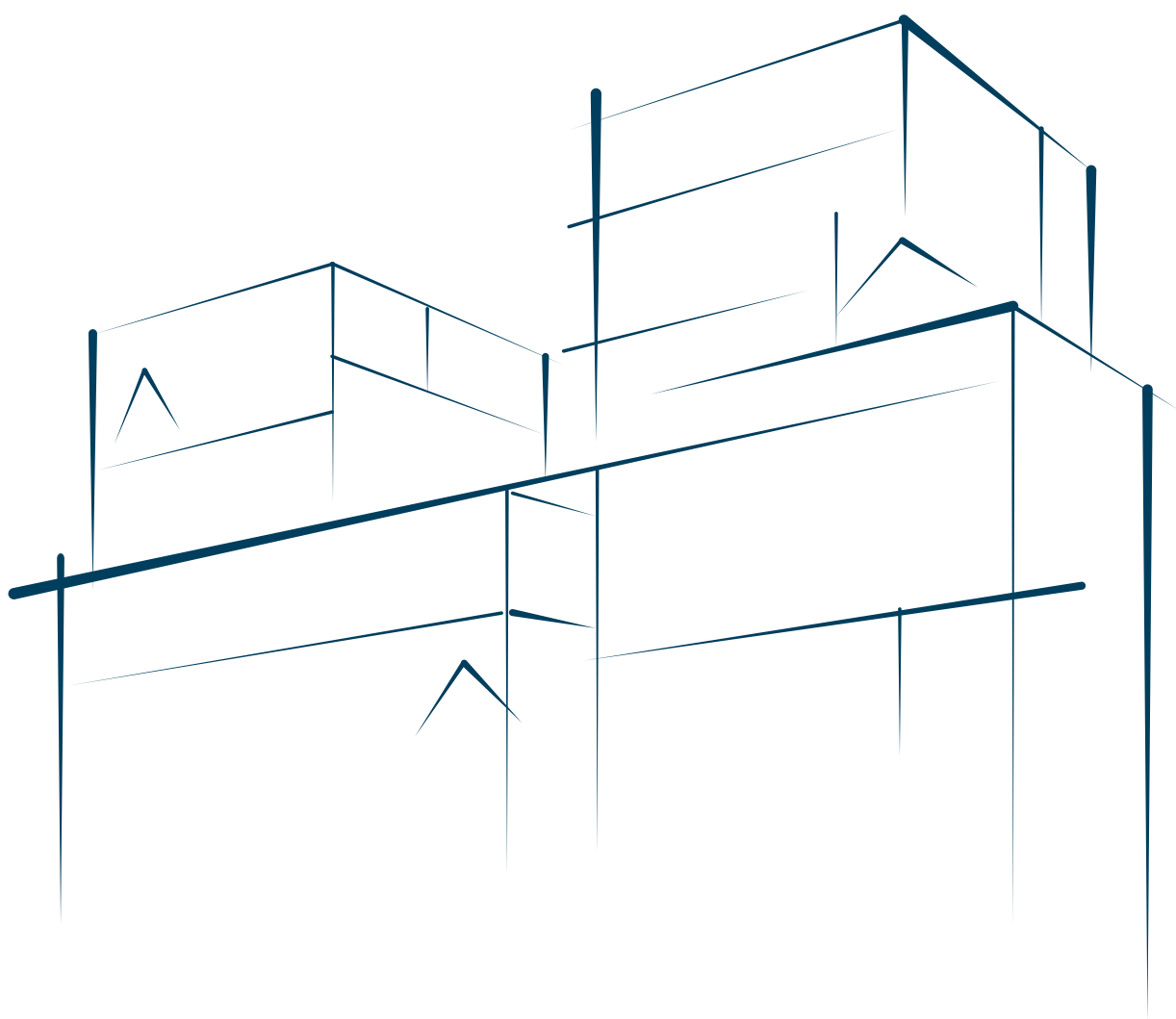


2013
REGISTRATION
DOCUMENT



KAUFMAN  BROAD

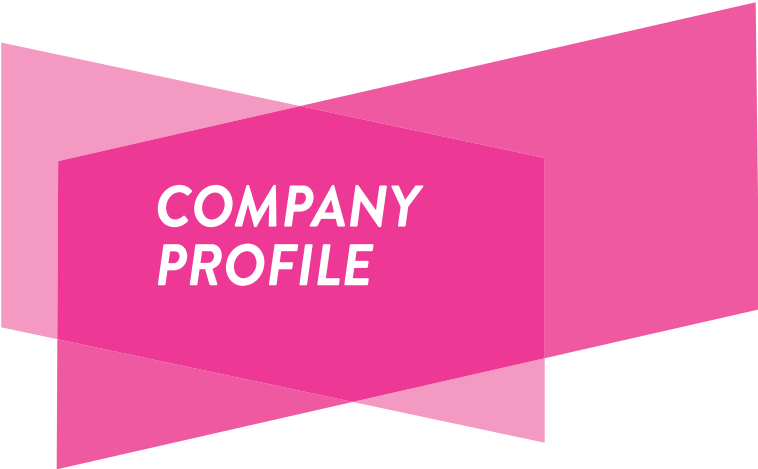
L'AVENIR VOUS APPARTIENT

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This Registration Document was filed with the Autorité des Marchés Financiers (AMF) on March 6, 2014, 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.



COMPANY PROFILE

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, 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. In fiscal year 2013, Kaufman & Broad was able to stabilize its revenues, and its gross margin fell by only 2.7% in a waning market. At the same time, it continued to make significant progress in reducing its debt.

Fiscal year 2014 is expected to be a mixed year. The historic low levels in the orders market for the past two years will have an impact on 2014, while the launch of new commercial programs will be delayed because of municipal elections in France. The offer will remain insufficient, reflecting the imbalance between a continuously sustained

Kaufman & Broad is one of France's leading property developers and builders.

Over the course of more than 40 years, we have built nearly 98,200 housing units and 522,200 sq.m of commercial space in France.

demand related to demographic growth and a historic shortage of housing production, which has amplified in the last years. In this context, Kaufman & Broad is planning to increase its commercial offer by approximately 15% in 2014. In support of this policy, Kaufman & Broad will intensify its growth efforts in two major directions: developing its property portfolio in all of its business activities and strengthening its marketing policy with institutional investors and specifiers.

HIGHLIGHTS

AGENDA 2014

April 9, 2014

Publication of first quarter 2014 results,
after Stock Market

April 11, 2014

Shareholders' Meeting

April 11, 2014

Presentation of first quarter 2014 results

July 10, 2014

Publication of first-half 2014 results,
after Stock Market

July 11, 2014

Presentation of first-half 2013 results

September 30, 2014

Publication of third quarter 2014 results,
after Stock Market

October 1, 2014

Presentation of third quarter 2014 results
(conference call)

(this agenda may be subject to change)



2012

Revenues:
€1,030 million

Orders:
5,487 housing units

Gross margin rate:
19.6%

Attributable net income:
€47.6 million

Sharp reduction of net
financial debt:
€81.2 million at the end 2012

Increase of commercial offer:
+5.0% vs. end 2011



2013

Revenues :
€1,026 million

Orders:
5,379 housing units

Gross margin rate:
19.2%

Attributable net income:
€40.8 million

Improvement in net
financial debt:
€50 million at the end 2013

Increase of commercial offer:
+10.2% vs. end 2012

-38.0%

Reduction of net financial debt
compared to 2012



MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

In fiscal 2013, Kaufman & Broad was able to steady its revenues at €1 billion and contain the fall of its gross margin in a waning market, while at the same time continuing to make significant progress in reducing its debt.

Housing orders in volume were down slightly by 2% for the full fiscal year. The Housing backlog at the end of the fiscal year was €965.1 million, representing around 12 months of business.

At the fiscal year end, net financial debt stood at €50 million, down by almost 40% compared with the previous year.

Fiscal 2014 is expected to be similar to 2013. 2014 will be impacted by the historically low order levels that the market has been experiencing over the last two years, while at the same time the launch of new commercial programs will be delayed due to the municipal elections.

Over the entire fiscal year 2014 as a whole, Housing revenues are expected to be at a substantially comparable to 2013 level, while Housing gross margin is expected to be slightly on the wane.

However, in the second half of the year, sales activities could experience a gradual upturn in orders in volume as a

consequence of the imbalance between continued strong demand related to demographic growth and a historic shortage of the housing which has amplified in the last two years.

Kaufman & Broad's goal is therefore to be ready for a recovery that could take the market to the French government authorities' target of 500,000 new housing units in 2017.

In this context, Kaufman & Broad is planning to increase its commercial offer by approximately 15% in 2014. To enable the group to take advantage of any recovery in the new housing market in 2015, this policy will focus in particular on strengthening our property portfolio and distribution channels.

In addition, Kaufman & Broad will continue to expand its Commercial Property business based on traditional selective-approach criteria and the complete pre-selling of programs.

Kaufman & Broad is therefore actively preparing for growth, relying on the recognized experience of its teams and capitalizing on its brand's power.

“

Housing
revenues are
substantially
comparable”

Nordine Hachemi
Chairman and
Chief Executive Officer

KEY FIGURES AND STOCK MARKET

STOCK MARKET DATA

High: €19.28

Low: €16.63

Last traded price
on December 31, 2013: €18.80

Number of shares at December 31, 2013:
21,584,658

Market capitalization
at December 31, 2013: €405.8 million

Average trading volume (January 1
to December 31, 2013):
€20,624

FACT SHEET

Market NYSE Euronext

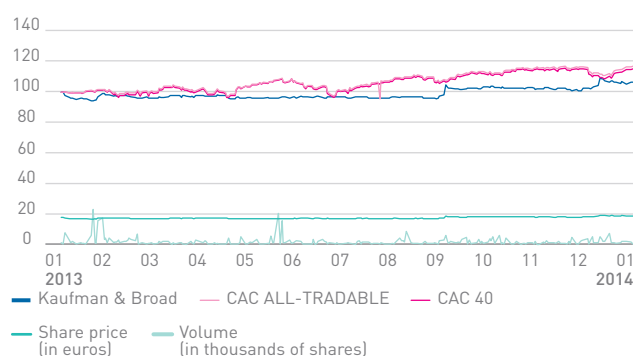
Compartment B Mid-caps

Indices CAC 40 and CAC ALL TRADEABLE

ISIN code FR 0004007813

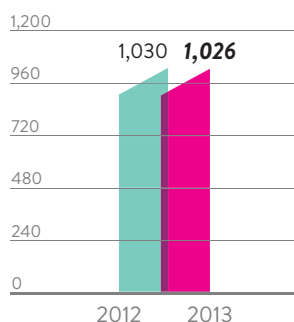
KAUFMAN & BROAD SHARE PRICE COMPARED TO THE CAC 40 AND CAC ALL-TRADABLE

(base 100 at January 2, 2013)



REVENUES

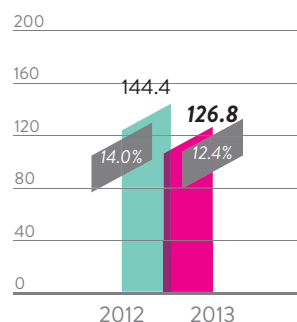
(in € millions)



Revenues totaled €1,026.0 million (excluding VAT) in 2013 compared with €1,030.0 million (excluding VAT) in 2012, down 0.4%.

WORKING CAPITAL REQUIREMENT

(in € millions and as a percentage of revenue)



Working Capital Requirement (WCR) amounted to €126.8 million at November 30, 2013 (12.4% of revenues) versus €144.4 million at November 30, 2012 (14.0% of revenues).

€1,026 M
of total revenues
in 2013

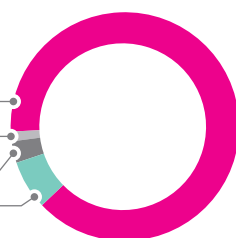


BREAKDOWN OF CAPITAL

(at November 30, 2013)

Companies owned
by funds managed
by PAI partners⁽¹⁾

Companies owned by funds managed by PAI partners ⁽¹⁾	88.64%
Employees ⁽²⁾	1.11%
Kaufman & Broad SA ⁽³⁾	3.16%
Public	7.09%



(1) Financière Gaillon 8 represented 87.96% of the capital and 94.27% of the voting rights.

(2) Through the Company Savings Plan.

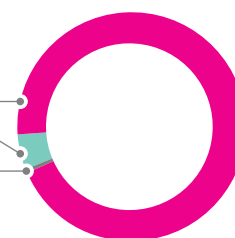
(3) Treasury shares held by the Company.

VOTING RIGHTS

(at November 30, 2013)

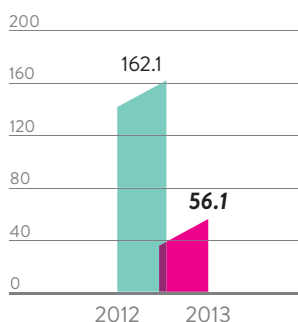
Companies owned
by funds managed
by PAI partners⁽¹⁾

Companies owned by funds managed by PAI partners ⁽¹⁾	94.64%
Public	4.76%
Employees ⁽²⁾	0.60%



FREE CASH FLOW

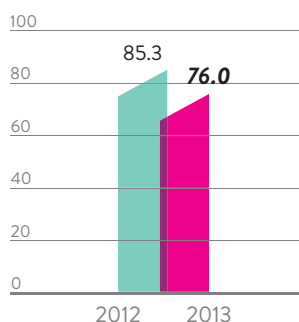
(in € millions)



Free Cash Flow amounted to €56.1 million at November 30, 2013, down €106.1 million compared to the end of 2012. This decrease is mainly due to the decrease of €78.5 million in cash flow from operating activities and the drop of €27.6 million in cash flow from investing activities.

CURRENT OPERATING INCOME

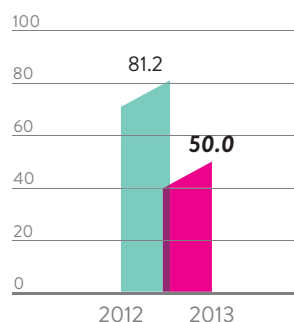
(in € millions)



The group's **current operating income** amounted to €76.0 million, down 10.8% compared to 2012. This decrease is explained by a decrease of €5.4 million in gross margin and an increase of €3.9 million in operating expenses during the period.

NET FINANCIAL DEBT

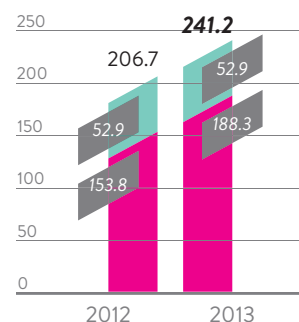
(in € millions)



Net financial debt improved by €31.2 million compared to November 30, 2012 and totaled €50.0 million as at November 30, 2013.

FINANCIAL CAPACITY

(in € millions)



— Trésorerie — RCF

Cash and cash equivalents stood at €188.3 million at November 30, 2013. The €52.9 million in undrawn credit lines added to the cash and cash equivalents took group's financial capacity to €241.2 million at November 30, 2013, compared with €206.7 million at the end of 2012.

ACTIVITIES AND EMPLOYEES

15,213

LOTS IN LAND RESERVE

5,379

HOUSING UNITS ORDERED

11,112

LOTS UNDER CONSTRUCTION

6,105

HOUSING UNITS IN BACKLOG

5,745

LOTS BEING MARKETED

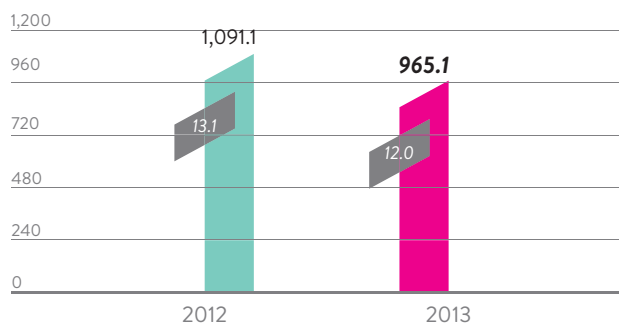
LAND RESERVE

(in number of lots)



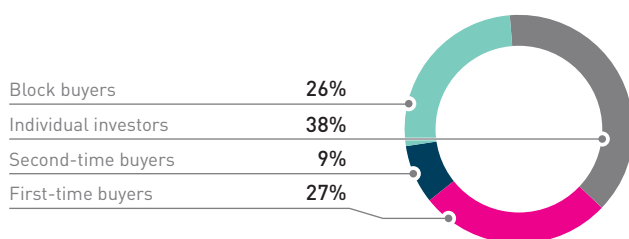
HOUSING BACKLOG

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



ORDERS BY CUSTOMERS TYPE ⁽¹⁾

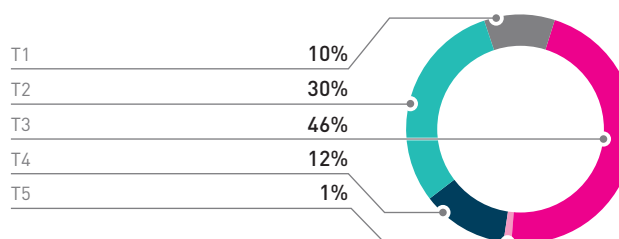
(in number at November 30, 2013)



(1) including joint-ventures.

ORDERS BY APARTMENT TYPE

(in number at November 30, 2013)





735

EMPLOYEES

396

WOMEN (53.9%)

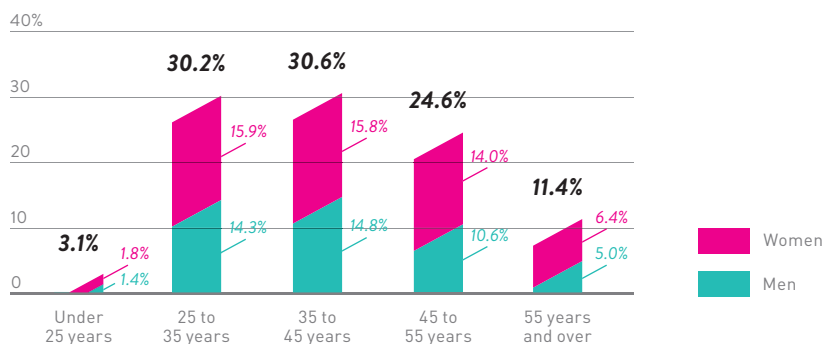
339

MEN (46.1%)

(on payroll at
December 31, 2013)

AGE PYRAMID

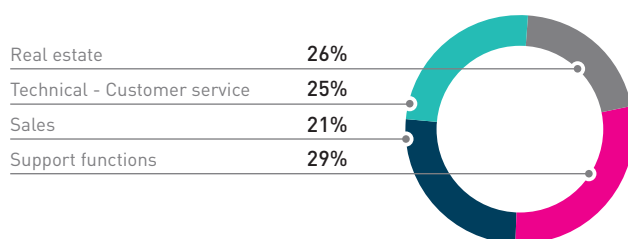
(on payroll at December 31, 2013)



More than
50% employees
are women

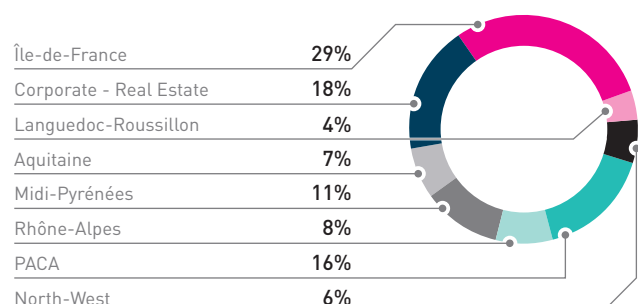
AVERAGE NUMBER OF EMPLOYEES BY FUNCTION

(at December 31, 2013)



NUMBER OF EMPLOYEES BY REGION

(at December 31, 2013)



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

Nordine Hachemi

Chairman and Chief Executive Officer

Sylvie Charles (SNCF Geodis)⁽¹⁾

Director

Alain de Pouzilhac⁽¹⁾

Director

Yves Galland (The Boeing Company)⁽¹⁾

Director

Sophie Lombard (PAI partners)

Director

Frédéric Stévenin (PAI partners)

Director

Lionel Zinsou (PAI partners)

Director

Olivier de Vregille (PAI partners)

Director

Alexandre Dejoie (PAI partners)

Director

MANAGEMENT

Nordine Hachemi

Chairman and 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

Christian Delapierre

Senior Vice President of Institutional Sales

Bertrand Saugnac

Head of Communication & Marketing

REGIONAL DIVISIONS

Paris/Île-de-France Region

Nordine Hachemi is in charge of management for the Île-de-France Region with assistance from Patrick Zamo

Frédéric Bourg, Senior Vice President

Île-de-France – shared services

Île-de-France

Cyril Doucet, Regional Director, Outer Paris suburbs

Cyril Doucet, Agency Director, Sector 1

Marc Vettraino, Agency Director, Sector 2

Stéphane Dalliet, Agency Director, Paris/Inner suburbs

West/North/Rhône-Alpes/Southeast Region

William Truchy, Senior Vice President Regions

Loire-Atlantique/Bretagne

Christophe Duretete, Regional Director, Nantes and Rennes

Normandie

William Truchy

Rhône-Mediterranean

Marc Speisser, Regional Director, Rhône-Mediterranean

Rhône-Alpes

François-Xavier Delfour, Agency Director, Lyon

Mediterranean region

Marc Speisser, Regional Director, Marseille

Savoie

Gwenaël Mersaoui, Agency Director, Grenoble and Annecy

Côte d'Azur/Provence

Stéphane Gress, Regional Director, Nice and Toulon

Midi-Pyrénées/Aquitaine/Languedoc-Roussillon Region

Jacques Rubio, Senior Vice President Southwest Region

Languedoc-Roussillon

Béatrice Mortier, Regional Director, Montpellier

Pyrénées-Atlantiques

Denis Caniaux, Agency Director Bayonne

Aquitaine

Andrès Boros, Agency Director, Bordeaux

Midi-Pyrénées

Jacques Rubio

(1) Independent Directors within the meaning of AFEP-MEDEF Code.

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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, Corporate, tourist and student accommodations, as well as Commercial Property in France.

Since its formation in 1968, Kaufman & Broad has built close to 98,200 housing units and 522,200 sq.m of offices and commercial space in metropolitan France.

Kaufman & Broad is one of the leading builders of homes (Single-family Homes in Communities and apartment units) in France. Historically, its principal market is Île-de-France. In 2013, this market represented 46.1% of the group's number of housing orders, compared to 45.5% for 2012.

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.

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;
- most 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 "Résidences Bernard Teillaud".

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. In this context, 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, 2013, Financière Gaillon held 87.96% of Kaufman & Broad SA's capital and 94.27% 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, 2013 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. Its origins date back to Paribas's capital investment activity in 1872. Currently, PAI partners SAS is an independent company held by partners, which manages and advises private equity investment funds of a total capital investment of nearly €4.3 billion. Since 1994, PAI has conducted 50 buyouts in ten European countries, for a total of nearly €36 billion. PAI makes takeover investments through leveraged buyouts (LBO) by acquiring majority stakes in European medium- and large-sized companies with a leadership position in their market. PAI specializes, among other things, in transactions exceeding €300 million with equity investments ranging from €100 million to €300 million resulting in controlling ownership. It invests in five core sectors: Consumer Goods, Industrial Goods, Retail, Healthcare and Corporate Services. PAI adopts an asset-driven approach in its investments and to achieve this it establishes partnerships with the companies' management teams, in order to create value by promoting the application of strategy and operational improvements, refocusing the company's business activities, selecting targeted investments in relation to capital expenditure, marketing, R&D and new facilities, evaluating new business opportunities and identifying additional acquisitions as well as using its vast network of industry and financial contacts. PAI has a team of 50 highly experienced professionals from various professional backgrounds. With professionals from nine European countries and teams based in Paris, London, Luxembourg, Madrid, Milan, Munich and Stockholm, PAI combines a strong knowledge of local markets with large capacities and a pan-European outlook.

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.).

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
2013	Acquisition of Flandres Promotion

1.1.1.2. Background

In 1968, the Company began by developing communities of single-family homes 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 80 of Bati Service, a company building Single-family Homes in Communities designed primarily 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 thirteen private real estate companies), and the related liabilities, of Société de Missions et de Coordinations Immobilières (SMCI) and CFP-SMCI, companies specializing in the construction of apartment in major 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. This 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 in the Toulouse region 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 Brittany with a property portfolio of more than 400 lots in 12 programs under management on the acquisition date.

In May 2013, Kaufman & Broad signed the acquisition of Flandres Promotion, a Nord-Pas-de-Calais region real estate development company, for an estimated price of €0.6 million, of which €0.4 million paid on the date of signing of the agreement. With this acquisition the group will be able to expand its presence in this region.

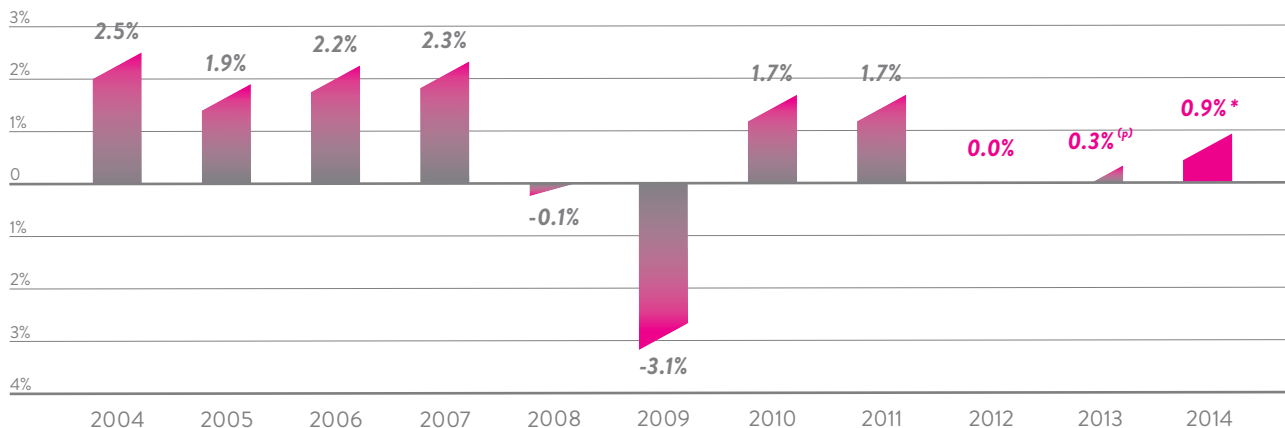
1.1.2. MAIN CHARACTERISTICS OF THE BUSINESS

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

1.1.2.1. Macroeconomic Indicators

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

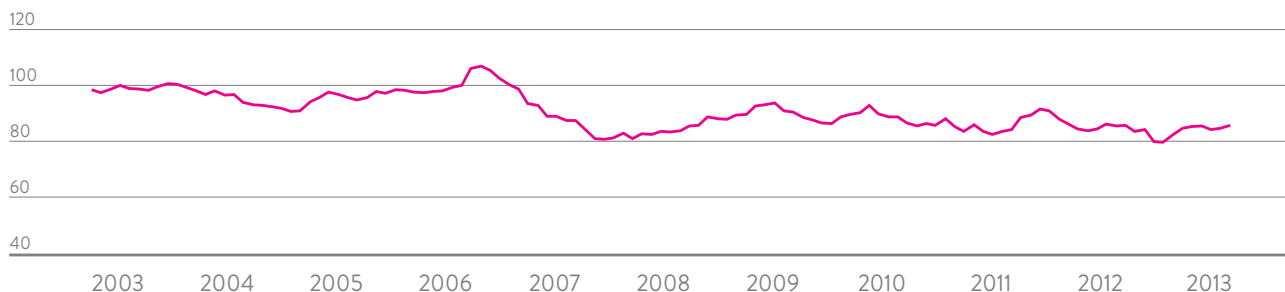


Source: INSEE.

(p) Provisional data.

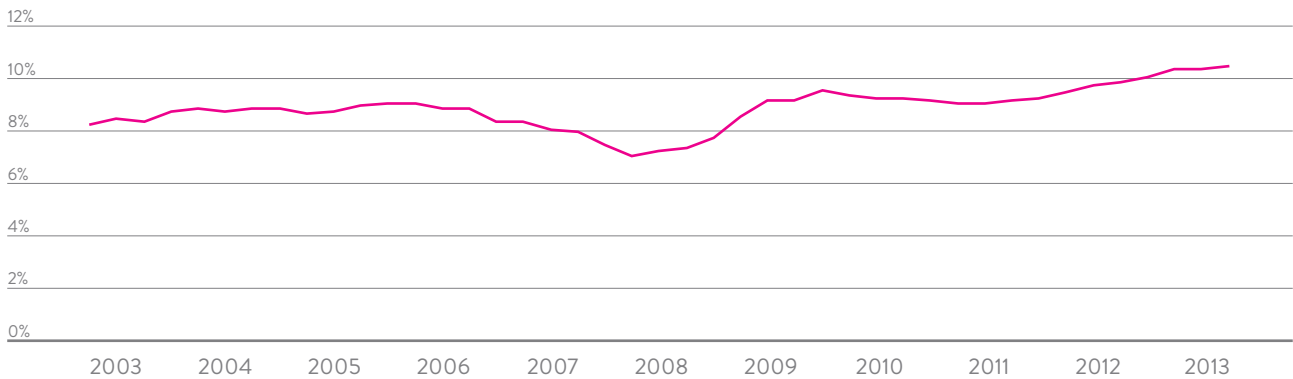
* IMF projection, January 2014.

