land non-use indemnities and works guarantees	16,415	11,467
Counter-guarantees issued[(a)]	45,399	49,733
Purchaser guarantee[(b)]	-	9,020
Total	**61,814**	**70,220**

(a) Counter guarantees issued by Kaufman & Broad SA to financial institutions which have themselves given Performance Bonds on work guarantees and land non-use indemnities to group subsidiaries. Since 2011 this amount also includes a payment guarantee related to an office program for €34 million.
(b) Purchaser guarantees granted on land subject to appeal proceedings as part of the dispute between the Company and one of its partners that matured in 2012.

Pledges and liens

Security interests have been granted by Kaufman & Broad SA to guarantee its commitments for the financing set up in July 2007.

Type of pledge/lien	Start date	Final expiration date	Amount of assets pledged[(b)]	Total balance sheet value	Total % of Kaufman & Broad SA balance sheet at Nov. 30, 2012
Pledge of financial instrument account – 100% of Kaufman & Broad Homes SAS shares held by the Company	July 11, 2007	(a)	€10,450,195	€10,450,195	2%
Pledge of the credit balance in the Kaufman & Broad SA bank accounts	July,11, 2007	(a)	€211,169	€211,169	-
Framework agreement for the assignment of intra-group receivables from Kaufman & Broad SA's subsidiaries, in particular Kaufman & Broad Financement SNC	July,11, 2007	(a)	-	-	-
Pledge of 100% of the Kaufman & Broad Europe SA shares	-	(a)	€217,436,878	€217,436,878	44%
Total			**€228,098,242**	**€228,098,242**	**46%**

(a) These pledges are intended to be maintained until full payment of the amounts and fees owed by the Company as borrower and guarantor under the Senior Facilities Agreement and ancillary agreements.
(b) Net book value in the individual Company financial statements as of November 30, 2012.

4.2.3. Tax consolidation and future tax position

The Company opted for the tax consolidation treatment as of the year ended November 30, 1990, in accordance with Article 223 of the French Tax Code, for a term of five years. The Company has renewed this option four times, making it valid until the end of 2014.

(in € thousands)	Kaufman & Broad SA excluding consolidation						
	Pre-tax book income (loss)	Tax adjustments[a]	Pre-tax fiscal income	Kaufman & Broad SA theoretical tax	Tax consolidation effect (income/ expense)	Recognized tax (income/ expense)	Net income
Current	70,246	(41,086)	29,160	(5,327)	6,892	1,565	71,811
Extraordinary	232	-	232	-	-	-	232
Total	**70,478**	**(41,086)**	**29,392**	**(5,327)**	**6,892**	**1,565**	**72,043**

(a) The tax adjustments relate mainly to the adjustment of the recognition of revenues and margins on a percentage of completion basis recorded in book income but neutralized for the calculation of tax income on a completion basis (see note 4.2.2.1).

Future tax position (in € thousands): the main deferred tax basis at the end of 2012 was as follows:

(in € thousands)	November 30, 2011		Change		November 30, 2012	
	Assets	Equity and liabilities	Assets	Equity and liabilities	Assets	Equity and liabilities
I. Certain or potential offsets						
- Recognition of progress-based programs/taxation on completion	-	130,259	-	29,161	-	159,420
- Temporary non-deductible expenses (organic, non-deductible provisions, non-deductible interest)	4,670	-	282	-	4,952	-
- Losses of the subsidiaries of the consolidated group	6,139	80,338	12,886	39,135	19,025	119,473
Total I	**10,809**	**210,597**	**13,168**	**68,296**	**23,977**	**278,893**
II. Taxable items						
- Consolidated group losses that can be carried forward for tax purposes	93,686	-	-	13,017	80,669	-
Total I + II	**104,495**	**210,597**	**13,168**	**81,313**	**104,646**	**278,893**

4.2.4. Related party transactions

By virtue of the license agreement signed with Kaufman & Broad Europe SA, Kaufman & Broad SA has a license to use brands, logos and the Kaufman & Broad domain names in France at no charge.

4.2.5. Post-closing events

None.

4.2.6. Consolidation

Kaufman & Broad SA, the group's parent Company, prepares Consolidated Financial Statements comprising the financial statements of the following companies: Kaufman & Broad Développement SAS, SMCI Développement SAS, Kaufman & Broad Rénovation SAS, Kaufman & Broad Homes SAS, Kaufman & Broad Participations SAS, Résidences Bernard Teillaud SARL, Kaufman & Broad Nantes SARL, Kaufman & Broad Côte d'Azur SARL, Kaufman & Broad Financement SNC, Kaufman & Broad Promotion 1 to 9, Kaufman & Broad Midi-Pyrénées SARL, Kaufman & Broad Aquitaine SARL, Kaufman & Broad Languedoc-Roussillon SARL, Kaufman & Broad Méditerranée SARL, Kaufman & Broad Normandie SARL, Kaufman & Broad Rhône-Alpes SARL, Kaufman & Broad Pyrénées-Atlantiques SARL, SM2I SARL and the SCI and SNC companies carried by all of these companies.

The financial statements of Kaufman & Broad SA are fully consolidated in the Consolidated Financial Statements of Financières Gaillon 8 SA.

4.2.7. Other

Kaufman & Broad SA has no employees.

The total compensation for Board Directors and Corporate Officers for 2012 amounted to €1,976,497 of which €207,967 was paid to non-executive Directors.

4.2.8. Subsidiaries and affiliates

	Capital	Other equity, before appropriation of net income	% ownership interest	Gross book value of shares held
A - Detailed information on investments in subsidiaries whose gross book value exceeds 1% of Kaufman & Broad SA's capital				
1. Subsidiaries (at least 50% of the capital held by the Company)				
Kaufman & Broad Europe SA	221,440,548	1,855,333	99.90%	217,436,878
Kaufman & Broad Homes SAS	2,247,403	8,702,418	100.00%	10,450,195
Kaufman & Broad Développement SAS	152,449	13,760,644	100.00%	152,449
SMCI Développement SAS	762,245	(2,096,351)	100.00%	762,245
Kaufman & Broad Rénovation SAS	160,000	(427,654)	100.00%	152,296
SCI Vascosan	1,524	-	99.00%	121,959
Kaufman & Broad Financement SNC	3,040,500	1,032,749	99.90%	4,307,707
Kaufman & Broad Participations SAS	205,280	27,327,674	100.00%	30,191,792
Kaufman & Broad Méditerranée SARL	100,000	(7,944,932)	100.00%	100,000
Kaufman & Broad Normandie SARL	100,000	(4,115,881)	100.00%	100,000
Kaufman & Broad Savoie SARL	100,000	1,462,752	100.00%	100,000
Kaufman & Broad Rhône-Alpes SARL	1,300,000	(8,935,801)	100.00%	1,300,000
Kaufman & Broad Pyrénées-Atlantiques SARL	100,000	66,199	100.00%	100,000
Résidences Bernard Teillaud SARL	840,000	11,179,111	100.00%	15,663,729
Kaufman & Broad Midi-Pyrénées SARL	2,858,910	15,280,666	100.00%	36,404,833
Kaufman & Broad Languedoc-Roussillon SARL	100,000	(2,065,499)	99.00%	99,000
Kaufman & Broad Aquitaine SARL	100,000	(2,858,063)	99.00%	1,387,900
Kaufman & Broad Development SA	61,500	-	99.00%	61,400
SM2I	1,000,000	1,146,459	100.00%	5,059,325
2. Shareholding (at least 10% to 50% of the capital held by the Company)				
SNC Park Promotion	15,245	-	100.00%	686,020
B - General information on other interests with a gross value less than 1% of Kaufman & Broad SA's capital				
1. Subsidiaries not included in Section A				
SNC Kaufman & Broad Promotion 1	1,000	-	99.90%	990
SNC Kaufman & Broad Promotion 2	1,000	-	99.90%	990
SNC Kaufman & Broad Promotion 3	1,000	-	99.90%	990
SNC Kaufman & Broad Promotion 4	1,000	-	99.90%	990
SNC Kaufman & Broad Promotion 5	1,000	-	99.90%	990
SNC Kaufman & Broad Promotion 6	1,000	-	99.90%	990
SNC Kaufman & Broad Promotion 7	1,000	-	99.90%	990
SNC Kaufman & Broad Promotion 8	1,000	-	99.90%	990
SNC Kaufman & Broad Promotion 9	1,000	-	99.90%	990
Other French subsidiaries (aggregate)	-	-	-	35,475
2. Equity interests in French companies and not included in Section A (aggregate)	**-**	**-**	**-**	**115,827**

Net book value of shares held	Outstanding loans and advances granted by the company	Guarantees and endorsements given by the company	Last published net revenues	Last published net income (loss)	Dividends received by the company during fiscal year
217,436,878	-	-	6,318,548	4,312,585	8,141,744
10,450,195	1,330,187	-	32,892,635	3,513,380	-
152,449	12,392,326	-	14,610,425	(17,213,843)	-
-	-	-	592,666	174,312	-
-	-	-	307,837	27,417	-
-	-	-	-	(7,829)	-
-	81,829,428	-	477,520	(4,628,859)	-
30,191,792	-	-	366,170	(10,202)	-
100,000	-	-	8,637,759	(2,715,084)	-
100,000	-	-	1,523,481	(220,949)	-
100,000	-	-	1,700,337	(1,346,754)	-
1,300,000	-	-	1,988,796	(2,972,649)	-
100,000	864,503	-	7,293,516	1,601,362	300,000
15,663,729	907,474	-	3,128,426	1,716,496	2,000,000
36,404,833	1,356,987	-	8,412,508	(2,110,783)	11,000,000
99,000	-	-	5,430,746	(451,940)	-
1,387,900	-	-	4,380,210	(1,964,231)	-
61,400	-	-	-	(2,208)	-
-	-	-	1,248,852	(2,488,003)	-
29,354	-	-	8,946	51,553	-
990	-	-	91,714,616	9,437,640	-
990	-	-	1,496,154	670,055	-
990	-	-	327,504,535	26,058,064	-
990	-	-	259,045,208	23,913,416	-
990	-	-	123,960,871	12,801,352	-
990	-	-	27,969,612	3,833,830	-
990	-	-	1,141	250,147	-
990	-	-	18,734,927	692,867	-
990	-	-	(752)	(72,667)	-
35,475	-	-	-	-	-
11,503	**-**	**-**	**-**	**-**	**-**

4.2.9. Five-year financial summary

Type of information	2012	2011	2010	2009	2008
1 Financial position at the fiscal year-end					
a) Capital stock	5,612,011	5,612,011	5,612,011	5,612,011	5,792,065
b) Number of shares issued	21,584,658	21,584,658	21,584,658	21,584,658	22,277,174
c) Number of convertible bonds	-	-	-	-	-
2 Aggregate result of actual operations					
a) Net revenues excluding VAT	1,075,639	237,827	291,931	300,129	225,240
b) Earnings before taxes, amortization, depreciation and provisions	78,266,580	68,287,720	(7,123,846)	(30,412,467)	67,687,348
c) Tax on profits	(1,565,327)	(4,813,594)	(5,583,106)	(35,230,054)	(5,291,126)
d) Earnings after taxes, amortization, depreciation and provisions	72,042,542	68,015,260	9,221,151	1,063,988	67,687,348
e) Amount of profits distributed	48,455,612	-	-	-	33,634,003
3 Income from operations per single share					
a) Earnings after taxes and before amortization, depreciation and provisions	3.70	3.39	(0.07)	0.22	3.28
b) Earnings after taxes, amortization, depreciation and provisions	3.34	3.15	0.43	0.05	3.04
c) Dividend per share	2.31	-	-	-	1.51
4 Personnel					
d) Number of employees	-	-	-	-	-
e) Total payroll	-	-	-	-	-
f) Amount paid in benefits	-	-	-	-	-

4.2.10. Fees paid by the group to the auditors and the members of their networks

See Section 4.1.6, “Additional information” – note 32.

4.3. INFORMATION ON RELATED PARTIES

A description of current agreements is contained in section 3.2.6. “Transactions with companies that have Directors in common with the Company or other group companies” (Chapter 3).

Section 4.1.6. “Additional information” – note 32, describes the terms and conditions of transactions conducted with related parties.

5 General information concerning the company and its capital

5.1. GENERAL INFORMATION CONCERNING THE COMPANY

5.1.1. Company name and Corporate office

Company name: Kaufman & Broad SA
Head office: 127 avenue Charles de Gaulle
92207 Neuilly-sur-Seine Cedex
Telephone : +33 (1) 41 43 43 43

5.1.2. Legal form and applicable legislation

The Company is a French *société anonyme* governed by a Board of Directors.

5.1.3. Date of incorporation and term of the company

The Company was created by private deed dated June 28, 1968 and registered in the Nanterre Trade Register on October 29, 1968. The Company will be dissolved on October 29, 2067, unless it is wound up in advance or is extended.

5.1.4. Corporate purpose

As defined in Article 3 of the bylaws, the purpose of the Company is to perform the following, directly or indirectly, in France or abroad:

- acquire any developed or undeveloped land with or without structures requiring demolition, for the construction and sale, upon or before completion, of new buildings of any type, such as apartments, single-family homes, offices and business premises, as a package or in individual lots, to any person or entity;
- design and implement any housing subdivision or community project, governed or not governed by condominium owners; any urban development project; or any project to rehabilitate or renovate existing buildings;
- prepare all documents and packages, take all administrative steps and perform all formalities on its own behalf or on behalf of landowners, obtain all administrative authorizations, conclude any options (*promesses de vente*) or, before contracts are signed, analyze and prepare all construction and service contracts with any contractors, architects, design firms and prime contractors and, more generally, all technical, legal, financial, marketing and advertising operations to promote the implementation and sale of real estate developments;
- on behalf of landowners, carry out construction of any type, under real estate development contracts, project management contracts, owner support contracts or any other type of service agreement;
- own, lease or manage buildings, whether or not constructed by the Company, for the needs of its business;
- perform any industrial, commercial, or financial, personal or real property transactions directly or indirectly related to the Corporate purpose or any similar or related purposes;
- acquire interests in any existing or future corporation or Company directly or indirectly related to the Corporate purpose or any similar or related purposes, notably corporations or companies whose purpose would contribute to achieving the Corporate purpose. Means include the creation of new companies, spin-offs, mergers, alliances and acquisitions of interests in any type of Company or Economic Interest Grouping;
- form any partnership or other operations with any companies directly or indirectly related to the Corporate purpose or any similar or related purpose or that would facilitate its extension or development or make it more profitable;
- alternatively, acquire and sell by any means, notably contribution, subscription, purchase, swap or other and manage a portfolio of listed and/or unlisted securities, as well as founders' shares and/or interests and interests in real estate or movable assets of any type;
- provide all related services as required, including studies, Corporate services, access to resources, interpretations, technical or legal support, auditing and consulting services;
- generally and independently, provide administrative, economic, marketing and technical support to any private or public organization, Company, institution, authority or any individual, in all areas;

- perform all operations of any type directly or indirectly related to the above-mentioned purposes, including forming partnerships with persons, entities and organizations, acquiring an interest in existing companies, creating new companies, merging companies, or representing French or foreign corporations or companies;
- and generally, perform any scientific, technical, industrial, sales, financial, personal property or real property transactions directly or indirectly related to the above-mentioned purposes or any similar or related purposes, or that would facilitate their extension or development or make them more profitable.

5.1.5. Trade register

The Company is identified under number 702 022 724 in the Nanterre Trade Register.

5.1.6. Consultation of documents

Legal documents related to the Company that must be made available to shareholders by law, as well as all published documents of the Kaufman & Broad group referred to in this Registration Document, can be consulted at the Company's Corporate office at 127 avenue Charles de Gaulle, Neuilly-sur-Seine, or on the Company's website, http://www.ketb.com.

5.1.7. Fiscal year

The Company's fiscal year begins on December 1 and ends on November 30.

5.1.8. Appropriation of earnings

After approval of the accounts and recognition of the existence of distributable income, five percent (5%) of net income is appropriated to the legal reserve. This appropriation ceases to be compulsory once the legal reserve represents one-tenth of the capital stock. After appropriation of the 2001 income, the legal reserve was equal to 10% of the capital stock.

The income remaining, less any prior-year losses and plus any retained earnings, constitutes distributable income.

The Ordinary Shareholders' Meeting may decide to appropriate all or part of this income as it deems fit, either as retained earnings or to one or more special or general reserves, the allocation or use of which it determines.

Dividends must be distributed within nine (9) months of the end of the fiscal year, unless such period is extended by an order of the Chief Judge of the Commercial Court (*Tribunal de Commerce*).

Under the agreement to reschedule the Senior Credit Facilities Agreement signed on January 23, 2009 (see Section 4.1.5. note 25.1), the Company may not distribute any dividends during the fiscal years ended November 30, 2009, 2010 and 2011 and, from fiscal year 2012, it may not distribute any dividends unless the debt ratio is less than or equal to 3.

5.1.9. Shareholders' meetings

Shareholder decisions are made at the Shareholders' Meetings. Ordinary Meetings cover all matters that do not require amendments to the bylaws.

Extraordinary Meetings, on the other hand, are called to amend the bylaws.

Shareholders' Meetings are held at the Corporate office or any other location indicated in the notice of Meeting.

They are called by the Board of Directors by the method and within the period set by law. All shareholders are entitled to participate in Shareholders' Meeting, either in person or by proxy, provided that they submit proof of their identity and ownership of at least one share in the form and at the place specified in the notice of Meeting. All shareholders are entitled to be represented at Shareholders' Meetings under the conditions stipulated by law. Shareholders can also cast votes by mail under the conditions stipulated by law.

Shareholders who take part in a Meeting via videoconference or other telecommunication technology that enables them to be identified, the type and use of which are defined by law, are deemed present for the purpose of calculating *quorum* and majorities. These provisions are contained in Article 18 of the Company's bylaws.

All shareholders may be represented by their spouse, their civil-pact (PACS) partner, by another shareholders or by any person or legal entity of their choice at all Shareholders' Meetings. Shareholders can also cast votes by mail under the conditions stipulated by law.

Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, in his absence, the Vice Chairman or, in his absence, by a Director designated by the Board. When they so agree, the two shareholders present, who hold the largest number of votes in their own names and/or through proxies, act as the tellers. The officers designate the secretary, who does not have to be a shareholder.

5.1.10. Double voting rights

Each share entitles the holder to one vote. The Extraordinary Shareholders' Meeting of January 21, 2000 granted double voting rights to all fully-paid up shares that have been registered in the name of the same shareholder for at least two years, as well as to any shares resulting from shares carrying double voting rights. It is worth noting that elimination of double voting rights is the responsibility of an Extraordinary Shareholders' Meeting which has the sole authority to amend the bylaws and that double voting rights cease for all shares that were converted to bearer shares or a transfer, except for all transfers of registered to registered due to inheritance or bequest.

In addition, voting shares resulting from a capital increase due to incorporation of reserves, earnings or premiums will enjoy double voting right from when they are issued if they are granted based on shares that already enjoy this right.

5.1.11. Disclosure thresholds

Any individual or entity, acting alone or in concert with others, that acquires directly or indirectly, through one or more entities that it controls within the meaning of Article L.233-3 of the French Commercial Code, 2% or more of the share capital or the voting rights of the Company (or any multiple thereof), including beyond the thresholds provided for by law or regulation, must notify the Company by certified mail, return receipt requested, within five trading days of the date such threshold was crossed, of the total number of shares or share equivalents that such person or entity holds and of the voting rights and potential voting rights attached thereto.

This duty to inform the Company applies equally when the percentage of the share capital or voting rights held by a shareholder falls below the thresholds stipulated in the bylaws.

In addition, under French commercial law, any individual or entity, acting alone or in concert with others, who acquires more than one-twentieth, one-tenth, three-twentieths, one-fifth, one-quarter, one-third, a half, two-thirds, eighteen-twentieths or nineteen-twentieths of the Company's capital and/or voting rights must notify the Company by certified mail, return receipt requested, within five trading days of the date such threshold was crossed, of the number of shares such individual or entity holds and the voting rights attached thereto.

If any shareholder fails to comply with these disclosure requirements, the shares in excess of the relevant threshold will be automatically stripped of voting rights at all Shareholders' Meetings until the end of a two-year period following the date on which the owner has remedied the situation. The legal sanctions applicable in the event of non declaration of legal disclosure thresholds also apply in the event of non declaration of disclosure thresholds stipulated in the bylaws provided that one or more shareholders holding at least 5% of the capital or voting rights who made the request and said request has been entered in the minutes of the Shareholders' Meeting.

Details of disclosure thresholds that have been crossed are provided in Section 5.3.1 "Shareholders at November 30, 2012 and three-year change".

5.2. GENERAL INFORMATION CONCERNING CAPITAL

5.2.1. Bylaw provisions governing changes in capital and rights attached to shares

Any changes in the capital or the rights attached to shares are subject to the applicable law. The bylaws do not contain any specific provisions related thereto.

5.2.2. Rights, privileges and restrictions attached to shares

The Company's capital stock is composed of 21,584,658 shares carrying the same rights (see Sections 5.1.10. "Double voting rights" and 5.1.8. "Appropriation of earnings"). Only the Kaufman & Broad shares held in treasury by the Company are stripped of voting and dividend rights, as well as rights to a fraction of any liquidation surplus.

5.2.3. Acquisition by the company in its own shares

The sixth resolution of the Shareholders' Meeting of May 9, 2001 authorized the Company to implement a share buyback program, up to a maximum 10% of the Company's capital. The most recent renewal of this program was submitted for approval to the Shareholders' Meeting of April 19, 2012. This authorization was increased to 7% of the number of shares comprising the capital stock.

5.2.3.1. Buyback program authorized by the Shareholders' Meeting of April 19, 2012

At their Meeting of April 19, 2012, the Shareholders, voting with the *quorum* and majority required for Ordinary Shareholders' Meetings, after a reading of the report of the Board of Directors:

- authorized the Board of Directors, pursuant to Article L.225-209 of the French Commercial Code, to purchase a maximum of 7% of the total number of shares comprising the Company's capital, corresponding to 1,510,926 shares of €0.26;
- resolved that the shares could be purchased in order to:
  - stimulate the secondary market or the liquidity of the Company's share through the use of an investment service provider under a liquidity contract that complies with the AMAFI Ethics Charter recognized by the *Autorité des Marchés Financiers*;
  - hold shares for subsequent payment or exchange in respect of external growth transactions, mergers, demergers or spin-offs;
  - implement stock option plans pursuant to the provisions of Articles L.225-177 et seq. of the French Commercial Code, or any similar plan to allot or sell shares to employees in connection with the employee profit-sharing or Corporate savings plans as provided by law under Article L.3332-1 et seq. of the French Labor Code and/or to allot bonus shares in accordance with Articles L.225-197-1 et seq. of the French Commercial Code;
  - allot shares to the holders of marketable securities with rights to the Company's share capital when they exercise the rights attached to these securities, in accordance with applicable laws and regulations;
  - possibly cancel the shares acquired pursuant to the Thirteenth Resolution of the Extraordinary Shareholders' Meeting of April 19, 2012.

The acquisition, sale or transfer of these shares may be completed, including in the event of a public offer, provided this is paid for exclusively and entirely in cash, within the conditions and limits, particularly in terms of volume and price, set forth in the regulations in force on the date of the relevant transactions, by all appropriate means, particularly through transactions on the market or over-the-counter, including block trades, by using financial derivatives traded on a regulated market or over-the-counter and at such time as the Board of Directors or the Board's delegated agent shall decide.

Pursuant to Article R.225-151 of the French Commercial Code, the maximum amount that may be allocated by the Company to the share buy-back program under this resolution is set at €60 million.

Authorization was granted for a period of 18 months from the date of the Meeting and supersedes, for the unused portion, the authorization previously granted by the Eighth Resolution of the Shareholders' Meeting of April 14, 2011.

Liquidity contract

Effective from June 5, 2006 and for a term of one year renewable tacitly, Kaufman & Broad SA entrusted Rothschild & Cie Banque with the implementation of a liquidity agreement in accordance with the Ethics Charter prepared by the French Association of Investment Firms and approved by the Financial Markets' Authority by a decision of March 22, 2005 and published in the Statutory Mandatory Announcement Gazette of April 1, 2005.

To implement this contract, €4 million were allocated to the liquidity account, its amount having been subsequently progressively reduced to €4 million, €2 million and finally to €0.5 million.

On July 19, 2011, Kaufman & Broad made a supplemental cash contribution of €250,000. On August 8, 2011, Kaufman & Broad made an additional cash contribution of €1,000,000.

At December 31, 2012, the following resources were reported in the liquidity account: 8,700 shares and €1,347,260.35 not invested in shares.

5.2.3.2. Summary of share purchases

Under the liquidity agreement executed at the beginning of 2006 that complies with the Code of Ethics drawn up by the French Association of Investment Companies and approved by the AMF, Kaufman & Broad SA traded its treasury shares over fiscal year 2012 as follows:

Number of shares purchased:	88,885 shares
Average purchase price:	€14.77
Number of shares sold:	87,135 shares
Average selling price:	€14.74
Total trading fees:	€35,545

At November 30, 2012, the group held 643,093 treasury shares (representing 2.98% of the Company's capital), 56,000 shares (representing 0.26% of the Company's capital) intended to cover the bonus shares allotments of February 2011 and January 2012 and 585,343 treasury shares (representing 2.71% of the Company's capital) to insure the other goals of the share buy-back program and 1,750 shares held under the liquidity agreement (representing 0.01% of the Company's capital).

On October 5, 2011 Kaufman & Broad commissioned Rothschild & Cie Banque with the mission of assisting it in its needs for achieving certain goals of its buy-back program as authorized by the Ordinary Shareholders' Meeting of April 19, 2012. The Company increased from 250,000 to 600,000 (and, on September 14, 2012, to 1,00,000) the number of shares under the mission entrusted to Rothschild & Cie Banque. At November 30, 2012, the Company held 595,164 shares acquired on this basis.

5.2.3.3. Summary of bonus share awards

Pursuant to the authorizations of the April 2006 and April 2009 Shareholders' Meetings of Kaufman & Broad SA, it was decided to set up a share award plan for certain executives of Kaufman & Broad SA and its affiliates, in particular to give them the opportunity to share in the Company's growth.

Under the bonus share plan of January 20, 2010, 55,000 bonus shares were definitively allotted at the end of the vesting period and were delivered in fiscal year 2012.

Title to the shares allotted under the various plans detailed below was transferred at the end of the vesting period, i.e., two years after the allotment date set by the Board of Directors.

Beneficiaries of these plans may not transfer title to the shares actually vested by any means whatsoever prior to the end of the lock-in period, i.e., two years after the vesting date of said shares.