Monthly Change in INSEE French Consumer Confidence Index over the past ten years



Source: INSEE.

Unemployment in metropolitan France over the past ten years

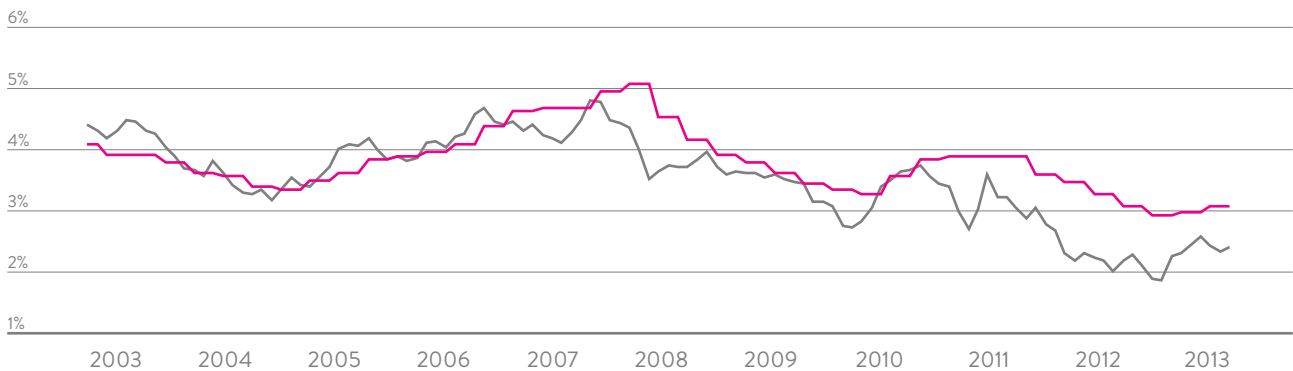


Source: INSEE.

The unemployment rate in metropolitan France was 10.5% in the 3rd quarter of 2013 according to the INSEE. At the date of publication of this Registration Document, the unemployment rate for the fourth quarter was not yet available. In January 2014,

the number of category A job seekers was 3,316,200, a drop of 0.3% compared to December 2013 and of 4.4% year-on-year. The number of job seekers age 25 to 49 has increased by 3.5% since January 2013 [sources: Dares and Pôle Emploi].

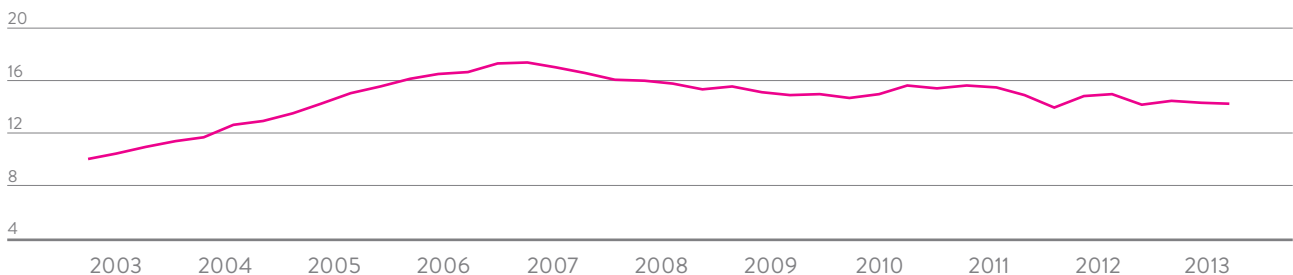
Average mortgage interest rates of real estate



Source: Observatoire Crédit Logement.

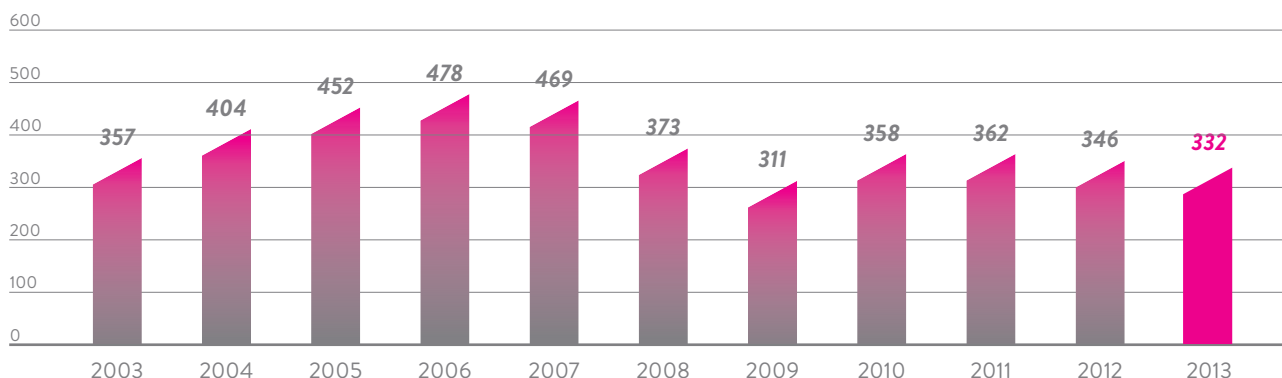
— Average mortgage interest rate — Government average interest rate.

Average mortgage duration of real estate (in years)



Source: Observatoire Crédit Logement.

Change in the number of housing starts in France since 2003 (in thousands of units)⁽¹⁾

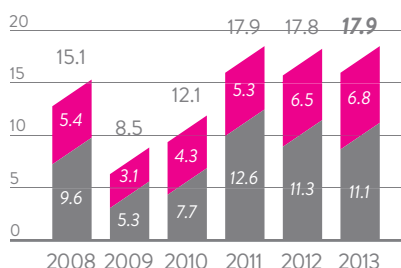


(1) Housing starts: pure individual housing, grouped individual housing, multi-family housing, living facilities (new construction and construction in existing buildings).
Source: French Ministry of Ecology, Sustainable Development and Energy, Sitüdel2.

Housing starts (started) as of December 31, 2013 totaled 331,867 housing units. Those include new construction (294,465 housing units) and construction in existing buildings (37,402 housing units). They are comprised of pure individual housing units (113,206), Single-family Homes in Communities (43,507), multi-family units

(156,363) as well as living facilities (16,518). The new housing market in which Kaufman & Broad operates is that of grouped individual homes, multi-family housing units and living facilities, not including construction in existing buildings (which is included in the data by type of housing described above).

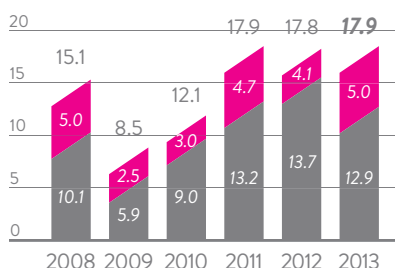
Amounts invested in France: vs. "Other" (in € billions)



— Offices — Other

Source: BNP Real Estate 4th quarter 2010 to 2013.

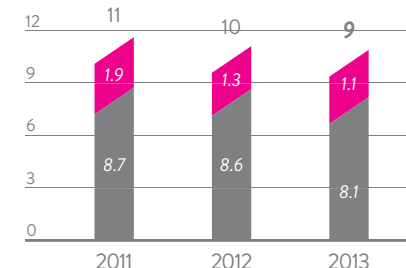
Amounts invested in France: "Île-de-France" vs. "Regions" (in € billions)



— Île-de-France — Régions

Source: BNP Real Estate 4th quarter 2010 to 2013.

Commercial Property in Île-de-France (in € billions)



— Commercial Property excluding sales before completion (VEFA)

— Commercial Property sales before completion (VEFA)
Source: Jones Lang Lassalle 4th quarter 2013.

Kaufman & Broad's Commercial Real estate activities are primarily in the office building market and either carried out on behalf of third parties or sold before completion to a final user or to an identified final investor.

1.1.2.2. Tax incentives

The market for new housing has benefited from various tax incentives for more than twenty years. The French government has created financing incentives for the purchase of 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.

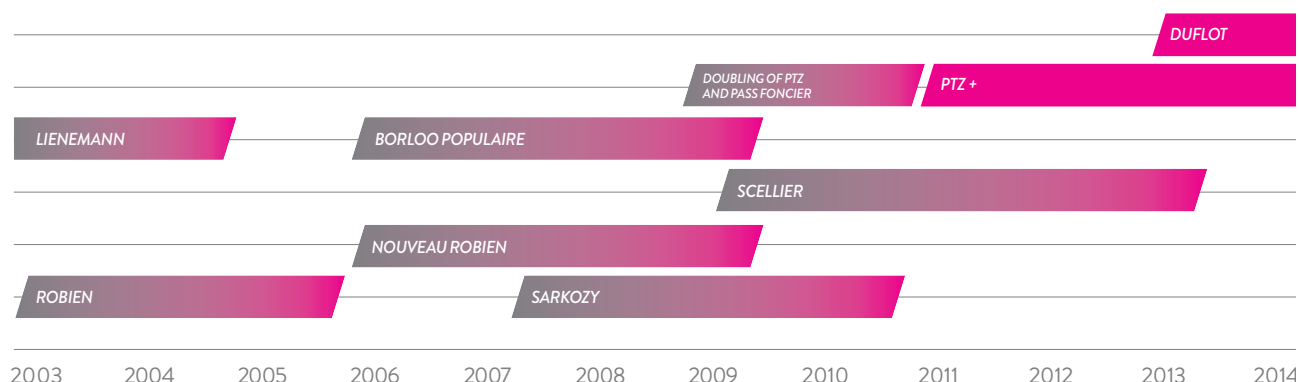
In December 2008, a new law, known as the "Scellier Law", was passed, giving taxpayers who acquire a new home or a home sold before completion (VEFA) between January 1, 2009 and March 31, 2013,

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. These incentive, which were extended until the end of March for commitments to make a real estate investment made in 2012, no longer exists and has been full replaced by the "Duflot" incentives (see Section 1.1.2.2.2.).

Created by the 2013 Budget Act, the "Duflot" incentives 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 (see Section 1.1.2.2.2.).

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 1.2.3.6. "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 ten years:



1.1.2.2.1. 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.

Accordingly, 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 relief rate, basing it on a housing unit's energy performance.

Changes in the “Scellier” incentives in 2013

The 2013 Budget Act made further changes to these tax incentives.

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 December 31, 2012 and the deed was signed no later than March 31, 2013 or 6% if a building permit was filed before December 31, 2011.

Capping prices per square meter

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 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.

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 applicable monthly rent ceilings per square meter excluding expenses are the same as those set in 2013, as follows:

(in /sq.m/month)

Purchase as from January 1, 2012

Zone	Monthly rent ceiling per square meter ^(a)	
	Free	Intermediate
A (Paris outer suburbs, Côte d'Azur and French suburbs of Geneva)	€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)	€13.51	€10.81
B2 (cities of at least 50,000 inhabitants, coastal and border regions)	€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.

1.1.2.2.2. The Duflot incentives

The incentives enjoyed under the "Duflot Law" (adopted pursuant to the 2013 Budget Act 2012-1509 of December 29, 2012) are 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.

The tax reduction under the "Duflot" incentives is taken into account for the calculation of the total tax loophole ceiling of €10,000 for the 2013 income tax.

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 No. 2012-1532 of December 29, 2012).

Capping prices per square meter

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 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 level

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 2014:

(in /sq.m/month)

Zone	Monthly rent ceiling per square meter
A (Paris outer suburbs, Côte d'Azur and French suburbs of Geneva)	€12.42
A bis (Paris and its inner suburbs)	€16.72
B1 (cities with more than 250,000 inhabitants and some communities)	€10.00
B2 (cities of at least 50,000 inhabitants, coastal and border regions)	€8.69

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 include 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 2014:

Composition of tenant household

(in /year)

	Zone A	Zone A bis	Zone B1	Zone B2
Single person	€38,831	€36,831	€30,019	€27,017
Couple	€55,045	€55,045	€40,089	€36,079
Single person or couple with one dependent	€66,169	€72,159	€48,210	€43,389
Single person or couple with two dependents	€79,257	€86,152	€58,200	€52,380
Single person or couple with three dependents	€93,826	€102,503	€68,465	€61,619
Single person or couple with four dependents	€105,584	€115,344	€77,160	€69,443
Supplement for the fifth and each additional dependent	+€11,764	+€12,851	+€8,608	+€7,746

1.1.2.2.3. 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 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).

The amount of the "PTZ+" 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, new construction 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.

1.1.2.2.4. 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 qualified for the reduced VAT rate of 5.5%. The Supplementary Budget Act for 2011 increased the reduced VAT rate from 5.5% to 7%, except for 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 had announced an increase in the VAT rate from 7% to 10% for the aforementioned zones effective January 1, 2014.

However, the 2014 Budget Act made further changes to this tax incentive. Since January 1, 2014, the scope of the ANRU (urban renewal) zones eligible for a reduced VAT rate had decreased from 500 to 300 meters. As from January 1, 2014 the current VAT rate has been lowered to 5.5% in the ANRU zones and a 300-meter radius. In addition, for transactions that have not been completed at January 1, 2014 and located in that same zone, the VAT rate has been lowered retroactively from 7% to 5.5%.

However, for programs located outside the 300-meter radius of ANRU zones the VAT rate is currently increased from 7% to 20%, except for programs located within the 300- to 500-meter radius for which an application for a building permit has been filed before December 31, 2013, the latter preserving the 7% rate.

Eligibility for this incentive is as follows:

- districts eligible for this incentive 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 resources are 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.

1.1.2.3. New housing market indicators

1.1.2.3.1. Market volume

A. Single-family homes

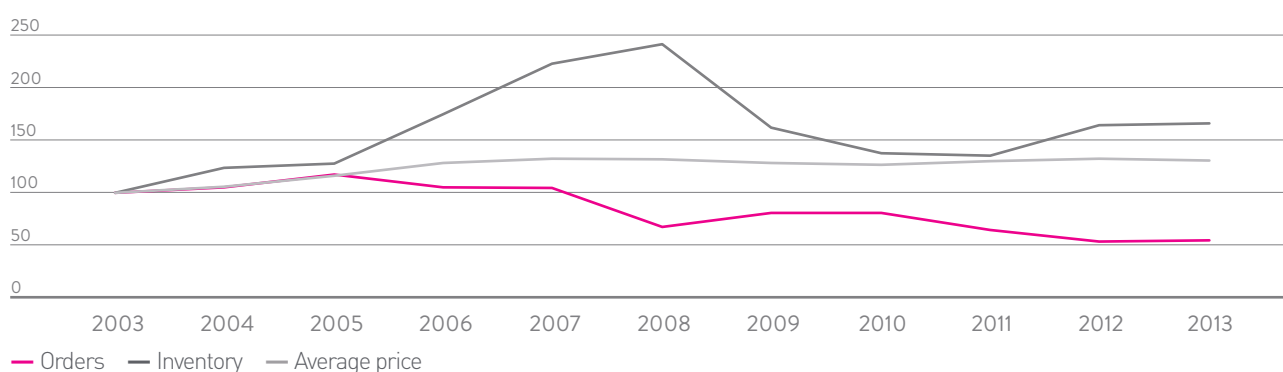
The French market for Single-family Homes in Communities represented 8,531 orders in 2012 and 8,686 orders in 2013.

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Orders	15,729	16,524	18,432	16,535	16,426	10,740	12,776	12,752	10,272	8,531	8,686
Inventories	6,403	7,919	8,181	11,134	14,201	15,362	10,341	8,782	8,659	10,493	10,606
Average price (in €)	189,699	200,531	220,507	243,203	250,530	249,833	243,296	239,463	246,369	250,582	247,100

Source: French Ministry of Ecology, Sustainable Development and Energy, New Housing Sales Study (ECLN).

The French Market for Single-family Homes in Communities (base 100 in 2003)



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

Orders	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Île-de-France	3,320	2,720	3,093	2,868	2,386	1,729	1,910	2,215	1,385	1,106	1,324
Rhône-Alpes	1,640	1,871	1,701	1,550	1,579	1,075	1,324	1,896	1,590	1,316	1,199
Provence Côte d'Azur	1,191	1,157	1,488	1,503	1,741	929	1,474	992	803	760	808
Languedoc-Roussillon	1,575	1,387	1,166	1,530	1,551	1,066	1,041	780	766	492	526
Midi-Pyrénées	1,122	1,023	955	847	1,253	610	594	496	499	636	582

Source: French Ministry of Ecology, Sustainable Development and Energy, New Housing Sales Study (ECLN).

B. Apartments

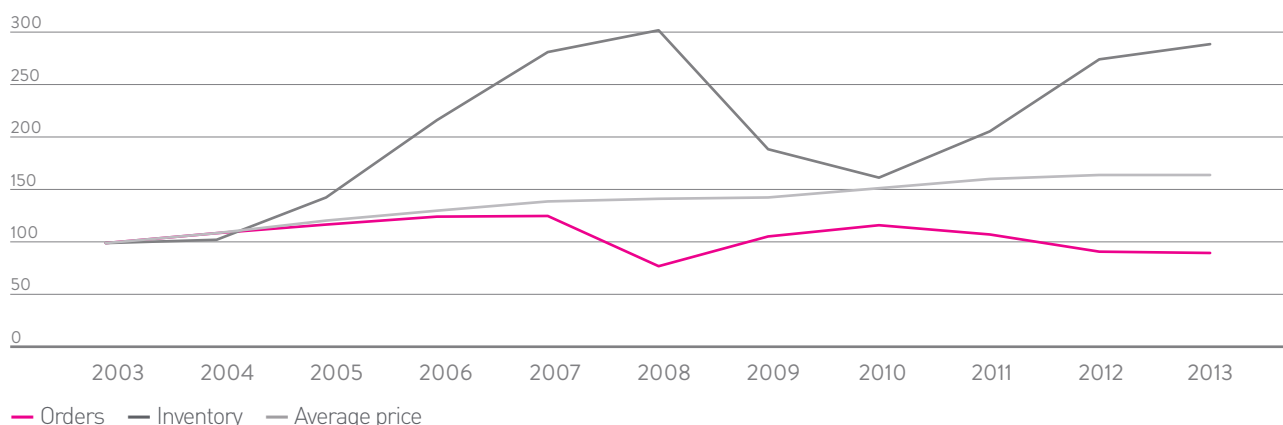
The French market for new apartments represented 80,373 orders in 2012 and 79,035 in 2013.

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Orders	87,733	95,667	102,991	109,429	110,499	67,960	93,098	102,533	94,728	80,373	79,035
Inventories	31,101	31,943	44,590	67,506	87,866	94,425	58,880	50,552	64,165	85,767	90,269
Average price in (per sq.m)	2,350	2,563	2,850	3,071	3,273	3,344	3,369	3,573	3,782	3,873	3,869

Source: French Ministry of Ecology, Sustainable Development and Energy, New Housing Sales Study (ECLN).

The French Apartment Market (base 100 in 2003)



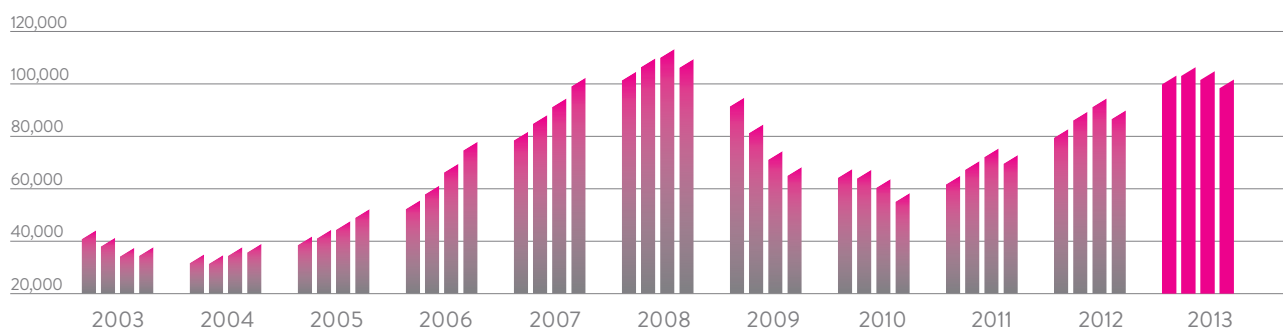
The table below shows the largest markets for apartments in France.

Orders	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Île-de-France	18,464	19,068	18,263	17,278	18,472	12,479	16,894	19,637	18,881	20,346	20,968
Rhône-Alpes	14,949	15,088	15,445	16,077	16,776	11,143	16,281	18,918	16,997	13,282	11,567
Provence Côte d'Azur	9,925	9,421	10,883	13,108	13,340	8,695	12,473	14,134	11,777	10,261	9,454
West ^(a)	9,828	10,869	12,062	13,336	11,980	7,788	10,749	12,498	10,306	7,692	7,316
Languedoc-Roussillon	4,391	5,184	6,852	7,569	7,642	5,253	6,984	6,947	6,815	4,729	4,338
Aquitaine	5,396	6,734	7,993	7,178	6,657	3,380	4,957	5,576	5,076	4,265	5,738
Midi-Pyrénées	6,767	7,508	7,529	8,622	7,351	4,096	4,331	4,743	4,896	4,382	4,397

Source: French Ministry of Ecology, Sustainable Development and Energy, New Housing Sales Study (ECLN).

(a) Combination of Pays de la Loire and Bretagne regions.

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



Source: French Ministry of Ecology, Sustainable Development and Energy, New Housing Sales Study (ECLN).

Housing inventory: housing units planned, housing under construction and housing completed.

After culminating in the third quarter of 2008 at nearly 112,500 housing units, the housing inventory available for sale began a phase of decline, reaching its lowest level at the end of 2010 with 59,300 units available. Since the beginning of 2011, housing inventory began to rise from quarter to quarter to about 96,000 housing units available for sale at the end of 2012 and close to 100,900 at the end of 2013, an increase of nearly 5% in one year. Between 2012 and 2013, inventory of single-family homes rose 12.8%, ranging between 9,400 and 10,600 units. Apartment inventory rose sharply, from 73,800 units at the end of the first quarter of 2012 to nearly 90,300 units at the end of the fourth quarter of 2012, with a high of close to 93,000 units in the second quarter of 2013.

1.1.2.4. Principal competitors

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	2013	2012	2011
Bouygues Immobilier ^(a)	10,963	10,516	14,723
Nexity ^(b)	10,121	10,191	11,424
Kaufman & Broad	5,379	5,487	6,408
Icade ^(c)	3,533	4,295	5,377
Cogedim ^(d)	N/A	3,197	4,197
Les Nouveaux Constructeurs ^(e)	1,874	1,872	2,247

Sources:

(a) Bouygues Immobilier: L'Abrégé 2013.

(b) Nexity: Press release of February 18, 2014.

(c) Icade: 2013 annual results dated February 19, 2014.

(d) Cogedim: N/A 2013 Results Press Release dated March 6, 2014 after market close.

(e) Les Nouveaux Constructeurs: Press Release of February 6, 2014.

1.1.2.5. Market share of the group

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

Market share	2013	2012
Grouped homes		
Île-de-France	12.0%	11.8%
Languedoc-Roussillon	2.5%	7.9%
Midi-Pyrénées	16.5%	5.2%
West ^(a)	1.2%	4.1%
Provence-Alpes-Côte d'Azur	6.4%	1.7%
Total grouped homes, France	4.0%	2.9%
Apartments		
Île-de-France	11.1%	11.6%
Aquitaine	7.4%	11.5%
Languedoc-Roussillon	4.0%	5.5%
Midi-Pyrénées	9.6%	12.2%
West ^(a)	9.3%	6.1%
Provence-Alpes-Côte d'Azur	7.0%	8.1%
Rhône-Alpes	2.6%	2.0%
Total Apartments, France	6.4%	6.5%
Total Housing Units, France	6.1%	6.2%

Source: Kaufman & Broad and French Ministry of Housing, New Housing Sales Study (ECLN).

(a) Combination of Pays de la Loire and Bretagne regions.

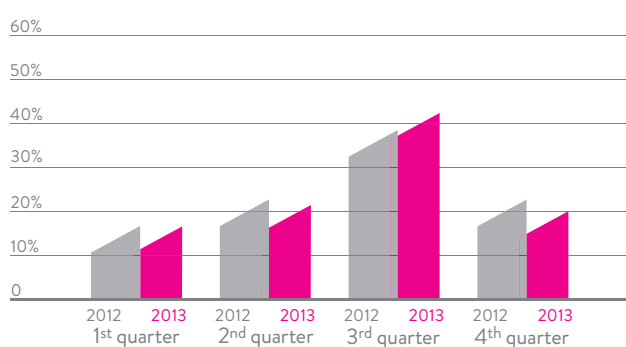
1.1.2.6. Seasonality and the business cycle

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, etc. (see Section 1.1.2.1.1. "Macroeconomic Indicators").

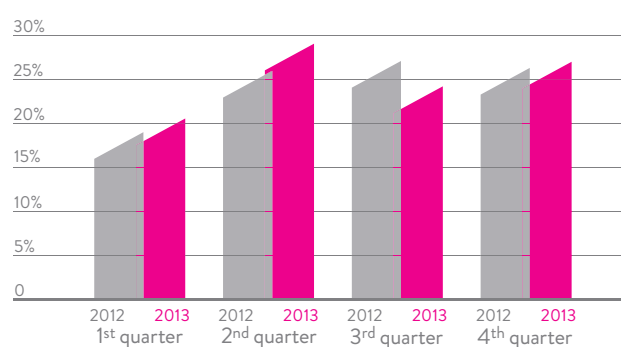
The following represents the group's sales operations, reflected in orders, during the last two fiscal years:

Orders by quarter

Single-family homes



Apartments



1.1.3. OPERATIONAL ORGANIZATION OF THE GROUP

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.

1.1.3.1. Operational structure

The group is organized into Corporate divisions and three regional operating divisions headed respectively by Nordine Hachemi for Île-de-France, Jacques Rubio for the Southwest Region, and William Truchy for the West, North, Rhône-Alpes, and Southeast Regions. In addition, Kaufman & Broad has 14 agency divisions: Île-de-France (split into three sectors), Loire-Atlantique/Bretagne, Normandie, Lille-Flandres, Rhône-Alpes, Savoie/Grenoble, Côte d'Azur/Provence, Méditerranée (Bouches-du-Rhône), Languedoc-Roussillon, Midi-Pyrénées, Pyrénées-Atlantiques and Aquitaine. The management teams in each agency have significant experience in their local 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.

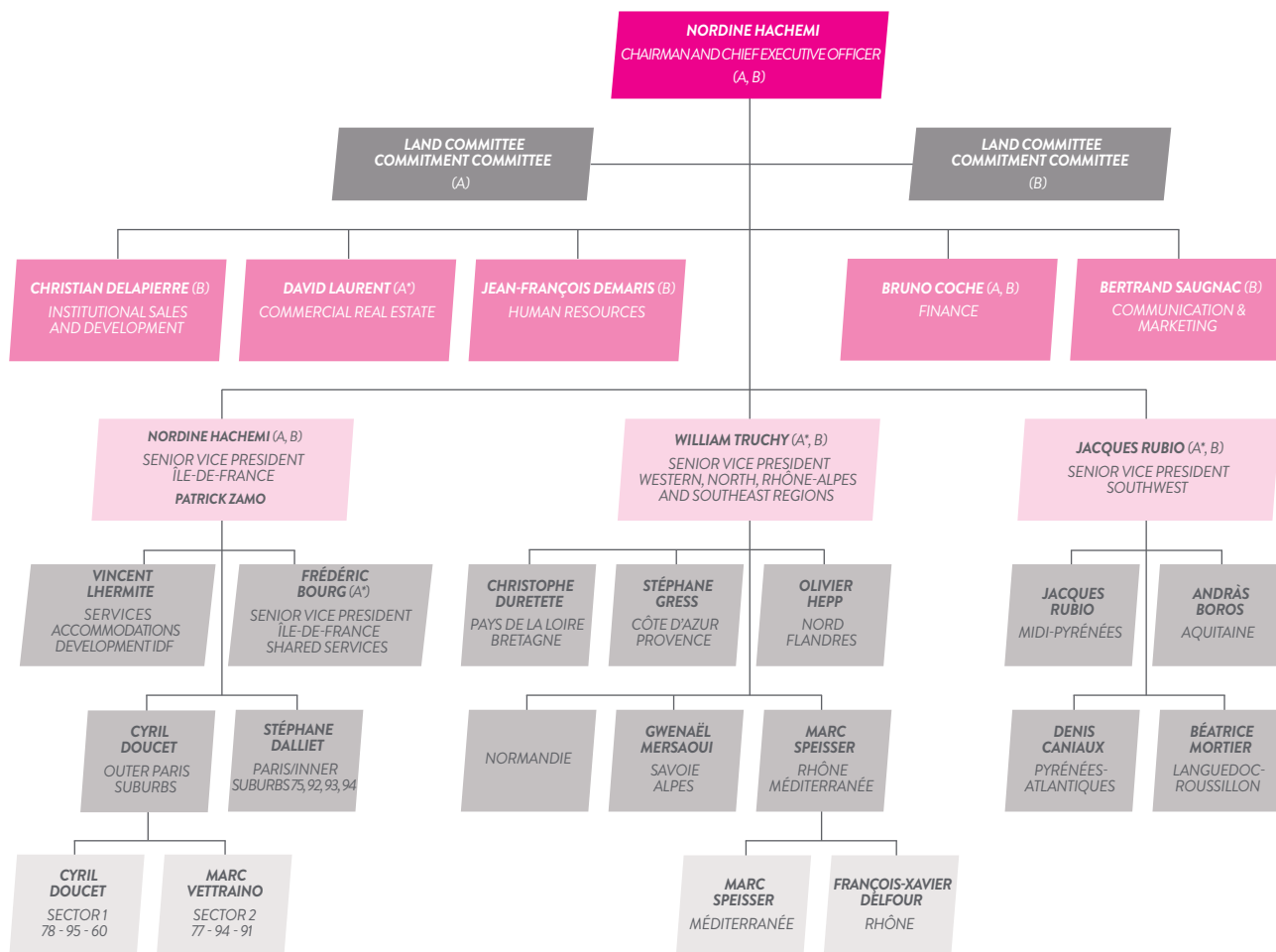
The company provides its subsidiaries and regional divisions with various administrative and management services, including consulting in:

- 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 invoiced 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 on the basis of the number of employees assigned to each activity and the business volume of each group company.