Details concerning the main features of the group's plans in effect at November 30, 2012 are set out in the table below:

Bonus shares	February. 17, 2011 Plan	January 17, 2012 Plan
Date of the Extraordinary Shareholders' Meeting authorizing the plan	April 9, 2009	April 9, 2009
Date of the Board of Directors' Meeting granting the shares	February 17, 2011	January 17, 2012
Total number of shares granted	36,000	20,000
Number of beneficiaries	14	21
Date of transfer of ownership of bonus shares	February 17, 2013	January 17, 2014
Date of sale of bonus shares	February 17, 2015	January 17, 2016
Void shares	2,000	1,000
Shares outstanding at November 30, 2012	34,000	19,000

5.2.3.4. Special report on stock options presented to the Shareholders Meeting of April 25, 2013

5.2.3.4.1. Stock subscription and purchase options (L.225-184 Para. 1) awarded to employees and Corporate Officers

Name of the plan	Date of the authorization by the Shareholders' Meeting	Date of the award by the Board	Nature of the option (S or P)[(a)]	Number of awarded options	Expiration date	Exercise price	Number of options exercised in 2012	Options not exercised as of November 30, 2012
2006 Plan	April 19, 2006	April 19, 2006	S	95,500	April 19, 2016	€44.23	-	31,100

(a) S: Subscription or P: Purchase.

5.2.3.4.2. Options granted to Corporate Officers during the fiscal year ended November 30, 2012 (Article L.225-184 para. 2)

None.

5.2.3.4.3. Options exercised by the Corporate Officers during the fiscal year ended November 30, 2012 (Article L.225-184 para. 2)

None.

5.2.3.4.4. Options awarded during the fiscal year ended November 30, 2012 to the ten employees awarded the largest number of options (Article L.225-184 para. 3)

None.

5.2.3.4.5. Options exercised during the fiscal year ended November 30, 2012 by the ten employees who have purchased or subscribed to the largest number of shares (Article L.225-184 Para. 3)

None.

5.2.3.5. Summary table of securities transactions by Corporate Officers and related parties in the fiscal year ended

None.

5.2.4. Capital stock

The Company's capital stock at November 30, 2012, was €5,612,011.08, consisting of 21,584,658 shares of common stock, each with a par value of €0.26, all subscribed and all fully paid up.

5.2.5. Capital authorized, but not issued

The summary of the authorizations granted by the Extraordinary Shareholders' Meeting to the Board of Directors to increase the capital stock of the Company by issuing shares or securities giving rights to said capital is contained in Chapter 10 "Notes" Section 10.4. "Summary table of currently valid delegations concerning capital increases".

5.2.6. Non-equity securities

In addition, the Board of Directors currently has the authority, granted by the Combined Ordinary and Extraordinary Shareholders' Meeting of April 19, 2012 to issue securities giving rights to an allotment of debt instruments for a period of 26 months, up to a maximum limit of €160 million.

5.2.7. Other securities giving rights to capital

The Company has implemented different stock purchase and subscription option plans (see in particular Sections 3.3.3. "Stock purchase or subscription option plans – Bonus share awards – Stock warrants issued" and 5.2.3.3. "Summary of bonus share awards" and Section 10.4. "Summary table of currently valid delegations concerning capital increases").

The Shareholders' Meeting of December 3, 2007 issued 721,086 stock subscription warrants. Financière Daunou 10 waived its rights to the 150,311 stock subscription warrants it holds. The remaining number of SSW's at the end of fiscal year 2012 was 570,775. The issuance of these 570,775 SSW's is likely to result in a forward capital increase of a maximum nominal amount of €148,401.50 to which will be added the amount of the supplemental capital increases made necessary to preserve the rights of SSW holder in case of new financial operations (See Section 3.3.4. "Stock subscription warrants").

5.2.8. Statement of change in capital

Transaction	Number of shares issued	Nominal amount of capital increase	Premium per share	Total premium	New share capital	New shares outstanding	Par value of shares
November 30, 1997	-	-	-	FF 29,992,949	FF 19,414,200	194 142	FF 100
January 21, 2000	-	-	-	-	-	-	-
30-for-1 stock split	5,630,118	-	-	FF 29.992.949	FF 19.414.200	5,824,260	FF 3.3333
January 21, 2000	-	-	-	-	-	-	-
Conversion of the capital into euros[(a)]	-	€10,696.89	-	€4,572,395.60	€2,970,372.60	5,824,260	€0.51
February 7, 2000							
Initial public offering	5,130,000	€2,616,300	€22.49	€119,946,095.60	€5,586,672.60	10,954,260	€0.51
February 7, 2000							
Issuance of shares to							
Kaufman & Broad Actionnariat FCPE[(d)]	18,937	€9,657.87	€21.34	€120,350,211.18	€5,596,330.47	10,973,197	€0.51
February 10, 2000							
Distribution of issue premium[(b)]	-	-	-	€34,669,383.34	-	10,973,197	€0.51
March 8, 2000							
Overallotment (greenshoe)[(c)]	165,390	€84,348.90	€22.49	€38,389,004.44	€5,680,679.37	11,138,587	€0.51
March 8, 2000							
Charging of issue costs	-	-	-	€35,729,089.28	-	11,138,587	€0.51
April 19, 2006							
Issuance of shares,							
charged against retained earnings	-	€111,385.87	-	€35,729,089.28	€5,792,065.24	11,138,587	€0.52
2-for-1 stock split	11,138,587	-	-	€35,729,089.28	€5,792,065.24	22,277,174	€0.26
July 8, 2009							
Capital reduction	(692,516)	(€180,054.16)	-	€35,729,089.28	€5,612,011.08	21,584,658	€0.26

(a) Par value of capital converted into euros, rounded up with capitalization of reserves in the amount of €10,696.89.

(b) In application of the Sixth and Eighth Resolutions of the Shareholders' Meeting of January 21, 2000, paid-in capital in an amount of €85,680,827.84 was distributed to existing shareholders on the date of the Meeting of January 21, 2000, in proportion to their interests on that date.

(c) Since the offering for individual and institutional investors was oversubscribed, the February 7, 2000 initial public offering was supplemented by the issuance of additional shares under a greenshoe option.

(d) See Section 3.3.2, "Company savings plan".

5.3. CURRENT SHARE OWNERSHIP AND VOTING RIGHTS

5.3.1. Shareholders of the company at November 30, 2012 and three-year change

The shareholders of our Company are as follows (by ownership):

Shareholders at November 30, 2012	Number of shares	% of capital	% of voting rights
Shareholder			
Companies owned by funds held by PAI partners[(a)]	19,133,746	88.65%	94.88%
Kaufman & Broad SA	643,093	2.98%	
Public[(b)]	1,579,645	7.32%	4.56%
Employees	228,174	1.06%	0.57%
Total	**21,584,658**	**100.00%**	**100.00%**

(a) Financière Gaillon 8 SA holds 87.96% of the share capital and 94.51% of the voting rights.
(b) The shares held by Directors are included under the "Public" heading in the shareholder structure at November 30, 2012.

The total number of shares known to have double voting rights at November 30, 2012 was 19,235,473 shares.
There are 93 holders of registered shares
Kaufman & Broad holds 643,093 treasury shares.

At the fiscal year-end, the number of shares held by employees, as defined in Article L.225-102 of the French Commercial Code, represented 1.06% of the Company's capital.

To the Company's knowledge, with the exception of funds held by PAI partners, there is no other shareholder holding more than 5% of capital and voting rights.

Kaufman & Broad SA shares held by Directors	Number of shares	Number of voting rights
Shareholder		
Guy Nafilyan	93,506	187,012
Yves Galland	600	600
Lionel Zinsou	250	500
Olivier de Vregille	250	500
Alain de Pouzilhac	250	500
Frédéric Stévenin	250	500
Sophie Lombard	250	500
Sylvie Charles	250	250
Total	**95,606**	**190,3620**

Disclosure thresholds on shares held in Kaufman & Broad SA

Since April 1, 2013, the Company has no knowledge of any disclosure of ownership thresholds of a Company holding more than 5% of the capital or the voting rights of Kaufman & Broad SA.

As far as the Company is aware, no other thresholds were crossed for which disclosure is required in accordance with the law or the Company's bylaws.

Share ownership over the past three fiscal years	Number of shares	2012 % of capital	Number of shares	2011 % of capital	Number capital	2010 % of capital
Shareholder						
Companies owned by funds held by PAI partners[(a)]	19,133,746	88.65%	19,133,746	88.65%	19,153,496	88.74%
Kaufman & Broad SA	643,093	2.98%	278,109	1.29%	255,096	1.18%
Public	1,579,645	7.32%	1,983,806	9.19%	2,010,729	9.32%
Employees	228,174	1.06%	188,997	0.88%	165,337	0.77%
Total	**21,584,658**	**100.00%**	**21,584,658**	**100.00%**	**21,584,658**	**100.00%**

(a) Financière Gaillon 8 SA held 87.96% of capital at November 30, 2012 and at November 30, 2011.

Changes in share ownership after the balance sheet date At January 31, 2013	Number of shares	% of capital	% of voting rights
Shareholder			
Companies owned by funds held by PAI partners[a]	19,133,746	88.65%	94.97%
Kaufman & Broad SA	677,576	3.14%	-
Public[b]	1,545,162	7.16%	4.47%
Employees	228,174	1.06%	0.57%
Total	**21,584,658**	**100.00%**	**100.00%**

(a) Financière Gaillon 8 holds 87.96% of the share capital and 94.59% of the voting rights.
(b) The shares held by Directors are included under the "Public" heading in the shareholder structure at January 31, 2013.

The Company has not been informed of any other thresholds that were crossed subsequent to the 2012 fiscal year-end, the disclosure of which is required by law and/or by the Company's bylaws.

5.3.2. Changes in share ownership over the past three fiscal years

The Board of Directors decided to reduce the capital on July 8, 2009 by €180,054.16 through the cancellation of 692,516 shares. The number of shares constituting capital was lowered from 22,277,174 shares to 21,584,658 shares.

Three-year change in percentage of voting rights at November 30

Shareholders	2012	2011	2010
Companies owned by funds held by PAI partners[a]	94.88%	94.26%	94.23%
Public	4.56%	5.27%	5.36%
Employees (via the Corporate Savings Plan)	0.57%	0.47%	0.41%
Total	100.00%	100.00%	100.00%
Total voting rights	**40,177,038**	**40,439,316**	**40,397,864**

(a) Financière Gaillon 8 represented 94.51% of the voting rights at November 30, 2012 compared with 93.89% of the voting rights at November 30, 2011.

The increase in voting rights is primarily linked to counting the double voting rights of the shares held by the companies controlled by PAI partners.

5.3.3. Legal entities holding control of the company

5.3.3.1. PAI partners

As of January 31, 2013, Financière Gaillon 8, a *Société Anonyme* headquartered in Paris (75001) at 232, rue de Rivoli and registered in the Paris Trade Register under number 497 658 377, held 87.96% of the capital and 94.54% of the voting rights of the Company. The Kaufman & Broad SA shares held by Financière Gaillon 8 were acquired:

- on July 10, 2007 from KB Home and Guy Nafilyan (Chairman and Chief Executive Officer) through the acquisition and contribution of a block of Kaufman & Broad SA shares;
- under the simplified public tender offer, filed on July 10, 2007 and open from August 6-31, 2007, following the acquisition of the Kaufman & Broad SA block of shares held by KB Home and Guy Nafilyan;
- and in respect of the share balance currently held by Financière Gaillon 8, through purchase on the market.

At the date of this document, the capital of Financière Gaillon 8 is held as follows:

- Financière Daunou 10 SARL, which holds the funds managed by PAI partners, holds 34% of the capital and voting rights of Financière Gaillon 8;
- The lender CA-CIB, 50% of capital and 0% of voting rights;
- Financière de Neuilly, an investment vehicle of the managers of the group, which wanted to invest in Financière Gaillon 8 along with the PAI partners group, including Guy Nafilyan, previously a shareholder of Financière Gaillon 8, holds 16% of the capital and 32% of the voting rights in Financière Gaillon 8.

PAI is a leading European private equity investment firm and the largest private-equity investor in France. It is one of the oldest and most experienced investors in Europe. Its origins date back to Paribas's capital investment activity in 1872. PAI manages and advises private equity investment funds of a total capital investment of nearly €4 billion. Since 1994, PAI has conducted 48 buyouts in nine European countries, for a total of nearly €35 billion. PAI makes takeover investments through leveraged buyouts (LBO) by acquiring majority stakes in European medium- and large-sized companies and enjoys a leadership position in our five core sectors. PAI has a team of 50 highly experienced professionals from various professional backgrounds. With professionals from nine European countries and teams based in Paris, Copenhagen, London, Luxembourg, Madrid, Milan and Munich, PAI combines a strong knowledge of local markets with large capacities and a pan-European outlook. PAI partners is characterized by its operational approach to ownership combined with industrial and sector expertise.

The risks associated with the controls of the Company by the PAI group partners are presented in Section 1.2.3.3. "Relations with the majority shareholder", it being also recalled that the Company refers, for Corporate governance, to the AFEP-MEDEF Code (see Paragraphs 3.1.1.2.1. et seq.).

5.3.3.2. Shareholders' Agreement

No shareholder agreements have been entered into by the group's companies with partners outside the group. For joint promotion programs, the partners have signed a Memorandum of Understanding in order to specify the breakdown of responsibilities and fees to be invoiced to these service providers.

On December 3, 2007, a shareholders' agreement containing a number of stipulations with regard to Kaufman & Broad was signed, in the presence of Financière Gaillon 8, between Financière Daunou 10 SARL (the investment vehicle of funds managed by PAI partners), Financière de Neuilly SAS (the investment vehicle of certain Kaufman & Broad managers wishing to invest in Financière Gaillon 8) and certain employees or Corporate Officers of the group and managers who invested in Financière de Neuilly. The purpose of the agreement, which has a 10-year term, is primarily to organize relations within Financière Gaillon 8 between Financière Daunou 10 and the group's managers and Financière de Neuilly, as well as to specify and organize the circumstances and conditions under which the group's managers will have the right or obligation to dispose of any shares issued by Kaufman & Broad which they hold. The agreement includes a number of clauses contained in Article L.233-11 of the French Commercial Code and has been filed with the AMF (Notice No. 208C0035 of January 8, 2008).

In addition, Financière Daunou 10 has also made a number of commitments in respect of Kaufman & Broad SA Corporate governance, including in particular: (i) to maintain a structure with a Board of Directors and maintain the powers of the Board, the Chairman and Chief Executive Officer under the terms described in Sections 3.1.1. and 3.1.3.; (ii) to maintain the Board's Special Committees provided that one half of the Audit Committee is composed of representatives of Financière Daunou 10 or one of its affiliates and two-thirds of the Compensation and Nominating Committee is composed of representatives of Financière Daunou 10 or one of its affiliates and that the Chairman and Chief Executive Officer is consulted prior to any recommended directorship appointment and gives his prior consent to the appointment of any Independent Director; and (iii) to maintain the composition and operational rules of the Management Committee, the Finance Committee and the Real Estate Committee according to the terms and conditions described in Section 9.2. "Report of the Chairman of the Board of Directors", paragraph 11.2.

In restructuring the debt of Financière Gaillon 8, the parties to the above shareholders' agreement and PAI partners, signed on June 30, 2009 a new shareholders' agreement nullifying and replacing the shareholders' agreement signed on 2007. As in the 2007 agreement, the purpose of the shareholders' agreement signed on June 30, 2009 is to organize relationships within Financière Gaillon between Financière Daunou 10, on the one hand, the managers of the group and Financière de Neuilly, on the other, as well as to stipulate and organize the circumstances and conditions in which the group managers have the right or the obligation to dispose of certain securities issued by Kaufman & Broad who holds them.

5.3.3.3. Pledges

The 11,201,760 Kaufman & Broad SA shares acquired by Financière Gaillon 8 on July 10, 2007 (representing 50.28% of the Company's capital) and the Kaufman & Broad SA shares acquired since that date on the market are pledged from the aforementioned date to the lenders under the Senior Credit Facilities Agreement, which partially financed the share acquisition. This pledge is intended to be maintained until the amounts and fees owed under the aforementioned credit agreement have been repaid in full.

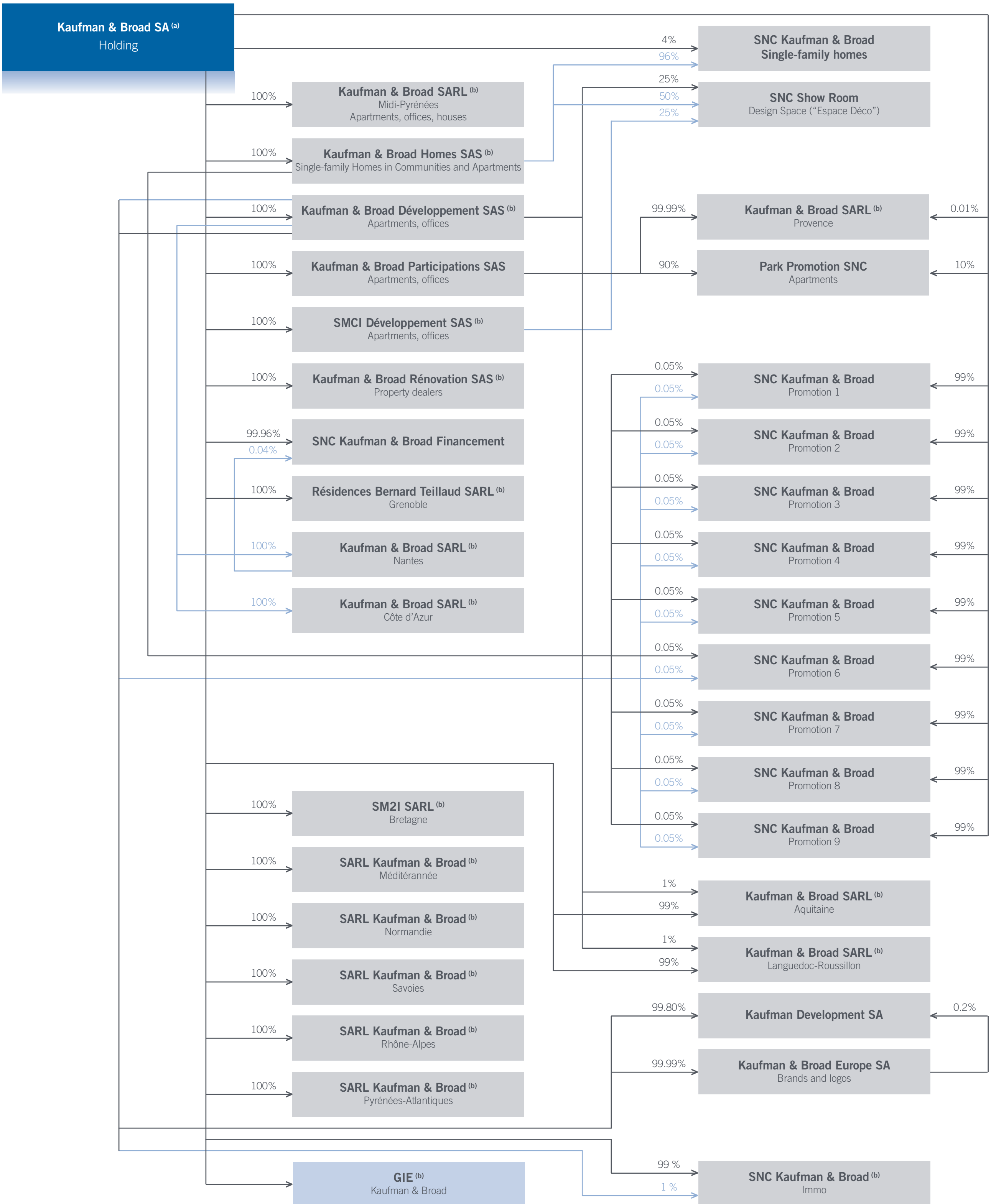
A second-rank pledge by Financière Gaillon 8 has also been granted in favor of the lenders of the Mezzanine Credit Agreement.

At November 30, 2012, Financière Gaillon 8 held 18,984,801 pledged Kaufman & Broad SA shares.

Name of shareholder holding registered shares in direct registration	Beneficiary	Pledge start date	Expiration of pledge	Condition of discharge	Number of issuer's pledged shares	% of issuer's pledged capital
Financière Gaillon 8 SAS	The lenders under the Senior Facilities Agreement	July 10, 2007	July 10, 2016	This pledge is intended to be maintained until the amounts and fees owedunder the Senior Facilities Agreement have been repaid in full	18,984,801	87.96%
Total					**18,984,801**	**87.96%**

5.3.4. Organizational chart of the group

The following organizational chart shows the companies owned by Kaufman & Broad SA at November 30, 2012, along with the interests in their capital and voting rights.



(a) All the subsidiaries of the Kaufman & Broad group are located in France with the exception of Kaufman & Broad Europe and Kaufman Development, which are in Belgium.
(b) Group operating companies affiliated with the GIE.

- Kaufman & Broad Europe is a Belgian *société anonyme* (SA) with capital of €221,440,548 headquartered at Rue des Colonies 11, 1000 Brussels (Belgium). As part of the acquisition by Financière Gaillon 8 of the majority interest in Kaufman & Broad SA, KB Home contributed to Kaufman & Broad Europe the Kaufman & Broad brands and logos for the European Economic Area and Switzerland (the "Brands"), see Section 1.1.2.13.1. "The Kaufman & Broad brand".

5.3.4.1. Related party agreements

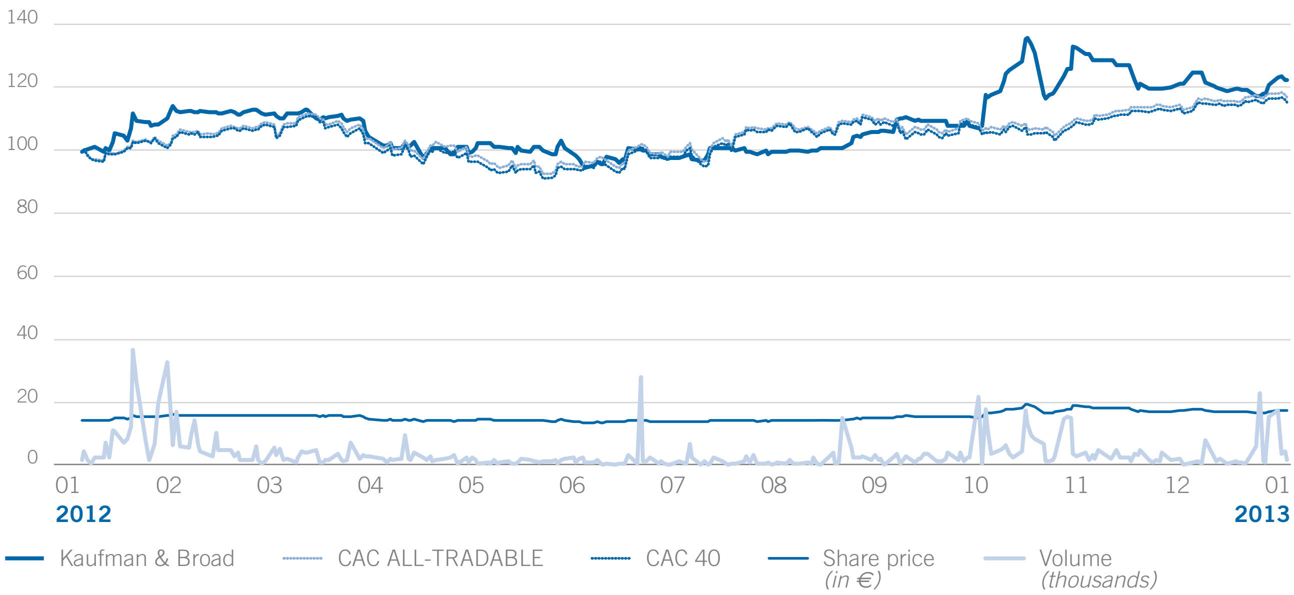
Characteristics and application terms of the agreement concluded by the various group entities are described in Section 4.1.6.note 31 "Related-party transactions."

5.4. MARKET FOR THE COMPANY'S SHARES

Kaufman & Broad SA common shares have been listed for trading on the *Premier Marché* of the Paris stock exchange (now NYSE Euronext) since February 7, 2000 under ISIN code FR0004007813. From January 1 to December 31, 2012, the CAC All-Tradable (formerly the SBF 250) increased 14.21% while Kaufman & Broad SA shares dropped 25.46%.

2012	Average price *(€)*	Aggregate trading volume *(shares)*	Average trading volume *(shares)*	Average volume in capital	Cumulative volume in capital
January	14.90	223,315	10,151	151,204	3,413,573
February	15.93	118,052	5,622	89,535	1,883,156
March	15.74	57,942	2,634	41,449	910,930
April	14.51	47,692	2,510	36,416	691,539
May	14.27	25,581	1,163	16,598	362,129
June	13.87	23,646	1,126	15,621	329,731
July	14.02	52,584	2,390	33,506	744,049
August	14.16	18,894	821	11,632	266,037
September	14.89	56,322	2,816	41,926	825,312
October	15.82	104,192	4,530	71,676	1,661,726
November	18.00	137,888	6,268	112,815	2,520,441
December	17.48	42,935	2,260	39,498	751,165

Change in Kaufman & Broad stock compared to the CAC 40 and CAC All-Tradable and volume of Kaufman & Broad stock
(base 100 at January 2, 2012)



5.5. DIVIDENDS

5.5.1. Distribution policy

Over the last five years, the dividends paid by the Company were as follows:

Year of dividend payment	Type	Dividend per share[a] *(in €)*	Total amount
2008	Reserves	1.61	35,866,250[b]
2008	Dividends	1.51	33,638,533
2009	Dividend	-	-
2010	Dividend	-	-
2011	Dividend	-	-
2012	Interim dividends	2.31	48,455,611

(a) Adjusted to reflect the two-for-one stock split approved at the Combined Ordinary and Extraordinary Shareholders' Meeting of April 19, 2006 and excluding the "avoir fiscal" tax credit for dividends paid for fiscal year 2001 to 2003.
(b) Gross dividends, including dividends payable on treasury stock.

The Combined Ordinary and Extraordinary Shareholders' Meeting of December 3, 2007 authorized an exceptional distribution of reserves in the amount of €1.61 per share.

At its Meeting of April 11, 2008, the Board of Directors approved the distribution of an interim dividend in 2008 in the amount of €0.57 per share. This interim dividend was paid on May 30, 2008.

In addition, the Board of Directors on June 17, 2008 approved the payment of an additional interim 2008 dividend €0.94 per share, which was paid out on August 29, 2008.

Under the agreement to reschedule the Senior Facilities Agreement signed on January 23, 2009 (see Section 4.1.5. note 25.1), the Company may not distribute any dividends during the fiscal years ended November 30, 2009, 2010 and 2011 and from fiscal year 2012 may not distribute any dividends unless the debt ratio is less than or equal to 3.

On October 23, 2012, after reviewing the results of the Company over the past few years and its prospects, the Board of Directors decided to distribute an interim dividend of €2.31 per share for fiscal year 2012. This interim dividend was paid November 15, 2012 for an amount of €48.5 million, excluding treasury shares.

5.5.2. Statute of limitations

Under French law, dividends not claimed within five years of the date of payment revert to the French State.

6 Recent trends and outlook

6.1. MARKET

In 2013 the real estate market will be impacted by a still difficult social, economic and financial environment.

Demand will remain high and will continue to outstrip supply. In marginal areas, housing prices are expected to stabilize.

Interest rates are expected to remain at an attractive level.

The Île-de-France market should continue to experience steady take-up rates while the market in the regions will still be difficult.

Given the economic context, the Commercial Property market will not be very steady.

6.2. STRATEGIES

Kaufman & Broad will continue to develop its business in the major cities of France, especially in Île-de-France, where the market is the deepest.

Kaufman & Broad's strategy is to continue the development of operations aimed at first-time buyers and investors and housing for students and seniors.

Kaufman & Broad will also be relaunching programs for Single-family Homes in Communities, which helped create the Kaufman & Broad brand, which is recognized as the most prestigious in France, according to a TNS Sofres survey conducted in late 2012.

Finally, Commercial Property is expected to generate more sustained business in 2013, in a market that is also extremely mixed.

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7 Person responsible for the Registration Document

7.1. PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

M. Guy Nafilyan
Chairman and Chief Executive Officer of Kaufman & Broad SA

7.2. DECLARATION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

I declare that, having taken all reasonable measures for that purpose, the information contained in this Registration Document does, to my knowledge, fairly represent the facts and contains no omission likely to affect its import.

I confirm that, to my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and fairly present the assets and liabilities, financial position and income or loss of the Company and its consolidated subsidiaries and that the Management Report (Section 10.7.) fairly presents changes in the business, results and financial position of the Company and its consolidated subsidiaries and describes the principal risks and uncertainties facing the group.

I obtained a statement from the Statutory Auditors at the completion of their work in which they state they had read the entire Registration Document and verified the information on the financial position and the accounts contained therein.

That letter contains the following observations:

- for fiscal year 2010, the Statutory Auditory have made, without qualifying their opinion, the following comment in their report on the Consolidated Financial Statements: attention is drawn to note 1.2.1., which describes the new standards and interpretations that the Company applied in fiscal year 2010.
- for fiscal year 2011, the Statutory Auditory have made, without qualifying their opinion, the following comment in their report on the annual financial statements: attention is called to note 4.2.2.1., which explains the accounting changes by the principal subsidiaries and their consequences on Kaufman & Broad SA's financial statements for fiscal year 2011 and note 4.2.3., which explains Kaufman & Broad SA's expected tax position as of November 30, 2011.

Neuilly-sur-Seine, March 28, 2013

Chairman and Chief Executive Officer

7.3. PERSON RESPONSIBLE FOR FINANCIAL COMMUNICATIONS AND INVESTOR RELATIONS

M. Bruno Coche
Senior Vice President
and Chief Financial Officer

Kaufman & Broad SA
127 avenue Charles de Gaulle
92207 Neuilly-sur-Seine Cedex
Telephone: + 33 (1) 41 43 43 43
Fax: + 33 (1) 41 43 46 64
E-mail: infos-invest@ketb.com
Website: www.ketb.com

The group's financial statements are reviewed twice yearly by the Statutory Auditors, who conduct a full audit of the annual results and a limited examination of the first half results. Estimated financial results are published quarterly, according to the following timetable:

- first-quarter results, April 24, 2013 after close of trading;
- half-yearly results, July 11, 2013 after close of trading;
- third-quarter results, September 30, 2013 after close of trading;
- annual results, in January 2014.

(this schedule may be subject to change)

7.4. INFORMATION INCORPORATED BY REFERENCE

Pursuant to Article 28 of Commission Regulation (EC) No. 809/2004, the following items are incorporated by reference:

- the consolidated and annual financial statements and the corresponding audit reports, respectively presented in Sections 4.1., 4.2., 9.3.1. and 9.3.2. of the 2010 Registration Document, the French version of which was filed with the AMF on March 31, 2011 under reference No. D.11-0207;
- the financial information appearing in Sections 2.1., 2.2. and 1.1.2.1.1. of the 2010 Registration Document, the French version of which was filed with the AMF on March 31, 2011 under reference No. D.11-0207;
- the consolidated and annual financial statements and the corresponding audit reports, respectively presented in Sections 4.1., 4.2., 9.3.1. and 9.3.2. of the 2011 Registration Document, the French version of which was filed with the AMF on March 30, 2012 under reference No. D. 12-0252;
- the financial information presented in Sections 2.1., 2.2. and 1.1.2.1.1. of the 2011 Registration Document, the French version of which was filed with the AMF on March 30, 2012 under reference No. D.12-0252;
- items not included in the above documents are either of no relevance to the investor or are covered elsewhere in the Registration Document.

8 Persons responsible for the audit of the financial statements

8.1. STATUTORY AUDITORS

ERNST & YOUNG Audit

1/2 place des Saisons 92400 Courbevoie - Paris La Défense 1
represented by Gilles Cohen,
first appointed on April 9, 2009 until the Shareholders' Meeting called to approve the financial statements for the year ended November 30, 2014.

DELOITTE & ASSOCIÉS

185 avenue Charles de Gaulle 92524 Neuilly-sur-Seine Cedex
represented by Joël Assayah,
first appointed on April 9, 2009 until the Shareholders' Meeting called to approve the financial statements for the year ended November 30, 2014.

8.2. ALTERNATE AUDITORS

AUDITEX

1-2, villa Houssay 92037 Neuilly-sur-Seine Cedex
first appointed on April 9, 2009 until the Shareholders' Meeting called to approve the financial statements for the year ended November 30, 2014.

B.E.A.S.

195, avenue Charles de Gaulle 92524 Neuilly-sur-Seine Cedex
first appointed on April 9, 2009 until the Shareholders' Meeting called to approve the financial statements for the year ended November 30, 2014.

8.3. FEES PAID BY THE GROUP TO THE AUDITORS AND MEMBERS OF THEIR NETWORKS

See Section 4.1.6. "Additional information" – note 32 "Fees paid by the group to the Auditors and the members of their networks".

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9 Additional information

9.1. AGENDA AND RESOLUTIONS OF THE SHAREHOLDERS' MEETING OF APRIL 25, 2013

Ordinary Shareholders' Meeting of April 25, 2013

Agenda:

- review and approval of the statutory financial statements for the fiscal year ended November 30, 2012;
- appropriation of earnings for the fiscal year ended November 30, 2012;
- review and approval of the Consolidated Financial Statements for the fiscal year ended November 30, 2012;
- review and approval of agreements referred to in Article L.225-38 of the French Commercial Code;
- review and approval of commitments made by the Company to Philippe Jossé, Deputy Chief Executive Officer, upon his appointment as Deputy Chief Executive Officer;
- authority to be given to the Board of Directors to have the Company buy back its own shares;
- reappointment of Yves Galland to the Board of Directors;
- reappointment of Lionel Zinsou to the Board of Directors;
- reappointment of Guy Nafilyan to the Board of Directors;
- renewal of the commitment made by the Company to grant a defined-contribution supplemental retirement plan to Guy Nafilyan, Chairman and Chief Executive Officer;
- powers.

Text of the resolutions

Resolutions submitted to the Ordinary Shareholders' Meeting:

FIRST RESOLUTION

(Review and approval of the statutory financial statements for the fiscal year ended November 30, 2012)

The Shareholders' Meeting, after a reading of the report of the Board of Directors, the report of the Chairman of the Board regarding the Board's operations and internal control and the reports of the Statutory Auditors, approves the annual financial statements for the fiscal year ended November 30, 2012, which include the balance sheet, income statement and notes as submitted by the Board of Directors, as well as the transactions reflected in these financial statements and summarized in the aforementioned reports, which show a net profit of €72,042,542.80.

The Shareholders' Meeting duly notes that none of the expenses referred to in Article 39-4 of the French General Tax Code was incurred by the Company in respect of the fiscal year ended November 30, 2012.

SECOND RESOLUTION

(Appropriation of earnings for the fiscal year ended November 30, 2012)

The Shareholders' Meeting, after a reading of the report of the Board of Directors, decided to allocate:

- the profit for the fiscal year ended November 30, 2012, amounting to €72,042,542.80;
- plus retained earnings equal to €101,296,862.97;
- for a total of €173,339,405.77;
- to the distribution of a dividend of €48,455,611.05,
- and the balance of €124,883,794.72,

will be allocated to retained earnings, which will increase from €101,296,862.97 to €124,883,794.72.

The Shareholders' Meeting notes that the amount of €48,455,611.05 was paid on November 15, 2012 to shares (excluding treasury shares) corresponding to a dividend of €2.31 per share, pursuant to a decision by the Board of Directors on October 23, 2012 to distribute an interim dividend.

In the case of individuals who are tax residents of France, the full amount so distributed will be eligible for the 40% reduction referred to in Article 158, 3-2° of the French General Tax Code. The dividend was paid after Social Security contributions were deducted.

Pursuant to Article 243 bis of the French General Tax Code, the Shareholders' Meeting notes that it has been informed that over the course of the last three fiscal years dividends have been paid on the following basis:

Fiscal years	Dividends	Eligibility for tax allowance
2009	None	None
2010	None	None
2011	None	None

THIRD RESOLUTION

(Review and approval of the Consolidated Financial Statements for the fiscal year ended November 30, 2012)

The Shareholders' Meeting, after a reading of the report of the Board of Directors, the report of the Chairman of the Board regarding the Board's operations and internal control and the reports of the Statutory Auditors on the Consolidated Financial Statements, hereby approves the Consolidated Financial Statements for the year ended November 30, 2012, which is comprised of the consolidated balance sheet and income statement and notes as submitted to it by the Board of Directors, as well as the transactions reflected in these financial statements and summarized in the reports, which show attributable net income of €47,624 thousand.

FOURTH RESOLUTION

(Review and approval of Supplemental Agreement No. 8 to the Senior Facilities Agreement, which constitutes an agreement referred to in Article L.225-38 of the French Commercial Code)

The Shareholders' Meeting, after a reading of the special report of the Statutory Auditors on the agreements referred to in Article L.225-38 of the French Commercial Code, hereby approves Supplemental Agreement No. 8 to the Senior Facilities Agreement as authorized by the Board of Directors.

FIFTH RESOLUTION

(Review and approval of an agreement on the grouped payment of VAT, which constitutes an agreement referred to in Article L.225-38 of the French Commercial Code)

The Shareholders' Meeting, after a reading of the special report of the Statutory Auditors on the agreements referred to in Article L.225-38 of the French Commercial Code, hereby approves the agreement on the grouped payment of VAT, as authorized by the Board of Directors.

SIXTH RESOLUTION

(Review and approval of the service agreement with Financière Gaillon 8, which constitutes an agreement referred to in Article L.225-38 of the French Commercial Code)

The Shareholders' Meeting, after a reading of the special report of the Statutory Auditors on the agreements referred to in Article L.225-38 of the French Commercial Code, hereby approves the service agreement signed on February 28, 2008 with Financière Gaillon 8, which was automatically renewed in the fiscal year ended November 30, 2012.

SEVENTH RESOLUTION

(Review and approval of the administrative assistance agreement with Financière Gaillon 8, which constitutes an agreement referred to in Article L.225-38 of the French Commercial Code)

The Shareholders' Meeting, after a reading of the special report of the Statutory Auditors on the agreements referred to in Article L.225-38 of the French Commercial Code, hereby approves the administrative assistance agreement signed on October 5, 2007 with Financière Gaillon 8 which was automatically renewed in the fiscal year ended November 30, 2012.

EIGHTH RESOLUTION

(Review and approval of administrative assistance agreement with Financière de Neuilly, which constitutes an agreement referred to in Article L.225-38 of the French Commercial Code)

The Shareholders' Meeting, after a reading of the special report of the Statutory Auditors on the agreements referred to in Article L.225-38 of the French Commercial Code, hereby approves the administrative assistance agreement signed on April 11, 2008 with Financière de Neuilly, which was automatically renewed in the fiscal year ended November 30, 2012.

NINTH RESOLUTION

(Review and Approval of Licensing Agreement with Kaufman & Broad Europe, which constitutes an agreement referred to in Article L.225-38 of the French Commercial Code)

The Shareholders' Meeting, after a reading of the special report of the Statutory Auditors on the agreements referred to in Article L.225-38 of the French Commercial Code, hereby approves the Licensing Agreement signed on July 10, 2007, with Kaufman & Broad Europe, which was automatically renewed in the fiscal year ended November 30, 2012.

TENTH RESOLUTION

(Review and approval of the payment commitment given by the Company to Philippe Jossé, Deputy Chief Executive Officer, in the event of the termination of his employment)

The Shareholders' Meeting, after a reading of the special report of the Statutory Auditors on regulated agreements referred to in Article L.225-42-1 of the French Commercial Code, approves the payment commitment given by the Company to Philippe Jossé, Deputy Chief Executive Officer, in the event of the termination of his employment, as authorized by the Board of administration.

ELEVENTH RESOLUTION

(Review and approval of the payment commitment given by the Company to Philippe Jossé, Deputy Chief Executive Officer, in consideration for his non-competition clause)

The Shareholders' Meeting, after a reading of the special report of the Statutory Auditors on regulated agreements referred to in Article L.225-42-1 of the French Commercial Code, approves the payment commitment given by the Company to Philippe Jossé, Deputy Chief Executive Officer, in consideration for his non-competition clause, as authorized by the Board of Directors.

TWELFTH RESOLUTION

(Review and approval of the commitment made by the Company to grant a defined-contribution supplemental retirement plan to Philippe Jossé, Deputy Chief Executive Officer)

The Shareholders' Meeting, after a reading of the special report of the Statutory Auditors on regulated agreements referred to in Article L.225-42-1 of the French Commercial Code, hereby approves the commitment made by the Company to grant a defined-contribution supplemental retirement plan to Philippe Jossé, Deputy Chief Executive Officer, as authorized by the Board of Directors.

THIRTEENTH RESOLUTION

(Authority to be given to the Board of Directors to have the Company buy back its own shares)

The Shareholders' Meeting, after a reading of the report of the Board of Directors, hereby authorizes the Board, pursuant to the provisions of Articles L.225-209 et seq. of the French Commercial Code, to purchase or cause the purchase of the Company's shares in order to:

- stimulate the secondary market or the liquidity of the Company's share through the use of an investment service provider under a liquidity contract that complies with the AMAFI Ethics Charter recognized by the *Autorité des Marchés Financiers*;
- hold shares for subsequent payment or exchange in respect of external growth transactions, mergers, demergers or spin-offs;
- implement stock option plans pursuant to the provisions of Articles L.225-177 et seq. of the French Commercial Code, or any similar plan to allot or sell shares to employees in connection with the employee profit-sharing scheme or Corporate savings plans as provided by law under Article L.3332-1 et seq. of the French Labor Code and/or to allot bonus shares in accordance with Articles L.225-197-1 et seq. of the French Commercial Code;
- allot shares to the holders of marketable securities with rights to the Company's share capital when they exercise the rights attached to these securities, in accordance with applicable laws and regulations;
- cancel all or some of the shares purchased pursuant to the Thirteenth Resolution of the Extraordinary Shareholders' Meeting of April, 19 2012.

The acquisition, sale or transfer of these shares may be completed, including in the event of a public offer, provided this is paid for exclusively and entirely in cash, within the conditions and limits, particularly in terms of volume and price, set forth in the regulations in force on the date of the relevant transactions, by all appropriate means, particularly through transactions on the market or over-the-counter, including block trades, by using financial derivatives traded on a regulated market or over-the-counter and at such time as the Board of Directors or the Board's delegated agent shall decide.

The Shareholders' Meeting sets the maximum number of shares that may be acquired under this resolution at 7% of the Company's capital stock at the date of this Meeting, corresponding to 1,510,926 shares at €0.26 each on the date of this Meeting, adjusted for any transactions carried out subsequent to this Meeting that may affect the capital; it is specified that (i) when the Company's shares are purchased in order to promote liquidity under the terms defined in the general rules of the *Autorité des Marchés Financiers*, the number of shares used to calculate the aforementioned 7% limit is equal to the number of purchased shares, minus the number of shares resold within the relevant period, (ii) if this authority is exercised, the number of treasury shares held at any one time does not exceed 7% of the shares comprising the Company's capital on the relevant date and (iii) the number of shares acquired by the Company to be held for subsequent payment or exchange in respect of mergers, demergers or spin-offs does not exceed 5% of the Company's capital.

The Shareholders' Meeting resolves that the maximum purchase price may not exceed €30 per share, this price applying only to acquisitions decided as from this Meeting and not to any forward transactions contracted under the authority granted by a previous Shareholders' Meeting and providing for the acquisition of shares subsequent to the date of this Meeting.

In the event of capital transactions, in particular a capital increase via capitalization of premiums, reserves, profits or in the form a bonus share allotment during the period of this authority, or in the event of a stock split or reverse stock split, the maximum purchase price per share referred to above will be adjusted to take into account the impact of such transactions on the share's value.

Pursuant to Article R.225-151 of the French Commercial Code, the Shareholders' Meeting sets the maximum amount that may be allocated to the share buyback program under this resolution at €45 million.

The Shareholders' Meeting grants full authority to the Board of Directors, with the option to delegate this authority under the provisions of law, to:

- decide to implement this authority, specifying, if need be, its terms and conditions;
- place all trading orders and enter into all agreements to comply in particular with record-keeping requirements on buy and sell transactions set forth in the applicable regulations;
- file all required disclosures and comply with all formal, legal and other requirements and, in general, take all necessary measures in connection therewith.

The Shareholders' Meeting will advise the shareholders attending the annual Ordinary Shareholders' Meeting of all transactions carried out in application of this resolution.

This authority is granted for a period of 18 months from the date of this Meeting. It cancels as of this date and for the unused portion, the authority previously granted by the Fifth Resolution of the Shareholders' Meeting of April 19, 2012.

FOURTEENTH RESOLUTION

(Reappointment of Yves Galland to the Board of Directors)

The Shareholders' Meeting, after a reading of the Report of the Board of Directors:

- duly notes that the term of office of Yves Galland expires at the close of this Shareholders' Meeting; and
- resolves to reappoint Yves Galland for a term of three years until the close of the Meeting called to approve the financial statements for the fiscal year ending November 30, 2015.

Yves Galland has indicated in advance that he would accept his reappointment should it be approved.

FIFTEENTH RESOLUTION

(Reappointment of Lionel Zinsou to the Board of Directors)

The Shareholders' Meeting, after a reading of the Report of the Board of Directors:

- duly notes that the term of office of Lionel Zinsou expires at the close of this Shareholders' Meeting; and
- resolves to reappoint Lionel Zinsou for a term of three years until the close of the Meeting called to approve the financial statements for the fiscal year ending November 30, 2015.

Lionel Zinsou has indicated in advance that he would accept his reappointment should it be approved.

SIXTEENTH RESOLUTION

(Reappointment of Guy Nafilyan to the Board of Directors)

The Shareholders' Meeting, after a reading of the Report of the Board of Directors:

- duly notes that the term of office of Guy Nafilyan expires at the close of this Shareholders' Meeting; and
- resolves to reappoint Guy Nafilyan for a term of three years until the close of the Meeting called to approve the financial statements for the fiscal year ending November 30, 2015.

Guy Nafilyan has indicated in advance that he would accept his reappointment should it be approved.

SEVENTEENTH RESOLUTION

(Re-approval of the commitment by the Company to provide a defined-contribution supplemental retirement plan to Guy Nafilyan, Chairman and Chief Executive Officer)

The Shareholders' Meeting, after a reading of the special report of the Statutory Auditors on regulated agreements referred to in Article L.225-42-1 of the French Commercial Code, hereby approves, as part of the reappointment of Guy Nafilyan referred to in the foregoing resolution, the commitment by the Company to grant a defined-contribution supplemental retirement plan to Guy Nafilyan, Chairman and Chief Executive Officer, with the understanding that such commitment is the simple renewal of the one approved by the Shareholders' Meeting of April 14, 2011.

EIGHTEENTH RESOLUTION

(Powers)

The Shareholders' Meeting grants all powers to the bearer of any original, copy or excerpt hereof in order to complete any and all legal procedures.

Terms of participation in the Ordinary Shareholders' Meeting of April 25, 2013

Shareholders may participate in this Meeting, whatever the number of shares owned, notwithstanding any articles of the bylaws to the contrary.

The right to participate in Company Shareholders' Meetings is subject to registration of the securities in the books in the name of the shareholder or intermediary registered on his or her behalf pursuant to Article L.228-1 of the French Commercial Code on the third business day before the Meeting, i.e., April 22, 2013, at midnight, Paris time, in either the registered share accounts kept by the Company or in the bearer securities accounts kept by the authorized intermediary.

The recording or book registration of securities in the bearer securities accounts kept by the authorized intermediary must be demonstrated by a certificate of share ownership issued by the intermediary, electronically if applicable, under the conditions defined in Article R.225-61 of the French Commercial Code and attached to the vote by correspondence or proxy form, or to the request for an admission card established in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary.

A certificate is also issued to the shareholder who wishes to attend the Meeting and has not received his admission card at midnight, Paris time, on the third business day prior to the Meeting.

If shareholders do not personally attend this Meeting, they may choose one of the following three options:

1) send in a proxy to the Company without specifying an agent;

2) give a proxy to any individual or Corporate entity of his or her choosing under the conditions set forth in Article L.225-106 I of the French Commercial Code. Accordingly, shareholders must send a written and signed proxy to Caceis Corporate Trust indicating their first and last name and address and the first and last name and address of their proxy along with photocopies of a form of identification from the shareholder and the proxy. Authorizations may be revoked according to the same formal conditions as those required to create the proxy.

3) voting by correspondence.

In accordance with the provisions of Article R.225-79 of the French Commercial Code, notification of the appointment and the dismissal of a proxy may also take place electronically, under the following conditions:

- for holders of shares in registered form: by sending an e-mail to the address infos-actionnaire@ketb.com mentioning their first and last name, address and Caceis Corporate Trust identification number for holders of direct registered shares (this information is listed in the upper left portion of their securities account statement) or their identification number with their financial intermediary for holders of administered registered shares, along with the first and last name of the proxy appointed or dismissed;
- for holders of shares in bearer form: by sending an e-mail to the address infos-actionnaire@ketb.com mentioning their first and last name, address and complete banking information along with the first and last name of the proxy appointed or dismissed, then they must ask their financial intermediary who manages their securities account to send written confirmation (by mail) to Caceis Corporate Trust – Service Assemblées Générales Centralisées -14, rue Rouget de Lisle -92862 Issy-Les-Moulineaux Cedex 9, France (or by fax to +33 (1) 49 08 05 82).

Only notices to appoint or dismiss proxies that are duly signed, completed and received no later than three days before the date that the Shareholders' Meeting is held or within the period mentioned in Article R.225-80 of the French Commercial Code may be considered. In addition, only notices to appoint or dismiss proxies may be sent to the e-mail address above.

Any other request or notice for any other purpose will not be considered and/or processed.

A shareholder who has already cast a vote by mail, sent a proxy or requested an admission card or certificate of share ownership may sell all or some of his shares at any time. However, if the sale occurs before midnight Paris time on the third business day prior to the Meeting, i.e., April 22, 2013 at midnight Paris time, the Company will void or modify accordingly, as applicable, the vote by mail, proxy, admission card or certificate of share ownership. For this purpose, the authorized account holder intermediary must notify the Company or its agent of the sale and transmit the information necessary.

No sale or any other transaction executed after midnight Paris time on the third business day preceding the Meeting, whatever method used, is notified by the authorized intermediary or counted by the Company, notwithstanding any agreement to the contrary.

The proxy and vote by mail forms are automatically sent to shareholders holding direct registered shares or administered registered shares by postal mail.

As required by law, all documents that must be communicated to this Shareholders' Meeting will be available to shareholders, within the legal periods, at the Corporate offices of Kaufman & Broad SA and the Company's website (http://www.ketb.com) or transmitted by request sent to Caceis Corporate Trust.

The proxy and vote by mail forms for owners of bearer shares will be sent to the latter, at their request by registered mail with return receipt to Caceis Corporate Trust – Service Assemblées Générales Centralisées -14, rue Rouget de Lisle -92862 Issy-Les-Moulineaux Cedex 9, France no later than six days before the date of the Meeting.

To be counted, the completed and signed vote by mail form must be returned to Caceis Corporate Trust – Service Assemblées Générales Centralisées -14, rue Rouget de Lisle -92862 Issy-Les-Moulineaux Cedex 9, France no later than three business days before the Meeting is held.

When the shareholder has already cast his or her vote by mail, sent a proxy, or requested an admission card or certificate of share ownership, he or she may no longer choose a different method for participating in the Meeting, unless stipulated otherwise in the bylaws.

Shareholders may submit written questions to the Company in accordance with Articles L.225-108 and R.225-84 of the French Commercial Code. These questions must be sent to the Corporate offices of the Company by registered mail with return receipt or by electronic mail to the following address: infos-actionnaire@ketb.com no later than four business days before the Shareholders' Meeting is held. They must include a certificate of account registration.

Requests to add items or draft resolutions to the agenda made by shareholders who meet the legal requirements in force must be sent to the Corporate offices by registered mail with return receipt no later than twenty-five days before the Shareholders' Meeting is held.

Such requests must be accompanied by written certification of registration of shares in the account as proof of the possession or the representation by the person(s) making the request of the portion of capital required by Article R.225-71 of the French Commercial Code. The list of items added to the agenda and the text of the draft resolutions will be published on the Company's website, in accordance with Article R.225-73-1 of the French Commercial Code. Requests to register draft resolutions must be accompanied by the text of the draft resolutions, which may be accompanied by a brief statement explaining the reasons for their inclusion.

It should also be noted that review by the Shareholders' Meeting of the agenda and resolutions presented is subject to remittance by the interested parties of a new certificate proving book registration of their securities under the same conditions stipulated above no later than midnight Paris time on the third business day prior to the Meeting.

Documents relating to the Meeting will be posted online at http://www.ketb.com no later than 21 days before the Shareholders' Meeting.

9.2. REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Pursuant to the provisions of Article L.225-37 of the French Commercial Code, the Chairman is reporting on the membership of the Board, the application of the principle of equal representation of men and women on it, the mode of preparation and organization of the work of the Board of Directors and the internal control and risk management procedures set up by the Kaufman & Broad group, to present any restrictions that may be imposed by the Board of Directors on the powers of the Chief Executive Officer, to provide details on the provisions of the AFEP-MEDEF Corporate Governance Code that are not fully followed by the group and to present the principles and rules approved by the Board of Directors for defining the compensation and all types of benefits granted to the Company's officers.

This report was prepared by the Chairman with the assistance of Management and the Finance Department, taking into consideration the opinions and recommendations of the *Association Française des Entreprises Privées* (AFEP), the *Mouvement des Entreprises de France* (MEDEF), the *Autorité des Marchés Financiers* (AMF) and the *Compagnie Nationale des Commissaires aux Comptes* (CNCC).

The Kaufman & Broad Audit Committee reviewed the report at its Meeting of February 14; 2013. The report was approved by the Board of Directors on February 15, 2013.

Part I: Corporate Governance and operations of the Board of Directors

The conditions for the preparation and organization of the work of the Board of Directors and its Special Committees are defined by law, the Company's bylaws, the provisions of the Board of Directors' Internal Rules and the committees' charters.

I. Procedures and operations of the Board of Directors

I.1. Corporate Governance Code

For the preparation of this report, on the Company referred to the AFEP-MEDEF Corporate Governance Code, which may be consulted on the MEDEF website (http://www.medef.com).