The main subsidiaries of the company (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, SM2I and Kaufman & Broad Flandres) supply the real estate subsidiaries with services in development, management, sales and marketing, and technical assistance. As consideration for such services, the companies providing these services 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.

Kaufman & Broad Organization Chart



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

1.1.3.2. Geographic presence

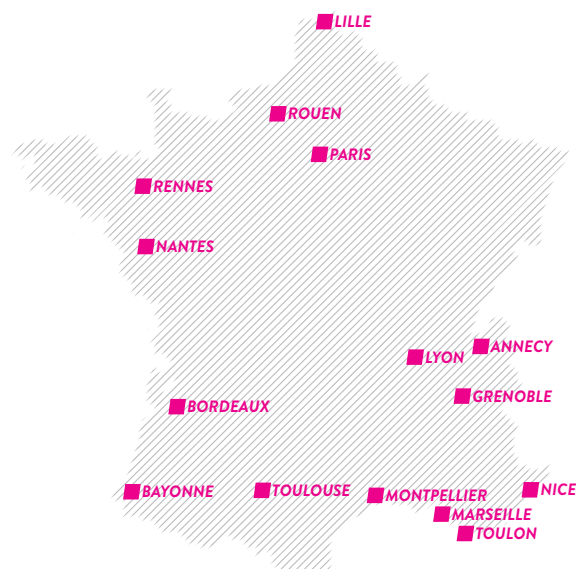
Kaufman & Broad's strategy is to conduct business in geographic areas with strong potential for economic and demographic growth in the medium and long term. This goal has led the group to refocus its operations on the most buoyant regions in order to increase its market share. In 2013, Île-de-France accounted for 44.2% of the group's Housing revenues with the remaining 55.8% coming from the Regions.

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

France, which is where Kaufman & Broad carries out all of its business activities, enjoys a favorable sociological and demographic environment. According to Eurostat, in Western Europe France is the country with the highest population growth rate between 1990 and 2010, when the number of households in France increased by about 29%. The country currently has a low rate of home ownership compared to other European countries (63% in France versus 67% in the European Union). In addition, the country is experiencing a serious housing shortage. The housing shortage is estimated currently at approximately 170,000 new housing units per year, according to ECLN. With demand by far outstripping

supply for several years, according to Kaufman & Broad the positioning of its various programs across the country is in line with the identified customer pools.

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



1.1.4. CUSTOMERS AND PRODUCTS

1.1.4.1. 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 homebuyers.

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

Customers type*	Share of orders as a percentage		Share of revenues from orders (including VAT)	
	2013	2012	2013	2012
Individual investors ^(a)	38%	36%	34%	33%
Block	26%	27%	20%	20%
First-time homebuyer	27%	29%	32%	32%
Second-time homebuyer	9%	8%	14%	15%
Total	100%	100%	100%	100%
	23%	26%	23%	24%

(a) Including "Scellier" and "Duflot" investors.

* Including joint-ventures.

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 2013, the group received a still-significant portion of its orders from investors, despite reduced tax incentives. Rental investment made up 34% of revenues excluding VAT (including 23% under the "Scellier" and the "Duflot" incentives), while block orders accounted for 20% of revenues. Homebuyers (first-and second-time) accounted for 46% of revenues, the same level as in 2012.

1.1.4.1.1. 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 purchasers 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 €8,800. 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 2013, the sales price (including VAT) of the group's single-family homes varied from approximately €167,000 to €500,000. The average price was €310,000 in Île-de-France and €268,000 in the Regions. Living space in these homes ranges from approximately 60 to 250 sq.m, depending on the program (see Section 2.1.3. "Tracking of indicators").

In 2013, the selling price (including VAT) of apartments ranged from approximately €2,200 to €7,600 per sq.m in Île-de-France and from approximately €1,500 to €8,000 per sq.m in the Regions. In 2013, the average selling price (including VAT) of apartments (including parking) was €3,900 per sq.m both in Île-de-France and in the Regions.

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 €, incl. VAT)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Île-de-France	264,000	269,000	302,700	306,900	319,900	307,400	335,600	294,600	301,700	252,500	313,100
Average area of homes in sq. m	128	122	113	111	107	110	113	96	100	80	90

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

(in €, incl. VAT)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Île-de-France	238,900	231,300	248,600	252,600	249,900	241,900	208,500	226,900	266,900	238,800	207,800
Regions	148,000	144,500	152,600	171,600	185,900	188,000	197,300	197,100	201,420	212,000	198,500

1.1.4.1.2. Individual investors

Most of the group's programs in 2011 were fully eligible for the main tax incentives, particularly the "Duflot" Incentive (see Section 1.1.2.1.2. "Tax Incentives") and in line with the requirements for social housing. The group estimates that individual investors buying through specifiers, specialized networks or its sale offices generated 38% of its orders in 2013 versus 36% in 2012.

1.1.4.1.3. 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 26% of its orders were from these investors in 2013 versus 27% in 2012.

1.1.4.2. 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 companies involved are therefore evaluated by the group's technical services department, generally upon completion of each project.

For instance, in its programs for Single-family Homes in Communities, 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.). The group 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.

1.1.4.2.1. 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.

The strengths of single-family homes that set aside Kaufman & Broad and for which it is well known are the following:

- strong identity of our programs and our homes;
- programs with high-quality landscaping:
 - program with open-spaces, carefully arranged entrances and green spaces;
- home design know-how:
 - double-height living room,
 - master bedroom suite,
 - family room,
 - extra room, etc;
- particular attention is paid to light and to the optimization of space.

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

These model homes are available in several architectural styles.

Ambiance A: More contemporary homes, with larger open spaces, without swing shutters, roofs with four sloping sides (hip roofs).

Ambiance B: A version with roofs with two sloping sides (gable roofs), various wood or plaster sidings.

Ambiance C: Homes with modern architecture and roof decks.

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 with living space generally ranging from 100 to 160 sq.m and designed primarily for second-time buyers.

For this type of programs the group offers solutions focused on and incorporating the following criteria:

- projects that fit the desires and the needs of the community;
- quality urban planning incorporating eco-friendly ideas;
- minimizing the impact of roadways and vehicle traffic;
- special attention to pedestrian areas and soft mobility;
- rainwater collection in landscaped bioswales;
- variety of home models, by type, size and architectural design.

In the Regions, the group markets communities of single-family homes with products designed for both first and second-time buyers, for a price 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.

1.1.4.2.2. Apartments

When developing its apartment programs, Kaufman & Broad is very careful in selecting sites. Both in Île-de-France and in the Regions, the sites are often located close to public transportation and local services. In the major cities in the middle and outer suburbs, in the inner suburbs and on occasion in Paris, Annecy, Annemasse, Antibes, Bayonne, Bordeaux, Grenoble, Lyon, Marseille, Montpellier, Nantes, Nice, Nîmes, Rennes, Rouen, Saint Raphaël, Saint-Tropez, Toulon and Toulouse, the sites are also located in the city center or the near suburbs.

Kaufman & Broad pays great 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. The group also produces buildings that take account of the latest energy saving requirements in compliance with the 2013 RT 2012 ("BBC Effinergie" label) regulations applicable since January 1, 2013.

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 40 to 60 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 80 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) primarily to:

- 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 other 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 economically buoyant cities.

In addition, Kaufman & Broad products located on quality sites on the Atlantic, Brittany and Mediterranean coasts, attract a customer base of retirees.

1.1.4.2.3. 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 promotion contracts), or under a strict policy of not purchasing land until the entire program has been presold (sale before completion).

Since 2010, Kaufman & Broad has had a partnership agreement with Elithis with the Revivalis® offer in which they have leveraged their combined expertise to offer commercial building renovations in compliance with France's low-energy consumption standard (*BBC-Effinergie Rénovation*). Revivalis® is intended for project owners who want to avoid having to discount their real estate assets for reasons of obsolescence. 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.

1.1.4.2.4. Serviced accommodations

Kaufman & Broad develops tourist, student and Corporate accommodations throughout the country.

Kaufman & Broad is positioned as a key player in the Silver Economy and responds to the national challenge to help people who are becoming less self-sufficient continue living at home by offering two solutions: adapting the greater part of the facilities offered in their homes and, for people looking to connect with other people, senior housing residences at affordable prices in partnership with a nationally recognized service provider.

These special housing units are marketed as amortizable leaseback investments to buyers with "LMNP" (non-professional lessor of furnished accommodation) or status or to buyers eligible for a VAT refund under the Censi-Bouvard incentives or as a "Duflo" Law investment.

Managed accommodations are 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.

1.1.5. MARKETING AND SALES

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.

1.1.5.1. Sales team

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

As of November 30, 2013, these teams consisted of 157 people, including 106 sales representatives with an average of 7.6 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 Corporate department for institutional sales and on its sales division as well as on its 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 "Duflot" Law to individual investors. The group 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.

1.1.5.2. 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 project 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 identity, which stipulates the architecture and decor for these offices.

Kaufman & Broad's sales office Corporate identity policy is 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.

1.1.5.3. 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.

1.1.5.4. 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 2013, more than 1.42 million visits were recorded. More than 1,500 orders were generated from the Internet. 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 can 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.

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

In 2013, KB Patrimoine recorded almost 80,000 visits to its website and 11,200 provisional orders, which resulted in close to 1,000 sales.

1.1.6. SALES METHOD

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.

1.1.6.1. 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 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.

1.1.5.5. Advertising

To launch its real-estate programs (Single-family Homes in Communities or apartment units), 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.

1.1.6.2. 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 1.1.10. "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 agreement 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 projects, 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%.

1.1.6.3. 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.

1.1.7. DEVELOPMENT PROCESS

1.1.7.1. Single-family Homes in Communities and apartment units

The development of communities of single-family homes and apartment units typically involves 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, various networks and construction) of communities 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.

1.1.7.2. Commercial Property

The group's 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 project 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 project 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.

1.1.8. PURCHASE OF LAND

1.1.8.1. 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 the year of acquisition) represented a total investment of €164.8 million for fiscal 2013, €170.8 million for fiscal 2012 and €199.9 million for fiscal 2011.

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

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);
- investment criteria: generally, the site should allow the construction, in the case of single-family homes, of communities 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% (after taking into account the application of IAS 23 relative to the capitalization of borrowing costs).

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.

1.1.8.2. 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 Chief Financial Officer, the Senior Vice President of the region concerned and the Agency Director.

The file presented by the Regional Managing 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 projects in progress and under development in the area in order to recommend an average sales price for the housing units in the planned project;
- 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.

1.1.8.3. 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.

1.1.8.4. 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 director of the agency in question to continue the analysis of the real-estate development project.

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 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 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.

1.1.8.5. Final decision to purchase land

The final decision to purchase land is made by the members of the Land Committee. 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 build the project on the land, 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 Real Estate 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 Land 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 Director on the order rate if the latter is below 50%;
- official draft of the legal instrument;
- progress report on the request for tender (RFT) documents.

1.1.9. LAND DEVELOPMENT AND MONITORING OF THE CONSTRUCTION PROCESS

1.1.9.1. Single-family Homes in Communities

The majority of land purchased by Kaufman & Broad for its programs of single-family homes are undeveloped. 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 projects, monitors construction, and each phase of the project. 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 the 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.

1.1.9.2. Apartments and Commercial Property

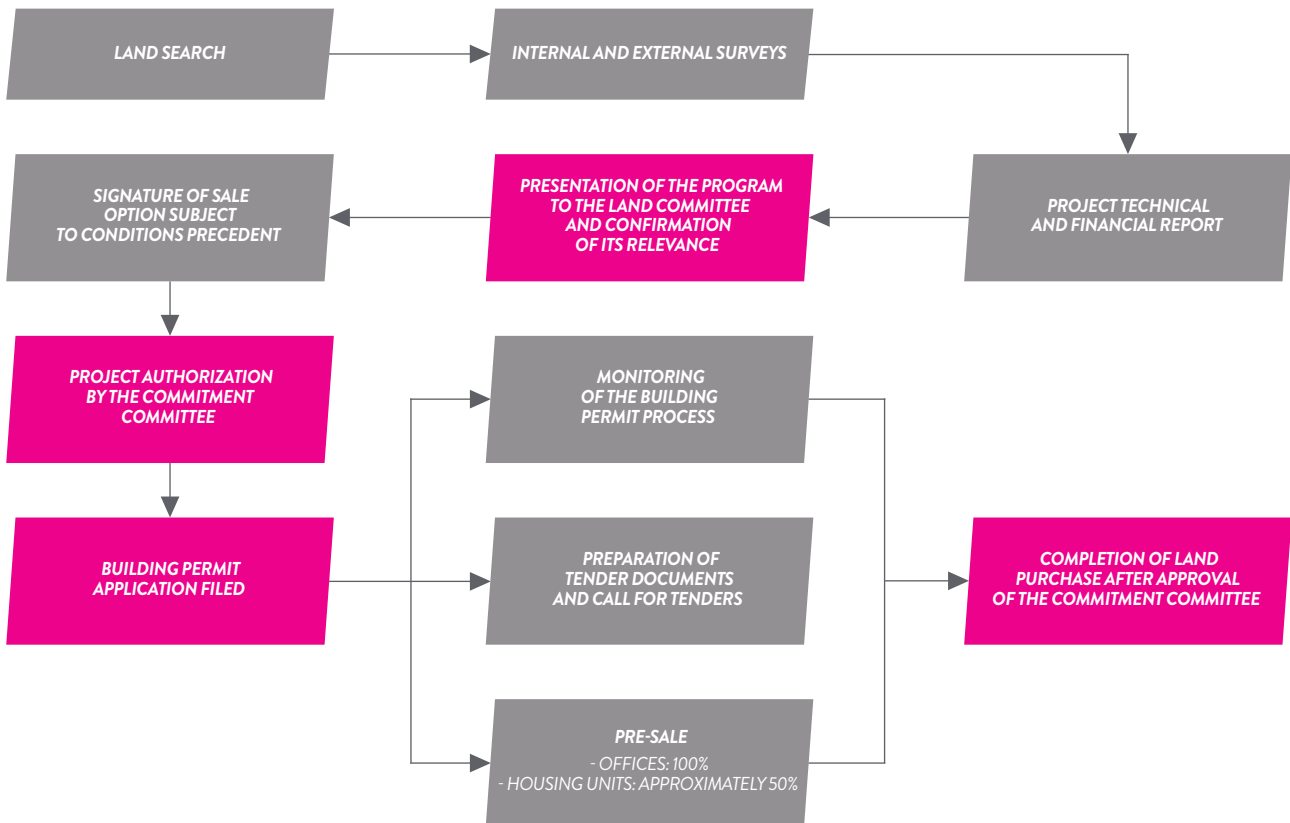
As a general rule, construction of apartment units does not usually begin until a pre-sale rate of approximately 50% of the total development project value is attained.

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 apartment and Commercial Property operations, Kaufman & Broad generally does not act as general contractor (except on a regional basis), but instead uses outside architects and/or general contractors who, working together with the group, prepare the architectural plans and timetable for the program and monitor the quality and execution of the construction process.

Centralized risk analysis and control

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



1.1.9.3. Monitoring budgets

Every quarter, the budgets for all the property programs are reviewed and updated by the operational players concerned (real estate, technical, and sales people) in the agency under the

responsibility of the relevant regional management controller and are approved by the Agency Director. Financial balance sheets are presented at quarterly Committee meetings by each Regional Director concerned to the Finance Department and to the Senior Vice President of the Region, when they are jointly approved.

1.1.10. 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 et 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, the Law stipulates that customers must receive a Performance Bond at the signature of the order contract. This bond can either be issued by the project

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.

1.1.11. 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 project as well as companies bidding for separate portions of the project.

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. The group checks the quality of their past work and their ability to respect schedules. Finally, contractors are selected and the contracts are signed by type of work and program by program.

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

For its single-family home projects, 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.

1.1.12. INTELLECTUAL PROPERTY

1.1.12.1. 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").

1.1.13. 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

1.1.12.2. 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.

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, 2013, tenant and rental expenses totaled €5.4 million (excluding VAT), compared with €6.0 million (excluding VAT) in 2012 (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 group's 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 and their confidence in the future. Buying a home is a major investment that affects homebuyers' financial situation for many years. While the need to have a home remains the main factor among the reasons to buy a lack of funds is still a major hindrance. For several years, this ability has relied less on households' purchasing power, since incomes have tended to stagnate, than on their borrowing ability.

The possibilities for the group to sell properties directly depend on the ability and the willingness of financial institutions to extend loans for amounts that are sufficient for potential buyers to finance the acquisition of such property. The terms of the loans, i.e., maturity, interest rate and the conditions for extending loans (personal funds contributed), guarantees required, etc.) are likely to have a direct impact on the level of demand of property for sale. The group's operating income could be significantly impacted should demand decline due to, among other things, difficulties faced by potential homebuyers to finance their purchase.

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). The company's selective approach to location and the continued adjustments to the definition of the products offered for sale have enabled it to maintain its business in a weakened and uncertain general environment.

Any factor having a negative effect on the real estate market may have a damaging effect on the group's business. Such factors could reduce demand for the homes and apartment units we offer, or could increase the timeframe required to build them or the associated costs. A drop in demand could reduce the ability of the group to find homebuyers for the part of the real estate program that has not been pre-sold before purchasing of the land and starting construction work. It is also possible that the group may not be able to pass such cost increases on to the sale prices, either because of recession or because home prices were set several months before their delivery in application of the terms of sale-before-completion contracts. In addition, the group's outstanding orders – which include revenues relating to property not yet delivered and for which no deed has yet been signed – may decline if real estate prices continue to decline in France. Finally, a decrease in demand or an increase in the construction timeframe may postpone the recognition of profit made in real estate programs because of the revenue recognition method applied by the company (see Section 2.2.2., "Sources of net income" – paragraph on Revenues).

The costs related to the group's real estate program vary depending on the general level of demand for suppliers and sub-contractors in the French real estate market. When economic conditions improve, the demand for sub-contractors increases, which can result in an increase of the price of their services which passes on to the promoters' costs of construction. Such price increase is observed in general at the end of a period of 12 to 18 months. Conversely, when economic conditions deteriorate and demand slows, prices fall following the same mechanism, usually also within a period of 12 to 18 months.

In this context, for several years the group has been diversifying its offer to include products in which it can apply its housing development expertise, such as managed accommodations (tourist, student, Corporate and non-assisted care senior accommodations) which could partially reduce its exposure to the cyclical nature of new housing in France.

Such diversification could increase the rate of order cancellation, defer recognition of revenues of the group, or affect its gross margin. For example, the application of the method of recognition of income on the basis of percentage-of-completion for Commercial Property as a consequence is slower in the generating revenue compared to what can be seen for the Housing business. This effect is due to two main factors:

- first, the pre-sale rate: generally the group only starts a Commercial Property program when the program has been pre-sold in full; while for housing programs, the group generally becomes involved after a pre-sale rate of 50% has been reached versus 100% for Commercial Property;
- second, the proportion of land costs for Commercial Property is greater than in the housing segment, insofar as such land is generally located near city centers where they are purchased at higher per square meter prices.

As a result of these various factors, the recognition of revenue and income for Commercial Property programs is faster than for the Housing business. This product mix effect can create distortions in the analysis of changes in business activities year on year. In addition, gross margins are generally lower for Commercial Property programs compared to those recorded in Housing. As a result, over a given period, the group's gross margin may be impacted by the Commercial Property/Housing product mix for that period, but despite that the impact of the product mix on the overall of the profitability of the group remains limited because of lower committed costs in the Commercial Property business. Finally, orders relating to lots for managed accommodations are more likely to be cancelled than those relating to the Housing business. In fact, investors' volatility is greater depending on the profitability offered. Furthermore, where special networks of third-party sales agents are used to reach new investors, the sales methods used by such agents may not generate the same level of customer loyalty as the group's own methods.

Furthermore, the group is able to face fluctuating market conditions by carrying out its activities with low fixed charges. In fact, the main costs for the group are variable and result mainly from the cost of land acquisition, construction costs, program marketing costs and commissions and pay to the sales teams (approximately 15% of the group's payroll is considered variable). Accordingly, in the event of a business slowdown, the group can reduce its costs by reducing the number of programs launched. After taking account of the

necessary adjustments to the programs already started (in particular, provisioning of the costs related to programs started and future additional costs to complete these programs and accounting for the design costs of discontinued programs), the group believes that the benefits of a more conservative development strategy are usually felt within one year after its implementation.

The main features of the macroeconomic environment in which the group carried out its business activities in 2013, are described in Section 2.1.1. "Significant data".

Finally, the main assumptions made by the group with regard to the factors that could influence positively or negatively its business activities in 2014 are presented in Section 2.1.4. "Outlook".

1.2.1.2. Risks related to joint-development programs

The group conducts certain real estate development programs in conjunction with external shareholders, which inject capital into the project 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 €10.3 million in the group's Consolidated Financial Statements at November 30, 2013, versus €8.9 million at November 30, 2012. 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 real estate 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 1.1.10. "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 suppliers and 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 or 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, 2013, the amount of the group's cash and cash equivalents stood at €188.3 million, to which is added €52.9 million for an undrawn revolving credit facility, taking Kaufman & Broad's financial capacity to €241.2 million.

The amount of the group's indebtedness can have negative effects, such as:

- making it harder to meet obligations under facilities agreements to which it is a party;
- 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;
- adversely affecting the terms of loans negotiated with creditors;
- 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 restrictive covenants in its facilities agreements could prevent it from adapting to changes in the market under the same conditions as its competitors.

The group's ability to meet its debt obligations will depend on its future performance, which is itself dependent on changes that are bound to occur in the economic situation in general, the competitive environment of the group and financial, political or other factors beyond its control.

However, 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, 2013, the group's main debt facilities were as follows:

(in € thousands)	Debt capacity	Utilization at November 30, 2013	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 fixing, calculated every business day, of an average rate at which a panel of fifty major banks in Europe make unsecured loans to other major banks.

(b) Revolving credit facility.

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 at November 30, 2013.

(in € thousands)	Carrying amount Nov. 30, 2013	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	7,138	18,708	11,218	218,959	-	-
Credit facilities and other borrowings	512	16	512	-	-	-	-
Total	238,179	7,154	19,220	11,218	218,959	-	-

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, stipulates that:

- the B (€200 million) and C (€201.5 million) credit lines and the revolving credit line (€175 million) will be maintained "as is": with unchanged amounts, interest rates and maturity. 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 2010;
- 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. In this context, partial repayments totaled €50.8 million over fiscal 2011 and €10 million in the first quarter of 2012;
- 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 the 2011 fiscal year. Moreover, under these agreements, Kaufman & Broad SA made an additional repayment of €17.9 million in late January 2012;
- 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.

1.2.1.5.3. Primary restrictive undertakings under the Senior Facilities Agreement

In addition to the sureties made to the lending institutions 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 projects.

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:

- for each accounting quarter from May 2010 until the end of the agreement in July 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.

- 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 2012 it will be allowed to distribute dividends only if the Debt Ratio is less than or equal to 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 2013 covenants

Ratios	Nov. 2012	Feb. 2013	May 2013	Aug. 2013	Nov. 2013
Debt ratio	0.95	0.48	0.50	0.52	0.63
threshold	< 5.10	< 4.80	< 4.50	< 4.20	< 3.70
Net financial costs coverage ratio	6.83	7.01	7.74	8.43	8.88
threshold	> 1.80	> 2.00	> 2.10	> 2.30	> 2.50
Minimum cash flow level (in € millions)	507.5	551.0	551.6	553.5	569.9
threshold	212	229	267	311	333

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 Credit Facilities Agreement

The group may be unable to comply with the restrictive covenants and/or financial ratios stipulated in it facilitates agreements and in particular in those referred to in Sections 1.2.1.5.3. and 1.2.1.5.4., due to circumstances affecting the real estate market or a decline in its operating performance or profitability, among other things. 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 and related security interests (see Section 1.2.3.2. "Pledges and security interests granted by Kaufman & Broad SA under the Senior Facilities Agreement") to seize all group assets

and/or discontinue any future financing of the group. In the event of a decrease of the operational performance of the group, the company may have to turn to the group's creditors to requests waivers for the event of default; such waivers may not be granted to the company and accordingly the potential default could lead the company and/or one of its subsidiaries being insolvent. In this respect, the Senior Credit 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 Credit 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 Credit Facilities Agreement may affect its operations

The restrictive covenants under the Senior Credit Facilities Agreement (and under the Subordination Agreement) could significantly 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.

These restrictions could have a significant adverse effect on the group's ability to generate sufficient income to enable it to meet its obligations in respect of its facilities agreements.

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, 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 assets and liabilities

(in € thousands)	Base	Book gain/loss 50 bps increase	Book gain/loss 10 bps decrease
RCF + Seniors B and C ^(a)	237,667	(1,188)	238
Credit facilities	512	(3)	1
Cash and cash equivalents	118,607	593	(119)
Investment securities	69,651	348	(70)
Swap ^(b)	150,000	750	(150)
Net impact on income before tax	-	500	(100)

Assumptions: 1-month Euribor interest rate of 0.121%.

(a) Excluding hedging effects, a 50 basis points increase in rates or a decrease of 10 basis points on the above liabilities would have an impact on pre-tax income of:

- increase: -€1.2 million;

- decrease: +€0.2 million.

(b) Including hedging, a 50 basis points increase or a decrease of 10 basis points on the above net assets and liabilities would have an impact on pre-tax income of:

- increase: -€441 thousand;

- decrease: +€88 thousand.

Type of instrument	Variable/ Fixed	Less than one year	1 to 5 years	More than 5 years
RCF + Seniors B and C	variable	18,708	218,959	-
Credit facilities	variable	512	-	-
Financial liabilities		19,220	218,959	-
Cash and cash equivalents ^(a)	variable	118,607	-	-
Short-term investments	variable	69,651	-	-
Financial assets	variable	188,258	-	-
Net position before management		(169,039)	218,959	-
Swaps		(150,000)	-	-
Off-balance sheet		(150,000)	-	-
Net position after hedging		(319,039)	218,959	-

(a) Banks, available cash and reserve balances.

At November 30, 2013, 63.1% of sums due for the Senior B and C loans whose interests are 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 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 Section 5.2.3.1. "Buyback program authorized

by the Shareholders' Meeting of April 25, 2013"], 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 Note to the Consolidated Financial Statements (see Section 4.1.5., Note 22, "Shareholders' equity").

The company has not invested in other financial instruments listed for trading on a regulated or other market.

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 Credit Facilities Agreement

Kaufman & Broad SA shares held by Financière Gaillon 8 are pledged to lenders under the Senior Facilities Agreement and, 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 Credit Facilities Agreement

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

Type of pledge/lien	Start date	Final expiration date	Amount of assets pledged ^(b)	Total balance sheet item	Total % of Kaufman & Broad SA balance sheet at Nov. 30, 2013
Pledge of financial instrument account – 100% of Kaufman & Broad Homes SAS shares held by the company		^(a)	€10,450,195	€10,450,195	2%
Pledge of the credit balance in the Kaufman & Broad SA bank accounts		^(a)	€506,652	€506,652	-
Framework agreement for the assignment of intra-group receivables from Kaufman & Broad SA's subsidiaries, in particular Kaufman & Broad Financement SNC		^(a)	-	-	-
Pledge of 100% of Kaufman & Broad Europe SAS shares		^(a)	€217,436,878	€217,436,878	42%
Total			€228,393,725	€228,393,725	44%

(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, 2013.

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 Credit 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 94.27% of the voting rights of the company (See Section 5.3.1. "Shareholders of the company as of November 30, 2013 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 or those of its other shareholders. Finally, the PAI partners group or the companies it controls could take stakes in

companies engaged in activities directly competitive with those of the group or having any business dealings with the group.

In addition, the company ensures that its majority shareholder does not exercise excessive control by having various governance systems such Independent Directors representing at least one third of the Board of Directors, having Special Committees: Audit Committee, Compensation and Nominating Committee, which too are chaired by Independent Directors, but also deciding votes given to the Chairman of the Board of Directors absent a majority.

1.2.3.4. Regulations directly applicable to the group

There is no specific regulatory regime covering the business of developing and building communities of single-family homes, apartment units 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 considerable impact on the real estate market and as a result on the group's financial situation.

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), the emission of polluting substances, the respect of the flora and fauna, the protection of endangered species, dangerous substances, the decontamination of polluted sites 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 projects, the additional costs related to new obligations, 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 housing units, the group must comply with the standard legal provisions regarding sales and consumer protection, as well as specific regulations relating to sales before completion (VEFA), as specified in Articles L. 261-3 and ff. of the French Construction and Housing Code.

In accordance with Articles L. 271-1 and ff. of the French Construction and Housing Code, non-professional homebuyers have a seven-day "cooling-off" period during which they are entitled to cancel an agreement. The regulations relating to VEFA sales 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 project 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 on the part of all parties involved in the construction of a building for any defect, including those resulting from defects in the land itself, that adversely affects the structural integrity of the building or one of the major pieces of equipment in such a way as to render it unfit for purpose.

Homebuyers have a ten-year warranty for any defect that may make the building unfit for its intended purpose and a two-year performance warranty for parts installed. Customers can make claims against the group, which can in turn hold the contractor responsible for construction defects. This warranty regime is complemented by an obligatory insurance scheme, introduced by Law 78-12 of January 4, 1978, called "structural defects" insurance (dommages ouvrages), which must be obtained at the beginning of construction. This insurance allows prefinancing of 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 concerning construction projects, 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.

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 urban 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 1.1.8.4. "Commitment Committee".

1.2.3.5. Risks related to litigation proceedings

In the normal course of business, the company is exposed to legal action (complaint proceedings, proceedings in various courts, etc.) against it resulting primarily from structural and other defects in its real estate development programs, failure to comply with certain legal or regulatory requirements, the validity of building permits obtained, or any other type of alleged claim. Procedures which would expose the group to significant amounts could divert the attention of its management from the group's operations. Such proceedings could also result in orders to pay significant amounts, they could damage the group's image and/or the Kaufman & Broad brand and/or a decrease the demand for its products and services, which could have a material adverse effect on the group's operations and results.

The risks inherent in such proceedings are insured as described in brief in Section 1.2.5. "Insurance". These risks are also monitored and analyses by the group's legal department and counsel, and are systematically reassessed on the basis of the developments in the proceedings and on the basis of past experiences.

Details of the main ongoing litigation proceedings are provided in Section 1.3. "Current litigation" and in Section 4.1.5. "Statement of financial position – Liabilities", Note 24. "Provisions". The amounts provisioned in the Kaufman & Broad accounts seem appropriate with respect to the assessments of these proceedings (see Section 4.1. regarding the group's Consolidated Financial Statements and Section 4.1.5. Note 24. "Provisions"). Details of all the disputes, both provisioned and not, are provided only to a limited extent, as such information could have a negative impact on the outcome of ongoing litigation.

To date, to the company's knowledge, there are no other proceedings whose exceptional nature or financial risk could substantially affect the operations, assets, income or the financial situation of the group as a whole.

1.2.3.6. 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 1.1.2.2. "Tax incentives").

Like all the players in its industry, Kaufman & Broad's earnings are favorably affected by tax incentives aimed at encouraging private individuals to invest in property, notably on a buy-to-let basis. 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.

1.2.3.7. Changes in tax regulations

The group is subject to numerous tax regulations, including those concerning the valuation of direct tax expense, various VAT systems and the calculation of income tax due 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 constantly being amended may give rise to disputes with the tax authorities, which in turn could have an impact on the group's financial position that may or may not be material.

1.2.3.8. 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.).

1.2.3.9. Protection of personal data

For the purposes of its operations, the group collects and uses data supplied by its customers. Accordingly, in its relationship with customers or prospects, the group collects personal data, including some relatively sensitive relating to their assets. Even though the company considers having taken appropriate measures to protect these data and to comply with the regulations of the French Data Protection Authority (CNIL), these data could be destroyed or transmitted to third parties, including by mistake or by way of fraud, piracy or misuse by third parties (including group employees). Should that happen, the persons having suffered a prejudice could bring legal action against the group. In such case, the group's image and the Kaufman & Broad brand could be tarnished, so that the activities, and the group's operations, earnings and financial position could suffer a material adverse effect.

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 1.1.2.4. "Principal competitors"). An additional source of competition is house and apartment resale market.

These competitive conditions can:

- make it difficult to acquire land that meets the group's land acquisition criteria;
- slow construction of projects due to a lack of sub-contractors;
- reduce its revenues and/or profit margins;
- require Kaufman & Broad to offer or raise discounts;
- decrease the 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's acquisition of 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 2013, the top ten customers, who are mainly real estate companies and institutional customers (excluding Commercial Property customers), represented 11.5% of revenues. The top ten suppliers accounted for 22.6% of flows invoiced by suppliers during fiscal year 2013 and the leading provider 7.3% 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 for carrying out operations, so that the strategic and financial feasibility of a real estate project is checked before the project is started (see Section 1.1.7. "Development process" and following), the group may be exposed to risks inherent in 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 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. In addition, the granting of contracts by public entities to the group could give rise to objections, or even cancellations, particularly in cases where such public entities would have failed to comply with European or national regulations governing the granting of such government contracts, in which case the financial position of the group could be adversely affected. The group's cash flow could also be adversely impacted by such contracts, as repayment terms are usually 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 communities of single-family homes and apartment units. 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 site being listed, either of which could have material adverse financial consequences for the project in question. To date, the group has not been affected by any such discovery.

1.2.4.7. Risks related to biodiversity and protected species

An impact study must be conducted before an authorization to conduct construction, development or structural work projects in France. Such studies can have an impact on the organization of the programs that may be affected. Depending on the conclusions of the analysis of the impact studies and the at stake issues it may be decided either to file an application for an exemption to the destruction of protected species (reviewed by the National Committee for the Protection of Nature (CNP) or to modify the general layout plan in order to "avoid" the protected species, or compensatory measures considered by the Regional Directorates for the Environment, Planning and Housing (DREAL). However, it can happen that, as part of the real estate development operations, to occasionally come across areas with protected species that had not been previously detected. Such findings can significantly affect the program and its financial integrity, by shifting its schedule or due to additional costs related to special technical arrangements by challenging the constructibility of certain plots, etc.

1.2.4.8. 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 vendors 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 studies performed by our environmental consultants.

Nonetheless, the group may encounter pollution or soil quality problems during or after construction, that could also result in legal actions brought by the competent administrative authorities or any third parties for property damage or bodily injury. 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. Also, the group's ability to sell property in areas affected by pollution could be reduced or it could go into debt because of the inability to use the affected property as collateral. There are currently no outstanding complaints against Kaufman & Broad regarding environmental standards, and the group has not experienced any significant complaints in the past. The risks encountered by the group relating to asbestos are marginal and are taken into account when undertakings to purchase land are signed.

1.2.4.9. 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 project to be halted for several days (even several weeks) and potentially delay delivery, thus impacting the recognition of the group's revenues and margin.

1.2.4.10. 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

In order to preserve the confidentiality requirements related to insurance contracts and thus protect the competitiveness of the group in this area, the description of the various insurance policies taken out by the group is intentionally general.

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, Kaufman & Broad 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 as that which is 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 prefinances the cost of repairing defects that trigger the ten-year warranty which are identified after the property has been delivered. 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 cover is 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.

These two types of insurance cover repair costs for buildings to which the group contributed, in its capacity as a non-builder developer, when it is held liable based on the presumption provided for in Articles 1792 et seq. of the French Civil Code relating to construction work.

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 €8.691 million (i.e., 0.85% of consolidated revenues) for the fiscal year ended November 30, 2013.

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, 2013 totaled €0.327 million (i.e., 0.03% of consolidated revenues).

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

Developer liability policies 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.

They represented a cost of €0.964 million in fiscal year 2013 (i.e., 0.09% of consolidated revenues).

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 (i.e., 4.39% of consolidated revenues).

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 (i.e., 0.45% of consolidated revenues) and property damage and consequential losses combined are covered for €152,449 (i.e., 0.01% of consolidated revenues).

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 10.3 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.

The group may not be able to quickly hire experienced replacements which could generate additional costs associated with the training of new hires.

1.2.6.3. Risks related to program management

Group programs may not generate the sales and financial results estimated when such commitments were made as reflected in the budget estimate at completion. Given the number of factors that could affect the cost structure and profitability of the programs compared to the initial estimates, difficulties to implement appropriate management control procedures and to identify and correct budget changes, if any, could result in significant additional costs or an underperformance of certain group programs. Even if the group has made a commitment to develop a real estate program only under certain conditions, including reaching a rate of pre-sale on the order of 50%, there is no guarantee that the remaining part of non-reserved lots will be sold on favorable terms, or even that it will be sold at all. In addition, there is no guarantee that the group's budget and financial modeling tools will help to anticipate early enough any possible decline in demand or rise in costs so that the group can cancel programs that might not be profitable. The inability to anticipate these risks in a precise manner and thus to contain costs could significantly damage the group's results.

1.2.6.4. 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 client 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").

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

The group sells a range of different products under one brand, Kaufman & Broad. Over the past years, the group has diversified the range of products marketed under this brand, particularly in response to difficult macroeconomic conditions that changed the behaviors of customers. Thus, the group's offer now spans from the most modest income to very upscale homes; in addition, the commercial offer includes a growing proportion of Commercial Property and managed products. 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. 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 projects, 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. A provision is set aside for these disputes, determined based on a risk assessment carried out by the group's Legal Department and Management in conjunction with the specialized attorneys in charge of the cases concerned.

Details about major current litigation are provided in Section 4.1.5. "Statement of financial position – Liabilities" Note 24. "Provisions".

The amounts provisioned in the Kaufman & Broad accounts seem appropriate with respect to the assessments of these proceedings (see Section 4.1. regarding the group's Consolidated Financial Statements and Section 4.1.5. Note 24. "Provisions"). Details of all the disputes, both provisioned and not, are provided only to a limited extent, as such information could have a negative impact on the outcome of ongoing litigation. Kaufman & Broad considers that the provisions recorded 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 1.1.12.1. "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 (RT 2012 Label – PassivHaus 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, 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 €3.1 million in 2013 (€2.0 million net from the sale of the offices of the Grenoble agency for €1.3 million) compared to €4.0 million in 2012 and €2.9 million in 2011;
- investments made in acquisition transactions to expand the group's business activities. 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.

In addition, the group made no major investment during the 2013 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 projects 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

Aware that real estate development operations have strong social, societal and environmental implications, Kaufman & Broad publishes, in accordance with the requirements of the Grenelle 2 Law, information on the impact of its operations.

The group thus is presenting this information for fiscal 2013 in compliance with Articles R. 225-104 and R. 225-105 of the French Commercial Code. In accordance with Decree No. 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 publishes and has audits conducted on some of its non-financial performance indicator for the current fiscal year.

The building sector is one of most energy consuming and decisive for the choices made for the planet; it accounts for nearly 44% of

the final energy consumed and 21% of greenhouse gases generated in France.

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 on the level of trust that the brand enjoys with its stakeholders to look into and improve its practices. In fact, 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.

Kaufman & Broad has chosen to organize its sustainable development section by distinguishing the various environmental, social and societal impact of its business activities while restoring the associated challenges as part of its business cycle.

1.6.1. GROUP CSR POLICY

Challenges and responsibilities for real estate developers

As a property developer-builder, Kaufman & Broad has a special responsibility to develop sustainable building since it designs real estate programs and manage projects up through the marketing phase.

Present in the entire property chain for over 40 years, the group addresses these challenges throughout its business cycle:

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

One of the specificities of the property development business lies in the fact that, on some issues, the group has a direct influence: choice of the land or building design criteria and required certification – except in the case of the co-promotion – while it has only one indirect influence on others: business practices on sites influenced by the criteria originally included in the specifications at the time of the award of works contracts, or behavior of the occupants of the buildings that cannot be influenced by the arguments at the time of the order and/or the delivery of the keys.

Kaufman & Broad manages the direct impact of its administrative offices and sales spaces (onsite sales offices and five showrooms).

But it is above all, in its real estate programs, which are subject to very strict regulations, that the group is faced with a variety of societal and environmental challenges.

To go beyond legal requirements and formalize its commitments, the group is in the process of drafting a charter.

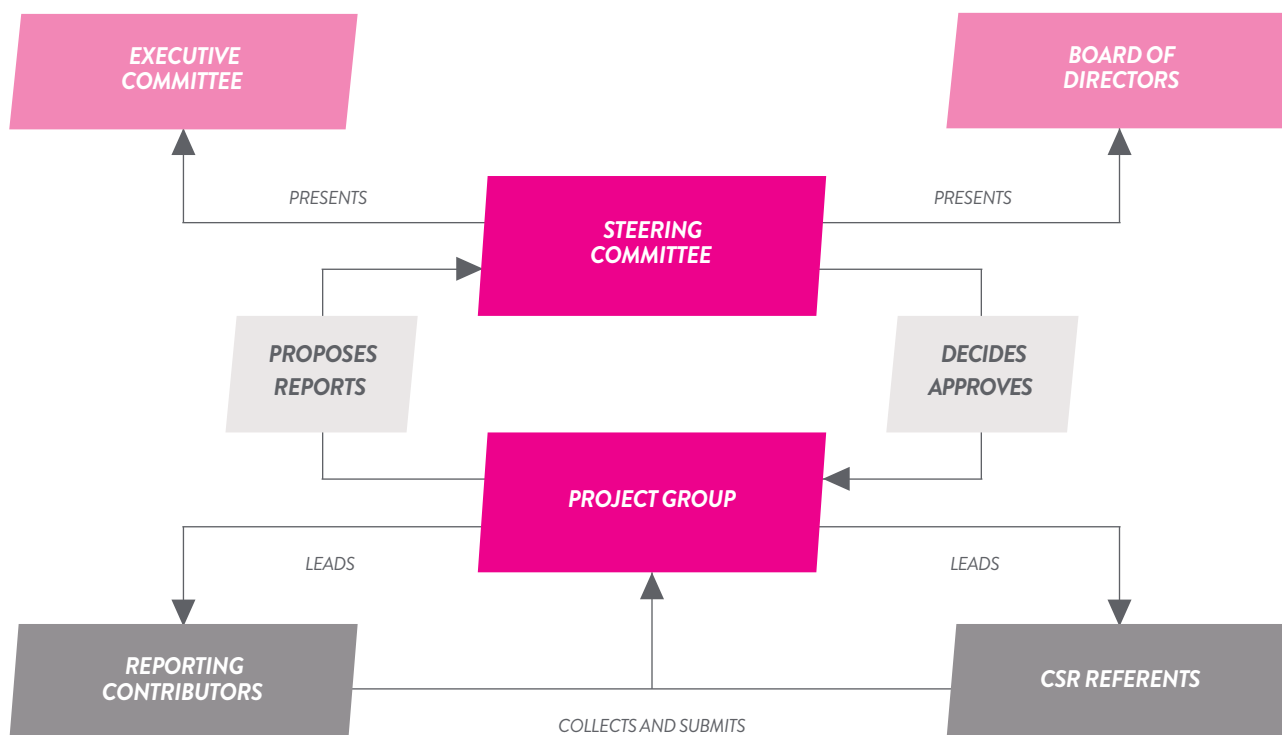
Organization of CSR at Kaufman & Broad

In order to deploy its Corporate social responsibility (CSR) approach, Kaufman & Broad has structured its internal organization. In 2012, Kaufman & Broad centralized the management of its CSR at its headquarters to encourage the collection of data on the impact of its activities.

This organization is now supported in the regions with CSR Project Management Assistants responsible for operational management of CSR in the agencies. A project group meets monthly with the dedicated staff for the implementation of CSR for the entire Kaufman & Broad group.

The company also has a decision-making and consultative body tasked with providing the CSR policy guidelines: the Steering Committee, which includes Senior Vice Presidents of the various regional or Corporate divisions (finance, Human Resources, architectures, marketing-internet, etc.), which meets on a monthly basis.

Organization dedicated to sustainable development



1.6.2. ENVIRONMENTAL INFORMATION

1.6.2.1. Land search risks management

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

Planning rules govern the profession of real estate developers. They 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.

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 have been defining the Local Urbanism Plans (PLUs) and public establishments for inter-municipal cooperation develop the Territorial Coherence Schemes (SCOTs) in effect in several municipalities.

The PLUs and the SCOTs define areas that are and may be urbanized and are thus strategic for developers because they identify construction land.

At the municipal level, land use in particular is governed by the regulations in effect on natural and climate risks to which Kaufman & Broad is subject when the group designs and launches a real estate program. These include the seismic regulations, which entered into force on May 1, 2011, the flood risk prevention plan and 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).

However, the SCOTs and the PLUs do not yet sufficiently specify the environmental specificities of land.

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. From a regulatory perspective, this upstream part of the group's business is severely restricted.

Taking account of the history of the land and the ecological balance of the site

Soil and subsoil quality and pollution

Before acquiring any piece of land, the group conducts through specialized firms a study of soil and subsoil quality and pollution and the 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 (see Section 1.2.4.8. "Pollution Risks").

The Kaufman & Broad Human Resources Department offers employees a series of training sessions on environmental issues

related to property development. In 2013, training on "Soil surveys: how to analyze a report" and "Soil pollution" was offered to the staff.

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.

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 (see Section 1.2.4.6. "Risks related to the discovery of archeological remains").

The special case of demolitions

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.

In 2013, training on "Asbestos: Role and responsibilities of the project owner in risk prevention" was offered to Kaufman & Broad employees by the Human Resources Department.

Taking into account the environment and biodiversity for the choice of location

Since France is the fifth-ranking country in Europe with the largest number of globally threatened species, in 2007, the Grenelle Environment Round Table made the commitment to preserve and restore a network across the country so that animal and plant species can move and reproduce. This network 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. The green and blue corridor is associated with a set of measures: creation of natural reserves, protected areas, Natura2000 etc. in compliance with the national biodiversity strategy (see also Section 1.2.4.7. "Risks related to biodiversity and protected species").

A construction program may be undergo an impact study as required by Article R. 122-2 of the French Environmental Code. As a result of the impact study, the project owner may need to specify remedial or compensatory measures envisaged and the modalities of their implementation and follow-up.

This applies for example to the execution of works that may affect water and aquatic environments, in accordance with the Water Law of 2006. To take soil sealing, which prevents infiltration of rainwater, into account and prevent increased risks of flooding, Kaufman & Broad implements retention basins.

Kaufman & Broad's Green Park project in Valescure (St Raphael), is located outside but close to the Natural area of interest to the ecology, fauna and flora (ZNIEFF) Estérel and to the Natura2000 "Estérel" site. Taking into account the environmental sensitivity of the site, the group directly conducted an impact study without waiting for the substantiated decision of the environmental authority – in this case the Regional Directorate for the Environment, Planning and Housing (DREAL) PACA – concerning the option to conduct an impact study. A series of reduction or compensation measures was planned following this impact study. On the site of the project, the plan is to preserve the large endogenous trees (umbrella pines and cork oaks) because they are particularly favorable for the preservation of the otus scops owl. Avoidance zones will be created to preserve plant species. An ecological corridor of trees and bushes must also be preserved in case of realization of the project, in order to allow the movement of the species: birds, reptiles, amphibians, insects and mammals such as the bat.

Provisions and guarantees for environmental risks

Since Kaufman & Broad offers conditional sale options, environmental risks that might arise after the completion of soil studies of soil are taken so that, if applicable, consideration can be obtained from the seller. Within the legal framework of the sale options, Kaufman & Broad does not bear, to date, any proven risk and no provisions and guarantees for environmental risks were recognized at November 30, 2013.

1.6.2.2. Environmental criteria in the design of housing

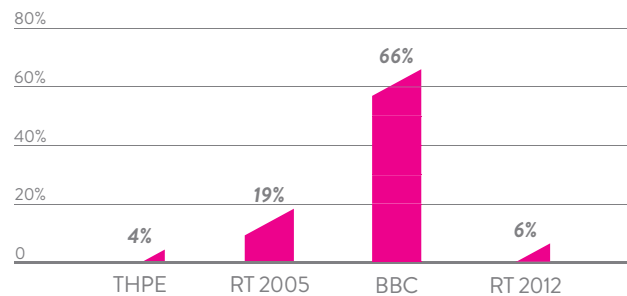
In a highly regulated market, Kaufman & Broad designs programs Meeting stringent environmental standards which ensures customers that their investments are protected, even during resale. This particularity allows a quality of construction that is guarantee of comfort and serenity for its customers.

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 (RT 2012) 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 new housing construction, the application of RT 2012 has been mandatory since January 1, 2013.

Environmental initiatives and certifications for housing under construction



Among the 2013 housing starts, 25% were only in compliance with the thermal regulations (19% with RT 2005 and 6% with RT 2012), 66% also had the BBC label and 4% the THPE. The share of Habitat & Environment (H&E) certified housing starts was 20% in 2013.

Kaufman & Broad achieved energy savings by designing programs that from a thermal point of view are more efficient than the thresholds required by the thermal regulation in force. The group measures its financial performance in six eligible programs delivered in 2013, by preparing Energy Economy Certificate cases.

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.

"Green Village" in Montpellier, is an example of rehabilitation carried out by the group. Located in a former postal mail sorting facility, it is the only rehabilitation of this type to have been awarded the BBC label in France. For this program, the group decided to preserve almost 80% of the old structures and to reincorporate them, including by reusing the sub-soils. 250 housing units were fit up, including both townhouses and apartments.

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 housing 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.

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 – the Livret Gestes Verts, a green actions 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 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.

1.6.2.3. Managing environmental impact during construction

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 work site waste (residues of cement, plaster, concrete and packaging, etc.), wastewater, transportation, noise, dust and mud, the site's visual aspect, health risks and worker stress.

To reduce these nuisances, Kaufman & Broad requires taking them into account through contractual clauses (community requests or certification rules) or through proactive initiatives of the group.

Responsibility of Project Owners and Project Managers

Kaufman & Broad acts as "Project Owner", i.e., it assumes the 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 its financing.

As the Project Owner, Kaufman & Broad uses suppliers, such as architects and design firms which are part of the project management team for the program. This team monitors work progress and controls regulatory and contractual compliance of the program. The construction work itself is done by construction companies. The group makes sure that they are current and in good standing administratively on the basis of insurance policy certificates, Social Security contributions, registration with the Trade Register.

However, in some cases, it happens that Kaufman & Broad acts as the project manager for "in-house" design and/or programs. This is generally the case of programs involving Single-family Homes in Communities and apartment or office programs because of strategic, financial or technical requirements. The group then assumes responsibility not only the design but also the implementation and progress of the work.

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.

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. Kaufman & Broad thus prefers a general contractor, which constitutes a single point of contact for the developer in the case of programs executed in a complex environment, such as within Paris or in a Mixed Development Zone (ZAC).

In both 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.

Measures have been taken to limit the social and environmental impact and work site nuisance.

Phytosanitary diagnostics are sometimes developed by landscapers to check the health status of plants. Surveyors and architects then determine the locations for the buildings on the basis of this diagnostic, and developers then have a general layout plan showing the plants or green spaces to be preserved.

Some programs have thus been designed to preserve natural areas. A surveyor for example participated in the program "Le Palama" in Marseille. By including plants on the general layout plan, the surveyor helped to lay out the two buildings in the program in a way that favors the preservation of ancient plant species.

As part of these certified 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. To define and manage the program, the group receives the support of an Assistant to the Owner (AMO) who is outsourced and is in charge of environmental compliance on the construction sites. When the group works on a certified program, Kaufman & Broad:

- tries to limit local soil and water pollution by collecting and storing waste (formwork oils, wash water, and so on) for subsequent removal;
- complies with the regulations in force regarding noise pollution and adapts to the specific requirements of municipalities when they set specific schedules to be respected for the construction program. For example, the site of the Nouvel R program at Limeil Brévannes took into account that there was a school nearby and adjusted the construction schedules based on when schoolchildren would be on their way to and from school;
- encourages construction companies to use quieter gear, for example with electric motors rather than with internal combustion engines. Generators must also be soundproofed;
- provides various systems to clean the wheels of trucks exiting the sites. Depending on the land features and location of the site, these can be washing areas with streams or scrubbers so as to not track dirt onto the surrounding roads;
- includes in its specifications a clause banning the burning materials onsite;
- encourages the storage topsoil from the site so that it can be reused to create green spaces if the type of soil is suitable for that. This avoids truck rotations;
- ensures that the regulation on the processing of building waste is respected by the contractors involved. They are required by law to use specific containers and to sort and dispose of their waste at the appropriate treatment centers. On certified sites, sorting assessments must be done by the AMO. In demolitions, wreckers are responsible for sorting waste. Wreckers must provide evidence of the waste sorting and be able to attest that the waste was sent to the appropriate collection centers, by obtaining Cerfa vouchers;
- takes special measures in case of sensitive environment such as proximity to a school, by specifically restricting access to the construction site.

The environmental 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.

Central Square, a "Clean Site" program

The "Central Square" program consisting of 69 apartments and a business was designed under a stringent environmental initiative consistent with the Habitat Durable du Grand Lyon guidelines. The program received the BBC Effinergie label that guarantees energy efficient housing to customers. The eco-design of the housing units ensures a high energy performance at B level.

Specific measures have been taken to respect the environment and local residents as well as for the comfort of the inhabitants. A "Clean Site" Charter with strict requirements was incorporated into the special technical specifications. Its purpose was to limit nuisances and the environmental impacts of the construction; it was complied with by all contractors on the construction site.

In addition, eco- and customer-friendly noble and premium materials were used in the design of the building (PEFC labeled wood, glues, paints, varnishes, stains without heavy metals and labeled NF environnement or EU Ecolabel).

The Lyon Agency in charge of this program has responded to a high requirement level determined by the Grand Lyon guidelines and is now researching in greater depth the impact of its business on the environment, local residents and its customers.

As a developer, Kaufman & Broad acts as a principal with respect to its contractors on construction sites. The group therefore has indirect responsibility for water on and electricity consumption on construction sites is therefore indirect and therefore does not control or manage such consumption. The lifetime of a construction site, which is not aligned with the fiscal year, makes difficult the collection of these data for CSR reporting. However, Kaufman & Broad who had chosen to carry out the collection on a sample of programs this year, plans to continue doing so for sites that began during the fiscal year, in order to eventually have such data over the entire life of a construction.

1.6.2.4. Administration buildings

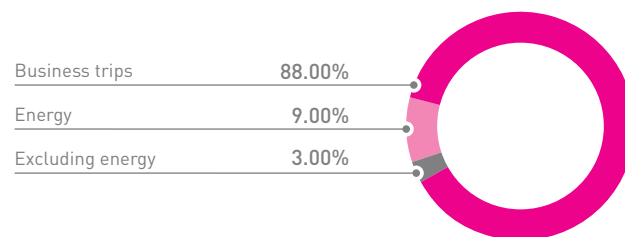
Kaufman & Broad takes into account the environmental impact of its administrative activities to raise awareness and mobilize its employees around objectives to reduce energy consumption and carbon emissions.

The GIE Kaufman & Broad Greenhouse Gas Emission Assessment

Kaufman & Broad has the regulatory obligation to conduct an assessment of Greenhouse gas emissions (BEGES) every three years. The group conducted a BEGES in 2011 and will do the next one in 2014. For 2013, the group chose however to perform a special a Carbon assessment (Bilan carbone) for the business travel of its employees, presented below.

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 properties concerned are the offices and premises of its 14 branches, IT equipment owned by the companies of the Kaufman & Broad group and used by employees of the GIE and vehicles leased or owned by employees.

For GIE Kaufman & Broad, the BEGES results show that 88% of greenhouse gas emissions come from travel (which includes business travel and commuting). Energy (which includes IT, representing nearly 43% of energy emissions, heating, cooling, ventilation and lighting) came in second place, with 9%. The "Excluding energy" line which concerns the leakage of refrigerants contained in space cooling facilities represents 3%.



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 videoconferencing. The group thus encourages employees to favor videoconferencing in order to limit their business travel.

Inventory of emissions related to business travel

Starting in the second half of 2012, Kaufman & Broad introduced a new long-term car leasing policy for employees.