It should furthermore be noted that:

- the proportion of Independent Directors on the Audit Committee and the Compensation and Nominating Committee is equal to half and more than one-third respectively on the date of this report. In this regard, it is specified that the Company is controlled by a majority shareholder;
- the Board of Directors has eight members, two of which are women and increased representation of women is a goal for the medium term;
- the terms of office of the Directors are not renewed on a rolling basis, but renewal of the three-year terms of office are staggered over time in order to avoid a block renewal of all Directors simultaneously.
- since 2013 is the year that Philippe Jossé took office as Deputy Chief Executive Officer and is accordingly a transition year, some elements of his compensation for that period may deviate from the principles of the AFEP-MEDEF Code.

I.2. Provisions Governing the membership of the Board of Directors

Kaufman & Broad SA is managed by a Board of Directors of no less than three members and no more than 18 members, who are appointed by the Ordinary Shareholders' Meeting for a term of three years. Outgoing Directors may be re-elected.

The Company's bylaws stipulate that the number of Directors over the age of 70 who are individuals or permanent representatives of Corporate entities may not be more than three at the end of each annual Ordinary Shareholders' Meeting called to approve the statutory financial statements and that no Director may exercise such functions beyond his or her seventy-fifth birthday. The Company's bylaws also provide that the Chairman of the Board of Directors must be an individual under the age of 70 and that no person may hold the office of Chief Executive Officer or Deputy Chief Executive Officer over the age of 70.

The Internal Rules of the Board, which are detailed below, specify that the proportion of Independent Directors must be equal to at least one third of the membership of the Board of Directors.

The Board of Directors appoints, from among its members, a Chairman who must be an individual. The Chairman organizes and directs the work of the Board of Directors and reports thereon to the Shareholders' Meeting. He or she ensures that the Company's Corporate governance structures function effectively and that Directors are in a position to properly perform their duties.

The Kaufman & Broad SA Board of Directors currently has eight members.

I.3. Other provisions of the bylaws and Internal Rules

The bylaws of the Company also stipulate that the Board of Directors may, upon the recommendation of the Chairman, appoint a maximum of two non-voting Directors, chosen from among the shareholders. The Board has not used this option.

The Company's Board of Directors has established Internal Rules. These were last updated on February 13, 2009 in order to specifically reflect a certain number of recommendations contained in the AFEP-MEDEF Corporate Governance Code.

These Internal Rules describe the Board of Directors' mode of operation, powers and duties. They also clarify the rules of ethics applicable to members of the Board of Directors. They also include rules applicable to holding Board meetings by videoconferencing or other means of telecommunications, as well as provisions relating to the frequency of meetings, the attendance of Directors and the Directors' duties of disclosure concerning the number of directorships held, conflicts of interest, regulated agreements, transactions involving Company shares.

The rules stipulate that the Board may set up committees whose members are responsible for examining issues referred to them by the Board. The Internal Rules stipulate that each Director must own at least 250 shares and must not trade in the Company's shares during the 30 calendar days preceding the Company's release of its quarterly, half-year and annual results. The rules also stipulate that each Director must hold the shares held at the beginning of his term of office or acquired thereafter in registered form and inform the AMF of any purchase of new or existing shares or sale made, whether directly or through intermediaries, involving securities of the Company, or any forward financial instruments related to such securities.

The Board of Directors' Internal Rules are available on the Kaufman & Broad website (http://www.ketb.com).

I.4. Responsibilities of the Board of Directors

The main role of the Board of Directors is to determine the Company's strategic direction and oversee its implementation. Except for the powers directly vested in shareholders and within the scope of the Corporate purpose, the Board is responsible for dealing with all matters concerning the efficient management of the Company and for making all related decisions.

In particular, the following operations are subject to the prior authorization or approval of the Board:

- any significant change in the business of the Company or any of its subsidiaries;
- any acquisition or disposal of an entity with an enterprise value greater than €10 million, excluding the acquisition of an entity whose assets are land and/or buildings for the development of real estate programs;
- any borrowings, other than credit facilities, bilateral lines of credit and authorized overdrafts;
- annual budget;
- medium-term business plan.

The Internal Rules also specify that, generally speaking, the Board examines and decides transactions of a truly strategic importance, possible after study by an *ad hoc* Committee; more specifically, any significant transaction outside the scope of the strategy announced by the Company requires the prior approval of the Board. The scope of application of this prior approval not only covers external acquisitions or disposals, but all significant investments in organic growth and internal Company restructuring.

The Board carries out the controls and verifications it deems necessary and is responsible for reviewing and approving the annual and half-year (statutory and/or consolidated) financial statements and for reviewing and approving the related reports stipulated by current regulations.

I.5. Responsibilities and powers of the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers

The Chairman of the Board of Directors is responsible for the Management of the Company. The Chairman and Chief Executive Officer are vested with the broadest powers to Act in all circumstances on behalf of the Company. Those powers are exercised within the limits of the Corporate purpose subject to the powers which the law expressly attributes to Shareholders' Meetings or which it specifically reserves to the Board of Directors as well as within the limits of the transactions that are subject to the prior authorization of the Board in accordance with its Internal Rules. He or she represents the Company with respect to third parties.

On February 16, 2012, the Board of Directors renewed for a term of one year the authorization granted to its Chairman and Chief Executive Officer, along with the right to subdelegate such authority, to issue on behalf of the Company any guarantees, bonds or endorsements (including any financial guarantees on completion):

- to tax and customs authorities, without any limitation as to the term or amount;
- to any other third party, without any time limitation and in an aggregate amount not exceeding €2,200,000,000 including any amounts required for the financial guarantees on completion.

This authorization was renewed for one more year and for the same total amount by the Board of Directors on February 15, 2013.

On a recommendation made by the Chairman and Chief Executive Officer, the Board of Directors may appoint one or more Deputy Chief Executive Officers, provided that their number may not exceed five. They must be individuals; they do not have to be Board members. In agreement with the Chairman and Chief Executive Officer, the Board determines the scope and term of the powers granted to Deputy Chief Executive Officers.

On a recommendation made by the Chairman and Chief Executive Officer and after having heard the report of the Compensation and Nominating Committee, on December 20, 2012, the Board of Directors appointed Philippe Jossé as Deputy Chief Executive Officer with effect from February 1, 2013, with the same powers as the Chief Executive Officer.

The Chief Executive Officer may be dismissed by the Board at any time. If such removal is made without cause, it may result in the payment of damages, except for the Chief Executive Officer when he is also the Chairman of the Board of Directors.

I.6. Board of Directors' meetings and proceedings

The Board of Directors meets whenever the Company's interests so require, at least twice a year, either at the registered offices or at any other place indicated in the notice of Meeting. The Chairman can call meetings by any means, including verbally. If the Board has not met for more than two months, then one third of the Board Members may ask the Chairman to convene a Meeting of the Board in order to review a specific agenda. The Chief Executive Officer may also ask the Chairman to convene a Meeting of the Board in order to review a specific agenda.

Each Director is provided with all the information required to perform his or her task and can ask for any document he or she deems useful.

Board meetings are chaired by the Chairman or, in his absence, by a Director designated for this purpose.

The Board may not validly deliberate unless at least half the Directors are present. Decisions are made by a majority of the votes of members present and represented.

Directors who participate in a Meeting via videoconferencing or other telecommunications methods under the conditions defined by applicable regulation are deemed present for the purposes of calculating the *quorum*. This provision does not apply to meetings of the Board of Directors whose agenda includes the preparation of the annual financial statements, Consolidated Financial Statements and the management report.

Pursuant to the Internal Rules, the Chairman may ask any Director with conflict of interest, even a potential conflict, not to participate in the proceedings.

In fiscal year 2012, the Board of Directors met seven times, on the dates, under the conditions of *quorum* and according to the agendas listed below:

Date of Meeting	Number of members present (*)	Agenda
January 17, 2012	7	- Report of the Compensation and Nominating Committee: minutes of the Meeting of January 11, 2012; - Resignation of a member of the Board of Directors and the Audit Committee; - Compensation of Corporate Officers and management for 2011 and 2012; - Amount of Directors' fees – allocation for fiscal year 2011; - Report of the Audit Committee: Minutes of the Meeting of January 17, 2012; - Review of estimated consolidated financial data at November 30, 2011; - Approval of 2012 budget; - Allocation of bonus shares – Recognition of the final allocation of bonus shares granted on January 20, 2010.
February 16, 2012	8	- Report of the Compensation and Nominating Committee: minutes of the Meeting of February 3, 2012; - Co-option of one Director – Ratification of his appointment by the next Shareholders' Meeting; - Appointment of one Director to the Audit Committee of the Board of Directors; - Report of the Audit Committee: Minutes of the Meeting of February 14, 2012; - Review and approval of the Consolidated Financial Statements at November 30, 2011 and proposed allotment of the earnings for the fiscal year; - Review and approval of the Consolidated Financial Statements at November 30, 2011; - Agreements referred to in Article L.225-38 of the French Commercial Code; - Renewal of the term of office of Directors; - Renewal of the share buy-back program; - Renewal of delegations regarding reductions and increases of capital; - Renewal of authorization to allot bonus shares existing or to be issued; - Calling of a Combined Ordinary and Extraordinary Shareholders' Meeting and setting of its agenda and texts of draft resolutions; - Preparation and approval of the Board of Directors' management report; - Preparation and approval of special reports; - Review and approval of the Chairman's report on Corporate governance and internal control; - Review of Company policy regarding gender equality; - Renewal of the authority to make pledges and guarantees; - Review and approval of the draft management documents and the report analyzing those documents.
April 19, 2012	7	- Report of the Audit Committee; - 1st quarter 2012 activity; - 1st quarter 2012 financial income; - Review of revised 2012 Budget (Update II); - Implementation of a share buy-back program.
July 11, 2012	7	- Report of the Audit Committee: Minutes of the Meeting of July 10, 2012; - Review and approval of the half-year Consolidated Financial Statements at May 31, 2012; - Update III: presentation of the revised 2012 Plan and 2013 trends.
September 26, 2012	5	- Report of the Audit Committee: minutes of the Meeting of September 26, 2012; - Presentation of estimated consolidated financial data at August 31, 2012; - 2012/2013 business outlook; - Review and approval of 2012 revised draft management documents and the report analyzing those documents; - Regulated agreements: agreement on the grouped payment of VAT.
October 17, 2012	7	- Report of the Audit Committee of October 17, 2012; - Review and approval of the signing of the amendment to the Senior Facilities Agreement; - Review and approval of the Kaufman & Broad SA interim statutory financial statements at August 31, 2012.
October 23, 2012	8	- Payment of an interim dividend from the profit of the fiscal year ended November 30, 2012 on the basis of the interim statutory financial statements at August 31, 2012.

(*) As defined by Article L.225-37 of the French Commercial Code.

Since November 30, 2012, the Board of Directors has met three times, on the dates, under the conditions of *quorum* and according to the agendas listed below:

Date of Meeting	Number of members present (*)	Agenda
December 20, 2012	7	- Report of the Compensation and Nominating Committee of the Meeting on December 20, 2012; - Appointment of a Deputy Chief Executive Officer with effect from February 1, 2013; - Organization of the transition within the Company's Senior Management; - Adjustments to be made to the compensation of Guy Nafilyan as Chairman and Chief Executive Officer; - Role and compensation of Guy Nafilyan as Chairman of the Board of Directors; - Terms of exercise of office and compensation of the new Deputy Chief Executive Officer: approval of contract for term of office; - Determination of variable compensation of the Chairman and Chief Executive Officer and management for fiscal year 2012.
January 22, 2013	7	- Report of the Compensation and Nominating Committee of January 22, 2013: - Compensation of Corporate Officers and management for fiscal year 2013; - Amount of Directors' fees – allocation for fiscal year 2012; - Report of the Audit Committee of January 22, 2013 - Review of estimated consolidated financial data at November 30, 2012; - Approval of 2013 budget; - Bonus shares – Recognition of the final allocation of bonus shares granted February 17, 2011.
February 15, 2013	6	- Report of the Audit Committee of February 14, 2013; - Review and approval of the statutory financial statements at November 30, 2012 and proposed allotment of the earnings for the fiscal year; - Review and approval of the Consolidated Financial Statements at November 30, 2012; - Agreements referred to in Articles L.225-38 and L.225-42-1 of the French Commercial Code; - Reappointment of three Directors and assessment of the role of Independent Directors; - Renewal of the share buy-back program; - Calling of an Ordinary Shareholders' Meeting and setting of its agenda and the text of its draft resolutions; - Preparation and approval of the Board of Directors' management report; - Preparation and approval of special reports; - Review and approval of the Chairman's report on Corporate governance and internal control; - Review of Company policy regarding gender equality; - Renewal of the authority to make pledges and guarantees; - Review and approval of the draft management documents and the report analyzing those documents. - Assessment of the operation of the Board of Directors.

(*) As defined by Article L.225-37 of the French Commercial Code.

I.7. Compensation and benefits granted to Corporate Officers

The governance rules applicable to the determination of the compensation and benefits granted to officers of the group are as follows:

I.7.1. Members of the administrative bodies

At the Combined Ordinary and Extraordinary Shareholders' Meeting of April 11, 2008, the aggregate amount of Directors' fees allocated annually to the Board of Directors was set at €260,000, applicable as of the year ended November 30, 2008 until decided otherwise by the Shareholders' Meeting.

This package corresponds to the maximum annual amount that the Board of Directors may, on the recommendation of the Compensation and Nominating Committee, freely distribute among the Directors. It has not changed since 2008.

The Board's Internal Rules provide that Directors' fees will be apportioned among Directors who perform no other duties within Kaufman & Broad other than their role as Director and that a portion determined by the Board of Directors and deducted from the aggregate amount allocated to the Board will be paid to members of the various committees who perform no other duties within the Kaufman & Broad group, based on their attendance at the meetings of such committees.

Payment of these fees will be based on their attendance at meetings. On the recommendation of the Compensation and Nominating Committee, at its Meeting on January 22, 2013, the Board of Directors decided to pay Directors' fees for fiscal year 2012:

- for a maximum individual amount of €40,000 to the Directors of the Company who are considered independent, i.e., Sylvie Charles, Alain de Pouzilhac and Yves Galland;
- of a maximum individual amount of €20,000 to the other Directors of the Company, with the exception of the Chairman and Chief Executive Officer, who receives no Directors' fees.

The Directors' fees allocated to each Director for fiscal year 2012 take into account the attendance of each of them in the Committees and meetings of the Board of Directors.

I.7.2. Members of the management bodies

The Board of Directors sets the compensation of the Company's Corporate Officers. It makes decisions from time to time regarding the compensation and benefits to be granted to the Chairman and Chief Executive Officer for his term of office, regarding the variable portion in particular.

In accordance with the Company's decision to take into account the AFEP-MEDEF Code of Corporate Governance, the Board of Directors, with the assistance of the Compensation and Nominating Committee, now establishes the rules for determining the compensation paid to executive officers, ensuring in particular that the rules are complete, understandable and transparent, that the compensation package is balanced, that the compensation is consistent with the Company's market and the amount paid to other Directors and employees of the group, that the compensation is in line with market rates, that the performance of the Director in question and the general interest of the Company are considered and that the compensation will attract, retain and/or motivate high-caliber Directors.

Chairman and Chief Executive Officer:

The Chairman and Chief Executive Officer receives a fixed annual compensation plus a variable portion. For 2012, this incentive is calculated as follows:

- 2/3 of its amount based on the following quantitative items, each of which was weighted: EBITDA, attributable net income, revenues, Kaufman & Broad SA's WCR at the end of 2012, housing orders, number of Commitment Committee lots in 2012;
- 1/3 of its amount based on qualitative items.

Moreover, for 2012, the Chairman and Chief Executive Officer received additional variable compensation related to group activity goals, the payment of which is subject to the uninterrupted completion of his term until January 2013.

Furthermore, the Chairman-Chief Executive Officer is entitled to a supplemental defined contribution pension plan pursuant to the provisions of Article 83 of the French General Tax Code. In 2012, the Company paid contributions to this plan of €23,278, corresponding to the annual contributions capped at 8% of gross salary, up to a maximum of eight times the Social Security ceiling.

In addition, the Board of Directors determines the general policy for the award of stock options and bonus share plans recommended by Senior Management. In this context, the Board of Directors has granted, in the years prior to fiscal year 2008, but not in the last four years, stock options and bonus shares to the Chairman and Chief Executive Officer.

Finally, the group's senior executives who hold a Corporate office in one or more group entities receive no compensation related to those entities.

The Company made no other commitments to its Chairman and Chief Executive Officer in respect of any compensation rights, indemnities or benefits owed or which could be owed at the time of, or after, the assumption, termination or a change in his positions.

Deputy Chief Executive Officer:

On December 20, 2012, the Board of Directors appointed Philippe Jossé as Deputy Chief Executive Officer of the Company with effect from February 1, 2013 and endorsed, upon the proposal of the Compensation and Nominating Committee of the same day, the terms and conditions of the contract for his term of office.

Philippe Jossé receives a fixed annual compensation plus a variable portion. For 2013, this incentive is calculated as follows:

- 2/3 of its amount based on the following quantitative items, each of which was weighted: EBITDA, attributable net income, revenues, Kaufman & Broad SA's WCR at the end of 2013, housing orders, number of Commitment Committee lots in 2013;
- 1/3 of its amount based on qualitative items.

Since 2013 is the year that Philippe Jossé took office and is accordingly a transition year, it was agreed that he would be guaranteed a variable "base" compensation for 2013 (corresponding to 75% of his annual gross fixed compensation). This is a departure from the principles of the AFEP-MEDEF Code. Nevertheless, the payment of the variable compensation is conditional on the continued employment of Philippe Jossé by the Company on December 31, 2013.

In addition, Philippe Jossé may receive a special bonus at the end of a three-year period starting from February 1, 2013 based on the Company's performance assessed on the basis of market price of the Company's share (provided that he is still Deputy Chief Executive Officer or Chief Executive Officer on the third anniversary date of his term). This is a departure from the principles of the AFEP-MEDEF Code.

Moreover, in the event of dismissal from office for any reason other than gross misconduct, as defined in labor law by the Court of Cassation, the Company undertakes to pay to the Deputy Chief Executive Officer compensation for dismissal to compensate the loss suffered by the loss of his position.

In the event of a dismissal during the first two years of his term of office, compensation shall be equal to 12 months' fixed and gross variable compensation. In the event of a dismissal during the following two years of his term, such compensation shall be payable only in the event of a dismissal occurring within six months after a sale of the Company to a third party (other than the sale of the Company's securities on the market by issuing new shares or transfer of existing shares), provided that the special bonus paid at the end of the first three years will not be taken into account in the calculation of compensation.

In all cases, such compensation shall be payable only if the Deputy Chief Executive Officer has received or should have received in the year preceding the termination of his term in office at least 70% of the maximum variable portion of his compensation, as the variable portion was based on both quantitative and qualitative objectives.

In the event of dismissal during the first year of his term, the performance of the Deputy Chief Executive Officer and consequently the percentage of variable compensation that would have been received will be evaluated by the Board of Directors.

It follows from the foregoing that the compensation for dismissal that may be paid to the Deputy Chief Executive Officer the first two years of his term is not contingent on a change of control or strategy, as recommended by the AFEP/MEDEF Code.

Moreover, in the event of Philippe Jossé's departure, he will be bound by an obligation of non-competition and non-solicitation, unless waived or reduced by the group, for a period of 12 months following the termination of his term in office. In consideration, he will receive gross lump-sum monthly compensation equivalent to 50% of the gross fixed compensation he received during the twelve months preceding the termination of his term in office (or length of the term if it is less than twelve months).

The Deputy Chief Executive Officer is entitled to a supplemental defined-contribution pension plan pursuant to the provisions of Article 83 of the French General Tax Code.

Philippe Jossé also participates in a specific unemployment insurance fund for executive and Corporate Officers (GSC).

Pursuant to Article L.225-42-1 of the French Commercial Code, the provisions relating to undertakings to the benefit of the Deputy Chief Executive Officer on the occasion of his appointment to these positions will be subject to the approval of the Shareholders' Meeting of April 25, 2013.

Information on the compensation paid to the Corporate Officers of Kaufman & Broad SA as stipulated by the AFEP-MEDEF Code of Corporate Governance is provided in the report from the Board of Directors.

I.8. Independence of Directors

The Board of Directors of the Company, whose majority shareholder since July 10, 2007 has been Financière Gaillon 8, which is itself controlled by funds managed by PAI partners, currently includes three Independent Directors of the eight members, as defined in the December 2008 AFEP-MEDEF Code of Corporate Governance, as revised in April 2010. These Directors are Sylvie Charles, Alain de Pouzilhac and Yves Galland.

For each nomination or reappointment to the Board, the Board examines the applications on the basis of the independence criteria described below. The status of each Director with regard to these criteria is also discussed by the Compensation and Nominating Committee and reviewed annually by the Board of Directors.

The independence criteria currently adopted by the Company are those provided for in the AFEP-MEDEF Code of Corporate Governance. It should be noted that these criteria constitute a formal requirement; all Directors are expected to exercise independent judgment and contribute equally to the Board's proceedings according to their skills and experience, regardless of their classification.

I.9. Operations of the Board of Directors

I.9.1. Membership

As of the date of this report, the eight persons identified below are Directors of Kaufman & Broad SA:

Name	Position	Date of first appointment	End of term
Guy Nafilyan	Chairman of the Board of Directors and Chief Executive Officer	January 11, 1983	Approval of the financial statements for fiscal year 2012
Sylvie Charles	Director	February 16, 2012 (co-option)[(a)]	Approval of the financial statements for fiscal year 2014
Alain de Pouzilhac	Director	April 30, 2003	Approval of the financial statements for fiscal year 2014
Yves Galland	Director	April 28, 2004	Approval of the financial statements for fiscal year 2012
Frédéric Stévenin	Director	July 10, 2007	Approval of the financial statements for fiscal year 2014
Olivier de Vregille	Director	September 29, 2009	Approval of the financial statements for fiscal year 2014
Lionel Zinsou	Director	September 29, 2009	Approval of the financial statements for fiscal year 2012
Sophie Lombard	Director	September 29, 2010[(b)]	Approval of the financial statements for fiscal year 2014

(a) The co-option of Sylvie Charles was ratified by the Shareholders' Meeting of April 19, 2012.
(b) It is further noted that Sophie Lombard served a first term as Director of the Company from July 10, 2007 to January 20, 2010.

At the Shareholders' Meeting called to approve the financial statements for fiscal year 2012, a recommendation will be made to the shareholders to renew the terms of office of Guy Nafilyan, Yves Galland and Lionel Zinsou for a term of three years, that is, until the end of the Shareholders' Meeting called to approve the financial statements for the fiscal year ending November 30, 2015.

The list of the various terms held by the Company's Directors other than in the group's subsidiaries over the past five years is provided in Section 3.1.1.1. "Members of the Board of Directors" of the Company's Registration Document.

I.9.2. Annual evaluation

In accordance with the AFEP-MEDEF Code of Corporate Governance and the provisions of the Board's Internal Rules, the evaluation by the Board of Directors of its operation must appear as an agenda item at least once a year. A formal assessment is conducted every three years, which may be optionally implemented under the direction of an Independent Director with the help of an external consultant. The Directors discussed the issue of the Board's operation for fiscal year 2012 at its Meeting on February 15, 2013.

II. Special Committees of the Board of Directors

II.1. Audit Committee

The Audit Committee is a special Committee of the Board of Directors. Its primary mission is to conduct a preliminary review of the financial statements and risks to the Company in order to deepen the knowledge of and facilitate the exercise by the Board of Directors of its responsibility to approve the statutory financial statements and Consolidated Financial Statements.

II.1.1 Audit Committee Charter

A charter describes the organization, powers and operations of the Audit Committee. At the Board meetings of January 22, 2009 and February 13, 2009, several additions were made to the Committee charter in order to take into account the AFEP-MEDEF Code of Corporate Governance and prepare the Company for compliance with the Ordinance of December 8, 2008 regarding Audit Committees, which transposes European Directive 2006/43/EC of May 17, 2006 regarding Statutory Auditors. At the Board of Directors Meeting on February 18, 2010, the charter was amended with respect to the minimum number of members that comprise the Audit Committee.

II.1.2 Members of the Audit Committee

The Audit Committee is composed of at least three members. At the Board of Directors Meeting of February 18, 2010, it was reiterated in the Audit Committee charter that the Committee must be composed of at least one Independent Director to comply with the independence criteria adopted by the Company and it was specified that:

- the members of said Committee would be appointed for an indefinite term and chosen on the basis of:
  - their independence; and
  - their expertise in financial or accounting matters; more specifically, at least one member of the Committee must be independent and have special expertise in financial and/or accounting matters that were acquired over the course of his or her professional career;
  - it should be noted, however, that their membership on the Committee will expire at the same time as their term on the Board; and
  - at the time of their appointment, Committee members must receive information regarding the specifics of the Company's accounting, financial and operating procedures.

Given the level of participation of the majority shareholder, it seems difficult to comply with the two-thirds percentage of Independent Directors on the Audit Committee specified in the AFEP-MEDEF Code; however, the Company exceeds the percentage required by Article L.823-19 of the French Commercial Code because two out of four members of the Audit Committee are independent and the Committee is chaired by an Independent Director.

Since February 16, 2012, the Audit Committee has been comprised of four members appointed for their term as Director: Sophie Lombard, appointed on September 29, 2010, Frédéric Stévenin, appointed on July 10, 2007 and two independent members, Yves Galland, Chairman, appointed on July 10, 2007 and Sylvie Charles, appointed on February 16, 2012.

The fact that the Audit Committee is chaired by an Independent Director strengthens management oversight and ensures a balance of powers.

II.1.3. Mission of the Audit Committee

The charter of the Audit Committee of the Company stipulates that its members are charged with a preliminary review of the financial statements and risks of the Company, specifically:

- review of the financial statements, relevance and consistency of the regulatory accounting methods used to prepare the statutory financial statements and Consolidated Financial Statements and their scope of application;
- monitoring the process of preparing the financial information;
- monitoring the effectiveness of the internal control, internal audit and risk management systems and especially the review of significant off-balance-sheet commitments;
- monitoring of the accounting treatment of any material transaction conducted by the Company;
- monitoring of internal data collection and control procedures and the quality and reliability of the Company's financial statements;
- control before publication of all accounting and financial documents, in particular in relation to the approval of the statutory financial statements and semi-annual and annual Consolidated Financial Statements;
- monitoring of the Company's financial policy and the risks related thereto;
- monitoring of the independence and objectivity rules for the Statutory Auditors.

Members of the Audit Committee must also review the effectiveness of the group's internal control and risk management procedures to allow the Board of Directors to assess its relevance.

Finally, it should be noted that the Audit Committee does not make any decisions; its role is restricted to the preparation of information to be used by the Board at its meetings.

The Audit Committee has reviewed the July 2010 AMF recommendations respecting the conclusions of the Poupart Lafarge working group on the reference framework for risk management and internal control mechanisms.

II.1.4. Audit Committee Procedures

Meetings of the Audit Committee are validly held if at least one-half of the members are present. The Audit Committee's agenda is set by the Chairman.