In 2013, the group decided to assess greenhouse gas emission for all the business travel of its employees. The group took into account the business trips made with company cars, employees' personal vehicles, by train and by plane. In total, CO₂ equivalent emissions were approximately 2,444 tons in 2013. Vehicles were the main CO₂ emitter, with almost 77%.

(in tons of CO₂ equivalent)

Entity	Carbon emissions				
	Employee concerned	Business trip ^(a)	Immobilization ^(b)	Total	Distribution
Annecy	8	5.3	5.5	10.8	0.4%
Bayonne	20	79.7	17.9	97.5	4.0%
Bordeaux	29	78.9	22.0	100.9	4.1%
Grenoble	16	55.7	16.5	72.2	3.0%
Lille	3	3.7	-	3.7	0.2%
Lyon	35	46.7	30.3	77.0	3.1%
Marseille	51	209.7	45.4	255.1	10.4%
Montpellier	26	117.3	26.1	143.4	5.9%
Nantes	39	121.2	31.6	152.8	6.3%
Neuilly	255	801.3	181.5	982.8	40.2%
Nice	20	72.7	12.4	85.1	3.5%
Rennes	2	6.1	-	6.1	0.3%
Rouen	4	2.5	-	2.5	0.1%
Toulon	37	167.8	20.6	188.5	7.7%
Toulouse	57	216.3	49.5	265.8	10.9%
Total	602	1,984.8	459.3	2,444.1	100%

(a) Business trip: Trips with personal vehicles, by train and plane.

(b) Immobilization: Company car fleet.

Type of transportation	TeqCO ₂	Distribution
Car	1,875.5	76.7%
Plane	565.8	23.2%
Train	2.7	0.1%
Total	2,444.1	100%

The IT & Telecoms Services Department initiative

In 2011, the IT Service Department (DSI) 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 service 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. 74% 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 group 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 Revalis 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.

In 2013, Kaufman & Broad made routine the use of recycled cartridges in laser printers for which this was possible. The group decided to virtualize its fleet of computer servers. The project was launched in late 2010, and today, 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.

Kaufman & Broad raised the awareness of line personnel about decreasing printing by implementing paper sorting and recycling in some group agencies in 2013.

Total print volume*

(in thousands of pages)	2013	2012
Black and white photocopies	4,073	4,290
Color photocopies	5,137	4,963
Total	9,210	9,253

* This concerns prints and photocopies made from copiers (MFP) of all group agencies. Printers and printing of brochures and pitchbooks are excluded.

Light pollution and water and electricity consumption by the agencies

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.

Agency employees have been made aware of the sustainable management of resources and are encouraged to turn off lights in offices as soon as they leave. The same applies to the management of computer workstations as well as photocopiers and printers.

Kaufman & Broad wants to set its consumption reduction targets. To do so, data concerning water and electricity consumption in the agencies have been collected. The group encourages all its staff to be attentive to these drinks to these consumptions and to try to restrict them in the years to come.

Agencies

	Water consumption (m³)	Electricity consumption (kWh)
Anncy	46	14,352
Bayonne	147	77,721
Bordeaux	117	82,340
Grenoble	78	16,962
Lyon	234	72,252
Marseille	641	122,440
Montpellier	214	34,128
Nantes	225	63,827
Neuilly	3,702	902,291
Nice	194	188,590
Rennes	14	2,989
Rouen	8	4,352
Toulon	166	97,224
Toulouse	668	174,960
Total	6,455	1,854,429

1.6.3. EMPLOYEES

At December 31, 2013, the group employed 735 people, 396 women and 339 men, through an Economic Interest Grouping (GIE) which has covered all group entities in France since January 2008.

Employees are assigned to group companies depending on staffing requirements. They are divided among several teams responsible for purchasing land, program design, calls for bids, 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.

Analysis of the average number of operational staff at December 31, 2013

Land development	65
Program	89
Technical & Customer Service	210
Marketing/sales	183
Regional support functions	84
Corporate support functions	104
Total	735

Workforce by entity at December 31, 2013

KB SA	125
Commercial Property	10
Île-de-France	213
Nantes	35
Rennes	2
Rouen	3
Lille	5
Lyon	38
Grenoble	9
Annecy	14
Nice	21
Toulon	35
Marseille	63
Montpellier	29
Toulouse	78
Bayonne	22
Bordeaux	33
Total	735

Classification by age of the workforce at 31 December 2013

Under 25	23
25 to 30	84
30 to 35	138
35 to 40	114
40 to 45	111
45 to 50	95
50 to 55	86
55 to 60	57
Over 60	27
Total	735

1.6.3.1. Workforce and New Hires

1.6.3.1.1. Potential Recruiting Problems

In 2013, Kaufman & Broad hired 60 managers, 33 employees and 14 salespeople, including 69 on open-ended (CDI) employment contracts and 38 on fixed-term (CDD) employment contracts for the various functions of the group. Of the 107 employees hired, 45 were under age 30 at the time they joined the group. Some recruitment, including for land research and development was difficult, since these profiles are specific to the profession.

1.6.3.1.2. Terminations

Employee-related terminations affected 13 people out of an average workforce in the calendar year of 728 people.

Amicable terminations

In 2013, 23 people left the company by mutual consent, in accordance with legal provisions set up in July 2008.

Turnover rates

The turnover rate is the number of departures recorded in the year out of the average monthly registered workforce.

In 2013, the recorded turnover rate was 12.8%.

1.6.3.1.3. Temporary Workers

Temporary workers accounted for only 4.1% of the workforce in fiscal 2006, representing the equivalent of 29.7 full-time employees. Temporary staff worked an average of 16.1 days per assignment.

1.6.3.2. Work organization

1.6.3.2.1. Working hours

Full-time employees work 35 hours a week.

In accordance with Law 2000-37 of January 19, 2000 relating to the reduction of working hours, as amended by Law 2003-47 of January 17, 2003 concerning salaries, working hours and job creation, the Kaufman & Broad GIE has negotiated a new framework for working hours with the representative trade unions. The related working time agreement was signed on November 7, 2006 and came into force on January 1, 2007 for an indefinite term. A December 20, 2007 supplemental agreement elaborates on the possible postponement of leave related to the organization of working time.

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 annual leave in lieu of the extra time worked. The Company also grants two further days' paid leave per year in addition to statutory bank 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, personnel whose responsibilities are such that their schedules need to be flexible and who have autonomous decision-making power, are not subject to the regulations on the work week.

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

1.6.3.2.2. Part-time employee working hours

The group has 32 part-time employees, 17 employees and 15 managers. Most of these people work four-fifths time, mainly under parental leave.

In addition, 20 employees are entitled to flextime as part of the working/private life balance.

1.6.3.2.3. Overtime

Managers and sales representatives make up 71.3% of the workforce. No overtime was worked in group companies in 2013.

Average annual compensation

(in €)	2013			2012		
	Men	Women	Total	Men	Women	Total
Employees	53,697	39,913	42,776	52,131	37,931	40,782
- basic salary	25,058	26,473	26,179	22,446	24,888	24,383
Managerial employees	82,961	58,769	74,436	80,135	56,366	71,762
- basic salary	58,901	45,116	54,043	57,034	43,638	52,315

Payroll taxes recognized under compensation for fiscal years 2012 and 2013 were €20.9 million and €21.7 million respectively.

1.6.3.3.2. 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.

1.6.3.3.3. 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 No. 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.

1.6.3.2.4. Absenteeism

Absenteeism by reason ^(a)	2013
Illness	2.18%
Workplace and commuting accidents	0.04%
Maternity leave	1.29%
Family events	0.09%
Total	3.59%

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

1.6.3.3. Compensation

1.6.3.3.1. 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.

Corporate Officers' compensation is presented in Section 3.2. of the Registration Document.

- 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 will 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 will be 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 and unions 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.

1.6.3.3.4. Generation contract

The "generation contract", established by Law 2013-185 of March 1, 2013 and Decree No. 2013-222 of March 15, 2013, substitute the agreements on employment of older employees created by the Law on Social Security of Social Security funding of 2009, with a broader ambition of improving access of youth to open-ended employment contract, job retention for older employees and ensuring the transmission of knowledge and skills.

Pursuant to Article 87 of the that Law and its implementation decree, companies with at least 300 employees which, from January 1, 2013, are no longer covered by an action plan or Corporate agreement regarding intergenerational employment, are subject to a financial penalty set by the Regional Department of Companies, Competition, Consumers and Employment (DIRECCTE), depending on the efforts made by the company. It may not exceed 1% of total payroll in periods during which the company is not covered by an agreement or an action plan, or 10% of the amount of exemption from contributions in the case of a higher amount.

GIE Kaufman & Broad entered into an agreement on September 23, 2013 relative to intergenerational employment for a three-year period. This agreement and the diagnostic of the situation of employment of younger and older employees by the company were filed with the Hauts-de-Seine DIRECCTE and with the registrar of the Nanterre Conseil de Prud'hommes. The provisions of this agreement have been approved by the administration absent a response within three weeks following the date of filing.

By this agreement, GIE Kaufman & Broad management and the parties involved reaffirmed the commitments initiated (i) in the framework of the agreement on employment of older employees of December 2, 2009 for the job retention older employees and the second part of their careers, (ii) in the framework of the agreement on professional equality between women and men of November 18, 2011.

The implementation of the commitments of the agreement was launched after the completion of a diagnostic of the situation of young and older employees in the company, as well as after analysis of the prospects for recruitment related to estimates of retirements in the next three years.

The agreement defines:

- 1/ The commitments in favor of the lasting integration of younger employees under 30 years of age by specifying the methods for the integration, training and support of this public.

At December 31, 2012, the company employed 101 young people under 30 under open-ended (CDI) employment contracts and eight under fixed-term (CDD) contracts. The company committed, over the three-year period 2014, 2015, 2016, to carry out the recruitment of 35 people under 30 years

of age, to maintain a minimum of 15% of young people in open-ended (CDI) contracts while encouraging the professional gender diversity in the different trades. The processes of integration, training and support of younger people hired by the company have been redefined to retain new employees and talents identified and to ensure the transmission of the culture of the company and know-how.

Work-study and internship programs are, for the company, one of the favorite paths to hiring and anticipating needs. The company has set itself the objective to train a number of young people in work-study programs at least equal to 4% of its workforce by 2016.

- 2/ The commitment to retain and return to work of employees of at least 57 years of age or at least 55 if a disability has been recognized.

At 31 December 2012, employees over 55 years of age were 9.4% of total payroll. The company is committed to maintain the percentage of employees age 55 and over at 10% of the workforce during the term of this agreement, and to fight against age discrimination by refraining from considering this element as a factor in hiring. The working conditions of older employees will be adapted to their situation to best reduce any hardship situation.

The company also undertakes to anticipate professional developments and determine key business positions. It undertakes to continue to offer second-half career interviews to employees over the age of 45 to facilitate, and then, every three years, to take stock of (i) trends in the business and job prospects within the company, (ii) their skills, training needs, situation and professional development.

To facilitate the transition from employment to retirement, a supported part-time work plan was set up. If the organization allows it, employees can reduce their working time up to 20% during the last two years before their retirement while still maintaining a level of contributions to supplementary pension plans on the basis of full-time work, with additional contribution paid by the company for the preservation of these rights.

- 3/ Methods enabling the transmission of knowledge and skills.

The transmission of know-how and proper attitudes will rely on older employees to be identified as mentors and on the provision of guidance to the young employees by them. In addition "feedback interviews" will be organized for employees two to three years from retirement to organize beforehand the transmission of knowledge and the sharing of experience, if necessary.

Each year, the intergenerational employment agreement will be the subject of an evaluation by updating the data mentioned in the diagnostic, according to the indicators established for each of the actions on the integration of young people and on job retention for older employees, as well as actions to promote the transmission of skills.

In accordance with the provisions of the agreement on the employment of older employees, interviews about the second part of their careers were offered to employees over 50. In 2011, 13 people had such an interview, three in 2012 and two in 2013.

In conjunction with the Human Resources Department, the GIE offers employee aged 57 and over a Retirement Assessment. Among people 57 and older, the number of proposed

retirement assessments and interviews with HR was four in 2011, six in 2012 and three in 2013.

The average retirement age for employees aged 55 and over was 59.5 in 2011, 64.4 in 2012 and 61.1 in 2013.

1.6.3.3.5. Labor relations and collective agreements

Employees elect 16 members of employee representative organizations (7 managers and 9 non-managers).

By company-wide agreement dated November 19, 2013, it was agreed to set up an "electronic voting", to extend the mandates of the employee delegates and representatives to the Works Council until the date of announcement of the results of the elections, expected no later than late March 2014.

1.6.3.4. Collective bargaining agreements

Kaufman & Broad applies the National Developers Collective Bargaining Agreement.

1.6.3.4.1. Health and safety conditions

In 2013, there were a total of 7 workplace and commuting accidents, resulting in 34 lost days. This was a frequency rate of 4.14 and severity rate of 0.03.

In 2013, there were a total of 5 commuting accidents, resulting in 25 lost days.

In relation to health and safety at work, a joint initiative of developers, led by the Fédération des Promoteurs Immobiliers is aimed at the drafting of an agreement in 2014 and will focus on occupational risks.

In terms of responsibility, Agency directors delegate their powers to technical, program managers, and business managers. Technical directors subdelegate to on-site foremen at the sites concerned.

Safety training sessions are offered each year by the group so that the company's technical managers can constantly update their knowledge in this area.

The Kaufman & Broad group has a Health and Safety Committee which meets as prescribed 4 times per year as well as on the request of management or employee representatives.

1.6.3.4.2. 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 €883,000, or 1.76% of total payroll, was spent on training in 2013.

In 2013, 509 people received training (256 men and 253 women) and the number of registered courses totaled 895. In 2013, the company provided 7,646 hours of training, 5,379 for managers and 2,267 for employees. In 2013 the employees received training in the fields of office equipment, businesses, personal development (management, communication, etc.) and the company took in charge of the educational costs for employees under work-study contracts.

The average training rate for employees aged 50 and over was 57.8% in 2011, 76.4% in 2012 and 62.1% in 2013.

The company concluded 28 apprenticeship or qualification contracts in 2013.

1.6.3.5. Employment and integration of disabled workers

The group employed seven disabled workers in its various entities in 2013.

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 in the group. A communications and action plan was developed at the end of 2011 and extended to 2013 and 2014.

1.6.3.6. Social initiatives

The Kaufman & Broad group's contributions in 2013 break down as follows:

- additional insurance and health care coverage: €1.085 million;
- meal expenses: €754,000;
- payment to Works Councils €338,000.

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.

1.6.3.7. Subcontracting

As a property developer, 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.

1.6.3.8. Regional impact on employment and development

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

In three years, the number of group employees increased from 729 at the end of 2011 to 735 at the end of 2013. The Lille-Flandres agency reopened in 2013.

As a developer-builder, Kaufman & Broad contributes to the economic development of the Regions in which it operates. Changes in its operations therefore impact these Regions.

Mobility charter

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.

1.6.3.9. 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), and the last of the BTP employees union (CFTC)).

1.6.3.10. 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 acts as 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 is presented in Section "5.3.1. Shareholders at November 30, 2013 and three-year change".

1.6.3.11. Fighting against discrimination and promoting diversity

The group's policy on professional equality of employment of older employees, employment and integration of disabled workers is detailed in the above points. It is indicated that, as of December 31, 2013, the group employed 7 employees of foreign nationality, since 7 people with disabilities and including in the Paris Region, many from employees from diversity groups.

Kaufman & Broad is only present in France, a country that has ratified and transposed into its labor law the eight fundamental conventions of the International Labor Organization. As a result, the group complies with all of the provisions in these conventions on freedom of association and the right to collective bargaining, non-discrimination in employment and occupation, elimination of forced or compulsory labor, and abolition of child labor.

1.6.4. SOCIETAL INFORMATION

1.6.4.1. Business practices and ethics

Compliance and ethics at Kaufman & Broad

To guide and ensure compliance with practices in-house, 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: knowledge and compliance with applicable rules, ban on any form of discrimination and harassment, on any situation of conflict of interests, ban on holding a second job, conviction of insider trading, duty of confidentiality, eradication of corruption (bribes, gifts, etc.).

The company's policy on insider trading was introduced in 1990 and recently discussed again in a note addressed to all the staff. It offers, in particular, recommendations on insider breaches and treatment of privileged information. In 2011, a compliance officer was appointed to coordinate these aspects.

In case of doubt as to the legality or propriety of a decision, employees are required to consult the Legal Department or a lawyer. They are also required to report – in a confidential manner – any potential or proven violation of the Law or company policy.

In addition, Kaufman & Broad began the process of formalization of its sustainable development strategy, through the drafting of a Charter of commitment and good practices, whose publication is planned for 2014.

Prevention of undeclared work

At the conclusion of a works contract, the developer, the principal with respect to the contractors, has the obligation, under Article L 8222-1 of the French Labor Code, to request from its co-contractors a list of documents, and this every 6 months, until the end of the performance of the contract.

Kaufman & Broad fulfills its verification and enforcement duties with respect to the contractors in accordance with its regulatory obligations.

Centralized purchasing

For several years, Kaufman & Broad has been involved in a process of centralization of purchases and standardization of procedures of selection of its suppliers at group level. This centralization allows to develop lasting relationships with suppliers signing a framework agreement with the group. For Kaufman & Broad, centralized purchasing is also a way to control product quality and guarantee the same level of service and a common image for Kaufman & Broad programs throughout France.

Kaufman & Broad selects its suppliers and the desired products, on the basis of a certain number of criteria such as ethics, certifications, origin and security of products. Centralization can use to national stakeholders who are committed to environmental issues and who have greater exposure because of their size.

Centralization of purchases policy applies only to finishing work, management of major work currently falling within the competence of each agency. After each delivery, a survey sheet is sent to each agency to ensure compliance with the purchasing policy.

Calls for tenders processing

Kaufman & Broad is currently in the process of implementing a paperless treatment process of calls for tenders via an electronic platform for online filing of tender documents. Already used in some pilot agencies, the aim is to generalize its use to all agencies because it can greatly reduce the volume of paper files, and also increase responsiveness through online file tracking and sending of reminders.

Relationships with suppliers

In order to more carefully assess its potential exposure to default of its suppliers, Kaufman & Broad has implemented a supplier rating system. This rating must be consulted during tenders, and this in a mandatory way for contracts above a certain amount. This system aims to ensure the strength and reliability of the companies with which the group enters into agreements.

The group considers it important to assess its degree of dependence on its main suppliers. In 2013, the top ten suppliers accounted for 22.6% of flows invoiced by suppliers compared to 23.1% in 2012, and the leading supplier represented 7.3% of flows compared to 5.8% in 2012.

1.6.4.2. A customer service strategy

Developing customized and accessible offers

Ease of 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, the group 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 related to the numerous regulations and standards which came about in recent years.

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 sq.m (including VAT) in Île-de-France and from €2,500 to €2,600 per sq.m (including VAT) in the 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 the group chooses flat land that does not require special foundations. The design of these housing units 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.

Types of customers based on housing orders*

(as a percentage)	2013	2012
First-time homebuyer	27%	29%
Second-time homebuyer	9%	8%
Individual investors	38%	36%
Block	26%	27%

* Including joint-ventures.

Responding to new needs

Kaufman & Broad also diversify its business activities toward senior and student residences products. With the specific characteristics they have, these activities are an opportunity for growth for the group.

The student housing market is currently experiencing tensions. This is explained by the longer duration of studies and the increase in university population. Between 1990 and 2012, it has increased by 36.8% according to the French Ministry of the Higher Education and Research. According to the Observatoire de la Vie Étudiante, only 43% of students had access to a home last year⁽¹⁾.

In the center of Toulouse, third-largest student city in France, the residence "Le Cerdana" meets this need by offering housing for 246 students. The residence was built around a private Japanese type garden of 150 sq.m and has a private library.

The ageing of the French population, pushes the group interested in senior residences-services. In 2015, more than 18% of the population will be over 65, and of these, 9% will be over 75, thus representing almost one person in five in France according to INSEE. Living residences are a compromise between living at home, independence and personal security of. They include several services such as a concierge and dining facilities, and for some daily housekeeping. These programs are located in the city center to allow quick and easy access to public transportation, local stores and leisure activities. As a result, in the Nantes region, three residences for the elderly (RPA) 4,000 sq.m and more – Saint Briec, Pléneuf Val André and Saint Malo – have been built to meet this growing need.

A director for managed products was recruited in 2013 to support the agencies and serve as a relay to managers.

Kaufman & Broad is sensitive to the comfort and well-being of its customers and has incorporated into its strategy a series of social societal concerns related to quality of life, quality of life at different ages, the accessibility of housing and its scalability.

[1] 22% renting by themselves, 11% renting as a couple, 10% in university housing.

Raising customer awareness about sustainable development

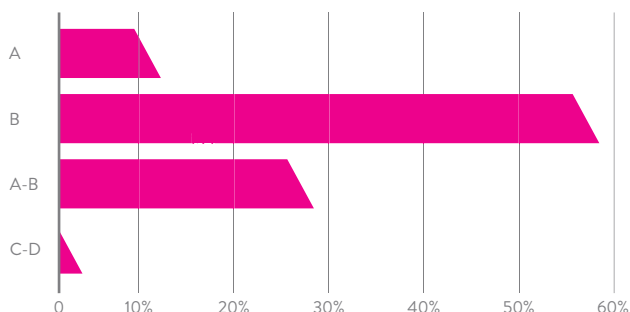
Through the marketing of real estate and customer service, Kaufman & Broad listens to the concerns of its customers to meet their expectations and provide the best product. On this occasion, the group can also raise awareness of sustainable development issues and choice of materials and best practices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

Educating customers about the energy performance of their homes

The Energy Performance Diagnostic (DPE) is used to project the energy consumption of homes and their rate of greenhouse gas emissions. It comes in the form of an official standard document and must be performed by a certified professional, at the initiative of the home seller. The DPE is valid for 10 years and is produced with regulatory software, which issues at the end of the survey an energy and climate label. Since January 1, 2011, energy-guide labels are mandatory in real estate transactions. They are issued by the DPE and allow consumers to quickly learn about the energy efficiency of homes by rating them on a scale from A to G, where A is the best energy performance and G is the worst.

The DPE allows to rank housing based on ecology criteria. It is added value for the purchaser as a home that is consuming a little more energy is also a home that is a little more expensive to maintain.

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 2013, based on their energy consumption and energy-label.



Thermal labels have been calculated on the basis of 96% of the commercial offer for housing available for sale in November 30, 2013.

Building up customers' accountability and awareness about the impact of their homes

With the purchase of a home, Kaufman & Broad's customers are making a major investment and a life choice. The group is aware of the responsibility it carries and puts all its know-how and commitment to their service, and continues doing so well after the handing over of the keys.

Beyond compliance with regulations in effect, the actual energy performance of buildings depends on their occupants. Depending on their lifestyle and the choices they make, they can successfully optimize its potential in terms of energy savings. For example blocked ventilation openings or pierced exterior wall diminishes the good energy performance of buildings.

This behavioral factor takes more importance if housing is technically designed to be more efficient. To educate homeowners, Kaufman & Broad gives all owners a guide with practical advice (administrative, facility maintenance and "good use" of the building) when our housing is delivered.

For our certified "Habitat & Environment" (H&E) programs, a Livret Gestes Verts booklet is specially made, presenting the environmental features of the building and the home as well as good practices to adopt daily.

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 the customers and which the group has made one of the issues of its environmental responsibility. Sensitive to the needs of its customers, the group offers them durable materials that are 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 (Program for the Endorsement of Forest Certification) standards.

The PEFC 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.

Kaufman & Broad customer support

Personalized follow-up with each customer

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

Upon signing, each customer has access to a dedicated and personalized customer space. This secure and accessible interface with a username and password, is organized thematically. Customers can follow their payment schedule and the progress of the construction site with photos. They also have access to information about their housing and neighborhood (virtual visits and local services) and to useful documents (owner's guide, pitchbook).

A special space has been created in order to facilitate the purchase of investor clients in Île-de-France. It's a showroom space, in which investors can choose their elements of personalization (floors, walls, bathroom, cupboards...) quickly and without having to go anywhere. If necessary, a showroom manager remains at their disposal.

Following the delivery of their home, customers 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.

1.6.4.3. Kaufman & Broad SA and the territories in which it operates

1.6.4.3.1. Creating dialogue around the construction site

Meetings with local residents

Before filing building permits, Kaufman & Broad and town halls organize, to the extent possible, meetings of consultation with residents to discuss the progress of the program, inform and take into account their requests. These meetings allow to defuse possible tensions by answering residents' questions. This procedure is a hearing with everyone present and all documents are distributed to all parties.

At 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.

For the Gratentour program, Kaufman & Broad, and the office of the mayor arranged a meeting with local residents which allowed the program to be change in accordance with the needs expressed. Located in a residential suburban and rural area, this dense operation with houses initially designed as a street-level floor +1 met resistance on the part of local residents. Kaufman & Broad then changed a part of the programs to street-level houses and has deviated from the separation boundaries. At meetings with local residents the group also presented and exchanged views on the choice of the vegetation for separation boundaries.

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.

In addition to these legal procedures, the group took additional measures to ensure the proper conduct of the operations. Indeed, during the course of some sites, local residents have available the phone number of a member of the group to report any nuisance. In addition, for some of the programs, a cleaning company is recruited to clean weekly the surroundings of the program.

1.6.4.3.2. A sustainable involvement with communities

Regional Impact on Employment and Development

The Kaufman & Broad group's headquarters are located in Île-de-France in Neuilly-sur-Seine. In the Regions, the group has offices in 14 major cities: Annecy, Bayonne, Bordeaux, Grenoble, Lille, Lyon, Marseille, Montpellier, Nantes, Nice, Rennes, Rouen, Toulon and Toulouse. As a developer-builder, Kaufman & Broad contributes to the economic development of the territories in which it operates.

The group's land reserve gives visibility on its activity and development programs that it will develop over the next three years (see Section 2.1.4. "Outlook").

Sponsorships

In fiscal year 2013, the Kaufman & Broad group made donations for €225,490. The group has made donations of laptops to two associations: the "Casamasanté" association, which aims to provide assistance to children and their families in distress or misery by developing and financing of social projects in Africa (access to healthcare services at an affordable to all price and educating about health through school outreach), as well as the Fondation Daniel and Martine Raze, under the stewardship of Fondation de France, founded by a former employee at Kaufman & Broad.

Non-financial indicators

Subject	Indicators	Comments	Unit	2013	2012
Equal Opportunities	Women managers	Out of the number of managers	%	35.0	34.0
	Women senior managers	Out of the number of senior managers	%	17.4	16.8
	Difference in the average wage of female managers	Compared to the average salary of male managers	%	-29.2	-29.7
	Difference in the average wage of female employees	Compared to the average salary of male managers	%	-25.7	-27.2
Training	Employees who received training	Out of the average workforce for the calendar year	%	69.9	82.0
	Amount spent on training	In the annual total payroll	%	1.7	2.7
	Hours of training	All types of training	number	7,646	12,307
Disabilities	Employees with disabilities	-	number	7	5
Work life quality	Rate of absenteeism (all reasons for absenteeism)	Number of hours absent/theoretical number of hours worked	%	3.59	3.35
	Employees with flexible work schedules	To achieve work/life balance	number	20	25
Health and Safety Conditions	Workplace and commuting accidents	Employment contract	number	9	6
Seniors	Employees aged 55 and over	Out of the number of employees registered at December 31	%	11.4	9.4
	Average rate of training for employees aged 50 and over	Out of the number of employees who received training	%	62.1	76.4
Terminations	Out of the average workforce for the calendar year (for reasons related to the individual)	Out of the average workforce for the calendar year	%	1.8	0.5
	Contractual termination rates	Out of the average workforce for the calendar year	%	3.16	3.68
Employment relations	Negotiated collective agreements in force	-	number	10	10
	Turnout at the last WC election (2009)	Number of Voters/Number registered (2 nd Round)	%	42.3	42.3
Social Initiatives	Contributions to charitable work	Share of revenues devoted to charitable work	%	0.21	0.22
Sustainable use of resources	BBC homes under construction	Out of all homes under construction	%	66	86
	H&E homes under construction	Out of all homes under construction	%	20	-
	THPE homes under construction	Out of all homes under construction	%	4	3
Social housing	Share of affordable housing ordered	Out of all housing ordered (including JVT)	%	14.8	23.6
CO ₂ emissions	Company car emissions	Average emissions per company car	kg CO ₂ eq	5,742	5,875
	Business trip-related emissions (car, train, plane)	Average emissions per employee on a business trip	kg CO ₂ eq	4,060	-
Energy consumption	Water consumption	Administrative activities (excl. worksites)	m ³	6,455	-
	Electricity consumption	Administrative activities (excl. worksites)	kWh	1,854,429	-
Paper	Paper consumption	Annual paper consumption for photocopies	thousands of pages	9,210	9,253

CROSS-REFERENCE TABLE, SUSTAINABLE DEVELOPMENT SECTION

Indicators of Decree No. 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	1.6.1/1.6.2.1/1.6.2.2/1.6.2.3
Employee training and information in matters of environmental protection	1.6.2.1
Resources devoted to the prevention of environmental risks and pollution	1.6.2.1/1.6.2.3
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)	1.6.2.1

b) Pollution and Waste Management

Measures to prevent, reduce or remedy emissions into the air, water and soil that seriously affect the environment	1.6.2.3/1.6.2.4
Prevention, recycling and waste disposal measures	1.6.2.3/1.6.2.4
Consideration of noise and other forms of pollution specific to an activity	1.6.2.3

c) Sustainable use of resources

Water supply and consumption according to local restrictions	1.6.2.1/1.6.2.4
Consumption of raw materials and measures to improve efficiency of their use	1.6.2.2/1.6.2.4
Energy consumption, measures to improve energy efficiency and use of renewable energy	1.6.2.2/1.6.2.4
Land use	1.6.2.1

d) Climate change

Greenhouse gas emissions	1.6.2.2/1.6.2.4
Adaptation to climate change impacts	1.6.2.1/1.6.2.2

e) Protection of biodiversity

Measures to preserve or enhance biodiversity	1.6.2.1
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2° Employment Information

a) Employment

Total number and distribution of employees by sex, age and geographical area	1.6.3
New hires and terminations	1.6.3.1.1/1.6.3.1.2
Compensation and wage changes	1.6.3.3.1/1.6.3.3.2

b) Work Organization

Organization of working time	1.6.3.2.1/1.6.3.2.2
Absenteeism	1.6.3.2.3

c) Employment relations

Organization of social dialogue, including information and employee consultation and negotiation procedures with it	1.6.3.3.5
Collective Bargaining Agreements	1.6.3.3.3/1.6.3.3.4/1.6.3.3.5/1.6.3.4

d) Health and safety

Health and safety conditions at work	1.6.3.4.1
Review of agreements with trade unions or employee representatives regarding workplace health and safety	1.6.3.4.1
Workplace accidents, including their frequency and severity, and occupational diseases	1.6.3.4.1

e) Training

Training policies implemented	1.6.3.4.2
Total hours of training	1.6.3.4.2

f) Equal treatment

Measures taken to promote equality between women and men	1.6.3.3.3
Measures taken to promote employment and inclusion of people with disabilities	1.6.3.5
Policy against discrimination	1.6.3.3.3/1.6.3.3.4/1.6.3.11

**g) Promotion and enforcement of provisions of the fundamental conventions
of the International Labour Organisation respecting**

Freedom of association and right to collective bargaining	1.6.3.11
the elimination of discrimination in respect of employment and occupation	1.6.3.11
the elimination of forced or compulsory labor	1.6.3.11
the effective abolition of child labor	1.6.3.11

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	1.6.4.3.2
on regional or local populations	1.6.4.2/1.6.4.3.1

**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	1.6.4.3.1
Partnerships or sponsorships	1.6.4.3.2

c) Subcontractors and suppliers

taken into account in the procurement policy of social and environmental issues	1.6.4.1/1.6.4.2
importance of outsourcing and consideration in relationships with suppliers and subcontractors for their social and environmental responsibility	1.6.4.1/1.6.4.2

d) Fair practices

Actions taken to prevent corruption	1.6.4.1
Measures taken to promote consumer health and safety	1.6.4.2

e) Other actions taken under societal commitments to sustainable development, to promote human rights	1.6.1/1.6.3.11
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2.

OPERATING AND FINANCIAL REVIEW OF THE KAUFMAN & BROAD GROUP

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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 and 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 Île-de-France and the Atlantic and Mediterranean coastal regions, which have offered the strongest economic and demographic growth and the 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

Main market data

The macroeconomic environment of 2013 was, as expected, a continuation of 2012:

- sluggish economic growth (GDP growth rate of 0.3% in 2013 according to INSEE's forecasts after 0% in 2012);
- high unemployment rate (10.5% in metropolitan France in the 3rd quarter of 2013);
- buying power constrained by incomes failing to rise and tax burden growing.

As a result, the financial capacity and expectations of economic players still trended toward negative.

In this context, it came as no surprise that, according to the latest available figures, the real estate markets in which Kaufman & Broad continued trending down.

Housing market

- housing orders at all-time low both for new homes (around 87,700^[1] in 2013) and for existing homes (around 668,000 for 2013 according to FNAIM's estimates), which in both cases is comparable to 2012, 20% below the "standard-setting" levels for the past 24 months;
- sharp decline in individual investors, to 40% in 2013, (43% in 2012) compared to 55%^[2] on average for the 2005-2011 period;
- despite interest rates staying at a historic low over the period, prices declined 2.9%^[3] on average for existing housing and were

relatively unchanged in the new housing market. These average prices correspond to pronounced trends that are divergent depending on the Regions, the size of the urban area and the location within that area;

- an offer currently representing approximately 14 months of orders, i.e., double the 7-month take-up period which typically reflects a balanced market;
- housing starts down 3.2% year on year to 294,465^[4] new housing units in 2013 compared to 304,234 housing units in 2012;
- building permits were down 12.3% compared to 2012, from 429,851^[5] housing units to 377,170 in 2013.

Office properties market

- substantial increase in vacant spaces;
- downward pressure on rents in conjunction with significantly increasing abatements;
- postponed or suspended planned moves of large employers.

Kaufman & Broad's strategy launched late 2011 in order to adapt to a market expected to be clearly waning created the following opportunities:

- for the housing business, to stabilize orders and the types of buyers by broadening the offer to include products that are suitable for first-time homebuyers and individual investors in order to keep the take-up rates at satisfactory levels and limit the number of risky offers in the 2012-2013 period;

[1] French Ministry of Ecology, Sustainable Development and Energy – February 2014 publication.

[2] Calculated based on the press releases of Fédération des promoteurs immobiliers (FPI).

[3] FNAIM.

[4] French Ministry of Ecology, Sustainable Development and Energy – January 2014 publication.

[5] French Ministry of Ecology, Sustainable Development and Energy – January 2013 publication.

- for the Commercial Property business, to continue growing in relation to projects meeting the requirements in terms of performance for the customers and profitability for the investors;
- to smooth the effects of the market slowdown on the company's economic balances (revenues, gross margin, etc.) and to continue strengthening its financial capacity in anticipation of a recovery.

Significant data for the group

In this context in which the new housing market has proved not very dynamic, Kaufman & Broad's Commercial Property business was sustained over fiscal year 2013 as a whole and its financial indicators remained solid compared to those of 2012:

- total orders amounted to €1,078.8 million (including VAT) (-2.8% vs. 2012);
- revenues remained relatively stable, at €1,026.0 million (-0.4% vs. 2012);
- gross margin rate was 19.2%, which is still satisfactory (19.6% in 2012);
- net financial debt continued to decrease to €50.0 million as of November 30, 2013 compared to €81.2 million at November 30, 2012 and €163.7 million at November 30, 2011;
- the Housing property portfolio remained high with 15,213 lots, representing potential revenues corresponding to close to three years of business activity.

Total revenues for the group remained relatively stable at €1,026.0 million (excluding VAT) compared to €1,030.0 million (excluding VAT) in 2012. In terms of business, 5,379 homes were ordered, for an amount of €990.3 million (including VAT), compared to 5,487 homes ordered in 2012 for an amount of €1,096.0 million (including VAT), a decrease of 2.0% in volume and 9.6% in value. Commercial Property orders grew strongly compared to the previous year to €87.5 million (including VAT) versus €13.8 million (including VAT) in 2012. This good performance helped offset in part the decline in housing orders over the entire fiscal year.

Housing backlog declined 11.5% compared to 2012. It includes 6,105 homes for an amount of €965.1 million (excluding VAT) at end 2013. In terms of Commercial Property, property reserves totaled 53,599 sq.m in total useable floor area, representing potential revenues of €332.4 million (excluding VAT), i.e., approximately three years of business.

At November 30, 2013 Kaufman & Broad SA had 167 housing programs on the market, of which 44 were in Île-de-France and 123 in the Regions, for a total of 3,550 units, compared to 3,222 housing units available for sale at November 30, 2012, i.e., an increase of 10.2%.

The average monthly take-up rate for lots that entered the market (excluding JVT) was 13.2% in 2013 versus 14.4% in 2012. The attrition rate (excluding discontinued projects) was 31.9% in 2013, up 9.5 points compared to 2012.

The other major highlights of 2013 were the acquisition of Flandres Promotion and the buyback of minority interests.

Acquisition of Flandres Promotion

The group signed the acquisition of Flandres Promotion, a Nord-Pas-de-Calais region real estate development company, on May 29, 2013 for an estimated price of €0.6 million, of which €0.4 million paid at the signing of the agreement. With this acquisition the group will be able to expand in this region.

Buyback of minority interests

In fiscal year 2013, the group bought back minority interests, including three programs in Île-de-France, for a total investment of €2.2 million, under satisfactory conditions of profitability. In accordance with IAS 27R, the impact of these transactions was recognized in shareholders' equity.

Key financial data for the group

The following table presents the group's key financial statement items and main indicators for the last two fiscal years:

Fiscal year ended November 30 (in € thousands)	2013	2012
Revenues	1,025,954	1,030,046
<i>including Housing</i>	967,519	1,000,660
Gross margin	196,769	202,134
Current operating income	76,030	85,281
Operating income	76,029	86,809
Income (loss) attributable to shareholders	51,903	56,704
Attributable net income	40,848	47,624
Net earnings per share	€1.95	€2.25
Total orders (including VAT – in value)	1,078,819	1,109,911
<i>Total backlog (in value excluding VAT)</i>	<i>1,018,635</i>	<i>1,122,569</i>

Fiscal year ended November 30 (in € thousands)	2013	2012
Assets		
Non-current assets	186,920	164,647
Current assets	959,270	887,570
Total assets	1,146,190	1,052,217
Equity and liabilities		
Shareholders' equity	188,202	149,111
Non-current liabilities	292,746	314,631
Current liabilities	665,242	588,475
Total equity and liabilities	1,146,190	1,052,217
Fiscal year ended November 30 (in € thousands)	2013	2012
Cash flow before cost of financial debt and tax	88,894	99,250
Tax paid	131	(2,057)
Change in Working Capital Requirements	(11,507)	58,789
Cash flow generated by operations	77,518	155,983
Cash flow provided by (used in) investing activities	(21,451)	6,145
Cash flow provided by (used in) financing activities	(21,572)	(147,243)
Increase (decrease) in cash	34,495	14,885
Cash at beginning of the period	153,763	138,878
Cash at end of the period	188,258	153,763

Group consolidated revenues for fiscal year 2013 totaled €1,026.3 million, down 0.4% compared to 2012. Revenues from Housing dropped 3.3% to €37.5 million compared to €1,000.7 million for fiscal year 2012. This decline may be explained for the most part by the €57.4 million (5.9%) drop in revenues from the Apartments business between 2013 and 2012. The Housing business accounted for 94.3% of total revenues in 2013, compared with 97.1% in 2012.

Revenues from Apartments totaled €919.3 million in 2013, compared with €976.7 million in 2012. Île-de-France accounted for 44.0% of these revenues, and it is 95.0% of the total Housing business segment compared with 97.6% in 2012.

Revenues from Single-family Homes in Communities doubled compared to the previous year to €48.2 million, compared with €23.9 million in 2012. There was a 51.9% increase in the Regions compared to 60.3% in 2012.

In 2013, 5,839 EHUs⁽¹⁾ were delivered, compared with 5,669 EHUs the previous year, representing a 3.0% rise.

Revenues for the Commercial Property business amounted to €51.2 million compared with €21.1 million in 2012.

The total gross margin amounted to €196.8 million, compared to €202.1 million in 2012. The total gross margin rate was 19.2%, a slightly higher the group's standard-setting level, despite a 0.4 point decline compared to the rate achieved in 2012. The Housing gross margin amounted to €188.8 million, down 3.0% compared to

2012. The gross margin rate has remained unchanged at 19.5% of Housing revenues.

Current operating profit was down 10.8% from €85.3 million in 2012 to €76.0 million in 2013. This decrease is due to a decrease of €5.4 million in the gross margin and the increase of €3.9 million in operating expenses during the period.

Before-tax earnings of consolidated companies amounted to €73.2 million compared to €82.6 million in 2012. The decrease of €9.3 million was due to the decrease of €10.8 million in operating profit, which was offset in part by a €1.3 million decrease 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").

Consolidated net income totaled €51.9 million compared to €56.7 million in 2012. Attributable net income was €40.8 million, down 14.2% compared to 2012. Minority interests were up by €2.0 million to €11.1 million compared to €9.1 million in 2012.

At November 30, 2013, Kaufman & Broad's balance sheet total amounted to €1,146.2 million, compared with €1,052.2 million at November 30, 2012. Shareholders' equity totaled €188.2 million at end 2013, i.e., an increase of €39.1 million compared to 2012, which can be explained primarily with the fact that €48.5 million were paid as interim dividends in the previous year, which was not the case in 2013.

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

Group net financial debt at November 30, 2013 totaled €50.0 million, compared with €81.2 million at November 30, 2012. The items responsible for this €31.2 million drop are described in Section 2.4.1. "Cash flows". Gearing (the net debt to shareholders' equity ratio) stood at 26.6% compared to 54.5% at November 30, 2012.

In fiscal year 2013, the group generated a surplus of €34.5 million, bringing cash from €153.8 million at end 2012 to €188.3 million at the 2013 fiscal year-end. A detailed analysis of this change is presented in Section 2.4.1. "Cash flows".

2.1.2. BUSINESS INDICATORS

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

Orders (by 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 Equivalent Housing Units is determined by comparing the surface area by type (business premises/retail space/offices) with the previously obtained average surface area of housing units.

EHUs (Equivalent Housing Units delivered) directly reflect sales. They are calculated on a per-program basis and are 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.

The backlog includes 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 recognized 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.

It is worth noting that there is an element of uncertainty related to the transformation of backlog into income, particularly for orders that have not yet been officially recorded.

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)	Number of employees at November 30
Fiscal year 2013	3,550	5,379	5,707	167	737 (171 salespeople, 150 property appraisers, 187 technical employees and 229 administrative and support 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)

(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:

Fiscal year ended November 30, 2013	Living area (excluding parking)	Price range (including VAT) ^(a)	Average price ^(a)
Île-de-France			
Single-family Homes in Communities	59 to 143 sq.m	€220,700 to €483,000	€313,000
Apartments	22 to 123 sq.m	€2,260 to €7,600/sq.m	€3,915/sq.m
Regions			
Single-family Homes in Communities	59 to 250 sq.m	€167,000 to €500,000	€268,000
Apartments	18 to 180 sq.m	€1,570 to €8,100/sq.m	€3,930/sq.m

(a) Based on fiscal year 2013 sales, excluding exceptional items.

Kaufman & Broad's current commercial offer clearly reflects its positioning with respect to the customer base that has been the most present in the new housing market over the past several years, namely first-time homebuyers and both institutional and

private investors. The goal is to offer optimized-surface products that best meet the financial and fiscal profitability criteria of investors and the solvency criteria of first-time homebuyers.

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 2012 and 2013.

Housing units	Net orders ^(a)	Orders in value (€ thousands, including VAT)	Deliveries (in EHUs) ^(b)	Backlog (in EHUs)	Backlog in value (€ thousands, excluding VAT)	Backlog in months of business ^(c)
Single-family Homes in Communities						
Fiscal year ended November 30, 2012						
1 st quarter	41	8,032	15	154	32,340	8.7
2 nd quarter	56	14,993	21	179	37,768	13.5
3 rd quarter	91	16,549	24	246	47,427	21.6
4 th quarter	56	16,082	42	266	53,484	26.8
Total	244	55,655	102	-	-	-
Fiscal year ended November 30, 2013						
1 st quarter	58	14,943	39	287	58,894	26.3
2 nd quarter	75	21,026	36	329	69,489	28.7
3 rd quarter	146	42,113	65	407	90,796	28.8
4 th quarter	69	27,507	93	385	94,739	23.6
Total	348	105,589	233	-	-	-
Apartments						
Fiscal year ended November 30, 2012						
1 st quarter	990	197,689	1 136	6,462	1,090,481	14.2
2 nd quarter	1,409	273,896	1 255	6,616	1,092,592	13.7
3 rd quarter	1,440	267,173	1 146	6,910	1,119,302	14.0
4 th quarter	1,404	301,567	2 030	6,284	1,037,621	12.7
Total	5,243	1,040,325	5 567	-	-	-
Fiscal year ended November 30, 2013						
1 st quarter	1,025	179,086	1,078	6,231	999,844	12.5
2 nd quarter	1,437	266,746	1,391	6,288	999,700	12.4
3 rd quarter	1,202	220,301	1,293	6,197	976,790	12.1
4 th quarter	1,367	218,612	1,844	5,720	870,403	11.4
Total	5,031	884,745	5,606	-	-	-

(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 (€ thousands, including VAT)	Backlog in value (€ thousands, excluding VAT)
Fiscal year ended November 30, 2012			
1 st quarter	64	136	37,723
2 nd quarter	5,270	13,687	44,402
3 rd quarter	-	[33]	37,419
4 th quarter	-	-	30,974
Total	5,334	13,791	-
Fiscal year ended November 30, 2013			
1 st quarter	92	158	26,357
2 nd quarter	3,547	10,821	33,885
3 rd quarter	315	502	26,913
4 th quarter	9,273	75,982	52,676
Total	13,227	87,464	-

2.1.3.1.1. Orders

2.1.3.1.1.1. Housing business

In fiscal year 2013, 5,379 net home orders were recorded compared with 5,487 in 2012, a decrease of 2.0%. In value, orders totaled €990.3 million (including VAT), compared with €1,096.0 million (including VAT) in 2012, a decrease of 9.6%. Sales

slowed down in the second half of the year and recorded a decline in orders of 6.9% in volume and 15.4% in value compared to the same half of 2012. The Housing business represents 91.8% of total orders in value for the group, compared to 98.7% in 2012.

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 2013 and 2012 (December 1 to November 30).

	Number of single-family homes ordered				Number of apartments ordered			
	2013	%	2012	%	2013	%	2012	%
Île-de-France	159	46%	131	54%	2,321	46%	2,368	45%
Regions	189	54%	113	46%	2,710	54%	2,875	55%
Total	348	100%	244	100%	5,031	100%	5,243	100%

Apartments

In fiscal year 2012, 5,243 apartments were ordered, compared to 6,317 in 2011, a decrease of 4.0%. This decrease is due to the 5.7% decline in orders in the Regions and the 2.0% decline in Île-de-France. Apartment orders totaled €884.7 million (including VAT), compared to €1,040.3 million (including VAT) in 2012, i.e. a 15.0% decline. The drop in orders in value can be attributed in part to the decline in the prices of orders both in Île-de-France and in the Regions, respectively by -5.8% and -16.3%.

Apartment orders were at 46.1% in volume and 49.6% in value in Île-de-France, compared to, respectively, 45.2% and 45.7% in 2012. The apartments share remains the largest in Kaufman & Broad orders since it reached 82.0% in value and 93.2% in volume of its total orders, compared to, respectively, 93.7% and 95.6% in 2012.

Single-family Homes in Communities

For the entire fiscal year 2013, orders for Single-family Homes in Communities rose by 42.6% to 348 units compared to 244 for the 2012. The rise in the number of Single-family Homes in Communities includes 28 orders in Île-de-France and 76 orders in the Regions. Orders in value almost doubled compared to those recorded in 2012 and totaled €105.6 million (€55.7 million in 2012). The Region contributed 73.1% of the increase in orders of Single-family Homes in Communities in volume, but only 36.7% in value.

Orders by operating segment

		2013			2012		
Fiscal year ended November 30		Number of net orders	Orders in value (€ thousands, including VAT)	Average price (€ thousands, including VAT)	Number of net orders	Orders in value (€ thousands, including VAT)	Average price (€ thousands, including VAT)
Île-de-France		2,480	500,916	-	2,499	505,915	-
	Housing	2,480	500,916	202.0	2,499	505,915	202.4
	Offices	-	-	-	-	-	-
	Other	-	-	-	-	-	-
West		698	88,118	-	506	78,572	-
	Housing	696	87,975	126.4	505	78,436	155.3
	Offices	2	144	71.8	1	136	-
	Other	-	-	-	-	-	-
Southwest		974	180,262	-	1,051	201,705	-
	Housing	957	168,577	176.2	1,052	187,901	178.6
	Offices	7	10,663	-	-	13,654	-
	Other	10	1,022	-	(1)	150	-
Southeast		896	161,854	-	1,139	268,211	-
	Housing	896	161,854	180.6	1,139	268,221	235.5
	Offices	-	-	-	-	-	-
	Other	-	-	-	-	(10)	-
Rhône-Alpes		304	62,479	-	271	51,241	-
	Housing	304	62,479	205.5	271	51,241	189.1
	Offices	-	-	-	-	-	-
	Other	-	-	-	-	-	-
Commercial Property ^(b)		-	76,658	-	-	-	-
	Housing	-	-	-	-	-	-
	Offices	-	76,658	-	-	-	-
	Other	-	-	-	-	-	-
Other Regions		46	8,532	185.5	21	4,266	203.1
	Housing	46	8,532	185.5	21	4,266	203.1
	Offices	-	-	-	-	-	-
	Other	-	-	-	-	-	-
Total group		5,398	1,078,819	-	5,487	1,109,911	-
	Housing	5,379	990,333	184.1	5,487	1,095,980	199.7
	Offices ^(c)	9	87,464	-	1	13,791	-
	Other ^(a)	10	1 022	-	(1)	140	-

(a) Land, building lots.

(b) See Section 1.2.4.6. "Commercial Property".

(c) Offices, retail space, business premises, etc.

Geographically, the Housing business in Île-de-France recorded a slight decline of 0.8% in volume and 1.0% in value. In the Regions, housing orders posted a decline of 3.0% in volume and 17.1% in value. The share of the Regions in the Housing business declined in favor of Île-de-France. It represents 49.4% in value and 53.9% in volume of total group housing orders, compared to 53.8% in value and 54.5% in volume in 2012 and 60.2% in value and 66.1% in volume in 2011.

In 2013, the Southwest (Toulouse, Bordeaux, Bayonne) accounted for 17.0% of the total amount of housing orders, compared with 16.3% for the Southeast (Montpellier, Marseille, Toulon, Nice) and 6.3% pour Rhône-Alpes (Lyon, Grenoble, Annecy). At the same

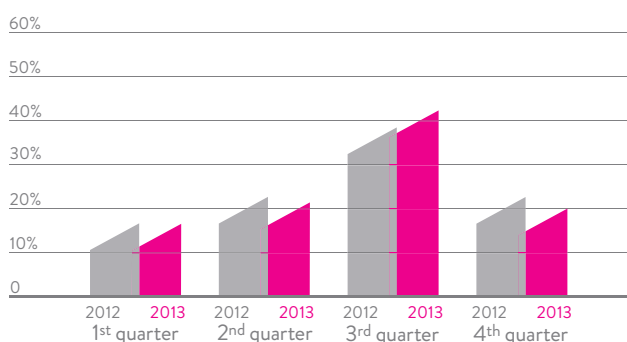
time, the contribution from Île-de-France rose in value from 46.2% to 50.6% and in volume from 45.5% to 46.1%.

Over the course of one year, the average price of group housing orders experienced a decline of 7.8% from €199,700 (including VAT) in 2012 to €184,100 (including VAT) in 2013. Île-de-France experienced a decline of 0.2% in the average housing order price and the Regions experienced a more pronounced contraction of 14.5%.

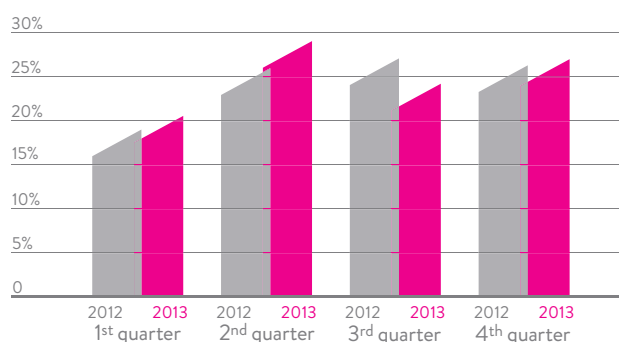
Finally, the average attrition rate for order contracts (excluding order cancellations related to discontinued project) recorded by the group in 2013 totaled 31.9%, compared with 22.4% in 2012.

Cycles and Seasonality of Housing Orders by product type (in %)

Single-family Homes in Communities



Apartments



In fiscal year 2013, the number of apartment orders reached the highest level in the 2nd quarter and its lowest level in the 1st quarter. Orders for single-family homes reached their highest level in the 3rd quarter in 2013 and in 2012. Historically, there have been fewer orders at the beginning of the year.

2.1.3.1.1.2. Commercial Property

In fiscal year 2013, the group recorded Commercial Property orders in the amount of €87.5 million (including VAT), versus €13.8 million (including VAT) in 2012. This involves primarily the

Commercial Property order of €76.7 million (including VAT) for an area of 9,300 sq.m, located in the EcoQuartier – Île Seguin – Rives de Seine in Boulogne-Billancourt (Hauts-de-Seine) and purchased before completion (VEFA) by Boursorama for its future headquarters.

2.1.3.1.2. Backlog

Total backlog amounted to €1,018.6 million (excluding VAT) at November 30, 2012, compared with €1,222.6 million (excluding VAT) at November 30, 2011, a decline of 9.3%.

The following table shows the number and share of backlog by type of housing units ordered in Île-de-France and in the Regions in fiscal years 2013 and 2012 [December 1 to November 30].

	Backlog in number of Single-family Homes in Communities				Backlog in number of apartments			
	2013	%	2012	%	2013	%	2012	%
Île-de-France	166	43%	113	42%	2,532	44%	2,496	40%
Regions	219	57%	153	58%	3,188	56%	3,788	60%
Total	385	100%	266	100%	5,720	100%	6,284	100%

The backlog totaled 6,105 units, compared with 6,550 units at November 30, 2012, a decline of 6.8%. In value, it recorded a decline of 11.5% compared with the same period in 2012, totaling €965.1 million (excluding VAT) at November 30, 2013.

Apartments

The Apartments backlog totaled €870.4 million in 2012, a decrease of 16.1% compared with the end of 2012, when it totaled €1,037.6 million. In volume, it amounted to 5,720 units, compared with 6,284 units in 2012, a decrease of 9.0%. In Île-de-France, the Apartments backlog increased 1.4% in volume but fell by 6.0% in value. In the Regions, it is declining in volume and in value by, respectively, -15.8% and -23.6% between 2013 and 2012.

Single-family Homes in Communities

The Single-family Homes in Communities backlog rose by 44.7% in volume compared to November 30, 2012 and stood at 385 units. In value, it rose 77.1%, i.e., an additional €41.3 million compared to 2012 when it totaled €53.5 million. These increases can be attributed to both Île-de-France and the Regions. At November 30, 2013, Île-de-France had 166 Single-family Homes in Communities in backlog for €52.4 million, compared to 113 units for €24.0 million at the end of 2012. As for the Regions, they recorded an increase of 43.1% in volume and 43.3% in value.

Backlog by operating segment

		2013			2012		
Fiscal year ended November 30		Backlog in number	Backlog in value (€ thousands, excluding VAT)	Average price (in € thousands, excluding VAT)	Backlog in number	Backlog in value (€ thousands, excluding VAT)	Average price (in € thousands, excluding VAT)
Île-de-France		2,698	466,567	-	2,609	464,488	-
	Housing	2,698	466,567	172.9	2,609	464,488	178.0
	Offices	-	-	-	-	-	-
	Other	-	-	-	-	-	-
West		686	67,054	-	492	56,464	-
	Housing	686	67,054	97.7	492	56,464	114.8
	Offices	-	-	-	-	-	-
	Other	-	-	-	-	-	-
Southwest		1,160	167,464	-	1,188	178,410	-
	Housing	1,145	155,541	135.8	1,184	166,450	140.6
	Offices	7	11,105	-	-	11,473	-
	Other	8	818	-	4	487	-
Southeast		1,241	219,245	-	1,850	337,795	-
	Housing	1,241	219,245	176.7	1,849	337,008	182.3
	Offices	-	-	-	-	783	-
	Other	-	-	-	1	3	-
Rhône-Alpes		306	52,375	-	347	56,516	-
	Housing	306	52,375	171.2	347	56,516	162.9
	Offices	-	-	-	-	-	-
	Other	-	-	-	-	-	-
Commercial Property ^(b)		-	41,571	-	-	18,718	-
	Housing	-	-	-	-	-	-
	Offices	-	41,571	-	-	18,718	-
	Other	-	-	-	-	-	-
Other Regions		29	4,361	150.4	69	10,178	147.5
	Housing	29	4,361	150.4	69	10,178	147.5
	Offices	-	-	-	-	-	-
	Other	-	-	-	-	-	-
Total group		6,120	1,018,635	-	6,555	1,122,569	-
	Housing	6,105	965,142	158.1	6,550	1,091,105	166.6
	Offices ^(c)	7	52,676	-	-	30,974	-
	Other ^(a)	8	818	-	5	490	-

(a) Land, building lots.

(b) See Section 2.1.3.1.1.2. "Commercial Property".