The Committee meets at least twice a year and as many times as it deems necessary. Meetings are held prior to meetings of the Board of Directors and at least two days prior to this Meeting if the Committee's agenda includes a review of the annual and half-year financial statements for the Board's approval. Also, the Committee may meet, either at the request of the Board of Directors, or at the request of its Chairman or the majority of its members, in order to review any matter within the scope of its responsibilities.

The Committee charter specifically stipulates that the Committee's review of the annual or half-year financial statements must be accompanied by a presentation from the Statutory Auditors that highlights the essential items of the results, the accounting options used and a presentation from the Chief Finance Officer describing the Company's exposure to risks and material off-balance sheet commitments.

The Chairman and Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Finance Officer, the Director of Management and Budget Control, the Director of Accounting and Consolidation, the Internal Audit Manager and the Statutory Auditors are invited, if necessary, to participate in meetings of the Committee.

The Committee may also interview the Company's employees or its Statutory Auditors without management present; however, management must be informed thereof beforehand.

The Committee's work is reported to the Board of Directors by its Chairman, who also prepares a written summary. The secretary of the Committee is the secretary of the Board of Directors.

The Committee receives all material documents within the scope of its responsibilities (documents intended for financial analysts, rating agency reports). If necessary, it may request additional assessments.

For the review of the financial statements, the Audit Committee receives:

- the draft financial statements and notes which will be submitted to the Board of Directors, as well as any information that makes it possible to verify the method of preparing the financial statements and verify the relevance of the accounting methods and principles applied, the accounting standards and the scope of consolidation;
- a summary memorandum prepared by the Statutory Auditors which highlights the essential points of their work;
- a communication from the Chief Finance Officer describing the Company's main exposure to risks and material off-balance sheet commitments;
- information, which makes it possible to review in detail the terms of material transactions carried out during the period.

For the review of the organization and internal control procedures:

- a presentation of the audit department's work program;
- periodic summaries of the controls performed by the Kaufman & Broad Internal Audit Department to assess compliance with internal control procedures relating to accounting and financial information;
- various reports prepared by the Kaufman & Broad Internal Audit Department.

In addition, the Committee' charter stipulates that:

- in order for the Committee to monitor the rules of independence and objectivity of the Statutory Auditors during the term of their appointment, the Auditors must provide the following to the Committee on an annual basis:
  - the amount of the fees paid to the Auditors' network by entities controlled by the Company or the entity, which controls the Company for services not directly related to the duties of the Statutory Auditors;
  - information on the services provided and directly related to the engagement of the Statutory Auditor.
- the Committee must also review with the Statutory Auditors the risks to their independence and measures taken to protect against such risks. The Committee must also ensure that fees paid by the Company and its group, or the percentage of those fees in the revenues of audit firms and audit networks, do not affect the independence of the Statutory Auditors;
- the engagement of Statutory Auditor for the Company must exclude any other work not related to the legal audit, with the exception of other engagements previously authorized by the Committee.

II.1.5. Compensation paid to members of the Audit Committee

Refer to Section I.7.1. above: "Compensation paid to members of the administrative bodies".

II.1.6. Audit Committee Meetings

During fiscal year 2012, the Audit Committee met six times, on the dates, under the conditions of *quorum* and according to the agendas listed below:

Date of Meeting	Number of members present (*)	Agenda
January 17, 2012	3	- Internal Audit: presentation of results of D.C.I (Internal Control Mechanism) tests at end Q3 2011; - Review of estimated financial data at November 30, 2011; - Comments of the Statutory Auditors on the consolidated financial data at November 30, 2011; - Review of the 2012 budget.
February 14, 2012	3	- Review of the notes to the Consolidated Financial Statements at November 30, 2011; - Review of the statutory financial statements at November 30, 2011 and recommended appropriation of earnings for the fiscal year; - Comments of the Statutory Auditors on the statutory financial statements; at November 30, 2011; - Review of the Chairman's report on Corporate governance and internal control; - Review of the Board of Directors' Report and the texts of the resolutions to be presented at the Shareholders' Meeting; - Internal Audit: results of internal control mechanism tests for the second half of 2011 and 2011 annual overview, 2012 draft plan and tests to internal control mechanism; - Review of draft management documents and the report analyzing those documents.
April 17, 2012	2	- Review of estimated consolidated financial data of the first quarter of 2012 and review of main potential risks identified to date; - Review of revised 2012 Budget (Update II).
July 10, 2012	4	- Review of the estimated financial data for the first half of 2012; - Review of activity in the first half of 2012 – Review of the main potential risks identified to date; - Internal Audit: presentation of the result of the D.C.I. (Internal Control System) tests at the end of the first quarter of 2012 and specific points.
September 26, 2012	4	- Review of estimated consolidated financial data at 31 Aug 2012; - Presentation of revised draft management documents 2012 and the report analyzing those documents; - Quarterly results of D.C.I. (Internal Control Mechanism) tests.
October 17, 2012	4	- Review of terms and conditions of Supplemental Agreement No. 8 to the Senior Facility Agreement; - Review of Kaufman & Broad SA Interim financial statements at August 31, 2012; - Comments of the Statutory Auditors on the intermediates of Kaufman & Broad SA Interim statutory financial statements at August 31, 2012.

(*) As defined by Article L.225-37 of the French Commercial Code.

Since November 30, 2012, the Audit Committee has met twice, on the dates, under the conditions of *quorum* and according to the agendas listed below:

Date of Meeting	Number of members present (*)	Agenda
January 22, 2013	4	- Internal Audit: presentation of the result of the D.C.I. (Internal Control System) tests at the end of the third quarter of 2012 and specific points; - Review of estimated consolidated financial data at November 30, 2012; - Comments of the Statutory Auditors on the consolidated financial data at November 30, 2012; - Review of the 2013 budget.
February 14, 2013	3	- Review of the notes to the Consolidated Financial Statements at November 30, 2012; - Review of the statutory financial statements at November 30, 2012 and recommended appropriation of earnings for the fiscal year; - Comments of the Statutory Auditors on the statutory financial statements; at November 30, 2012; - Review of the Chairman's report on Corporate governance and internal control; - Internal Audit: results of tests on the Internal Control System for Q4 2012 and 2012 annual summary – Other actions performed by the Internal Audit in 2012 – 2013 provisional Plan for tests to Internal Control System; - Review of draft management documents and the report analyzing those documents.

(*) As defined by Article L.225-37 of the French Commercial Code.

The Statutory Auditors attended all meetings of the Audit Committee and were also asked to make any observations they deemed useful to submit to the members of the Committee.

II.2. Compensation and Nominating Committee

II.2.1. Members and responsibilities

The Compensation and Nominating Committee is composed of three Directors, at least one of whom must be independent. It is chaired by an Independent Director. As of this writing, it is comprised of Sophie Lombard, who was appointed at the Board of Directors Meeting of February 17, 2011, Alain de Pouzilhac, Chairman, appointed on March 6, 2007 and Frédéric Stévenin, appointed in July 10, 2007.

Given the level of participation of the majority shareholder, the Compensation and Nominating Committee is not composed of a majority of Independent Directors as recommended by the AFEP-MEDEF Code; however, the Committee is chaired by an Independent Director.

The mission of the Compensation and Nominating Committee is to assist the Board of Directors in determining the compensation paid to Corporate Officers and other Company executives. To do so, the Committee takes into consideration the criteria described in Section 1.7 above. In particular, it recommends the amounts of Directors' fees and individual compensation to be allocated to Directors, based on their actual attendance at meetings of the Board and Board Committees. The Committee also provides the Board of Directors with an opinion on the general policy for granting stock purchase and/or subscription options and bonus shares and on option plans prepared by the group's Management. The Committee also recommends to the Board the stock purchase or subscription option or bonus share awards.

Finally, it provides recommendations to the Board of Directors on the appointment and/or reappointment of Corporate Officers, Directors and Committee members.

The Compensation and Nominating Committee is not a decision-making body. Its role is to prepare information to be used by the Board of Directors during its meetings when it considers matters that fall under the Committee's prerogative.

The Committee's duties and operating procedures are specified in a charter. At its Meeting of February 13, 2009, the Board of Directors approved certain changes to the Committee charter in order to stipulate that:

- the Committee must establish a succession plan for Corporate Officers and Directors so that it can advise the Board on succession in the event of unforeseen events; and
- in making its recommendations for the appointment of Corporate Officers, Directors and Committee members, the Committee must take a variety of factors into consideration, including the skills, experience and independence of each candidate and the balance deemed appropriate for the Board's membership based on the Company's shareholding structure.

II.2.2. Compensation paid to members of the Compensation and Nominating Committee

Refer to Section I.7.1 above: "Compensation paid to members of the administrative bodies."

II.2.3. Meetings of the Compensation and Nominating Committee

In 2012, the Compensation and Nominating Committee met twice:

- on January 11, 2012, a Meeting of the Compensation and Nominating Committee with three members in attendance took place. It discussed the following agenda:
  - resignation of a member of the Board of Directors and Audit Committee;
  - co-option process for a new Independent Director;
  - compensation of Corporate Officers and management for fiscal year 2011;
  - compensation of Corporate Officers and management for fiscal year 2012;
  - allocation of bonus shares – definitive allocation of bonus shares granted on January 20, 2010 – proposals for 2012;
  - amount of Directors' fees – recommended allotment for fiscal year 2011.
- on February 3, 2012, a Meeting of the Compensation and Nominating Committee with three members in attendance took place. It discussed the following agenda:
  - proposed co-option of a new Independent Director;
  - proposed appointment of an Independent Director to the Audit Committee;
  - renewal of term of five Directors whose terms expire at the end of the Shareholders' Meeting called to approve the financial statements for the fiscal year ended November 30, 2011.

Since November 30, 2012, the Compensation and Nominating Committee has met twice:

- on December 20, 2012, a Meeting of the Compensation and Nominating Committee with three members in attendance took place. It discussed the following agenda:
  - hiring of a new Deputy Chief Executive Officer;
  - organization of the transition within the Company's Senior Management;
  - adjustments to be made to the compensation of Guy Nafilyan as Chairman and Chief Executive Officer;
  - role and compensation of Guy Nafilyan as Chairman of the Board;
  - terms of exercise of office and compensation of the new Deputy Chief Executive Officer; draft contract for term of office;
  - determination of compensation of the Chairman and Chief Executive Officer and management for fiscal year 2012;
  - Board of Directors' Report.
- on January 22, 2013, a Meeting of the Compensation and Nominating Committee with three members in attendance took place. It discussed the following agenda:
  - proposed re-appointment of three Directors (Yves Galland, Guy Nafilyan and Lionel Zinsou) and assessment of qualifications as Independent Directors;
  - compensation of Corporate Officers and management for fiscal year 2013;

- allocation of bonus shares – definitive allocation of bonus shares granted on February 17, 2011 – proposals for 2013;
- amount of Directors' fees – recommended allotment for fiscal year 2012.

III. Factors that could have an impact in the event of a public offer

In accordance with Article L.225-103-3 of the French Commercial Code, information regarding factors, which could have an impact in the event of a public offering, is provided in the management report.

IV. Conditions for shareholder participation in Shareholders' Meetings

Shareholders' Meetings are called, held and deliberated under the terms and conditions stipulated by law and Articles 18 to 21 of the Company's bylaws. The Company's bylaws also provide for double voting rights to fully-paid up shares that have been registered in the name of the same shareholder for at least two years. The terms and conditions for shareholders' participation in Shareholders' Meetings are also found in the Company's Registration Document.

Part II: Internal control procedures and risk management

I. Objectives and scope of Kaufman & Broad's internal control and risk management systems

The internal control and risk management systems in force within the Kaufman & Broad group are intended to:

- first, ensure that management decisions, transactions and employee behavior are in line with Corporate policies defined by the Company's governing bodies and with applicable laws and regulations as well as with the internal values, standards and rules of the Company;
- and, second, verify that the accounting, financial and management information communicated internally or externally fairly reflects the Company's operations and position.

The internal control process implemented by the group's Senior Management includes a risk management system that lists and analyses the major identifiable risks to the group's objectives and ensures that measures are in place to manage those risks. The mapping of risks by Senior Management is an essential element in identifying risks to the Company.

One of the objectives of the internal control system is to prevent and control risks resulting from the Company's activities as well as risks of error or fraud, in particular in the financial and accounting areas. As with any control system, however, it cannot provide an absolute guarantee that such risks have been totally eliminated and it seeks to obtain reasonable assurance that the objective of the Internal Control System will be attained.

The scope of the Internal Control System described in this report covers all entities and divisions of the group, i.e., the parent Company Kaufman & Broad SA and its direct and indirect holdings, with the exception of the Belgian Company Kaufman & Broad SA Europe (because of its limited contribution to the consolidated results of Kaufman & Broad SA).

II. Internal control procedures

II.1. General organization of internal control

II.1.1. Senior Management

Senior Management is directly responsible for the internal control system. It defines internal control policies and supervises the implementation of all components. In this area, it ensures that all establishments of the group are equipped with effective control mechanisms. The Chief Finance Officer is more specifically responsible for overseeing and maintaining internal control measures governing accounting and financial information.

II.1.2. General organization of the group

The group's internal control is based on:

- a general organization based on a dual structure with (i) operational divisions organized in agencies, which form profit centers located in France, based on the group's development strategy and (ii) staff departments responsible for conducting control, expertise and advisory functions with the operational divisions. These include:
  - Finance,
  - Institutional Sales and Development,
  - Human Resources.
- a centralized general organization: Kaufman & Broad centralizes at its head office the main decisions and procedures and in particular all land acquisitions that are subject to the Land Committee's and Commitments Committee's prior approval, the recognition of revenues and related expenses and the consolidation processes. Therefore, only limited autonomy is given to the regional agencies for major decisions impacting internal controls and financial statements;
- specific control bodies:
  - the Kaufman & Broad SA Management and Budget Control Department,
  - the Kaufman & Broad SA Internal Audit Department,
  - the Kaufman & Broad SA Audit Committee.

II.2. Management Structures

II.2.1. Management Committee

The Kaufman & Broad Management Committee is currently composed of seven members: Guy Nafilyan, Chairman and Chief Executive Officer; Philippe Jossé, Deputy Chief Executive Officer with effect from February 1, 2013; Jean-François Demaris, Executive Vice President Human Resources; Bruno Coche, Senior Vice President and Chief Financial Officer; William Truchy, Executive Vice President Regions; Marc Nafilyan and Patrick Zamo, Senior Vice Presidents Île-de-France; and Jacques Rubio, Senior Vice President Southwest. More specifically, the Management Committee analyzes actual and projected group earnings and defines as needed any adaptations to the organizational structure based on the strategic decisions made by the Board of Directors.

II.2.2. Land Committee and Commitment Committee

These Committees are comprised of the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Finance Officer and the Senior Vice Presidents in charge of the Regions. The Committees review each project for which a land acquisition agreement is planned.

Land Committee: assessment of a real estate project from initial concept

The Land Committee confirms the strategic and financial relevance of the projects under consideration and the estimated budget for preliminary expenses (up to the filing of an application for a building permit). It also authorizes, if necessary, the signature of a bilateral sales agreement and the payment of earnest money (particularly in the case of unilateral sales commitments).

Commitment Committee: authorization to continue the analysis of a project

The members of the Real Estate Committee meet as a Commitment Committee prior to filing building permit requests, in order to approve the strategy of the transaction in question (particularly the commercial and technical aspects), validate the updated budget to be considered as the reference budget, approve the type and structure of the transaction, authorize the filing of the building permit application, authorize the launch of the request for tenders (RFT) and the marketing and sales tools. These decisions constitute an authorization granted to the Agency Director concerned to continue the analysis of the real estate development program.

II.2.3. Quarterly Real Estate Operations Review Committee

Each quarter, prior to the preparation of the financial statements, Senior Management and the Finance Department review, with each Agency Director, the real estate programs that have been approved by the Land Committee and assess current sales strategy and the consistency of business forecasts. Such performance reviews help determine what, if any, corrective measures need to be taken. It is the responsibility of the members of the Quarterly Real Estate Operations Review Committee to draft the budgets for real estate transactions that make it possible to prepare the group's Consolidated Financial Statements.

II.2.4. Monthly Meeting to review the Consolidated Financial Statements and related indicators

The Members of the Finance Department meet every month to analyze the actual consolidated financial data compared to projected data, sales activity, real estate acquisitions and developments in programs in progress, newly launched programs and deliveries for the period.

II.3. Group support services

The Finance Department includes the following units, which provide support and control services to Kaufman & Broad SA and its subsidiaries.

II.3.1. Management and Budget Control Department

The group's Management and Budget Control Department is responsible for the following:

- directing the planning processes;
- implement the reporting, steering and decision-making tools adapted to the various levels of responsibility and the various types of operations;
- analyzing gaps between results obtained and objectives, explaining the causes to the operational divisions and monitoring the implementation of the corresponding corrective measures;
- checking the accuracy of the basic data and controlling the consistency of the data provided by the financial information systems;
- participating in the development of operational and financial reporting, both internal and external;
- upgrading management information systems;
- overseeing the management control functions in the agencies.

II.3.2. Internal Audit Department

The primary missions of this department, which has functioned under the Chief Finance Officer since 2011, are to guarantee:

- the adequacy and effectiveness of the group's procedures in terms of its operations and environment;
- compliance with these procedures by the respective players.

The Finance Department or the Audit Committee may also request occasional audits for specific financial or accounting matters to be carried out by this unit.

The 2012 audit plans were prepared by the Internal Audit Director, who had submitted them to the Chairman and Chief Executive Officer and the Chief Finance Officer before communicating them to the Audit Committee; the preliminary analysis of the risks and changes in the group's environment and structure are the main focuses leading to the preparation of these plans. Controls regarding compliance with internal control system for the preparation of the consolidated accounts and compliance with the operational internal control system by the Agencies are conducted by the Independent Audit Department.

II.3.3. Cash Management and Financing Division

The negotiation and management of credit lines, the management of financing, investments, Performance Bonds, off-balance sheet commitments and interest rate risks are functions centralized within Kaufman & Broad's Cash Management and Financing Division. This unit is also in charge of managing the group's insurance policies.

II.3.4. Accounting and Consolidation Division

The group's Accounting and Consolidation Division pursues the following objectives:

- the management, coordination and supervision of accounting services (general accounting, accounts payable, accounts receivable and calls for funds) and the Consolidation Department;
- preparation of the accounting and financial information documents in compliance with applicable formats and standards;
- monitoring of changes to accounting and consolidation systems;
- coordination with the Statutory Auditors and provision of the information required for the purposes of their audit work.

II.3.5. IT and Telecom Services Department

The definition, development and implementation of new IT solutions and the daily management of those tools are performed by the IT department based on the Company's needs.

II.3.6. Legal Department

The Legal Department is responsible for the following:

- support and advisory services to support and operational units in structuring real estate programs, in particular for the preparation of contracts and transactions;
- preparation of signature powers for the execution of the instruments required for the real estate programs managed at the Corporate offices and the signature powers allowing for the execution of the land acquisition deeds for the entire group;
- monitoring of group litigation and legal risks;
- implementation of the preventive summary procedure;
- legal oversight of all group structures.

II.3.7. Financial Reporting and Information Department

This department is responsible for preparing all financial and management information documents. It also guarantees reliability and consistency in cooperation with contributing departments, including her Accounting and Consolidation Division and the Management and Budget Control Department.

II.3.8. Tax Department

All tax-related issues, whether Corporate or operational, are centrally handled by the Finance Department, within which a special division is dedicated to tax matters. Its mission is as follows:

- group tax oversight, including any developments related to its business activity;
- approval and control of tax statements and determination of any taxes owed;
- assistance and advice to the operational departments as part of the launch of real estate programs;
- monitoring of group litigation and tax risks.

II.4. Risk management systems

II.4.1. Identified material risks

The identified material risks to which the group could be exposed to are described in Section 1.2 of the Company's Registration Document, "Risk factors."

II.4.2. Process for identifying and managing operational risks

In order to maintain the effectiveness of its internal control processes, Kaufman & Broad's Senior Management ensures on a regular basis that the Company relies on the appropriate procedures. For this purpose, it performs risk mapping.

The risks identified are classified in six broad areas and are assessed on the basis of their impact if they were to occur and also on the basis of the probability of occurrence. The six major risk categories, whether external, internal, or management, are as follows:

- operational risks;
- financial risks;
- human resource risks;
- information system risks;
- litigation and tax risks;
- risks related to the strategy and management of the brand.

Kaufman & Broad's framework for managing risks includes the identification of the main risks existing at the level of the operating entities in the Regions. The mapping of the relevant risks covers the entire life span of a real estate project and more specifically the following major areas:

- project feasibility and land acquisition;
- construction Company selection and supervision of the construction process;
- orders and sales.

For each of the identified strategic, financial and operational risks, the Company has set up controls that reduce its risk exposure to a level deemed acceptable by the Company.

These audits are carried out at the Corporate level or at the level of the Kaufman & Broad regional agencies. These controls include all key elements of the group's Internal Control System. More specifically, they cover:

- the legal and regulatory obligations of project owners;
- land development opportunities that meet the Company's objectives for volume and profitability;
- tracking and handling of third party objections filed against building permits;
- compliance with internal procedures during the decision-making phases for real estate commitments (Land Committee and Commitment Committee), the signature of sale options (delegation of powers), sale launches, land acquisition (pre-sale marketing and conditions precedent) and work costs;
- preparation of request for tenders documents;
- construction cost estimates;
- construction Company selection;
- control of the financial solvency of contractor companies;
- administrative authorizations required to implement the construction process;
- regulations governing health and safety plans;
- execution plans and sale plans;
- construction site supervision and construction schedule monitoring;
- certification of the construction costs by the general contractor;
- completion of works certificates and compliance certificates;
- draft operating budget (changes in sale price or production costs for a project);
- customer receivables and collections;
- variable compensation allocated to real estate and sales employees.

II.4.3. Risk evaluation

When the Company performs risk mapping, it does so based on interviews conducted with group managers and senior executives.

The risks identified are then assessed using a defined grid:

- either the risk is found to be correctly controlled by the systems and procedures in place;
- or systems and procedures are being implemented to reduce the level of risk;
- or areas of improvement are identified to ensure better control of the risk.

Exposure to risk is evaluated based on the processes in place and their degree of effectiveness as estimated by the group managers and senior executives interviewed.

Action plans are suggested to Senior Management, which prioritizes and implements them.

II.5. Key elements of the internal control system implemented by the group

II.5.1. Ethics Charter and Internal Rules

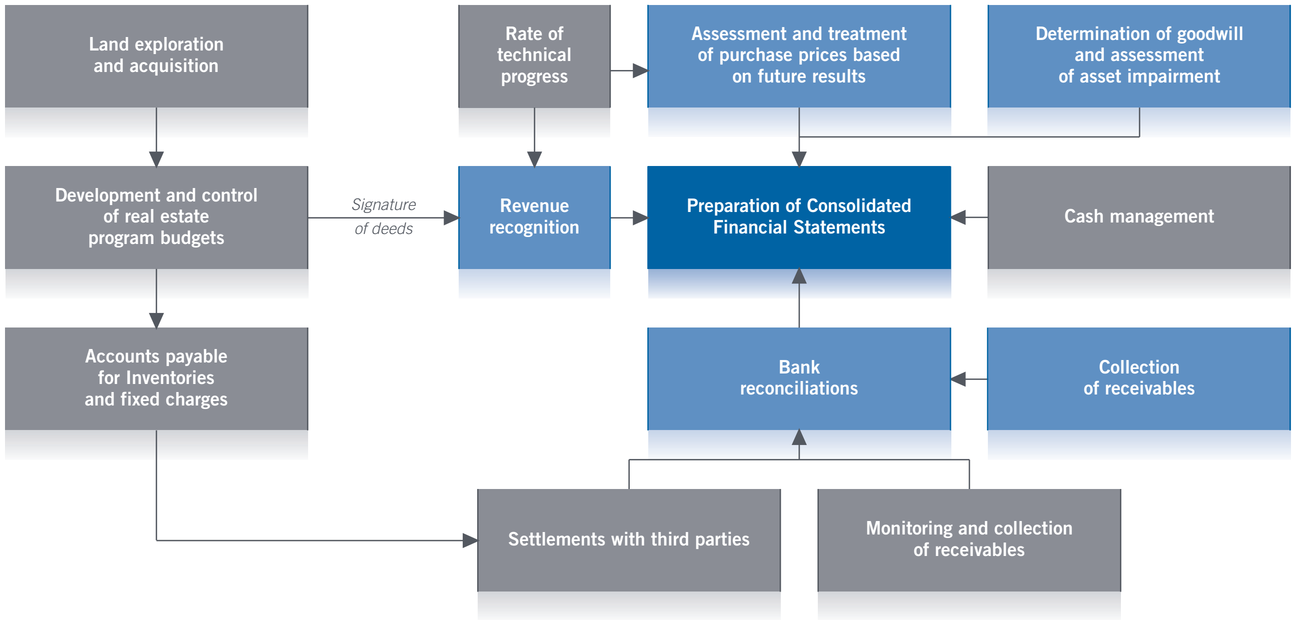
An Ethics Charter has been in effect within the group since 1997 and has been signed by all employees. Internal Rules distributed to all employees supplement this charter and provide for sanctions in the event of any breach in the obligations stipulated in the charter. In 2004, these Internal Rules were supplemented by a user's charter covering the use of IT resources and Internet services, which was signed by all employees of the group.

II.5.2. Internal procedures

The Internal Control Systems was updated in fiscal year 2009 based on the work conducted as part of the risk mapping and interviews with existing internal control procedure managers. They cover thirteen themes distributed over 26 separate procedures, with the major ones being as follows: land acquisition, management of cash calls and customer collections, monitoring trade receivables, debt management, bank reconciliations, bank guarantees, Human Resources, closing and consolidation, determination of goodwill and assessment of asset impairment, earn out, preparation and control of a real estate program budget and the process for preparing projections, recognition of revenue and inventories as completed, management of reservations, progress rate, fiscal planning and calculation of current taxes, management of the supplier base, recording and validation of supplier payables, supplier payment, purchasing, end of project management, annual business interviews and exit interviews.

In addition, there are several IT procedures concerning the department's planning and organization, security, safety and the management and organization of systems.

The operational procedures, which cover the identified risks, are organized in the accounting process as follows:



The procedures describe their respective objectives, the persons responsible and the participants, the inherent risks and possible impact of any deficiency on the group's financial statements. Each of these procedures includes control points, some of which are considered "key points" because of their importance in the process to prevent group risks and eliminate fraud. All of these procedures may be easily consulted by all employees on the Kaufman & Broad website.

In conclusion, the processes to identify and analyze risks and to manage those risks are constructed on the basis of mapping of the strategic, operational and financial risks of the Company.

II.5.3. Information systems

The Kaufman & Broad group's IT Department reports to the Chief Finance Officer and is responsible for the general coordination of the definition, development and implementation of new IT solutions; and the day-to-day management of existing tools.

A set of procedures has been established for purchasing and managing services and maintenance contracts. For operational management, business procedures govern development and operating functions. Furthermore, Kaufman & Broad has circulated an IT Security Charter listing the rules and responsibilities for the use of information system resources. This document is communicated to employees, who are required to return it to the Human Resources Division with their signature for acceptance upon their recruitment.