(c) Offices, retail space, business premises, etc.

The Housing backlog in Île-de-France grew by 3.4% in volume and 0.4% in value compared with the previous year. At the same time, the Region were down by 13.5% in volume and 20.4% in value, which reflects the decline of the Apartments backlog (-15.8% in volume and -23.6% in value). The Regions' part in the Housing backlog declined in favor of Île-de-France and accounted for 55.8% in volume and 51.7% in value at end 2013, versus 60.2% in volume and 57.4% in value at end 2012: the Southeast represents 22.7% in

value compared to 16.1% for the Southwest and 12.8% for the other Regions. Île-de-France's share totaled 48.3% in value and 44.2% in volume, compared with respectively 42.6% and 39.8% for the same period in 2012.

The Housing backlog at November 30, 2013 was equal to 12 months of business compared to 13 months in 2012.

2.1.4. OUTLOOK

At the start of 2014, the outlook is still roughly the same even if the macroeconomic prospects are trending more upward: economic growth is expected to be accelerating, unemployment has stabilized and so has tax pressure.

The developments expected from these indicators could reverse expectations of economic players in a more positive direction in the coming months even if still cautious initially. More specifically, there are some factors that could have a positive impact in this period:

- the housing production deficit that has accumulated for three years now having reached 12 months of business should be a price support factor and respond to a latent demand that the current offer cannot meet;
- the Government's announcements and measures intended to revive the housing sector through specific initiatives created to support the production of social and "intermediary" housing as well as that of market housing to reach 500,000 housing units under construction within the next 24 months could be a support and a drive factor even if they are not expected to make a strong impact on revenues over the short term: these include, 10% VAT and 20-year property tax exemption for "intermediate" housing (Argos - SNI projects), commitment for 30% social housing, simplified complaint handling procedures, etc.

Therefore after more than 24 months of steady deterioration, an inflection point may be reached by end 2014 and anticipating a rebound in the housing and Commercial Property market in 2015 may seem possible. However, these positive factors could be:

- limited by the cyclical effect of the municipal elections in March 2014 which will probably delay the market and administrative release of some of the housing initiatives;
- cancelled because of a fast increase in interest rates fast by more than 1% within the next 12 months even if this is a scenario that most economists do not favor.

If this risk does not arise, 2014 should be a year of transition that will prepare and accompany the recovery of the market in the 2015-2016 period. In 2014, for Kaufman & Broad this should result in:

- a controlled withdrawal from its housing business while remaining attentive to the developments in terms of types of clients and their financial capacity;
- an accelerated development of the senior and student residences products;
- a consolidation of its presence on the Commercial Property market by implementing operations currently under study and renewing the portfolio;
- remaining attentive to the development of related and complementary markets such as commercial real estate, logistics and land developer/sub-divider;
- the strengthening of its property portfolio without changing its rules and selection criteria for its entire range of products;
- the strengthening of its marketing skills in relation to block/institutional sales and to networks/specifiers;
- the strengthening of its financial capacity.

Land purchases and property reserves

In fiscal year 2013, the group made land purchases for a total amount of €164.8 million. In 2012, land purchases totaled €170.8 million, i.e., a decline of 3.5%.

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 Sections 2.1.2. "Business Indicators" and 2.1.3. "Tracking of Indicators").

The property portfolio (land for development for which an act or promise of sale was signed) totaled €593.1 million at November 30, 2013. The value of the reservation deposits related to the purchase options that may be due by the group, if it were not to buy them but the conditions required in the promise were to be met totaled €30.5 million (registered in off-balance sheet commitments or included under assets in the balance sheet).

Land reserve

Lots available for development by 2016 (at November 30, 2013)	Number	Estimated sq.m ^{(c) (d) (e)}
Land to be developed ^(a)	15,213	972,283
Single-Family Homes	733	61,152
Apartments	14,471	852,332
Commercial Property	9	58,799
Other	-	-
Land under survey ^(b)	7,257	468,622
Single-Family Homes	831	55,015
Apartments	6,196	377,177
Commercial Property	158	27,430
Other	72	9,000
Total – France	22,470	1,440,905

(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.

At November 30, 2013, the Housing property portfolio included 15,204 housing units, of which 5,401 were in Île-de-France and 9 803 in the Regions, i.e. close to three years of business. The Office property portfolio, meanwhile, included 58,799 sq.m of net surface area. The business potential for the group by 2016 thus represents 22,231 housing units and 86,229 sq.m of offices including 7,027 housing units and 27,430 sq.m of offices on land currently under consideration.

In 2014, the group plans to develop 91 new housing programs for a total of 6,626 lots including 37 programs in Île-de-France for 2,693 lots and 54 programs in the Regions for 3,933 lots and one Commercial Property program in 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)	2013	2012
Revenues	1,025,954	1,030,046
Gross margin	196,769	202,134
Current operating income	76,030	85,281
Operating income	76,029	86,809
Income (loss) attributable to shareholders	51,903	56,705
Attributable net income	40,848	47,624
Net earnings per share	€1.95	€2.25

2.2.2. SOURCES OF NET INCOME

The accounting principles, estimates and assumptions used to prepare the Consolidated Financial Statements at November 30, 2013 are described in Note 1 to the Consolidated Financial Statements at November 30, 2013.

The group recognizes 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 profit 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;
- the **"other income and expenses"** item includes charges to and reversals of depreciation, amortization and provisions, and expenses of the technical and after-sales customer service departments (salaries, travel expenses, etc.).

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.

Income (loss) attributable to shareholders corresponds to operating income 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, gains on the sale of money market SICAVs, income from term accounts 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 consolidated companies less:

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

Attributable net income corresponds to net income of 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.

Group 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).

2.3. MANAGEMENT DISCUSSION AND ANALYSIS

Statement of consolidated comprehensive income

Consolidated Income Statement

(in € thousands)	November 30, 2013	November 30, 2012
Revenues	1,025,954	1,030,046
Cost of sales	(829,185)	(827,912)
Gross margin	196,769	202,134
Selling expenses	(30,619)	(29,242)
Administrative expenses	(65,058)	(62,935)
Technical and customer service expenses	(18,052)	(16,301)
Other expenses	(10,180)	(9,326)
Other income	3,170	951
Current operating income	76,030	85,281
Other non-recurring income	5	1,538
Other non-recurring expenses	(6)	(10)
Operating income	76,029	86,809
Financial expenses	(3,551)	(5,918)
Financial income	744	1,797
Cost of net financial debt	(2,807)	(4,121)
Other interest expense	-	(1,109)
Other financial income	-	1,000
Pre-tax income of consolidated companies	73,222	82,579
Corporate income tax	(21,961)	(25,814)
Net income of consolidated companies	51,261	56,765
Share of income (loss) of equity affiliates and joint-ventures	642	(61)
Income (loss) attributable to shareholders	51,903	56,704
Minority interest income (loss)	11,055	9,080
Attributable net income	40,848	47,624
Average number of shares	20,915,865	21,135,155
Earnings per share	€1.95	€2.25
Diluted earnings per share	€1.95	€2.25

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 2013 and 2012:

Fiscal year ended November 30 (in € thousands)	2013			2012		
	Delivered (EHUs)	Revenues	Gross margin ^(b)	Delivered (EHUs)	Revenues	Gross margin ^(b)
Apartments	5,606	919,297	178,121	5,567	976,726	189,645
Single-Family Homes	233	48,221	10,646	102	23,933	4,967
Total Housing	5,839	967,519	188,767	5,669	1,000,660	194,612
Commercial Property	2	51,223	5,981	10	21,087	5,781
Other ^(a)	7	698	162	11	1,649	278
Showroom	-	6,515	1,859	-	6,650	1,463
Grand Total	5,848	1,025,954	196,769	5,690	1,030,046	202,134

(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 at November 30, 2012 was €9.5 million, or 4.8% of the gross margin, compared with €10.1 million at November 30, 2012.

Delivered EHUs

The total number of Equivalent Housing Unit (EHUs) delivered was up 3.0% between 2013 and 2012, from 5,669 units delivered in 2012 to 5,839 units delivered in 2013. The share of Apartments amounted to 96.0% of housing units delivered compared with 98.2% in 2012.

Revenues

Total revenues (excluding VAT) were slightly down by 0.4% compared to 2012, totaling €1,026.0 million versus €1,030.0 million in 2012. This decline is explained mainly by the decrease in revenues in the Apartments business (-€57.4 million) partially offset by the rise in revenues in the Single-Family Homes business (+€24.3 million) and in the Commercial Property business (+€30.1 million).

Apartments business

Revenues from the Apartments business declined by 5.9% from €976.7 million to €919.3 million in 2013. 44.0% of revenues were generated in Île-de-France compared to 45.6% in 2012. The share of Apartments in the total revenues was 89.6%, compared with 94.8% the previous year. The €57.4 million decline in Apartments revenues is the result of the decline recorded both in Île-de-France and in the Regions, of -€40.8 million and -€16.6 million respectively.

Single-Family Home in Communities business

Revenues from the Single-Family Home doubled compared to 2012, from €23.9 million in 2012 to €48.2 million in 2013. Its share in total revenues was 4.7%, compared to 2.3% in 2012. This increase of €24.3 million includes €13.7 million in Île-de-France and €10.6 million in the Regions. Île-de-France's share in the Single-Family Home revenues grew 8.4 points compared to 2012 to 48.1% in 2013.

Other businesses

Revenues from the Commercial Property recorded a significant increase of €30.1 million to €51.2 million in 2013.

Revenues from land sales and outside fees (for project management contracts) declined by half, from €1.6 million in 2012 to €0.7 million in 2013.

Showroom revenues remained practically stable, at €6.5 million compared to €6.7 million in 2012.

Gross margin

Group gross margin was €196.8 million compared to €202.1 million in 2012, i.e., down 2.7% (-€5.4 million)

Apartments business

The Apartments business had a gross margin of €178.1 million, compared to €189.6 million in 2012. Its gross margin rate was 19.4%, unchanged from 2012. The €11.5 million decline in gross margin is the result of a decline of €4.5 million in Île-de-France and close to €7.0 million in the Regions.

Single-family Homes in Communities business

In the same trend as its revenues, the gross margin of the Single-Family Home business recorded a sharp increase compared to 2012. It totaled €10.6 million for fiscal year 2013 compared to €5.0 million for fiscal year 2012. The gross margin rate for this business was 22.1% compared to 20.8% the previous year. In Île-de-France, the gross margin rate was 25.8% compared to 40.1% (an atypical rate) in 2012. In the Regions, the gross margin rate rose by 10.6 points compared to 2012 when it was 8.0%.

Other businesses

The gross margin from other businesses amounted to €8.0 million compared to €7.5 million in 2012, i.e. a 6.4% increase compared to 2012. €6.0 million of it was from the Commercial Property business, i.e. a 3.5% increase year-on-year.

The gross margin rate of the Commercial Property business dropped to 11.7% in the fiscal year ended November 30, 2013, compared to the 27.5% rate generated in the fiscal year ended

November 30, 2012. This decline is primarily the result of a change in the product mix that occurred between the two fiscal years. Thus, in the fiscal year ended November 30, 2012, the Commercial Property business involved lots related to mixed offices and housing programs in the Regions. Conversely, in fiscal year ended November 30, 2013, the Commercial Property business included pure office construction programs in Île-de-France, in relation to which lower average gross margin rates are generally generated due to greater land costs and other selling expenses.

2.3.1.2. Breakdown by operating segment

The following table shows a breakdown of the number of Equivalent Housing Units (EHUs), revenues and gross margin by geographic area for fiscal years 2013 and 2012:

Fiscal year ended November 30		2013			2012		
(in € thousands)		Delivered (EHUs)	Revenues	Gross margin ^(b)	Delivered (EHUs)	Revenues	Gross margin ^(b)
Île-de-France		2,391	432,139	93,769	2,312	460,288	95,272
	Housing	2,391	428,016	91,892	2,309	455,158	94,255
	Offices	-	-	-	-	-	-
	Other ^(a)	-	4,124	1,877	3	5,130	1,017
West		504	63,343	10,109	489	56,703	9,117
	Housing	502	63,075	10,405	487	56,465	8,988
	Offices	2	201	(44)	1	109	(6)
	Other ^(a)	-	67	(251)	1	130	135
Southwest		1,006	162,791	31,259	969	151,545	28,973
	Housing	1,000	153,202	28,693	963	150,878	28,903
	Offices	-	9,004	1,628	-	-	-
	Other ^(a)	6	585	937	6	667	70
Southeast		1,505	253,418	42,276	1,297	256,148	45,987
	Housing	1,504	250,280	42,305	1,287	238,509	40,741
	Offices	-	776	470	9	15,291	4,736
	Other ^(a)	1	2,362	(499)	1	2,349	509
Rhône-Alpes		345	57,621	13,947	560	90,508	20,367
	Housing	345	57,567	13,751	560	90,507	20,365
	Offices	-	-	-	-	-	-
	Other ^(a)	-	54	196	-	2	2
Commercial Property		-	41,243	3,927	-	5,688	1,051
	Housing	-	-	-	-	-	-
	Commercial Property	-	41,243	3,927	-	5,688	1,051
	Other ^(a)	-	-	-	-	-	-
Other Regions		97	15,400	1,482	63	9,166	1,368
	Housing	97	15,379	1,721	63	9,143	1,360
	Offices	-	-	-	-	-	-
	Other ^(a)	-	21	(239)	-	23	8
Total		5,848	1,025,954	196,769	5,690	1,030,046	202,134

(a) Bare lot sales, external fees and the 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, 2013 was €9.5 million, or 4.8% of the gross margin, compared with €10.1 million at November 30, 2012.

Delivered EHUs

By geographic area, Île-de-France represents an important part in the group's Housing business with 40.9% of housing units delivered in 2013 (40.8% for apartments and 45.5% for Single-family Homes in Communities) compared to 40.7% in 2012. The group has also

been active in the Southeast (Nice, Toulon, Marseille, Montpellier) and in the Southwest (Toulouse, Bordeaux, Bayonne) where 25.8% and 17.1% respectively of the housing units were delivered compared to 22.7% and 17.0% in 2012.

Housing revenues

Housing revenues totaled €967.5 million in 2013, compared to €1,000.7 million in 2012, down 3.3%. The share of the Regions in the Housing business revenues was slightly higher compared to 2012 and accounted for 55.8% compared to 54.5% in 2012.

After Île-de-France, the Southeast (Nice, Toulon, Marseille, Montpellier) and the Southwest (Toulouse, Bordeaux, Bayonne) were the two biggest contributors, contributing 25.9% and 15.8% of Housing business revenues respectively. The share of the West (Nantes, Rennes) was 6.5% and for Rhône-Alpes (Lyon, Grenoble, Annecy) it totaled 5.9%.

The €33.1 million drop in Housing revenues compared with 2012 is hidden by geographic disparities. The withdrawal of €60.1 million, of which €32.9 million was in Rhône-Alpes and €27.1 million was in Île-de-France made an impact on the group's Housing revenues, despite increases in the Southwest, West, Southeast and Other Regions (Lille-Flandres, Strasbourg, Rouen), of, respectively, €11.8 million, €6.6 million, €2.3 million and €6.2 million.

Housing gross margin

The gross margin for the Housing business at November 30, 2013 amounted to €188.8 million, compared with €194.6 million in 2012, a decrease of 3.0% over one year. The Housing gross margin rate, however, remained stable, at 19.5% in 2013 versus 19.4% in 2012.

Île-de-France accounted for 48.7% of the Housing gross margin made by the group in 2013 (48.4% in 2012). The Southeast (Marseille, Toulon, Nice and Montpellier) accounted for 22.4% and the Southwest (Toulouse, Bordeaux and Bayonne) was the third-largest contributor with 15.2%. The Rhône-Alpes region (Lyon, Grenoble, Annecy) and the West (Nantes, Rennes) respectively contribute 7.3% and 5.5% in gross margin for the Housing business.

In the same trend as the Housing revenue change, the €5.8 million decline in Housing gross margin in 2013 compared to 2012 is the result mainly of the drop by €6.6 million decline in Rhône-Alpes and €2.4 million in Île-de-France, partly offset by the increase of €1.4 million in the West and €1.6 million in the Southeast.

2.3.2. CURRENT OPERATING PROFIT – OPERATING MARGIN

The group's current operating profit declined 10.8%, from €85.3 million in 2012 to €76.0 million in 2013. The current operating margin was 7.4% compared to 8.3% in 2012.

The current operating profit decrease of €9.3 million primarily reflects the gross margin decrease of €5.4 million, to which is added an increase in operating expenses of €3.9 million in 2013 compared to 2012. At November 30, 2013, operating expenses totaled €120.7 million, compared with €116.9 million in 2012. Operating expenses as a percentage of revenues were 11.8% in 2013 compared to 11.3% in 2012.

The change in operating expenses primarily reflects the following items:

Selling expenses

Selling expenses amounted to €30.6 million compared with €29.2 million the previous year, an increase of 4.7%. This increase came mainly from advertising expenses related to enhanced communication on ongoing programs and new programs launched over the period (+€0.8 million) and an increase in the salaries and payroll taxes item related to the annual increase in salaries (+€0.7 million).

Sales team compensation

The following table shows the change in payroll costs for the group's sales team (fixed and variable pay are included in selling expenses) over the last two fiscal years:

Fiscal year ended November 30 (in € thousands)

	2013	2012
Salaries and payroll taxes	8,167	7,468
Commissions paid to the sales team	10,676	9,049
<i>As a percentage of total group revenues</i>	1.8%	1.6%

Sales commissions

(in € thousands)

	2013	2012
Commissions paid to the sales team	10,676	9,049
External commissions	21,190	17,973
Total commissions on sales	31,866	27,022
<i>As a percentage of total group revenues</i>	3.1%	2.6%
<i>As a percentage of Housing gross margin</i>	16.9%	13.9%

The amount of commissions on sales amounted to more than €31.9 million in 2013, including €10.7 million for internal commissions (paid to the sales teams) and €21.2 million for external commissions (paid to prescribers). The increase of €1.6 million in internal commissions is mainly due to the increase of the variable part paid to sellers. The €3.2 million increase in external commissions, can in turn be explained in part by the 14.8% increase in 2013 compared to 2012 in the number of orders by prescribers and by networks. It is worth underscoring that these expenses are included in the selling expenses of property development operations.

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 in Communities 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)

	2013	2012
Advertising expenses	19,894	19,076
As a percentage of revenues	1.9%	1.9%

The share of advertising expenses and the costs of model areas in revenues remained at 1.9%, at the same level as in 2012. Advertising expenses in 2013 rose by 4.3% while revenues were

down by 0.4% year-on-year. The increase in advertising expenses is due to enhanced communication for ongoing programs and new programs launched over the period.

Administrative expenses

Administrative expenses totaled €65.1 million compared to €62.9 million in 2012. The €2.1 million increase can be attributed primarily to the increase in the salaries and payroll taxes items in relation to the annual increase in salaries.

Technical and customer service expenses

Technical and customer service expenses were €18.1 million, compared to €16.3 million in the previous year, i.e., an increase of 10.7%. This increase is mainly explained by the €1.7 million increase salaries and payroll taxes due to the increase in the workforce.

Other Income and Expenses

The "Other income and expenses" item totaled €7.0 million, down 16.3% compared to 2012 when it was €8.4 million. The year-on-year net change in this item can be explained in part by the €2.2 million increase in other income originating from the €1.3 million euros from the sale of the offices of the Grenoble and the €0.9 million increase in sales of service and, secondly, by the €0.9 million increase in other expenses. The increase in other expenses can be attributed primarily to the €2.1 million increase in provisions reversals following the settlement of prior litigation and €0.5 million in other expenses, offset in part by the €2.0 million decrease in expenses for abandoned projects.

2.3.3. OTHER NON-RECURRING INCOME AND EXPENSES

At November 30, 2013 this item showed income of €5,000 compared to income of €1.5 million in 2012. For fiscal year 2012, having revisited the setup of a real estate program, 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 amounts of the non-recurring expenses for fiscal year 2013 were immaterial, as were those for fiscal year 2012, totally €6,000 and €10,000 respectively.

2.3.4. COST OF NET FINANCIAL DEBT AND OTHER FINANCIAL INCOME AND EXPENSES

Cost of net financial debt

The cost of the net financial debt fell by €1.3 million from €4.1 million in 2012 to €2.8 million in 2013. This decrease can be attributed primarily to the following:

- a €2.9 million decline in interest expenses on the syndicated credit facilities;
- a €3.3 million decline in swap-related interest expenses;
- a €1.7 million increase in origination fees;
- a €1.9 million decline related to the capitalization borrowing costs under IAS 23;
- a €1.1 million decline in financial income.

Other income and expenses

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 took place in 2011 and 2012, further amortization of the origination fees for the Senior B and Senior C lines was recorded in "Other financial expenses" in the amount of €1.1 million for 2012. In addition, €1.0 million was recorded under "Other financial income" in relation to these transactions. No amount has been recorded for other financial income and expenses for fiscal year 2013.

2.3.5. NET INCOME

Tax liability

Income tax resulted in a tax charge of €22.0 million calculated based on the net profits of the group at November 30, 2013, compared to €25.8 million for fiscal year 2012 (see Section 4.1.3. "Statement of comprehensive income," Note 13.2. "Tax Reconciliation").

Minority interests

The amount of minority interests was up by €2.0 million from €9.1 million in 2012 to €11.1 million in 2013. This rise reflects the increasing number of joint development programs carried out in 2013.

Net income

Attributable net income for fiscal year 2013 was slightly down by 14.2% compared to fiscal year 2012. It totaled €40.8 million, compared to €47.6 million in 2012.

The net margin (net income as a percentage of revenues) was 4.0% in 2013, compared with 4.6% in 2012.

2.3.6. INCOME BY OPERATING SEGMENT

Pursuant to IFRS 8, segment information reflects the organization of the internal reporting intended for the group's management.

Fiscal year ended November 30, 2013

(in € thousands)	Île-de-France	West	Southwest	Southeast
Revenues	432,139	63,343	162,791	253,418
Gross margin	93,119	10,376	30,292	43,508
Selling expenses	(12,452)	(1,453)	(4,988)	(6,437)
Administrative expenses	(14,989)	(2,961)	(8,213)	(8,961)
Technical and customer service expenses	(7,809)	(948)	(2,908)	(4,117)
Other expenses	(1,124)	(1,041)	(1,399)	(2,786)
Other income	565	62	458	134
Reallocation of portion of Corporate re invoicing	(11,206)	(2,247)	(6,256)	(7,106)
Current operating income	46,107	1,789	6,986	14,235
Other non-recurring income and expenses	10	-	-	(7)
Operating income	46,117	1,789	6,986	14,228
Cost of net financial debt and other financial income/expenses	5,804	492	83	748
Reallocation of cost of net financial debt	(3,805)	(763)	(2,124)	(2,413)
Pre-tax profit (loss) of consolidated companies	48,116	1,518	4,945	12,563
Income tax	(15,035)	(316)	(1,324)	(3,237)
Share of income (loss) of equity affiliates and joint-ventures	478	(34)	9	(61)
Income (loss) attributable to shareholders	33,559	1,168	3,631	9,265
<i>Attributable net income</i>	<i>28,269</i>	<i>529</i>	<i>2,319</i>	<i>5,934</i>
<i>Minority interests</i>	<i>5,290</i>	<i>639</i>	<i>1,312</i>	<i>3,331</i>

Fiscal year ended November 30, 2013

(in € thousands)	Rhône-Alpes	Commercial Property	Other Regions	Head office	Total
Revenues	57,621	41,243	15,400	-	1,025,954
Gross margin	13,821	3,927	1,725	-	196,768
Selling expenses	(1,834)	(54)	(86)	(3,315)	(30,619)
Administrative expenses	(4,156)	(1,583)	(862)	(23,332)	(65,058)
Technical and customer service expenses	(1,210)	(187)	(187)	(694)	(18,052)
Other expenses	(845)	230	273	(3,488)	(10,180)
Other income	1,465	1	25	461	3,170
Reallocation of portion of Corporate re invoicing	(2,338)	(911)	(304)	30,368	-
Current operating income	4,902	1,423	584	-	76,030
Other non-recurring income and expenses	(3)	-	(1)	-	(1)
Operating income	4,899	1,423	583	-	76,029
Cost of net financial debt and other financial income/expenses	1,349	(532)	(440)	(10,311)	(2,807)
Reallocation of cost of net financial debt	(794)	(309)	(103)	10,311	-
Pre-tax profit (loss) of consolidated companies	5,454	582	40	-	73,222
Income tax	(1,825)	(211)	(16)	-	(21,961)
Share of income (loss) of equity affiliates and joint-ventures	251	-	-	-	642
Income (loss) attributable to shareholders	3,880	371	24	-	51,903
<i>Attributable net income</i>	<i>3,401</i>	<i>371</i>	<i>20</i>	<i>-</i>	<i>40,848</i>
<i>Minority interests</i>	<i>479</i>	<i>-</i>	<i>4</i>	<i>-</i>	<i>11,055</i>

Fiscal year ended 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 income	273	16	172	66
Reallocation of portion of Corporate re invoicing	(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 profit (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
<i>Attributable net income</i>	<i>33,768</i>	<i>660</i>	<i>3,193</i>	<i>6,650</i>
<i>Minority interests</i>	<i>2,692</i>	<i>343</i>	<i>750</i>	<i>3,963</i>

Fiscal year ended November 30, 2012
(in € thousands)

	Rhône-Alpes	Commercial Property	Other Regions	Head office	Total
Revenues	90,507	5,692	9,162	-	1,030,046
Gross margin	20,365	1,055	1,364	-	202,134
Selling expenses	(1,940)	(51)	(75)	(2,212)	(29,242)
Administrative expenses	(4,079)	(1,127)	(668)	(25,933)	(62,935)
Technical and customer service expenses	(1,188)	(278)	(222)	(654)	(16,301)
Other expenses	(1,156)	(69)	(289)	3,923	(9,326)
Other income	115	0	19	290	951
Reallocation of portion of Corporate re invoicing	(2,850)	(420)	(326)	24,586	-
Current operating income	9,267	(890)	(197)	-	85,281
Other non-recurring income and expenses	(1)	-	21	-	1,528
Operating income	9,266	(890)	(176)	-	86,809
Cost of net financial debt and other financial income/expenses	1,884	190	(1,382)	(18,328)	(4,230)
Reallocation of cost of net financial debt	(1,897)	(249)	(257)	18,328	-
Pre-tax profit (loss) of consolidated companies	9,253	(949)	(1,815)	-	82,579
Income tax	(2,803)	320	618	(2)	(25,814)
Share of income (loss) of equity affiliates and joint-ventures	58	-	(1)	6	(61)
Income (loss) attributable to shareholders	6,508	(629)	(1,198)	4	56,704
<i>Attributable net income</i>	<i>5,176</i>	<i>(629)</i>	<i>(1,198)</i>	<i>4</i>	<i>47,624</i>
<i>Minority interests</i>	<i>1,332</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>9,080</i>

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, 2013.

2.4. LIQUIDITY AND CAPITAL RESOURCES

2.4.1. CASH FLOWS

The group's net cash flow totaled €188.3 million at November 30, 2013, up €34.5 million compared to November 30, 2012, when it totaled €153.8 million. The increase is analyzed below:

(in € thousands)	November 30, 2013	November 30, 2012
Cash flow from operating activities	77,518	155,983
Cash flow from investing activities	(21,451)	6,145
<i>Free cash flow</i>	<i>56,067</i>	<i>162,128</i>
Cash flow from financing activities	(21,572)	(147,247)
Increase (decrease) in cash	34,495	14,885
Cash at beginning of the period	153,763	138,878
Cash at end of the period	188,258	153,763

Cash flow from operating activities

Cash flows generated by operating activities totaled €77.5 million compared to €156.0 million at November 30, 2012, a decrease of €78.5 million. The change in cash flows generated from operating activities was primarily due to the decrease in the change in Operating Working Capital Requirements (excluding current taxes), which changed from €58.8 million at November 30, 2012 to -€11.5 million at November 30, 2013.

Operating Working Capital Requirements (excluding current taxes) for fiscal year 2013 was up €11.5 million compared with November 30, 2012. This increase was mainly due to the increase in trade payables, partially offset by the increase in inventories and accounts receivable.

The changes in operating WCR can be analyzed primarily as follows:

- inventories increased by €42.9 million;
- accounts receivable rose by €20.7 million;
- trade payables rose by €76.6 million;
- other operating assets and liabilities increased by €24.5 million.

Working Capital Requirements (WCR) totaled €126.8 million at end-November 2013, compared with €144.4 million at end-November 2012, a decrease of €17.6 million. WCR as a percentage of revenues amounts to 12.4% at November 30, 2013, compared with 14.0% for the same period in 2012.

Cash flows provided by (used in) investing activities

Cash flows provided by (used in) investing activities amounted to -€21.5 million, compared with €6.1 million in the previous fiscal year, i.e.:

- -€1.9 million in disbursements for acquisitions of tangible and intangible assets;
- -€16.4 million related primarily to pledged SICAVs;
- -€3.1 million in cash flows with equity affiliates.