II.5.4. Budget and Management Control

Planning

The operational planning process is decentralized at the regional level. This process is organized by Senior Management and the Finance Department, which defines the governing principles and timetable, coordinate the process by entity and verify overall consistency with the group's strategy.

The operational managers in the various agencies, assisted by their management controller, prepare a two-year plan, including a detailed budget for the next year, for their respective entities. The objectives proposed are approved by the Finance Department and Senior Management between October and January. The Finance Department and the Senior Vice Presidents of the Regions consolidate and comment on the plans for each entity.

Weekly dashboard

Management Control issues a dashboard each week intended for Senior Management and containing gross and net orders for the preceding week.

Monthly budgetary control

The annual budget is divided into periods and used as the only benchmark for budget control. The income statement and consolidated balance sheet are prepared by the Consolidation Department every month and submitted to Senior Management. The Management Control unit establishes the budget control process: approval of end-of-period income and expenses, measurement of deviations from the Plan and/or in relation to the most recent budget updates and analysis of their potential future impact.

Reconciliation with accounting data

The accounting and management systems receive the same input (single entry of accounting documents) and are methodologically consistent. The monthly reconciliation of budget data with accounting closings makes it possible to check the reliability of financial information.

Updates

Every quarter, each entity prepares an update to its annual budget. Such exercises make it possible to revise trends at year-end, but are not a substitute for the initial Plan as a budget control benchmark. Such updates are validated by Senior Management and by the Finance Department during the meetings of quarterly committees bringing together the managers of each agency or subsidiary.

Quarterly flash

An update of the results of the current quarter is prepared during the first 10 days of the last month of each quarter. On the basis of these projected results, goals are, as needed, redefined by Senior Management.

Planning and control of the achievement of signing targets

The signing targets are approved by Senior Management on the basis of revenue forecasts prepared by the agency managers.

II.5.5 Controls of key accounting principles and estimates

With respect to the key accounting principles and estimates, the internal control players ensure, at each closing, the correct application of the principles of IAS 18 and the principles of IAS 11, the consolidated revenues and margin of the group are recognized based on the percentage of completion.

From the technical point of view, the deed of sale on the land and the proof of physical completion of projects are key controls in the group's internal control process, along with an update, at least quarterly, of the final budgets of our real estate operations by the regional departments in question. These operating budgets are reviewed by the Senior Management of the Regions, prior to the quarterly closing of the accounts; they are also reviewed by the Finance Department during the Committee meetings that include the Regional Management and Senior Management and the Finance Department held prior to the annual and half-year approval of the financial statements.

From the sales point of view, the signature of the deeds of sale for each lot sold before completion (VEFA) is a crucial element formalized by the affidavits systematically issued by civil-law notaries, for each individual sale.

II.5.6 Control of the liquidity and rate Risks

In the context of the analysis of the liquidity risk, which was specifically reviewed by Senior Management and the Finance Department during the rescheduling of the bank financing terms (December 2008 – January 2009), the Company established an integrated process to prepare cash projections for each of these real estate developments, directed by the Department of Cash and Financing, under the responsibility of the Finance Department.

With respect to the interest rate risk, because the group's debt is indexed to variable rates, which exposes it to risks that could result in an increase in its obligations, the group contracted hedging instruments that cover the payment of the interest on the amounts due for the Senior loans (€238 million at November 30, 2012). The policy to manage the rate risk is established by Senior Management on the recommendation of the Finance Department.

II.5.7. Legal and operational control

For legal purposes, the Kaufman & Broad SA Chairman and Chief Executive Officer and/or the Regional Vice Presidents are Corporate Officers of most of the group's subsidiaries, either in an individual capacity or as permanent representatives of a group Company. In addition, as a rule, each Agency Director is also co-Manager of the legal entity of his or her respective region.

At the operational level, each Agency Director receives his annual performance objectives in writing every year from Management. The Agency Director and his or her team then take ownership of these objectives through active participation in the budget process.

During quarterly Committee meetings, Agency Directors submit to the relevant regional Vice President and the Finance Department, a report on the percentage of completion of all property programs under their management, along with an updated draft assessment of each relevant transaction.

Each Agency Director is also required to present to the Land and Commitment Committees details of any new program he or she intends to develop.

Finally, Agency Directors are responsible for compliance with the group's internal control procedures within their own entities.

III. Ongoing adaptation of the internal control system

Kaufman & Broad's current internal control system as described above is supplemented by an operational, legal and regulatory watch system aimed at identifying and anticipating any changes in operations and French or EU legislation or regulations that could impact the Company's economic balance. This function is carried out by Senior Management and by the various operational and functional divisions that take all steps required to ensure that the Kaufman & Broad group's interests prevail over time.

Part III: Internal control of the preparation of accounting and financial information

Internal control of Kaufman & Broad accounting and financial information is structured around the following:

- accounting and financial function, under the hierarchical supervision of the Chief Finance Officer;
- accounting and financial information systems;
- procedures for preparing the financial statements;
- control of commitments;
- financial reporting;
- the Management and Budget Control Division.

I. Accounting and finances

The Finance Division has the following functions:

- definition of group standards and accounting doctrine;
- definition of the tax policy;
- determination of periodic deadlines for all departments concerned in the preparation of the financial statements;
- implementation of the reporting tools, control of the reliability of the basic financial data collection and processing procedures;
- verification of the accuracy of the data and the consistency of the data produced by the financial information systems;
- control of the preparation of the statutory and Consolidated Financial Statements in compliance with the accounting standards, principles, rules and methods in force within the group;
- analysis of the variances between the budgeted results and the results achieved, application and monitoring of the corresponding corrective steps;
- verification of the availability of financial reporting in the format and lead times required by Senior Management.

The accounting and financial reporting prepared by the Director of Accounting and Consolidation under the responsibility of the Chief Finance Officer.

II. Procedures for preparing the financial statements

Consolidated Financial Statements are prepared each quarter in accordance with International Financial Reporting Standards. Once the accounting and financial reporting has been prepared, it is generally released by the group the following month. The Director of Accounting and Consolidation is responsible for their preparation.

To that end, on the basis of approved deadlines, the Director of Accounting and Consolidation communicates to all units concerned instructions for the closing process and indicates the information to be entered, the adjustments to be made and the applicable timetable.

Management control reviews the consolidated income statement prepared by the Accounting and Consolidation Division and analyzes material discrepancies. It reports them to the Director of Accounting and Consolidation.

The financial statements under IFRS are prepared under the responsibility of the Chief Finance Officer and submitted to the Chairman and Chief Executive Officer. When the half-year and annual consolidated financial accounts are closed, they are reviewed by the Audit Committee and the Board of Directors and reviewed (audit in the case of the annual financial statements and limited review in the case of the half-year financial statements) by the Statutory Auditors prior to publication of these results. These financial statements are then approved by the Board of Directors.

III. Procedures to control off-balance sheet commitments

The group's main off-balance sheet commitments consist of property earnest deposits and performance bonds.

III.1. Property earnest deposit

Whenever the group intends to buy land in order to develop a property project, the group must provide the owner with an earnest deposit until the notarized deed has been signed. This indemnity takes the form either of a guarantee extended to the seller (general case), or the form of a cash payment (specific and exceptional case). Two types of guarantees may be given to the seller: i.e., a personal and joint guarantee and a demand guarantee.

In the case of a personal and joint guarantee, the group, acting through one of its subsidiaries, asks an insurance Company or a financial institution to act as the personal and joint guarantor of the group Company acquiring the property. Such guarantee may also be extended by Kaufman & Broad SA. In the case of demand guarantees, the group asks an insurance Company or financial institution to act as a demand guarantor vis-à-vis the seller in the amount of the earned deposit.

These guarantees are monitored by the Cash Management and Financing Department, which asks insurance companies and financial institutions twice a year to provide it with a list of relevant guarantees issued.

III.2. Performance Bonds

For sales before completion (VEFA), Kaufman & Broad contracts a construction Performance Bond from a financial institutions, a mutual organization or an insurance Company, which takes the form of a joint guarantee to the buyers or a loan agreement (Article R261-21 §a or §b of the French Construction and Housing Code). These guarantees are issued separately for each transaction. In consideration for these guarantees, the group generally grants to the guarantor a mortgage commitment on the lots not sold and/or an undertaking not to sell any shares of the Company carrying the real estate program.

A monthly valuation is prepared internally by the Cash Management and Financing Division and is thereafter updated on the basis of the amounts communicated by the relevant financial institutions according to their own reports to the Banque de France or to the Insurance Control Commission.

III.3. Financial covenants

Since the group is required to comply with financial ratios ("financial covenants") as part of the revision of its Senior Facilities Agreement, on a quarterly basis, the Finance Department prepares calculations of its covenants based n financial data. These financial ratios are presented to the Audit Committee and the Board of Directors before being presented to representatives of the lending banks. Every six months, the group's Finance Department communicates the financial items needed to calculate de these covenants to the Statutory Auditors in advance.

IV. Group financial reporting

In addition to the Chairman and Chief Executive Officer, only those persons who are duly authorized by the Chairman and Chief Executive Officer may communicate financial information to the market. These persons include the Chief Finance Officer.

The following documents are produced by the Finance Department:

- Registration Document, quarterly reporting, half-year financial statements and business reports;
- financial press releases;
- presentations for financial analysts and investors.

These documents are approved by the Chief Finance Officer and by the Chairman and Chief Executive Officer. Financial press releases are generally submitted to the Board of Directors prior to publication.

V. Framework for accounting and financial reporting and the role of the audit

The correct application of the procedures related to accounting and financial information is audited by the Internal Audit Department and occasionally by an independent auditing firm supervised by the Kaufman & Broad Internal Audit Department. This work is performed at the Corporate offices and in most of the group's regional agencies (based on their contribution to the Consolidated Financial Statements) and the results are communicated to the Audit Committee on a regular basis.

Kaufman & Broad uses the COSO approach for the design, management and assessment of its Internal Control System. COSO is an internal control framework defined by the Committee of Sponsoring Organizations of the Treadway Commission. It is primarily used to ensure compliance with the provisions of the Sarbanes-Oxley Act and/or the French Financial Security Law (*Loi sur la securité financière*) for companies subject to US and/or French law; this framework was used by the Company's previous reference shareholder, the US Company, KB Home. The COSO analytical framework evaluates five essential components: internal environment, risk assessment, control activities, information and communication and supervision. None of the group's entities uses any other framework.

This periodic work by the Kaufman & Broad audit department is designed to ensure proper application of the financial and accounting information procedures and does not provide an assessment of the overall system of operational and financial risk control in relation to the group's operations. The above information is therefore not to be construed as an assessment of the adequacy and effectiveness of the Company's internal control system; as such information does not cover said system as a whole.

Neuilly-sur-Seine, February 15, 2013

Guy Nafilyan

Chairman and Chief Executive Officer

9.3. REPORTS OF THE STATUTORY AUDITORS

9.3.1. Report of the statutory auditors on the consolidated financial statements

To the Shareholders,

In accordance with the terms of our appointment at the Annual Shareholders' Meeting, we hereby submit our report for the year ended November 30, 2012, on:

- the audit of the Consolidated Financial Statements of Kaufman & Broad SA as they are attached to this report;
- the basis of our opinion;
- the specific audits required by law.

The Consolidated Financial Statements have been approved by the Board of Directors. Our responsibility is to express an opinion on these financial statements, based on our audit.

I. Opinion on the Consolidated Financial Statements

We conducted our audit in accordance with the auditing standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement. An audit includes examining, on a test basis or through other selection methods, evidence supporting the amounts and disclosures in the Consolidated Financial Statements. It also includes assessing the accounting principles used and the significant estimates made, as well as the overall presentation of the financial statements. We believe that the evidence we have collected provides a sufficient and appropriate basis for our opinion.

In our opinion, the Consolidated Financial Statements for the year present fairly, in all material respects, the assets, the financial position and the results of all persons and entities included in the consolidation in accordance with IFRS as adopted by the European Union.

II. Basis of opinion

In accordance with Article L.823-9 of the French Commercial Code requiring the auditors to explain the basis of their opinion, we report the following information:

- your Company recognizes revenues and margins on sales before completion (VEFA) in accordance with the accounting methods described in note 1.20 to the Consolidated Financial Statements. The revenues and margin recognized are therefore contingent on the estimates made by the Company at year-end. Our work consists of examining the reasonableness of the assumptions on which these estimates are based and of reviewing the calculations performed by the Company;
- at the end of each reporting period, the Company performs an impairment test on goodwill and the Kaufman & Broad brand name according to the terms and conditions described in note 1.8 to the financial statements. We have examined the procedures for this impairment test as well as the assumptions used by the Company and we have verified that note 15 to the financial statements provides an appropriate disclosure.

These assessments were made in connection with our procedures for auditing Consolidated Financial Statements, considered as a whole and therefore contributed to the forming of the audit opinion expressed in the first part of this report.

III. Specific verification

In accordance with the auditing standards applicable in France, we also performed the specific audits required by law in relation to the disclosures about the group provided in the management report.

We have no matters to report concerning the fairness of this information and its consistency with the Consolidated Financial Statements.

Neuilly-sur-Seine and Paris-La Défense, March 22, 2013

The Statutory Auditors

DELOITTE & ASSOCIÉS Joël Assayah	ERNST & YOUNG Audit Gilles Cohen

9.3.2. Report of the statutory auditors on the annual financial statements

To the Shareholders,

In accordance with the terms of our appointment at the Annual Shareholders' Meeting, we hereby submit our report for the year ended November 30, 2012, on:

- the audit of the annual financial statements of Kaufman & Broad SA, as they are attached to this report;
- the basis of our opinion;
- the audits verifications and disclosures required by law.

These financial statements have been approved by the Board of Directors. Our responsibility is to express an opinion on these financial statements, based on our audit.

I. Opinion on the annual financial statements

We conducted our audit in accordance with the auditing standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free from material misstatement. An audit includes examining, on a test basis or through other selection methods, evidence supporting the amounts and disclosures in the annual financial statements.

It also includes assessing the accounting principles used and the significant estimates made, as well as the overall presentation of the financial statements. We believe that the evidence we have collected provides a sufficient and appropriate basis for our opinion.

In our opinion, the annual financial statements present fairly, in all material respects, the results of the operations for the year ended and the financial position and assets of the Company at the year-end of in accordance with generally accepted French accounting principles.

II. Basis of opinion

In accordance with Article L.823-9 of the French Commercial Code requiring the auditors to explain the basis of their opinion, we report the following information:

note 4.2.1.2. to the financial statements describes the accounting rules and methods and the estimates an assumptions used in relation to the valuation of the financial assets. As part of our assessment of the accounting rules and methods applied by the Company, we have verified that these accounting methods and the information disclosed in the notes to the financial statements are appropriate.

These assessments were made in connection with our audit of the annual financial statements, taken as a whole and contributed to the forming of the audit opinion expressed in the first part of this report.

III. Specific verifications and information

We also performed the specific audits required by law, in accordance with the auditing standards applicable in France.

We have no matters to report concerning the fair presentation of the information given in the management report of the Board of Directors and the documents intended for shareholders on the financial position and its consistency with the annual financial statements.

Concerning the information provided, as required by Article L.225-102-1 of the French Commercial Code, on the compensation and benefits paid to Corporate Officers and the commitments made to them, we have verified their consistency with the financial statements or with the data used to establish these statements and, if applicable, with the elements obtained by your Company from companies that control your Company or are controlled by your Company. On the basis of this work, we certify the accuracy and fair presentation of this information.

In accordance with the law, we have obtained assurance that information concerning the acquisition of controlling and other interests and the identity of shareholders is provided in the report of the Board of Directors.

Neuilly-sur-Seine and Paris-La Défense, March 22, 2013

The Statutory Auditors

DELOITTE & ASSOCIÉS	ERNST & YOUNG Audit
Joël Assayah	Gilles Cohen

9.3.3. Special report of the auditors on related-party agreements and commitments

Shareholders' Meeting called to approve the financial statements for the fiscal year ended November 30, 2012

To the Shareholders,

In our capacity as Statutory Auditors, we present below our report on related-party agreements and undertakings.

It is our responsibility to inform you, on the basis of the information provided to us, the basic features and terms of the agreements and undertakings of which we have been advised or that we have discovered during our audit, without being required to express an opinion their utility or soundness or seek out other agreements and undertakings. Pursuant to Article R.225-31 of the French Commercial Code, it is your responsibility to determine whether the agreements and undertakings are appropriate and should be approved.

Moreover, it is our responsibility, when necessary, to communicate to you the information mentioned in Article R.225-31 of the French Commercial Code related to the performance, over the most recent year ended, of the agreements and undertakings already approved by the Shareholders' Meeting.

We have conducted our work in accordance with the standards of the *Compagnie Nationale des Commissaires aux comptes* related to this mission. These standards require that we verify that the information provided to us agrees with the relevant source documents.

AGREEMENTS AND UNDERTAKINGS SUBJECT TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

Agreements and undertakings authorized during the fiscal year ended

In accordance with Article L.225-40 of the French Commercial Code, we have been informed of the agreements and undertakings that were authorized in advance by the Board of Directors.

1. Supplemental Agreements to the Senior Facilities Agreement

On July 10, 2007, Kaufman & Broad SA became party, as borrower and joint surety, to a "Senior Facilities Agreement" (drafted in English) by and between, in particular, Financière Gaillon 8 SAS, as the original borrower and original joint surety, Calyon and Merrill Lynch International as the mandated lead arrangers, Calyon as agent and a group of financial institutions. Kaufman & Broad SA is a party to the Senior Facilities Agreement as Borrower. Under the Senior Facilities Agreement, the banks named in the Agreement granted Kaufman & Broad SA (a) a term facility B for up to €200 million; (b) a term facility C for up to €202 million; (c) a Capex/Acquisition Facility for up to €80 million and (d) a Revolving Facility for up to of €175 million. The latter two facilities can also be drawn down on by some of Kaufman & Broad SA's subsidiaries. Under the Senior Facilities Agreement, Kaufman & Broad SA granted a joint surety for all the commitments of the subsidiaries of Kaufman & Broad SA under the Capex Acquisition Facility and under the Revolving Facility, but the Company is not joint debtor with the secured debtors. Execution of the Senior Facilities Agreement and the joint surety were authorized by the Board of Directors at its Meeting of July 10, 2007.

This agreement, which was previously amended by Supplemental Agreements 2 to 7, remained in effect during fiscal year 2012 and was amended by the signing of Supplemental Agreement 8, which was authorized in the fiscal year ended.

1.1. Supplemental agreement no. 2

Supplemental Agreement No. 2 to the Senior Facilities Agreement, which was signed on January 23, 2009, stipulates the extension of the purpose of the line of credit for acquisitions to cover the working capital requirements for operations in an amount reduced from €80 to €75 million for two years, an adjustment of the financial ratios applicable to the group and the suspension of the payment of dividends for fiscal years 2009, 2010 and 2011. The group will be able to pay dividends as of fiscal year 2012 only if the Debt-to-Equity Ratio is less than or equal to 3.

1.2. Supplemental agreement no. 3

Supplemental Agreement No. 3 to the Senior Facilities Agreement was then signed on June 30, 2009, for the purpose the technical or structural changes necessary to implement the changes agreed in the memorandum of understanding between Financière Gaillon 8, the main shareholder of Kaufman & Broad SA and its banks. Kaufman & Broad has a commitment to provide Financière Gaillon 8 with all information it may need in order to meet its obligations for the financial documentation.

1.3. Supplemental agreement no. 4

Supplemental Agreement No. 4 to the Senior Facilities Agreement, signed on November 25, 2009, provides for the replacement of the cash flow coverage ratio with minimum cash flows and early repayment by Kaufman & Broad SA of a portion of its debt under the Senior Facilities Agreement in January 2010 and, under certain conditions, when the consolidated accounts are closed at August 31, 2010, for a maximum total amount of €25 million.

1.4. Supplemental agreement no. 5

Supplemental Agreement No. 5 signed on March 10, 2010 modified the financial definitions of EBITDA, cash flow and net cash interest stipulated by the Senior Facilities Agreement in order to neutralize the effects of IAS 23 (Borrowing Costs) on these ratios and to ensure for the financial parties the same protection they received under the contract before the application of this standard.

1.5. Supplemental agreement no. 6

Supplemental Agreement No. 6 signed on July 25, 2011 allows the Company to repay a portion of its long-term debt under the Senior Facilities Agreement for sums below the nominal value of said debt. This discount represents write-offs agreed by interested parties according to specific terms and conditions, primarily that the principal amount is not to exceed €70 million and that repayments must be made on one or more occasions before February 29, 2012 at the latest.

1.6. Supplemental agreement no. 7

Supplemental Agreement No. 7, signed on July 25, 2011, provides that the Company may cancel all or part of the commitments of certain lenders under the revolving line of credit who wished to withdraw from said line prior to its final expiration, in exchange for payment by these lenders of a cancellation commission in accordance with specific terms and conditions, in particular that the principal amount could not exceed €75 million and the cancellations could be made on one or more occasions without limitation and would need to take place at the latest by February 29, 2012.

1.7. Supplemental agreement no. 8

Directors and shareholders concerned: Frédéric Stévenin, Lionel Zinsou, Olivier Vregille, Sophie Lombard, Guy Nafilyan, Financière Gaillon 8 SA (which owns a 87.95% stake in Kaufman & Broad SA) Financière Daunou 10 Sarl (main shareholder of Financière Gaillon 8 SA).

A supplemental agreement was signed on October 17, 2012 that provided for voluntary early repayment of €40 million of term lines B and C, which took place on October 31, 2012 and also provided for the partial cancellation by €50 million of the RCF line to €52.9 million.

The signing of this Supplemental Agreement to the Senior Facilities Agreement was authorized by the Board of Directors on October 17, 2012.

2. Agreement on the collective payment of VAT

Director concerned: Guy Nafilyan.

With Kaufman & Broad Homes SAS, Kaufman & Broad Nantes SARL, Kaufman & Broad Côte d'Azur SARL, Kaufman & Broad Participations SAS, Kaufman & Broad Provence SARL, Kaufman & Broad Midi-Pyrénées SARL, Résidences Bernard Teillaud SARL, Kaufman & Broad Méditerranée SARL, Kaufman & Broad Normandie SARL, Kaufman & Broad Rhône-Alpes SARL, Kaufman & Broad Savoies SARL, Kaufman & Broad Pyrénées-Atlantiques SARL, Kaufman & Broad Languedoc-Roussillon SARL, Kaufman & Broad Aquitaine SARL, SM2I SARL, Kaufman & Broad Immo SNC, Kaufman & Broad and Promotion 1,2,3,4,5,6,8 SNC.

On November 21, 2012 Kaufman & Broad SA entered into an agreement on the grouped payment of VAT with some of its subsidiaries, which enabled the group to take advantage of the new rules of consolidated payment of VAT starting on December 1, 2012 and allows the monthly off-set between future VAT credits of some subsidiaries and VAT owed by others.

The execution of this agreement was authorized by the Board of Directors on September 26, 2012.

PREVIOUSLY UNAUTHORIZED AGREEMENTS AND UNDERTAKINGS

Pursuant Articles L.225-42 and L.823-12 of the French Commercial Code, we inform you that the following agreements and undertakings have not received prior authorization from the Board of Directors.

It is our responsibility to inform you of the circumstances under which the authorization procedure was not followed.

1. Administrative assistance agreement with Financière Gaillon 8 SA

Directors concerned: Sophie Lombard, Frédéric Stévenin, Lionel Zinsou, Olivier de Vregille.

This agreement provides that the administrative, financial, accounting and legal services rendered be invoiced on the basis of strict parity with the cost incurred by Kaufman & Board SA, so that the operation remains strictly financially neutral for Kaufman & Board SA.

The Company recognized income of €20,600 for fiscal year 2012.

The aforementioned assistance agreement was automatically renewed in fiscal year 2012 without prior approval of the Board of Directors due to an error of omission.

2. Agreement for services between Financière Gaillon 8 SA, Kaufman & Broad SA and the main subsidiaries of Kaufman & Broad SA

Directors and shareholders concerned: Sophie Lombard, Frederic Stévenin Lionel Zinsou, Olivier De Vregille, Guy Nafilyan, Financière Gaillon 8 SA (which owns an 87.95% stake in Kaufman & Broad SA) Financière Daunou 10 Sarl (main shareholder of Financière Gaillon 8 SA).

On February 28, 2008, Kaufman & Broad SA signed an agreement, effective March 1, 2008, with Financière Gaillon 8 SA, Kaufman & Broad SA and the main subsidiaries of Kaufman & Broad SA, whereby Financière Gaillon 8 provides the companies with assistance and advice primarily in respect of preparing consolidated reporting statements, projected financial plans, budgets and forecasts for the preparation of the Consolidated Financial Statements and provides the necessary reporting tools and systems and steering tools. This agreement provides for the billing by Financière Gaillon 8 SA of all direct and indirect costs incurred by Financière Gaillon 8 SA for these services, plus a margin of 5%.

The Company recognized fees of €17,666.40 for fiscal year 2012.

The agreement for services mentioned above was automatically renewed in fiscal year 2012 without prior approval of the Board of Directors due to an error of omission.

3. Assistance agreement with Financière de Neuilly (a holding Company that holds a minority stake in Financière Gaillon 8 SA)

Director concerned: Guy Nafilyan

On April 11, 2008, Kaufman & Broad SA signed an agreement to define the conditions under which Kaufman & Broad SA would provide Financière de Neuilly SAS with the material and Human Resources necessary to perform administrative, financial, accounting and legal services, such that their performance remains strictly neutral from a financial standpoint for Kaufman & Broad SA.

The Company recognized income of €680 for fiscal year 2012.

The aforementioned assistance agreement was automatically renewed in fiscal year 2012 without prior approval of the Board of Directors due to an error of omission.

4. Kaufman & Broad Europe Licensing Agreement

Director concerned: Guy Nafilyan.

A Licensing Agreement for no consideration was signed on July 10, 2007 between Kaufman & Broad Europe SPRL and Kaufman & Broad SA, under which Kaufman & Broad Europe SA licenses the Kaufman & Broad brand names, logos and domain names in France.

The aforementioned Licensing Agreement was automatically renewed in the fiscal year without prior approval of the Board of Directors due to an error of omission.

AGREEMENTS AND UNDERTAKINGS AUTHORIZED AFTER THE BALANCE SHEET DATE

We have been advised of the following agreements and undertakings, which were approved since the end of the fiscal year, which required the prior approval of the Board of Directors.

1. Undertaking to pay compensation for dismissal to Philippe Jossé, Deputy Chief Executive Officer

On December 20, 2012, the Board of Directors appointed Philippe Jossé as Deputy Chief Executive Officer with effect from February 1, 2013.

In the event of dismissal from office for any reason other than gross misconduct, as defined in labor law by the Court of Cassation, the Company undertakes to pay to the Deputy Chief Executive Officer compensation for dismissal to compensate the loss suffered by the loss of his position.

In the event of a dismissal during the first two years of his term of office, compensation shall be equal to 12 months' fixed and gross variable compensation.

In the event of a dismissal during the following two years of his term, such compensation shall be payable only in the event of a dismissal occurring within six months after a sale of the Company to a third party (other than the sale of the Company's securities on the market by issuing new shares or transfer of existing shares), provided that the special bonus paid at the end of the first three years will not be taken into account in the calculation of compensation.

In all cases, such compensation shall be payable only if the Deputy Chief Executive Officer has received or should have received in the fiscal year preceding the termination of his term in office at least 70% of the maximum variable portion of his compensation, as the variable portion is based on both quantitative and qualitative objectives.

In the event of dismissal during the first year of his term, the performance of the Deputy Chief Executive Officer and consequently the percentage of variable compensation that would have been received will be evaluated by the Board of Directors.

This undertaking was approved by the Board of Directors on December 20, 2012.

2. Undertaking to pay non-competition compensation to Philippe Jossé, Deputy Chief Executive Officer

In the event of Philippe Jossé's departure, he will be bound by an obligation of non-competition and non-solicitation, unless waived or reduced by the group, for a period of 12 months following the termination of his term in office. In consideration, he will receive gross lump-sum monthly compensation equivalent to 50% of the gross fixed compensation he received during the twelve months preceding the termination of his term in office (or length of the term if it is less than twelve months).

This undertaking was approved by the Board of Directors on December 20, 2012.

3. Supplemental defined-contribution pension plan granted to Philippe Jossé, Deputy Chief Executive Officer

Philippe Jossé is entitled to a supplemental defined-contribution pension plan under the same terms as the Chairman and Chief Executive Officer and other members of the Management Committee. The contribution paid by the Company shall be equal to 8% of his gross salary up to a maximum of eight times the maximum Social Security contribution.

This undertaking was approved by the Board of Directors on December 20, 2012.

AGREEMENTS AND UNDERTAKINGS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

Agreements and undertakings entered into in prior years which remained in force in the fiscal year ended

Pursuant to Article R.225-30 of the French Commercial Code, we have been informed that the performance of the following agreements and undertakings already approved by the Shareholders' Meeting in previous fiscal years have remained in force over the fiscal year ended.

1. Supplemental defined-contribution pension plan granted to Guy Nafilyan

Since fiscal year 1979, members of the Management Committee, including one Corporate officer, Guy Nafilyan, have been the beneficiaries of a defined-contribution supplemental pension contract.

The contribution paid by the Company for the Corporate officer totaled €23,278 for fiscal year 2012, which corresponds to the annual contributions up to a maximum of eight times the maximum Social Security contribution.

2. Intercreditor Agreement

Directors and shareholders concerned: Sophie Lombard, Frederic Stévenin, Lionel Zinsou, Olivier Vregille, Guy Nafilyan, Financière Gaillon 8 SA (which owns an 87.95% stake in Kaufman & Broad SA) Financière Daunou 10 Sarl (main shareholder of Financière Gaillon 8 SA)

On July 10, 2007, by signing an Accession Agreement authorized by the Board of Directors on that same day, Kaufman & Broad SA became party to a subordination agreement titled "Intercreditor Agreement" signed by all the parties to the financing agreements signed on July 10, 2007 by Financière Gaillon 8 SAS and Kaufman & Broad SA, the purpose of which, in particular, is govern the order and terms for repayment of the sums due from Kaufman & Broad SA and its subsidiaries under the Senior Facilities Agreement and the intra-group loans.

3. Tax consolidation agreement

Director concerned: Guy Nafilyan.

With SMCI Développement SAS, Kaufman & Broad Développement SAS, Kaufman & Broad Rénovation SAS, Kaufman & Broad Homes SAS, Kaufman & Broad Nantes SARL, Kaufman & Broad Côte d'Azur SARL, Kaufman & Broad Financement SNC, Kaufman & Broad Participations SAS, Kaufman & Broad Provence SARL, Kaufman & Broad Midi-Pyrénées SARL, Résidences Bernard Teillaud SARL, Immobilière ACTO SARL, Kaufman & Broad Méditerranée SARL, Kaufman & Broad Normandie SARL, Kaufman & Broad Rhône-Alpes SARL, Kaufman & Broad Savoies SARL, Kaufman & Broad Pyrénées-Atlantiques SARL, Sopra Finances SARL, Kaufman & Broad Languedoc-Roussillon SARL, Kaufman & Broad Aquitaine SARL, EURL Saint-Sébastien – Les portes de Nantes, SM2I SARL, Fiparimmo 6 SNC, Fiparimmo 7 SNC, Fiparimmo 10 SNC, Fiparimmo 11 SNC and Fiparimmo 13 SNC.

In application of this agreement and in accordance with Article 223-A et seq. of the French General Tax Code, each Company in the above tax group pays an amount equal to the tax that it would have paid on income and/or long-term capital gains per fiscal year had it been taxed on a stand-alone basis.

Neuilly-sur-Seine and Paris-La Défense, March 22, 2013

The Statutory Auditors

DELOITTE & ASSOCIÉS
Joël Assayah

ERNST & YOUNG Audit
Gilles Cohen

9.3.4. Report of the statutory auditors

Prepared pursuant to Article L.225-235 of the French Commercial Code on the Report of the Chairman of the Board of Directors of Kaufman & Broad SA

To the Shareholders,

In our capacity as Statutory Auditors of Kaufman & Broad SA and as required by Article L.225-235 of the French Commercial Code, we hereby present our report on the report prepared by the Chairman of the Board of Directors of your Company in accordance with Article L.225-37 of the French Commercial Code for the fiscal year ended November 30, 2012.

It is the Chairman's responsibility to prepare and submit, for the approval of the Board of Directors, a report on the internal control and risk management procedures implemented by the Company and to provide other information required by Article L.225-37 of the French Commercial Code relating to Corporate governance.

Our role is to:

- provide our observations on the information contained in the Chairman's Report concerning the internal control and risk management procedures for the preparation and processing of accounting and financial information; and
- attest that the report includes the other information required by Article L.225-37 of the French Commercial Code. It should be noted that it is not our responsibility to assess the fair presentation of this other information.

We conducted our audit in accordance with the auditing standards applicable in France.

Information on internal Control and risk management procedures for the preparation and treatment of accounting and financial information

Auditing standards require that we plan and perform the audit to assess the fairness of the information provided in the Chairman's Report regarding the internal control and risk management procedures for the preparation and treatment of accounting and financial information. The audit included:

- reading the internal control and risk management procedures for the preparation and treatment of the accounting and financial information on which the information presented in the Chairman's Report is based and the existing documentation;
- understanding the work involved in the preparation of this information and of the existing documentation;
- determining whether any material weaknesses in internal control relating to the preparation and processing of accounting and financial information that we noted in the course of our work are properly disclosed in the Chairman's Report.

On the basis of our audit, we have no comments concerning the information on the Company's internal control and risk management procedures for the preparation and treatment of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L.225-37 of the French Commercial Code.

Other information

We attest that the report prepared by the Chairman of the Board of Directors contains the other information required by Article L.225-37 of the French Commercial Code.

Neuilly-sur-Seine and Paris-La Défense, March 22, 2013

The Statutory Auditors

DELOITTE & ASSOCIÉS	ERNST & YOUNG Audit
Joël Assayah	Gilles Cohen

10 Appendices

10.1. CROSS-REFERENCE TABLE

Themes (headings in Annex 1 of Commission Regulation (EC) No. 809/2004)

1.	**PERSONS RESPONSIBLE**	
1.1.	Person responsible for the information contained in the Reference Document	7.1.
1.2.	Statement of the person responsible for the Registration Document	7.2.
2.	**STATUTORY AUDITORS**	
2.1.	Names and addresses of the issuer's auditors	8.1./8.2.
2.2.	Details of auditors that have resigned, been removed or not been re-appointed during the period covered	N/A
3.	**SELECTED FINANCIAL INFORMATION**	
3.1.	Selected historical financial information	2.1.
3.2.	Selected financial information for interim periods and comparative data from the same period in the prior financial year	N/A
4.	**RISK FACTORS**	**1.2.**
5.	**INFORMATION ABOUT THE ISSUER**	
5.1.	History and development of the issuer	1.1.1.
5.1.1.	Legal and commercial name of the issuer	5.1.1./5.1.2./5.1.4.
5.1.2.	Place of registration of the issuer and its registration number	5.1.5.
5.1.3.	Date of incorporation and term of the issuer	5.1.3.
5.1.4.	Registered offices and legal form of the issuer, legislation under which the issuer operates, country of incorporation and address andtelephone number of its registered offices	5.1.1./5.1.2./1.2.3.4.
5.1.5.	Important events in the development of the issuer's business	1.1.1.
5.2.	Investments	1.4.
5.2.1.	Principal investments of the issuer for each fiscal year for the period covered by the historical financial information	1.1.3./1.4.2.
5.2.2.	Principal current investments of the issuer	1.4.3.
5.2.3.	Information concerning the issuer's principal future investments to which its management bodies have already made firm commitments	1.4.3.
6.	**BUSINESS OVERVIEW**	
6.1.	Principal activities	1.1.2.
6.1.1.	The nature of the issuer's operations and its principal activities	1.1.2./5.1.4.
6.1.2.	New products and/or services that have been introduced	N/A
6.2.	Principal markets	1.1.2.1.
6.3.	Exceptional factors that have influenced the information given pursuant to items 6.1. and 6.2.	N/A
6.4.	Extent to which the issuer is dependent on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes	1.2.4.2.
6.5.	Basis for any statements made by the issuer regarding its competitive position	1.1.2.1.6./1.2.4.1.
7.	**ORGANIZATIONAL STRUCTURE**	
7.1.	Description of the group and the issuer's position within the group	1.1./5.3.3.
7.2.	List of the issuer's significant subsidiaries	4.2.8./5.3.4.
8.	**PROPERTY, PLANT AND EQUIPMENT**	
8.1.	Information regarding existing or planned tangible fixed assets	1.1.3./4.1.4. note 16
8.2.	Environmental issues that may affect the issuer's utilization of the tangible fixed assets	1.6.1.
9.	**OPERATING AND FINANCIAL REVIEW**	
9.1.	Financial condition: changes in the financial position and results of operations for each year and interim period for which historical financial information is required	2.1./2.3./4.1.
9.2.	Operating results	2.2./4.1.
9.2.1.	Information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations	2.1.
9.2.2.	Changes in revenues and the reasons for such changes	2.3.1.
9.2.3.	Information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, the issuer's operations	1.1.2.1.1./1.2./1.1.2.1.2./4.1.6. note 29

10.	**CASH FLOWS AND CAPITAL RESOURCES**	
10.1.	Information concerning the issuer's capital resources (both short and long term)	2.4./4.1.5. note 22
10.2.	Sources and amounts of the issuer's cash flows	1.1.2.11./2.4./4.1.4. note 21/4.1.5. note 22
10.3.	Information on the borrowing requirements and funding structure of the issuer	1.2.2./2.4.2./4.1.5. note 25
10.4.	Information regarding any restrictions on the use of capital resources	1.2.3.2./4.1.5. note 23
10.5.	Information regarding anticipated sources of funds	1.1.2.11./1.2.1.5.1.
11.	**RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES**	
	Description of the issuer's research and development policies, including the amount spent on issuer-sponsored research and development activities	1.1.2.13./1.4.1.
12.	**TREND INFORMATION**	
12.1.	The most significant recent trends in production, sales and inventory and costs and selling prices from the end of the last fiscal year to the date of the Registration Document	1.1.2.1.1./1.1.2.1.2./1.1.2.1.3.
12.2.	Known trends, uncertainty or demand or any commitment or event, which could reasonably materially impact the outlook of the issuers, at least for the current year	1.1.2.1.1./1.1.2.1.2./1.1.2.1.3.
13.	**PROFIT FORECASTS OR ESTIMATES**	**N/A**
14.	**ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT**	
14.1.	Information on the positions and other directorships held by the following persons and the absence of criminal convictions:	
	- of members of the administrative, management or supervisory bodies	3.1.1.1.
	- of any senior manager who is relevant to establishing that the issuer has the appropriate expertise and experience for the management of the issuer's business	3.1.1.1./3.1.3.
14.2.	Conflicts of interest within the administrative, management and supervisory bodies and Senior Management:	
	- any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any person referred to in item 14.1 was selected as a member of the administrative, management or supervisory bodies or member of Senior Management	3.1.1.1.
	- details of any restrictions agreed by the persons referred to item 14.1 on the disposal within a certain period of time of their holdings in the issuer's securities	
15.	**COMPENSATION AND BENEFITS PAID TO THE PERSONS REFERRED TO IN ITEM 14.1.**	
15.1.	The amount of compensation paid and benefits-in-kind granted by the issuer and its subsidiaries	3.2.1./3.2.2./3.2.3.
15.2.	The total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits	3.2.1.3./4.1.5. note 31
16.	**BOARD PRACTICES**	
16.1.	Date of expiration of the current terms of office of members of the issuer's administrative, management and supervisory bodies	3.1.1.1./3.1.1.2.
16.2.	Information about members of the administrative, management or supervisory bodies' service contracts with the issuer or any of its subsidiaries	3.2.4./3.2.6.
16.3.	Information about the issuer's Audit Committee and Compensation Committee	3.1.2.1./3.1.2.2./9.2.§II.
16.4.	Statement as to whether or not the issuer complies with its country of incorporation's Corporate governance rules	3.1.1.2.1./9.2.§I.1.
17.	**EMPLOYEES**	
17.1.	Number of employees at the end of the period or the average for each fiscal year for the period covered by the historical financial information, and a breakdown of persons employed by category	1.6.2.
17.2.	Shareholdings and stock options of each person referred to in item 14.1; information as to their share ownership and any existing stock options	3.3.3.
17.3.	Description of any employee shareholding agreement	3.3.1./3.3.2.
18.	**MAJOR SHAREHOLDERS**	
18.1.	The name of any person other than a member of the administrative, management or supervisory bodies who, directly or indirectly, has an interest in the issuer's capital or voting rights, which must be notified under the issuer's national law	5.3.1.
18.2.	Different voting rights	5.1.10./5.3.1.
18.3.	Control over the issuer and measures in place to ensure that such control is not abused	1.2.3.3./5.3.3.
18.4.	Any arrangements which may result in a change of control of the issuer	1.2.3.1./5.3.3.2.

19.	**RELATED PARTY TRANSACTIONS**	**3.2.4./3.2.6./4.1.6. note 31/5.3.4.1./9.3.3.**
20.	**FINANCIAL INFORMATION CONCERNING THE ASSETS, FINANCIAL POSITION AND PROFITS AND LOSSES OF THE ISSUER**	
20.1.	Historical financial information	4.1.
20.2.	Pro forma financial information	N/A
20.3.	Financial statements	4.1./4.2.
20.4.	Audit of historical annual financial information	
20.4.1.	Declaration that the historical financial information has been audited	7.2./9.3.
20.4.2.	Other information in the Registration Document which has been verified by the auditors	N/A
20.4.3.	Where financial data in the registration document is not extracted from the issuer's audited financial statements, statement of the source of the data and that the data is unaudited	N/A
20.5.	Age of latest financial information	4.1./4.2./10.3.
20.6.	Interim and other financial information	N/A
20.7.	Dividend policy	4.1.5. note 22.2/5.5.1.
20.7.1.	Dividend per share	5.1.8./5.5.1.
20.8.	Legal and arbitration proceedings	1.3.
20.9.	Significant changes in the issuer's financial or trading position	6.1.
21.	**ADDITIONAL INFORMATION**	
21.1.	Capital stock	
21.1.1.	The amount of issued capital and:	5.2.4.
	- number of shares issued	5.2.5.
	- par value per share	5.2.5./5.2.8.
	- reconciliation of the number of shares outstanding at the beginning and end of the fiscal year	5.2.8.
21.1.2.	Shares not representing capital	5.2.6.
21.1.3.	Number, book value and par value of shares held by the issuer	5.2.3./5.3.1.
21.1.4.	The amount of any convertible securities, exchangeable securities or securities with warrants	N/A
21.1.5.	Information about the terms of any acquisition rights and/or obligations attached to capital subscribed, but not paid, or an undertaking to increase the capital	5.2.2./5.3.3.
21.1.6.	Information about any capital of any member of the group, which is under option or agreed to be put under option	N/A
21.1.7.	History of the issuer's capital stock for the period covered by the historical financial information	5.3.1./5.3.2.
21.2.	Memorandum and Bylaws	5.1.3.
21.2.1.	Corporate purpose of the issuer	5.1.4.
21.2.2.	Summary of the provisions of the issuer's bylaws, charter or rules with respect to the members of the administrative, management and supervisory bodies	3.1.1.2./3.1.2./3.1.3./9.2.§I.3.
21.2.3.	Rights, preferences and restrictions attaching to each class of shares	5.2.2.
21.2.4.	Number of shares necessary to change the rights of shareholders	5.1.10.
21.2.5.	Conditions governing the manner in which annual and extraordinary General Shareholders' Meetings are called, including the conditions of admission	5.1.9.
21.2.6.	Provisions of the issuer's bylaws, charter or rules that would have the effect of delaying, deferring or preventing a change in control of the issuer	5.1.11./5.3.3.2.
21.2.7.	Provisions of the bylaws, charter or rules governing the ownership threshold above which shareholder ownership must be disclosed	5.1.11.
21.2.8.	Conditions imposed by the bylaws, charter or rules governing changes in the capital, where such conditions are more stringent than is required by law	5.2.1.
22.	**MATERIAL CONTRACTS**	**1.1.2.13.**
23.	**THIRD PARTY INFORMATION AND DECLARATIONS BY EXPERTS AND DECLARATIONS OF ANY INTEREST**	**N/A**
24.	**DOCUMENTS AVAILABLE TO THE PUBLIC**	**5.1.6.**
25.	**INFORMATION ON HOLDINGS**	
	Information on businesses in which the issuer holds a proportion of the capital, which could have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses	4.2.8./5.3.4.

10.2. ANNUAL FINANCIAL REPORT

In application of Article 222-3 and Article 212-13, paragraphs VI and VIII, of the AMF's General Regulations, the documents making up the Annual Financial Report for fiscal year 2012 are incorporated by reference in this document in the sections referred to in the table below:

Annual financial report	
Annual financial statements	4.2.
Consolidated Financial Statements	4.1.
Management report (report of the Board of Directors)	10.7.
Objective and exhaustive analysis of the business, results and financial position of the consolidating Company and the group, as well as the main risks and uncertainties	2./1.2.
Capital structure and factors likely to have an impact in the event of a public offer	5.2./5.3.
Information about the implementation of the share buyback program during the fiscal year	5.2.3.
Statement by the persons responsible for the document	7.2.
Statutory Auditors' report:	
- Report of the Statutory Auditors on the Consolidated Financial Statements	9.3.1.
- Report of the Statutory Auditors on the annual financial statements	9.3.2.
- Special Report of the Auditors on related-party agreements and commitments	9.3.3.
- Report of the Statutory Auditors prepared in accordance with Article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Kaufman & Broad SA Board of Directors on internal control procedures for the preparation and processing of accounting and financial information	9.3.4.
Fees paid by the group to the auditors and the members of their networks	4.1.6. note 32/4.2.10.
Report of the Chairman of the Board of Directors on Corporate governance and internal controls	9.2.

10.3. LIST OF PUBLICATIONS SINCE DECEMBER 2011

Annual information document prepared in accordance with Article 222-7 of the Regulations of the *Autorité des Marchés Financiers*

Type	Date	Subject	Medium
Press release	January 18, 2012	2011 annual results	Internet
Press release	February 16, 2012	Appointment to the Board of Directors	Internet
Press release	March 20, 2012	Buyback of own shares	Internet
Press release	March 20, 2012	Share buyback	Internet
Press release	March 29, 2012	Provision of preparatory documents for the Shareholders' Meeting of April 19, 2012	Internet
Press release	April 18, 2012	1st quarter 2012 results	Internet
Press release	April 19, 2012	Combined Ordinary and Extraordinary Shareholders' Meeting	Internet
Press release	April 23, 2012	Combined Ordinary and Extraordinary Shareholders' Meeting Voting results	Internet
Press release	June 19, 2012	Buyback of its own shares	Internet
Press release	July 18, 2012	Results for the first half of fiscal year 2012	Internet
Press release	July 27, 2012	Statement of availability of the half-year financial report	Internet
Press release	September 14, 2012	Operation Redemption of own shares	Internet
Press release	September 28, 2012	Result for first 9 months of 2012	Internet
Press release	October 23, 2012	Decision to distribute an interim dividend	Internet
Press release	December 20, 2012	Philippe Jossé joins Kaufman & Broad as Deputy Chief Executive Officer	Internet
Press release	January 24, 2013	2012 annual results	Internet
Presentation	January 19, 2012	Presentation of the 2011 annual results	Internet
Presentation	April 19, 2012	Presentation of the Combined Ordinary and Extraordinary Shareholders' Meeting of April 19, 2012	Internet
Presentation	July 19, 2012	Presentation of Results 1st half of 2012	Internet
Presentation	January 25, 2013	Presentation of the 2012 annual results	Internet
Report	April 2, 2012	Kaufman & Broad 2011 Registration Document	Internet
Report	July 27, 2012	Half-year financial report at 31 May 2011	Internet
Legal disclosure	December 5, 2011	Statement on trading in the Company's own shares from November 28 to December 2, 2011	Internet
Legal disclosure	December 6, 2011	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	December 12, 2011	Disclosure of trading in own shares from December 5 to 9, 2011	Internet
Legal disclosure	December 19, 2011	Disclosure of trading in own shares from December 12 to 16, 2011	Internet
Legal disclosure	December 25, 2011	Disclosure of trading in own shares from December 19 to 23, 2011	Internet
Legal disclosure	January 2, 2012	Disclosure of trading in own shares from December 26 to 30, 2011	Internet
Legal disclosure	January 2, 2012	Six-month report on the liquidity contract	Internet
Legal disclosure	January 4, 2012	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	January 9, 2012	Disclosure of trading in own shares from January 2 to 6, 2012	Internet
Legal disclosure	January 16, 2012	Disclosure of trading in own shares from January 9 to 13, 2012	Internet
Legal disclosure	January 23, 2012	Disclosure of trading in own shares from January 16 to 20, 2012	Internet
Legal disclosure	January 30, 2012	Disclosure of trading in own shares from January 23 to 27, 2012	Internet
Legal disclosure	February 2, 2012	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	February 6, 2012	Disclosure of trading in own shares from January 30 to February 3, 2012	Internet
Legal disclosure	February 13, 2012	Disclosure of trading in own shares from February 6 to 10, 2012	Internet
Legal disclosure	February 20, 2012	Disclosure of trading in own shares from February 13 to 17, 2012	Internet
Legal disclosure	February 27, 2012	Disclosure of trading in own shares from February 20 to 24, 2012	Internet
Legal disclosure	March 5, 2012	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	March 5, 2012	Disclosure of trading in own shares from February 27 to March 2, 2012	Internet
Legal disclosure	March 12, 2012	Disclosure of trading in own shares from March 5 to 9, 2012	Internet
Legal disclosure	March 19, 2012	Disclosure of trading in own shares from March 12 to 16, 2012	Internet
Legal disclosure	March 26, 2012	Disclosure of trading in own shares from March 19 to 23, 2012	Internet
Legal disclosure	March 26, 2012	Online publication of preparatory documents for the Shareholders' Meeting of April 19, 2012	Internet
Legal disclosure	April 2, 2012	Disclosure of trading in own shares from March 26 to 30, 2012	Internet

Legal disclosure	April 3, 2012	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	April 10, 2012	Disclosure of trading in own shares from April 2 to 6, 2012	Internet
Legal disclosure	April 16, 2012	Disclosure of trading in own shares from April 9 to 13, 2012	Internet
Legal disclosure	April 19, 2012	Description of the 2012 share buyback program	Internet
Legal disclosure	April 20, 2012	Disclosure of trading in own shares from April 16 to 20, 2012	Internet
Legal disclosure	April 30, 2012	Disclosure of trading in own shares from April 23 to 27, 2012	Internet
Legal disclosure	May 3, 2012	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	May 7, 2012	Disclosure of trading in own shares from April 30 to May 4, 2012	Internet
Legal disclosure	May 14, 2012	Disclosure of trading in own shares from May 7 to 11, 2012	Internet
Legal disclosure	May 21, 2012	Disclosure of trading in own shares from May 14 to 18, 2012	Internet
Legal disclosure	May 28, 2012	Disclosure of trading in own shares from May 21 to 25, 2012	Internet
Legal disclosure	June 4, 2012	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	June 4, 2012	Disclosure of trading in own shares from May 28 to June 1, 2012	Internet
Legal disclosure	June 11, 2012	Disclosure of trading in own shares from June 4 to 8, 2012	Internet
Legal disclosure	June 18, 2012	Disclosure of trading in own shares from June 11 to 15, 2012	Internet
Legal disclosure	June 25, 2012	Disclosure of trading in own shares from June 18 to 22, 2012	Internet
Legal disclosure	July 2, 2012	Disclosure of trading in own shares from June 25 to 29, 2012	Internet
Legal disclosure	July 3, 2012	Six-month report on the liquidity contract	Internet
Legal disclosure	July 4, 2012	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	July 9, 2012	Disclosure of trading in own shares from July 2 to 6, 2012	Internet
Legal disclosure	July 16, 2012	Disclosure of trading in own shares from July 9 to 13, 2012	Internet
Legal disclosure	July 23, 2012	Disclosure of trading in own shares from July 16 to 20, 2012	Internet
Legal disclosure	July 27, 2012	Half-year financial report at May 31, 2012	Internet
Legal disclosure	July 30, 2012	Disclosure of trading in own shares from July 23 to 27, 2012	Internet
Legal disclosure	August 2, 2012	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	August 6, 2012	Disclosure of trading in own shares from July 30 to August 3, 2012	Internet
Legal disclosure	August 13, 2012	Disclosure of trading in own shares from August 6 to 10, 2012	Internet
Legal disclosure	August 20, 2012	Disclosure of trading in own shares from August 13 to 17, 2012	Internet
Legal disclosure	August 27, 2012	Disclosure of trading in own shares from August 20 to 24, 2012	Internet
Legal disclosure	September 3, 2012	Disclosure of trading in own shares from August 27 to 31, 2012	Internet
Legal disclosure	September 4, 2012	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	September 10, 2012	Disclosure of trading in own shares from September 3 to 7, 2012	Internet
Legal disclosure	September 17, 2012	Disclosure of trading in own shares from September 10 to 14, 2012	Internet
Legal disclosure	September 24, 2012	Disclosure of trading in own shares from September 17 to 21, 2012	Internet
Legal disclosure	October 3, 2012	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	October 8, 2012	Disclosure of trading in own shares from September 24 to 28, 2012	Internet
Legal disclosure	October 8, 2012	Disclosure of trading in own shares from October 1 to 5, 2012	Internet
Legal disclosure	October 15, 2012	Disclosure of trading in own shares from October 8 to 12, 2012	Internet
Legal disclosure	October 22, 2012	Disclosure of trading in own shares from October 15 to 19, 2012	Internet
Legal disclosure	October 29, 2012	Disclosure of trading in own shares from October 22 to 26, 2012	Internet
Legal disclosure	November 5, 2012	Disclosure of trading in own shares from October 29 to November 2, 2012	Internet
Legal disclosure	November 6, 2012	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	November 19, 2012	Disclosure of trading in own shares from November 12 to 16, 2012	Internet
Legal disclosure	November 12, 2012	Disclosure of trading in own shares from November 5 to 9, 2012	Internet
Legal disclosure	November 19, 2012	Disclosure of trading in own shares from November 12 to 16, 2012	Internet
Legal disclosure	November 26, 2012	Disclosure of trading in own shares from November 19 to 23, 2012	Internet
Legal disclosure	December 3, 2012	Disclosure of trading in own shares from November 26 to 30, 2012	Internet
Legal disclosure	December 5, 2012	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	December 10, 2012	Disclosure of trading in own shares from December 3 to 7, 2012	Internet
Legal disclosure	December 17, 2012	Disclosure of trading in own shares from December 10 to 14, 2012	Internet
Legal disclosure	December 20, 2012	Kaufman & Broad EIG 2012 Greenhouse Gas Assessment	Internet
Legal disclosure	December 21, 2012	Contract of mandate for Philippe Jossé	Internet
Legal disclosure	December 24, 2012	Disclosure of trading in own shares from December 17 to 21, 2012	Internet
Legal disclosure	December 31, 2012	Disclosure of trading in own shares from December 24 to 28, 2012	Internet
Legal disclosure	January 3, 2013	Semi-annual assessment of Company's liquidity agreement	Internet
Legal disclosure	January 4, 2013	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	January 6, 2013	Disclosure of trading in own shares from December 31, 2012 to January 4, 2013	Internet
Legal disclosure	January 14, 2013	Disclosure of trading in own shares from January 7 to 11, 2013	Internet
Legal disclosure	January 21, 2013	Disclosure of trading in own shares from January 14 to 18, 2013	Internet
Legal disclosure	January 25, 2013	Buyback of its own shares	Internet
Legal disclosure	January 28, 2013	Disclosure of trading in own shares from January 21 to 25, 2013	Internet
Legal disclosure	February 4, 2013	Disclosure of trading in own shares from January 28 to February 1, 2013	Internet

Legal disclosure	February 4, 2013	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	February 11, 2013	Disclosure of trading in own shares from February 4 to 8, 2013	Internet
Legal disclosure	February 18, 2013	Disclosure of trading in own shares from February 11 to 15, 2013	Internet
Legal disclosure	February 25, 2013	Disclosure of trading in own shares from February 18 to 22, 2013	Internet
Legal disclosure	March 4, 2013	Disclosure of trading in own shares from February 25 to March 1, 2013	Internet
Legal disclosure	March 4, 2013	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	March 11, 2013	Disclosure of trading in own shares from March 4 to 8, 2013	Internet
Legal disclosure	March 18, 2013	Disclosure of trading in own shares from March 11 to 15, 2013	Internet
Legal disclosure	March 25, 2013	Disclosure of trading in own shares from March 18 to 22, 2013	Internet
Legal disclosure	March 29, 2013	Disclosure of trading in own shares from March 25 to 29, 2013	Internet
Legal disclosure	March 29, 2013	Online publication of preparatory documents for the Shareholders' Meeting of April 25, 2013	Internet
BALO	March 18, 2013	Notice of Meeting	BALO

10.4. SUMMARY TABLE OF CURRENTLY VALID DELEGATIONS CONCERNING SHARE CAPITAL INCREASES

Table and report submitted by the Board of Directors concerning the grants of authority and powers relating to the capital increase

(in €)	Date of the ESM	Delegation's expiration date	Nominal amount of authorized capital increase	Capital increase(s) made in earlier years	Capital increase(s) made during the fiscal year	Capital increase(s) made after the fiscal year-end	Residual amount upon the preparation of this table
Authority to increase the capital with preemptive rights [1] [2]	April 19, 2012	June 19, 2014	€1,400,000	None	None	None	€1,400,000
Authority to increase the capital without preemptive rights [1] [2]	April 19, 2012	June 19, 2014	€1,400,000	None	None	None	€1,400,000
Authority to increase the capital in consideration of in-kind capital contributions [1]	April 19, 2012	June 19, 2014	10% of capital at April 19, 2012	None	None	None	10% of capital at April 19, 2012
Authority to increase the capital in the event of a company-initiated exchange offer [1] [2]	April 19, 2012	June 19, 2014	€1,400,000	None	None	None	€1,400,000
Authority to allot bonus shares (new or existing)	April 19, 2012	June 19, 2015	100,000 shares (representing a capital €26,000)	None	None[3]	None	64,200 shares

(1) The amount of this authorization shall be attributed to the amount of the overall ceiling of authorizations of €1.4 million excluding adjustments for holders of securities as provided by the Shareholders' Meeting of April 19, 2012.
(2) Over-allotment option under the conditions in Article L.225-135-1 of the French Commercial Code.
(3) Because of the allocation of treasury shares to cover these plans, these plans will not result in a capital increase.

The following reports have been incorporated by reference into this 2012 Registration Document and have been formatted for the purposes of this document. Unformatted reports may be consulted at Kaufman & Broad's registered office.

10.5. BOARD OF DIRECTORS' REPORT ON SHARE AWARDS

See Section 5.2.3.3., Board of Directors' report on bonus share awards.

10.6. SPECIAL REPORT ON STOCK PURCHASE AND SUBSCRIPTION OPTIONS (SHAREHOLDERS' MEETING OF APRIL 25, 2013)

See Section 5.2.3.4., Special report on stock options presented at the Shareholders' Meeting of April 25, 2013."

10.7. BOARD OF DIRECTORS' REPORT

1. Business and financial review concerning Kaufman & Broad SA

See Section 5.1. "General information concerning the Company".

2. Business and financial review concerning the Kaufman & Broad group

See Chapter 2. "Operating and financial review of the group".

3. Other information

3.1. Stock purchase or subscription option plans and bonus share awards

See Section 3.3. "Incentive programs" and following.

3.2. Board of Directors

See Section 3.1.1. "Board of Directors".

3.3. Interest and executive compensation

See Section 3.2. "Directors' interests".

3.4. Employee profit sharing

See Section 3.3.1. "Incentive and profit-sharing agreements".

3.5. Risk report

See Section 1.2. "Risk factors".

3.6. Sustainable development

See Section 1.6. "Sustainable development" and the following:
1.6.1. Environmental information;
1.6.2. Corporate information;
1.6.3. Social information.

3.7. "Capital structure and transactions carried out by the company on its own shares and items that may have an impact on a takeover bid"

See Section 5.2. "General information concerning the capital".

See Section 5.3. "Current ownership of capital and voting rights".

3.8. Research and development

See Section 1.4.1. "Research and development".

3.9. Dividends

See Section 5.5. "Dividends".

Appendices to the Board of Directors' Report

Appendix 1 "Summary table of share trading by Corporate Officers and related parties during the latest fiscal year"

See Section 5.2.3.5.

Subsidiaries and equity affiliates

See notes to the annual financial statements, Section 4.2.8, "Subsidiaries and affiliates".

"Summary table of currently valid delegations concerning capital increases"

See Section 10.4.

Five-year financial summary

See Section 4.2.9. "Five-year financial summary".

10.8. GLOSSARY

BUSINESS LINES

ANRU area	Area covered by the signing a multi-year agreement with the French National Agency for Urban Renewal (ANRU). In this geographical area with tax benefits, households, in particular tax households with limited resources, can purchase a new principal residence with a reduced VAT rate (5.5%) subject to certain conditions.
Backlog	Backlog includes sales before completion (VEFA), ordered but undelivered units, sales for which a notarized sale deed has not yet been signed and the incomplete portion of undelivered units for which a notarized sale deed has been signed (for a unit program that is 30% complete, 30% is accounted for as sales and 70% remains in the backlog).
BBC-Effinergie	Low-Energy Consumption Building (*Bâtiment Basse Consommation*). BBC-Effinergie® is a thermal performance label for buildings intended for residential use. For new residential construction, the maximum primary energy target is set at 50 kWh/sq.m/year, which is readjusted to account for region and altitude. So-called conventional primary energy consumption for heating, cooling, ventilation, auxiliaries, hot water production and lighting of premises is taken into account.
Bid	Bidding is a procedure that allows a sponsor (the Project Owner) to choose the Company (the bidder, which will be the supplier) the most likely to provide works, supplies or services. The goal is to have multiple companies competing to provide a product or service.
Bilan Carbone®	Bilan Carbone® is a carbone assessment tool for calculating greenhouse gas emissions whose objective is to allow, from readily available data, an assessment of direct and indirect emissions from business, economic or other activity.
Commercial offer	The total inventory of properties available for sale as of the date in question, i.e., all unordered housing units as of this date (less the programs that have not entered the marketing phase).
Eco-design	This term describes the desire to design products that meet the principles of sustainable and environmental development. It is an approach that takes environmental impact into account in the design and development of the product and integrates environmentally friendly thinking throughout its life cycle (raw materials, end of product life, manufacturing, logistics, distribution and use).
EHU	EHUs (Equivalent Housing Units delivered) directly reflect sales. The number of EHUs is obtained by multiplying (i) the number of housing units of a given program for which the notarized sales deeds have been signed, by (ii) the ratio of the group's property expenses and construction expenses incurred on such program to the total expense budget for the program.
Gross margin	Gross margin corresponds to revenues less cost of sales. Cost of sales consists of the price of land parcels, the related property costs (taxes etc.), commissions paid to developers and to Kaufman & Broad sales staff, as well as fees and commissions provided for in the agency agreements executed by Kaufman & Broad in order to sell its real estate programs, construction costs and borrowing costs that may be directly attributed to program development.
H&E	The H&E (Habitat & Environment) certification process, which was implemented starting in 2003 and developed in coordination with the work of the association HQE, aims to improve the environmental quality of housing construction. This certification is only for new building projects in the residential sector (apartment buildings and individual residences in communities). The seven H&E environmental themes are grouped into three categories and define the environmental quality objectives of buildings being considered in the certification process: organizational (Environmental management of the operation, Clean site), technical (Energy – Greenhouse gas reduction, Construction/choice of materials, Water and Comfort, Health) and information (Green actions).
HQE®	The HQE® (*Haute Qualité Environnementale* or High Environmental Quality) process implemented by the association HQE® makes possible the application of an environmental policy to the construction of a building. This label allows Project Owners to specify environmental objectives on the basis of 14 targets that define the profile of their future building. This approach is also based on a managerial strategy that includes a project management system to find concrete solutions to the environmental challenges facing our planet. Its ultimate goal is the construction of comfortable buildings that are healthier and more environmentally friendly than buildings of the same generation. HQE® targets are grouped into four categories and define environmental quality objectives based on 14 items: Green building (Relationship between buildings and their immediate environment, Integration of construction process and materials, Low-pollution construction); Eco-management (Energy management, Water management, Construction waste management, Upkeep and maintenance management); Comfort (Hygrothermal comfort, Acoustic comfort, Visual comfort, Olfactory comfort); Health (Health quality of spaces, Air health quality, Water health quality).
Land reserve	This includes land for development (otherwise called the land portfolio), i.e., the land for which an act or promise of sale was signed, as well as land under consideration, i.e., the land for which an act or promise of sale has not yet been signed.

Orders (value)	These represent the value of the real property as expressed in order contracts signed, including VAT, for a given period. They are mentioned net of cancellations recorded during that period.
Orders of Housing Units (volume)	These are a reflection of the group's commercial activity. Orders are recognized in revenue based on the time necessary for the "conversion" of an order into a signed and notarized deed, which is the point at which income is generated. In addition, for apartment programs that include mixed-use buildings (apartments/business premises/retail space/offices), all floor space is converted into housing equivalents. They are measured in volume (Units) and value.
Project Owner	Individual or legal entity on whose behalf construction and real estate work or more generally the services of a contractor are carried out and which, in order to do so, has entered into one or more contracts with the various trades involved in construction. The Project Owner is called this despite not being the contractor's employer since the contractor is independent. The Project Owner must not be confused with the project manager. The Project Owner selects the project manager and will charge it with the coordination and monitoring of the work of the various trades.
Property portfolio	All real estate for which a commitment (such as an agreement to sell) has been signed.
PTZ+	The "Zero-Interest Plus Loan": This new interest-free loan, issued by government-registered credit institutions, was spawned by the overhaul of "PTZ 2010" and the discontinuation of "*Pass-Foncier*" and the tax credit on loan interest, which were eliminated on January 1, 2011. It applies to individuals wishing to finance the purchase, refurbishment or construction of their primary residence as a first-time homeowner. (Buyers are considered first-time homeowners if they did not own their primary residence during the two years preceding the loan offer.)
Revivalis®	Created by Kaufman & Broad, this process is intended to determine all recovery potential of an office building for its rehabilitation while respecting its architectural heritage. It is based on a multi-criteria analysis that takes technical, regulatory, operational and urban planning aspects into account
Sale before completion (VEFA)	Sale before completion is a contract whereby the seller immediately transfers to the buyer its land rights and rights and ownership of existing buildings. Works to come become the property of the purchaser as and when they are executed and the purchaser must pay the price as work progresses. The seller retains the powers of the project owner until the acceptance of the work. Through the sale-before-completion (VEFA) contract, lawmakers have given real estate developers the option to call for the clients' funds according to the percentage of completion of programs, based on a schedule determined by law, while giving clients a Performance Bond. The customers' cumulated payments may not exceed 35% of the prices upon completion of the foundations, 70% upon completion of the roof and 95% upon completion of the building. This contract transfers to the buyer the title to the land and building as the building is completed.
Scellier (incentive)	The incentive contained in the Scellier Law (adopted as part of the 2008 Supplementary Budget Act 2008-1443 of December 30, 2008; since the 2013 Budget Act, new adjustments have been made to the incentive). Its purpose is to revive the rental housing stock and the attractiveness of investment in new property while limiting purchases to one dwelling per year. This incentive is meant to allow the purchaser of a new property for rent to enjoy a tax reduction, during the nine years of rental and rents will be capped depending on the geographical area, not the tenants' financial resources.
Sub-contracting	Sub-contracting is a contract by which a Company, the "principal," asks one or more other companies, called "subcontractors" to perform part of its production process or make some of the components necessary to its production. The sub-contractors are companies that are authorized to do certain tasks. The sub-contractor is different from a supplier because it manufactures a product designed by the sponsor or, often, it does so together with the sponsor. The product is manufactured by the subcontractor exclusively on behalf of the sponsor and does not bear the sub-contractor's name. The sub-contractor is committed exclusively regarding compliance in execution in relation to the sponsor's directives.
Take-up rate	It represents the number of orders in relation to the average commercial offer for the period.
Units	Units are used to define the number of housing units or Equivalent Housing Units (for mixed programs) of any given program. The number of Equivalent Housing Units is calculated as a ratio of the surface area by type (business premises/retail space/offices) to the average surface area of the housing units previously obtained.

INSTITUTIONAL, LEGAL AND FINANCIAL

AFEP-MEDEF Code	The AFEP-MEDEF Code is the set of recommendations developed by the working groups of the *Association Française des Entreprises Privées* (AFEP) and the *Mouvement des Entreprises de France* (MEDEF) to define the principles of operation and transparency specific to improving their management and image among investors and the public, particularly in terms of Corporate governance and remuneration of executive Directors of listed companies.
AMF *(Autorité des Marchés Financiers)*	The Autorité des Marchés Financiers is an independent public body with legal personality and financial autonomy that has the mission of overseeing the protection of savings invested in financial instruments, investor information and the proper functioning of financial instrument markets.
CAC 40	The continuous quotation system (*Cotation Assistée en Continu*) that is the main stock index on the Paris exchange and the main French index published by Euronext. Created with 1,000 basis points on December 31, 1987 by the Compagnie des Agents de Change, the CAC 40 index is determined from the price of forty stocks listed on the continuous market among the one hundred companies whose transaction volume is the highest on Euronext Paris, which is part of Euronext, the largest European exchange. These companies representing different business sectors in principle reflect the overall economic trends of major French companies and membership is reviewed regularly to maintain its representative nature.
Cash flow	Cash flow after the cost of financial debt and taxes is equal to the consolidated net earnings adjusted for the portion of net earnings of equity affiliates, joint ventures and earnings of discontinued operations and for the income and expenses calculated.
Company mutual funds (FCPE)	Company mutual funds (FCPE) are investment funds dedicated to the employees of a Company. They are managed by an undertaking for the collective investment in transferable securities of employee savings. Company mutual funds (FCPEs) are usually implemented through an incentive agreement or an employee savings plan (PEE, PEI, PERCO). They can be either “diversified” mutual funds (composed of a basket of securities, with no security being overrepresented) or “employee shareholder” mutual funds (at least a third of which is comprised of Company shares). FCPE regulations must be approved by the AMF.
Corporate Officers	A Corporate officer is an individual appointed by an employer when it is a legal entity (association, Company or corporation). For example, a manager is appointed for a limited liability Company or single-shareholder limited liability Company, or a Chief Executive Officer or Chairman and CEO for a commercial Company. Corporate Officers are the representatives of the employer in all actions related to the management of the Company, for which they are responsible to the shareholders, partners and the law, especially in the field of personnel management and employment law. In a société anonyme with a Board of Directors, the roles with a Corporate mandate are “the Chairman of the Board of Directors, the Chief Executive Officer (if the role is separate from that of Chairman), Deputy Chief Executive Officers and Directors.”
CSR (Corporate Social Responsibility)	Corporate Social Responsibility (CSR) is the contribution of businesses to sustainable development issues. For businesses, this strategy consists of taking into account the social and environmental impacts of their business and adopting best practices, thus contributing to the betterment of society and the protection of the environment. CSR makes it possible to combine economic thinking, social responsibility and environmental responsibility (according to the definition of the French Ministry of Ecology, Sustainable Development and Energy).
Debt ratio (or gearing)	The debt ratio is the ratio of net debt (or Net Financial Debt) reported as consolidated shareholders’ equity for the Company. It measures the risk of the Company’s financial structure.
Directors’ fees	Directors’ fees consist of fees paid to the Chairmen and Chief Executive Officers, Deputy Chief Executive Officers and Directors who are members of the Supervisory Boards of public companies. The Board of Directors sets at its discretion the amount due to each Director, which is in principle shared by the Directors based on attendance at these Committee meetings. The total amount is set by the shareholders at an Ordinary Shareholders’ Meeting.
Dividend	The dividend is the share of annual net profit of the Company distributed to shareholders. Its amount proposed by the Board of Directors and is subject to approval by shareholders at the Shareholders’ Meeting. It is payable within a maximum period of nine months after the end of the fiscal year.
EBITDA	This indicator is equal to the net income, corrected for net amortization, depreciation and provisions, income tax (expenses)/income, the cost of Net Financial Debt, other financial expenses, impairments, if any, non-recurring expenses, income of companies accounted for by the Equity method and other expenses.
Employee Savings Plan (PEE)	The Employee Savings Plan is a savings system implemented within companies on a collective and voluntary basis to allow employees to accumulate capital. The Employee Savings Plan Company may receive the proceeds from profit incentives or voluntary payments by employees. The Company may supplement the payment of its employees with matching funds. Such payments are generally locked-in for a period of five years, but they may be, as needed and in a specified manner, released early. Former employees who have left the Company following a retirement or early retirement may continue to make payments into the Employee Savings Plan.

Free cash flow	Free cash flow is equal to cash flow, less the net operating investments made during the year.
Greenhouse gases (GHG)	Greenhouse gases (GHGs) are gases that absorb some of the sun's rays and redistribute them in the form of radiation that encounters other gas molecules, thus repeating the process and creating the greenhouse effect, with an increase of temperature. The increase in the concentration of greenhouse gases in our atmosphere is indeed one of the main factors behind global warming. The most common greenhouse gases are water vapor (H2O) and carbon dioxide (CO_2). Other common greenhouse gases are methane (CH_4), ozone (O3), nitrous oxide (N_2O) and other gases such as PFCs and CFCs.
Grenelle Environment Forum	The Grenelle Environment Forum is a series of political meetings held in France in September and October 2007 to make long-term decisions regarding the environment and sustainable development, in particular to restore biodiversity through the establishment of a green and blue framework and regional patterns of ecological coherence, while reducing greenhouse gas emissions and improving energy efficiency. The Grenelle I Law, or Law 2009-967 of August 3, 2009 relating to the implementation of the Grenelle Environment Forum is a French planning law that formalizes the 268 commitments of the Grenelle Environment Forum. It was supplemented in 2010 by the Law of July 12, 2010 on national commitment to the environment, or the Grenelle II Law, Law 2010-788, which details the goals as more specific provisions.
Gross debt or gross financial debt	Gross financial debt consists of long-term and short-term financial liabilities, financial hedging instruments liabilities related to liabilities constituting gross financial debt and accrued interest on balance sheet items constituting gross financial debt.
Internal control	A Company mechanism defined and implemented under its responsibility that aims to ensure: a) compliance with laws and regulations; b) the application of instructions and guidelines issued by the Senior Management (…); c) the proper functioning of the internal processes of the Company, including those designed to safeguard assets. The proper functioning of the process requires that the standards or operating principles have been established and that performance and profitability indicators have been put in place; d) the reliability of financial information (…) (source: AMF reference framework – June 2010).
LBO	Leveraged buyout (LBO) is a term describing the method of acquisition of a Company with "leverage." This financial technique consists of financing a portion of the acquisition of a Company by using bank or bond debt, which increases the return on equity. The acquisition debt, bank or other, is repaid by a greater drain on the revenues of the acquired Company.
Liquidity contract	This is an agreement between a listed Company and a provider of investment services (a bank or stockbroker). The Company makes the cash and shares of the available to the Investment Services Provider (ISP), on condition that the investment services provider buys or sells the shares of the Company when the market for its shares is unbalanced.
Managed accommodation	When serviced housing is a housing community consisting of homes (houses or apartments) for residential use with a minimum of services such as reception, linen supply, cleaning and maintenance of housing and the provision of breakfasts. There are several different types of residences included in this category: **student residences** are apartment complexes, mostly furnished studios with a kitchenette located in the vicinity of schools and universities and close to public transportation; **tourist residences** located in high-potential tourist areas offer, in addition to the usual services, facilities such as swimming pools, sports fields, sometimes saunas, steam rooms, jacuzzis and children's clubs; and **business residences** are an alternative to traditional hotels and are composed of studios (about 80%) and two-room apartments that must be located in the city center or close to major business centers that are consistently underserved; **senior residences** (which also include homes for the elderly, whether dependent or not), which anticipate the aging of the population, house people 55 years and older and their clientele consists of both tenants and landlords.
Net debt or Net Financial Debt	The net debt or Net Financial Debt of a Company is, on one hand, the balance of its gross financial debt and the available financial assets forming its "cash and cash equivalents," on the other. It represents the creditor or debtor position of the Company with respect to third parties outside the operating cycle.
Net earnings per share	Attributable net income divided by the average number of shares during the year.
Nominal (or par) value of a share	The nominal value of an equity instrument (security such as a share, bond, etc.), also known as the face value, is the value set when the security is issued. The nominal value of a share is the percentage of share capital that it represents. For shares, the nominal value has an accounting meaning only. It is the capital classified as liabilities on the Company balance sheet divided by the number of shares issued by it. This value is set at the discretion of the shareholders.

Preemptive rights	The preemptive right is a right that allows the shareholder to subscribe to the capital increase of a Company. For each existing share, one subscription right is attached. The exercise of this right then gives priority to current shareholders to participate in the issuance of new shares of the Company in question. It is called a preemptive or preferential subscription right. The number of rights required to subscribe to one new share is also called parity. Generally speaking, the issue price of new shares is less than the market price of existing shares to be attractive to current shareholders. This price difference serves as the basis for assessing the price of the subscription right. The preemptive rights themselves are traded at the start of the capital increase. They are listed during the subscription period to enable current shareholders to sell their rights if they do not wish to subscribe to new shares and to current shareholders (if they lack rights) and new shareholders to acquire a sufficient number of rights to subscribe to new shares.
Senior Credit Facility (lines of credit)	Banks use the senior debt to fund LBO (Leveraged Buy Out) transactions. LBO financing by banks is risky in the bank credit market. It is characterized by a “amortizable” loan and/or, most frequently, an “in fine”-type loan, as well as lines of credit for financing the working capital requirements and development policy the Company for the Company affected by this kind of acquisition. Senior debt is a debt that enjoys specific guarantees, the repayment of which has priority over other so-called subordinate debts. It is therefore a privileged debt.
Share	Equity instrument representative of a portion of the capital issued by the corporation that issued it. It gives the holder ownership of part of the capital and the rights associated with it, such as the ability to be involved in the management of the Company and to derive an income from holding shares, known as a dividend. A share gives one vote to its owner (shareholder) at Shareholders’ Meetings and shares may be, as appropriate and in a specified manner, publicly traded.
Shares in “registered” form	Mode of holding shares in which the name of the shareholder appears in the books of the Company. The registration of certain shares in registered form maximizes the performance of a portfolio by reducing management costs, provided that the shareholder is ready to make lasting connections with the Company in which he or she wants to invest. In the registered-form system, the name of the shareholder is actually contained in the Company’s records. If registered shares are “administered”, that means that management of the Company’s securities account is entrusted to a financial intermediary. For “pure registered” shares, all service for the securities is handled by the Company.
Statutory Auditor	Representatives of shareholders that enable shareholders to vote at Shareholders’ Meetings on the financial statements, the Statutory Auditor’s primary mission (for a term of six years) is auditing the annual financial statements, which include, as an inseparable whole, the balance sheet, income statement and notes. That mission consists of certifying that the financial statements are honest and accurate and give a true picture of the results, financial situation and assets of the Company. Statutory Auditors practice a regulated profession whose organization and bylaws are set by Decree 69-810 of August 12, 1969 (as last amended by Decree 2005-599 of May 27, 2005). Only individuals or legal entities included in a special list, which is compiled at every court of appeal, may exercise this profession. These regulations are summarized as follows: the technical qualification of Auditors is guaranteed by professional examinations that serve as gateways to the profession, standards and professional ethics and oversight of their activity. Their independence is based on the incompatibility of their task with any other activity (an expert accountant, legal counsel or Board member of a Company cannot serve as its Statutory Auditor) and statutory and regulatory definition of the term.
Sustainable development	According to the Brundtland Report, 1987, the meaning the most commonly used is: “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs and meets the needs of present generations without compromising the ability of future generations to meet theirs.” To be sustainable, development must reconcile three major elements: social equity, environmental protection and economic efficiency.
Voting rights	Voting rights are exercised at Shareholders’ Meetings of a Company and are attached to a share that entitles its holder to participate in key business decisions of the Company. Even though single or double voting rights or no voting rights may be attached to a share, only the shareholders may hold voting rights. Unlike creditors, they have no guarantee of repayment and share in the risk of the Company.
Working Capital Requirements (WCR)	WCR come from deferrals of cash flow: inflows and outflows related to expenditures and operating revenues necessary for the design, production and marketing of real estate projects. The simplified expression of WCR that results is as follows: Current assets (inventory + receivables + other operating receivables + advances received + deferred income) minus Current liabilities (accounts payable + tax and Social Security payables + other operating debt + prepaid expenses). The importance of WCR will depend in particular on the length of the operating cycle, the extent and duration of inventory of outstanding production, the number of projects initiated and payment terms granted by suppliers or timetable profiles granted to clients.

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Design and production: Agence Marc Praquin

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