Cash flows provided by (used in) financing activities

Cash flows provided by (used in) financing activities amounted to -€21.6 million, compared with -€147.2 million in 2012. These are comprised primarily of:

- -€9.5 million in distributions to minority interests;
- -€2.1 million in acquisitions of minority interests;
- -€1.2 million in purchases of treasury shares;
- -€8.8 million in net financial interest paid.

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, 2013	November 30, 2012
Syndicated bank credit line	237,667	237,667
Other borrowings	-	4
Utilized credit facilities	512	454
Issuance expenses	-	(3,344)
Fair value of derivatives	120	212
Gross financial debt	238,299	234,993
- of which non-current	218,959	234,535
- of which current	19,340	458

At November 30, 2013, the group's gross financial debt totaled €238.3 million including close to €219.0 million in non-current debt (primarily Senior B and C lines) and €19.3 million in current debt (comprising primarily €18.7 million in cash sweep).

At the same date, the group had a syndicated bank credit facility of €290.6 million including Senior B and C lines in the amount of €237.7 million and €52.9 million of unused RCF line, a level that is equivalent to that of November 30, 2012.

By way of reminder, in July 2007, the group implemented a new financial structure. The balance on syndicated bank credit facilities of €237.7 million at November 30, 2013 mature on July 10, 2015 for the Senior B line and on July 10, 2016 for the Senior C line. Supplemental Agreements were signed with respect to the Senior Facilities Agreement respectively on January 23, 2009, June 30, 2009, November 25, 2009, July 25, 2011 and October 17, 2012. In addition, the group has an unused RCF line which matures on July 10, 2014.

(in € thousands)	Debt capacity	Utilization at November 30, 2013	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	-	-

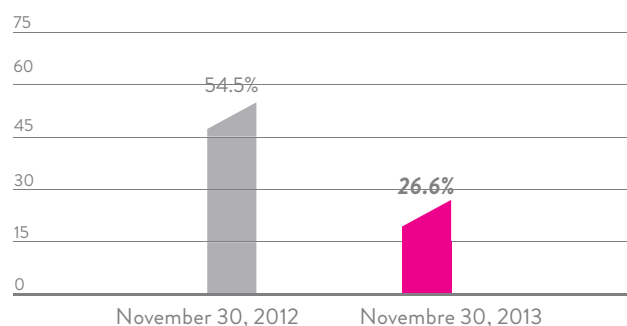
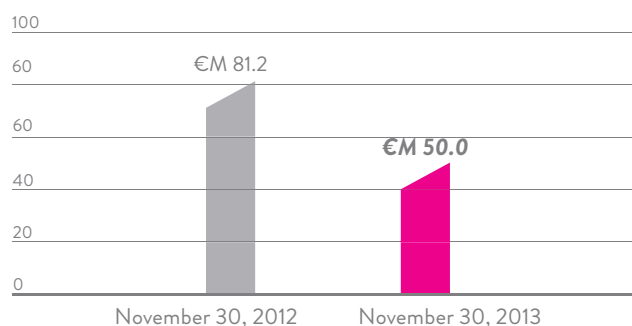
(a) E = Euribor is, for a given maturity, the fixing, calculated every business day, of an average rate at which a panel of fifty major banks in Europe make unsecured loans to other major banks.

(b) Revolving credit facility.

The total effective rate on the debt, taking into account the total amortization of issue fees incurred (€3.3 million in 2013) and hedges was 4.25% versus 4.04% in 2012.

Gross financial debt totaled €238.3 million, compared to €235.0 million at the end of 2012. Net financial debt was €50.0 million, compared to €81.2 million the previous year.

2.4.2.1. Change in net financial debt



Net financial debt means gross financial debt less cash and cash equivalents.

The gearing ratio (net debt to consolidated shareholders' equity) was 26.6% at November 30, 2013, compared with 54.5% at

November 30, 2012, reflecting both the decline in net debt of €31.2 million and the increase in shareholders' equity of €39.1 million between the two fiscal years.

2.4.2.2. Main changes in gross financial debt

(in € millions)

November 30

Gross financial debt at November 30, 2012	234,993
Repayment of syndicated credit facilities (Senior B + C)	-
Change in other borrowings	(4)
Change in derivative instruments	(92)
Change in issue costs	3,344
Change in credit facilities	58
Gross financial debt at November 30, 2013	238,299
Change in gross financial debt at November 30, 2013	3,306

Between November 30, 2013 and November 30, 2012, the group's gross financial debt changed by €3.3 million which can be

explained primarily by the spreading of the balance of the issuance costs related to the set-up of the syndicated lines of credit in 2007.

The following table shows the group's financial structure over the past two years and changes in the maturity of its debt:

(in € thousands)

November 30, 2013 November 30, 2012

Shareholders' equity	188.2	149.1
Total debt*	238.3	235.0
Debt due within one year	19.3	0.5
Debt due between one and five years	219.0	234.5
Maturity	2.1 years	3.1 years
* Of which:		
Bond issuance expenses	-	(3.3)
Hedging Instruments	0.1	0.2
Bilateral credit lines	0.5	0.5
Senior B and C lines	237.7	237.7

2.4.2.3. Swap agreements – 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, 2013, of Euribor 1-month lender fixed rate borrower swaps.

Type	Notional amount (in € millions)	Fixed rate	Maturity	Type	Market value at November 30, 2013 as a % of face value
EUR 1M fixed rate swap	50	0.202%	Nov. 30, 2012 – Nov. 30, 2014	hedge	-0.06%
EUR 1M fixed rate swap	50	0.218%	Nov. 30, 2012 – Nov. 30, 2014	hedge	-0.08%
EUR 1M fixed rate swap	50	0.240%	Nov. 30, 2012 – Nov. 30, 2014	hedge	-0.10%
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, 2013 was -€79,000.

3.

CORPORATE GOVERNANCE

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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

The Board of Directors of Kaufman & Broad SA currently has nine members who provide the group with a broad range of complementary skills and experience:

Name	Age ^(a)	Compensation and Nominating Committee	Audit Committee	Board of Directors	Years of service on the Board	Date of first election	Term of office expires ^(b)	Number of company shares held
Chairman and Chief Executive Officer								
Nordine Hachemi	52			✓	1	06/25/2013 ^(c)	2014	22,806
Independent Directors								
Sylvie Charles	54		✓	✓	2	02/16/2012	2014	250
Alain de Pouzilhac	68	✓		✓	11	04/30/2003	2014	250
Yves Galland	72		✓	✓	10	04/28/2004	2015	600
Other directors								
Sophie Lombard	44	✓	✓	✓	7	07/10/2007 ^(d)	2014	250
Frédéric Stévenin	47	✓	✓	✓	7	07/10/2007	2014	250
Lionel Zinsou	59			✓	5	09/29/2009	2015	250
Olivier de Vregille	58			✓	5	09/29/2009 ^(e)	2015	250
Alexandre Dejoie	31			✓	1	01/24/2014 ^(f)	2015	-

(a) At February 20, 2014.

(b) Approval of the financial statements for the fiscal year.

(c) The co-option of Nordine Hachemi was ratified by the Shareholders' Meeting of September 27, 2013.

(d) Note that Sophie Lombard was no longer a director of the company from January 10, 2010 to September 29, 2010.

(e) The co-option of Olivier de Vregille was ratified by the Shareholders' Meeting of September 27, 2013. Note that Olivier de Vregille was no longer a director of the company from June 25, 2013 to September 27, 2013.

(f) The co-option Alexandre Dejoie will be submitted for ratification to the Ordinary Shareholders' Meeting to be held on April 11, 2014.

Chairman and Chief Executive Officer



Nordine Hachemi

Kaufman & Broad SA

127 avenue Charles de Gaulle
92207 Neuilly-sur-Seine Cedex

Other directorships and positions held

Chairman of the Supervisory Board of Mobipark, President of RKCI, Board Member of IORGA group, Member of the Supervisory Board of Citizen Capital, Manager of SCI MD Raphael.

Other Information

In 2001, Nordine Hachemi joined the Saur group and became its President.

In 2008, he became Chairman and Chief Executive Officer of Sechilienne Sidec and held that office until 2011.

After being co-opted as Board Member at the Meeting of the Board of Directors of June 25, 2013, he joined Kaufman & Broad as Chief Executive Officer and Vice Chairman on July 1, 2013.

He was appointed Chairman and Chief Executive Officer of Kaufman & Broad SA by the Board of Directors at its Meeting of January 24, 2014.

Other 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 Geodis
 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 Europe intermodal holding (EIH), Member of the Supervisory Board of GEODIS SA, Chairman of the Supervisory Board of Naviland Cargo.

Other Information

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.

Since February 2010, Sylvie Charles has been in charge of the SNCF Geodis Business & Rail Service Providers Division, which comprises Freight SNCF and all the freight rail transport companies, including foreign companies, of the group, with responsibilities extended in October 2013 to cover the multi-modal entities.



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 France named him Chairman and Chief Executive Officer 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-Chairman, of International Relations at 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 for of Finance and International Trade from 1995 to 1997.

He 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, Manager of Eloa Conseil.

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, of the Yoplait group between 2010 and 2011, and of 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 the 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, Marmolada 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; Board Member of Riviera Topco Ltd and Riviera Midco SA

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, 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 Roth 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

Director of Xella International Holdings, Xella Topco and Xenia (Xella group) and of Financière Daunou 1 and 5 (GCS group).

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 Antargaz group from 2000 to 2003, of Saur group from 2005 to 2007, of Spie group between 2006 and 2011, and of Monier group from 2007 to 2012.

**Alexandre Dejoie****PAI partners**

232 rue de Rivoli, 75001 Paris

Principal position held outside the Company

Investment Director,
PAI partners

Other directorships and positions held

None.

Other Information

Alexandre Dejoie joined PAI partners in 2008. Prior to that, he worked for two years in the Project Financing Department of Royal Bank of Scotland, where he took part in the development of large-scale infrastructure transactions.

At the Shareholders' Meeting called to approve the financial statements for the fiscal year ended November 30, 2013, a recommendation will be made to the shareholders to ratify the co-option by the Board of Directors, at its Meeting of January 24, 2014, of Alexandre Dejoie as director, effective January 24, 2014, to replace Guy Nafilyan, who is resigning, for the remainder of his term of office, i.e., until the end of the Shareholders' Meeting called to approve the financial statements for the fiscal year ended November 30, 2015.

The Board of Directors met eight times in fiscal year 2013 (see Section 3.1.1.2.9. "Meetings of the Board of Directors in fiscal year 2013").

Under the Internal Rules of Kaufman & Broad SA, each director must own at least 250 shares. This requirement has been met by all of them except for Alexandre Dejoie, who will have to meet this requirement at the latest within six months following his entry into office as director of Kaufman & Broad SA.

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, including any appointed professional organizations;
- 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 Management in their capacity as Corporate Officers and their private interests or other duties;
- there is no arrangement or agreement with major shareholders, customers or suppliers under which a member of the Board of Directors or Management has been elected for that reason;
- 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 June 30, 2009, described in Section 5.3.3.2. "Shareholders' Agreement"; and
- 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.

3.1.1.2. Operations of the Board of Directors

3.1.1.2.1. Corporate Governance Code

The company refers to the AFEP-MEDEF Corporate Governance Code, as revised in June 2013, which may be consulted on the MEDEF website (<http://www.medef.com>).

In relation to the "Apply or Explain" principle set forth in Article L. 225-37 of the French Commercial Code and referred to in Article 25.1 of the AFEP-MEDEF Code, the company considers its practices in compliance with the recommendations of the AFEP-MEDEF Code. However, certain provisions have been excluded for the reasons set out in the table below:

AFEP-MEDEF recommendations applied partially or not applied

Explanation

16.1. The proportion of Independent Directors on the Audit Committee (excluding the directors representing employee shareholders as well as the directors representing employees, who are not counted), must be at least two thirds and no executive Corporate officer may be on the Committee.

The proportion of Independent Directors on the Audit Committee and the Compensation and Nominating Committee is equal to half and one third respectively at the date of this report. This is due to the company being a company controlled by a majority shareholder. However, to point out a slight difference, its two Special Committees are chaired by an Independent Director.

18.1. No executive Corporate officer may be on the Compensation Committee, whose majority must include Independent Directors.

6.4. In terms of the representation of men and women, the objective is for each Board to reach and then to maintain a 20% women representation within three years and at least 40% within six years, as from the 2010 Shareholders' Meeting.

The Board of Directors comprises nine members, including two women, i.e., more than 20% and therefore, at this stage, is in compliance with the AFEP-MEDEF Code; there are plans to increase the proportion of women in the medium term in order to exceed the 40% required as from the 2016 Shareholders' Meeting.

14 The terms of office must be staggered in order to avoid a block renewal and to promote a harmonious renewal of the terms of office of Directors.

The terms of office of the directors are not, strictly speaking, renewed on a rolling basis, but each office has a three-year term and their renewals are staggered over time in order to avoid a block renewal of all directors simultaneously.

23.2.5. The performance conditions related to compensation for dismissal must allow the compensation of Corporate Officers only in the event of a forced departure and in relation to a change of control or strategy.

Nordine Hachemi's compensation for dismissal is subject to performance conditions and will be paid only in the event of his dismissal from office for a reason other than gross misconduct, as defined by the labor law rulings of the Court of Cassation. Philippe Jossé's compensation for dismissal also differed from this recommendation.

3.1.1.2.2. Provisions governing the membership of the Board of Directors

In accordance with the company bylaws, Kaufman & Broad SA is managed 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 also 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 Corporate 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 Chief Operating 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 a natural person. 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 nine 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 company's Board of Directors has established Internal Rules. These were last updated on February 13, 2009 in order to reflect a certain number of recommendations contained in the AFEP-MEDEF Code of Corporate Governance.

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, semi-annual and annual results. The rules further 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>).

3.1.1.2.4. Board of Directors' Meetings and Deliberations

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. When the company's Management is not ensured by the Chairman of the Board of Directors, the Chief Executive Officer may also ask the Chairman to convene a meeting of the Board of Directors to transact specific business.

Directors are provided with all the information required to perform their task and can ask for any document they deems useful.

Board meetings are chaired by the Chairman or, in his or her absence, by a Vice-Chairman (as applicable) or another director named 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 the 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 conflicts of interests, including potential conflicts, 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 the implementation thereof. 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 stipulate that in general, the Board examines and makes decisions on transactions of genuine strategic importance, possibly after review by an ad hoc Committee; in particular, any material transaction outside the strategy announced by the company is subject to prior approval by 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 semi-annual (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 among its nine members, as defined in the December 2008 AFEP-MEDEF Code of Corporate Governance, as revised in June 2013. These directors are Sylvie Charles, Alain de Pouzilhac and Yves Galland.

For each nomination 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 whether they are considered independent or not.

3.1.1.2.7. Directors' Fees

The Board's Internal Rules provide that directors' fees are 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 are paid to members of the various Committees who perform no other duties within Kaufman & Broad. Payment of these fees is based on their attendance at Committee meetings.

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. It has not changed since 2008.

On recommendation by the Compensation and Nominating Committee, the Board of Directors, in its meeting of February 20, 2014 decided to pay directors' fees for the fiscal year ended November 30, 2013, as follows:

- in the maximum individual amount of €50,000 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 Nordine Hachemi and Guy Nafilyan who not receive directors' fees because of the paid positions they hold within the group.

The directors' fees allocated to each director for fiscal year 2013 take into account the attendance of each of them at Board meetings and at meetings of the various Committees.

3.1.1.2.8. Annual Evaluation of the Board of Directors

In accordance with the AFEP-MEDEF Code of Corporate Governance and the provisions of the Board's Internal Rules, which can be consulted on the company's website, 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 2013 at its Meeting on February 20, 2014.

3.1.1.2.9. Meetings of the Board of Directors in 2013

In fiscal year 2013, the Board of Directors met eight times (the attendance rate of directors at Board meetings was 86%)⁽¹⁾:

- on **December 20, 2012**, the Board of Directors met with seven members attending and discussed the following agenda:
 - report on the Compensation and Nominating Committee Meeting of December 20, 2012,
 - appointment of a 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: approval of the draft 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 on the Compensation and Nominating Committee Meeting of January 22, 2013,
 - compensation of Corporate Officers and management for 2013,
 - amount of directors' fees – allocation for 2012,
 - report on the Audit Committee Meeting of January 22, 2013,
 - review of the estimated consolidated financial data at November 30, 2012,
 - approval of the 2013 budget,
 - other items: record of vesting of bonus shares granted on February 17, 2011/grant of bonus shares;

(1) As defined by Article L.225-37 of the French Commercial Code.

- on **February 15, 2013**, the Board of Directors met with seven members attending and discussed the following agenda:
 - report on the Audit Committee Meeting 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 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;
 - on **April 25, 2013**, the Board of Directors met with six members attending and discussed the following agenda:
 - renewal of the term of the Chairman and Chief Executive Officer,
 - report of the Audit Committee: minutes of the meeting of April 23, 2013,
 - business activities in the 1st quarter 2013,
 - financial results of the 1st quarter 2013,
 - review of the revised 2013 Budget,
 - implementation of a share buy-back plan;
 - on **May 15, 2013**, the Board of Directors met with four members attending and discussed the following agenda:
 - dismissal of the Deputy Chief Executive Officer;
 - on **June 25, 2013**, the Board of Directors met with eight members attending and discussed the following agenda:
 - report on the Compensation and Nominating Committee Meeting,
 - organization of the transition within the company's Senior Management; in this context, among other things, separation of the duties of Chairman of the Board of Directors and of Chief Executive Officer,
 - appointment of Guy Nafilyan as Chairman and of Nordine Hachemi as Chief Executive Officer,
 - adjustments to be made to the variable compensation of Guy Nafilyan as Chairman and Chief Executive Officer for fiscal years 2012 and 2013,
 - role and compensation of Guy Nafilyan as Chairman of the Board of Directors,
 - terms of exercise of office and compensation of the new Chief Executive Officer,
 - approval of the draft term of office agreement, approval of the Press Release,
 - appointment of Nordine Hachemi as director to replace Olivier de Vregille, who is resigning, as Vice Chairman of the Board of Directors;
 - on **July 10, 2013**, the Board of Directors met with eight members attending and discussed the following agenda:
 - report of the Audit Committee: minutes of the meeting of July 10, 2013,
 - review and approval of the semi-annual Consolidated Financial Statements at May 31, 2013,
 - Update III: presentation of the revised 2013 Plan and 2014 trends,
 - a new director nomination proposal,
 - notice of Meeting of the Ordinary Shareholders' Meeting and setting the agenda and the text of the draft resolutions;
 - on **September 27, 2013**, the Board of Directors met with nine members attending and discussed the following agenda:
 - report of the Audit Committee: minutes of the meeting of September 25, 2013,
 - presentation of the estimated consolidated financial data at August 31, 2013,
 - review and approval of the updated 2013 management review and the analysis of those documents,
 - report on the St-Tropez program,
 - 2008-2014 business history by agency (revenues, gross margin, etc.),
 - Commercial Property: progress and status report on the Boulogne Billancourt and Paris 13 programs.
- Since November 30, 2013, the Board of Directors has met twice:
- on **January 24, 2014**, the Board of Directors met with nine members attending and discussed the following agenda:
 - report of the Compensation and Nominating Committee: Minutes of the meeting of January 16, 2014,
 - compensation of Corporate Officers and management for 2013,
 - report of the Audit Committee: minutes of the meeting of January 24, 2014,
 - review of the estimated consolidated financial data at November 30, 2013,
 - discussion of the Press Release,

- resignation of Guy Nafilyan from his office as Board member and Chairman of the Board of Directors,
- amendment of Corporate governance in relation with the performance of the duties as Chairman of the Board of Directors and Chief Executive Officer,
- nomination of Nordine Hachemi as Chairman of the Board of Directors, thus ensuring the Management of the company,
- co-option of Alexandre Dejoie as director,
- compensation of Corporate Officers and management for 2014,
- amount of directors' fees – allocation for 2013,
- approval of the 2014 budget,
- review of management forecasts and the analysis of those documents;
- on **February 20, 2014**, the Board of Directors met with six members attending and discussed the following agenda:
 - report of the Audit Committee of February 17, 2014,
 - report of the Compensation and Nominating Committee of February 12, 2014,
 - compensation of Corporate Officers and management for 2014,
 - amount of directors' fees – allocation for 2013,
 - review and approval of the statutory financial statements at November 30, 2013 and recommended net appropriation of earnings for the fiscal year,
 - review and approval of Consolidated Financial Statements for the fiscal year ended November 30, 2013,
 - agreements referred to in Articles L. 225-38 and L. 225-42-1 of the French Commercial Code,
 - review of an agreement referred to in Article L. 225-38 of the French Commercial Code,
 - proposed nomination of a new director,
 - renewal of the share buy-back program,
 - renewal of the delegation of authority for capital decreases and increases,
 - proposed grant of bonus shares to be issued,
 - notice of meeting of a Combined Ordinary and Extraordinary 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,
 - 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 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.

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 are selected 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;
- the members of said Committee are appointed for an indefinite term, however, in any event, their term of office 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 comprises four members appointed for their terms as directors: 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 Audit Committee enjoys solid financial and accounting competencies contributed by all of its members, regardless of whether they are considered independent or not:

- 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, due to her current terms of office President of Transport Ferroviaire Holding, Chairman of VFLI, Member of the Supervisory Board of STVA, Chairman of Europe intermodal holding (EIH), Member of the Supervisory Board of GEODIS SA, Chairman of the Supervisory Board of Naviland Cargo 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 percentage of Independent Directors on the Audit Committee recommended 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.

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, more 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 internal control, Internal Audit and risk management systems, in particular the review of material 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 that are binding on the company; its role is restricted to the preparation of information to be used by the Board of Directors at its meetings and of recommendations for the Board's use.

3.1.2.1.4. Audit Committee Operations

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 semi-annual 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 semi-annual 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 Financial Officer describing the Company's exposure to risks and material off-balance sheet commitments.

The Chairman and Chief Executive Officer, the Chief Financial 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 shall receive the following documents:

- the draft financial statements and notes that 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 that highlights the essential points of their work;

- a communication from the Chief Financial Officer describing the company's main exposure to risks and material off-balance sheet commitments;
- information that 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 who do not hold positions within the group.

3.1.2.1.7. Audit Committee meetings in 2013

In fiscal year 2013, the Audit Committee met eight times (the attendance rate of directors of Audit Committee meetings was 85%)⁽¹⁾:

- on **January 22, 2013**, the Audit Committee met with four members attending and discussed the following agenda:
 - internal audit: presentation of the DCI (Internal Control System) test results for the third quarter of 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 Audit Committee met with three 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 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 the tests on the internal control system (DCI) at the end of the fourth quarter 2012 and 2012 annual summary,
- other actions by the Internal Audit in 2012 – 2013 draft plan of the tests on the Internal Control System,
- review of management forecasts and the analysis of those documents;

- on **April 23, 2013**, the Audit Committee met with two members attending and discussed the following agenda:

- review of estimated consolidated financial data for the first half of 2013 and review of the main potential risks identified to date,
- internal audit (2013 draft plan of the DCI tests),
- review of the revised 2013 budget (Update II);

- on **July 10, 2013**, the Audit Committee met with four members attending and discussed the following agenda:

- review of the estimated financial data for the first half of 2013,
- review of business activities in the first half of 2013 – review of the main potential risks identified to date,
- internal audit: presentation of the result of the DCI (Internal Control System) tests at the end of Q1 2013 and specific items;

- on **September 25, 2013**, the Audit Committee met with four members attending and discussed the following agenda:

- review of the estimated consolidated financial data at August 31, 2013,
- presentation of revised management forecasts for 2013 and the analysis of those documents,
- report on the St-Tropez program,
- quarterly results of the DCI (Internal Control System) tests and other audit-related items.

Since November 30, 2013, the Audit Committee has met three times:

- on **December 19, 2013**, the Audit Committee met with four members attending and discussed the following agenda:

- report on the tax audit of Kaufman & Broad in relation to its subsidiary Kaufman & Broad Europe,
- report on the St-Tropez program,
- report on the procedures for recording orders;

- on **January 24, 2014**, the Audit Committee met with three members attending and discussed the following agenda:

- review of the estimated consolidated financial data at November 30, 2013,
- comments of the Statutory Auditors on the estimated consolidated financial data at November 30, 2013,
- review of the 2014 budget,
- review of management forecasts and the analysis of those documents;

(1) As defined by Article L.225-37 of the French Commercial Code.

- on **February 17, 2014**, the Audit Committee met with three members attending and discussed the following agenda:
 - review of the notes to the Consolidated Financial Statements at November 30, 2013,
 - review of the statutory financial statements at November 30, 2013 and recommended appropriation of earnings for the year,
 - comments of the Statutory Auditors on the statutory financial statements at November 30, 2013,
 - review of the Chairman's report on Corporate governance and internal control,
 - internal audit:
 - results of the H2 2013 tests on the internal control system (DCI) and 2013 annual summary,
 - other actions by the Internal Audit Department in 2013,
 - 2014 draft plan of the tests on the Internal Control System (DCI).

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 Missions

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 date, the members are: Sophie Lombard, appointed at the Board of Directors' Meeting of February 17, 2011; Alain de Pouzilhac, Chairman, appointed March 6, 2007, and Frédéric Stévenin appointed 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 stock option or bonus share awards to the Board.

Finally, it provides recommendations to the Board of Directors on the appointment and/or reappointment of Corporate Officers, directors and Committee members.

The decisions of the Compensation and Nominating Committee are not binding on the company. 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 and of recommendations for the attention of the Board.

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 2013

During fiscal year 2013, the Compensation and Nominating Committee met six times (the attendance rate of directors in the meetings of the Compensation and Nomination Committee was 94%)⁽¹⁾:

- 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 2013,

(1) As defined by Article L. 225-37 of the French Commercial Code.

- grant of bonus shares – vesting of bonus shares granted on February 17, 2011 – bonus share proposals for 2013,
 - amount of directors' fees – recommended allocation for 2012;
 - on **April 26, 2013**, the Compensation and Nominating Committee met with three members attending and discussed the following agenda:
 - report on the first three months of Philippe Jossé as Deputy Chief Executive Officer;
 - on **May 13, 2013**, the Compensation and Nominating Committee met with three members attending and discussed the following agenda:
 - recommendation on the option to pay compensation for dismissal to Philippe Jossé, Deputy Chief Executive Officer;
 - on **May 15, 2013**, the Compensation and Nominating Committee met with two members attending and discussed the following agenda:
 - review of a draft settlement agreement for Philippe Jossé;
 - on **June 25, 2013**, the Compensation and Nominating Committee met with three members attending and discussed the following agenda:
 - organization of the succession within the General Management of the company,
 - identification of a new Chief Executive Officer,
 - methods for organizing the transition,
 - resignation of Chairman and Chief Executive Officer from office, separation of the offices of Chairman of the Board of Directors and Chief Executive Officer,
 - nomination of Guy Nafilyan as Chairman of the Board of Directors,
 - nomination of Nordine Hachemi as Chief Executive Officer,
 - adjustments to be made to the compensation of Guy Nafilyan as Chairman and Chief Executive Officer for fiscal years 2012 and 2013,
 - role and compensation of Guy Nafilyan as Chairman of the Board of Directors,
 - terms of exercise of office and compensation of the new Chief Executive Officer; draft term of office agreement,
 - appointment of Nordine Hachemi as director to replace Olivier de Vregille and as Vice Chairman of the Board of Directors,
 - Board of Directors' Report.
- Since November 30, 2013, the Compensation and Nominating Committee has met twice:
- on **January 16, 2014**, the Compensation and Nominating Committee met with three members attending and discussed the following agenda:
 - resignation of Guy Nafilyan from his office as Board member and Chairman of the Board of Directors,
 - amendment of Corporate governance in relation with the performance of the duties as Chairman of the Board of Directors and Chief Executive Officer,
 - nomination of Nordine Hachemi as Chairman of the Board of Directors ensuring the Management of the company,
 - co-option of Alexandre Dejoie as director,
 - variable compensation of Corporate Officers and management for fiscal year 2013,
 - compensation of Corporate Officers and management for 2014, amount of variable compensation, criteria, weightings, targets, variable pay calculation table,
 - bonus share grants – proposal for 2014,
 - amount of directors' fees – recommended allocation for 2013;
 - on **February 12, 2014**, the Compensation and Nominating Committee met with three members attending and discussed the following agenda:
 - compensation of Corporate Officers and management for 2014, amount of variable compensation, criteria, weightings, targets, variable pay calculation table,
 - amount of directors' fees – recommended allocation for 2013,
 - bonus share grants – proposal for 2014,
 - proposed nomination of a new director.

3.1.3. RESPONSIBILITIES AND POWERS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER AND THE EXECUTIVE VICE PRESIDENTS

The Chairman of the Board of Directors is responsible for the Management of the company.

At its Meeting of June 25, 2013, the Board of Directors had decided to separate the offices of Chairman of the Board of Directors and Chief Executive Officer in order to facilitate the transition at the top of the company: Guy Nafilyan resigned from office as Chairman and Chief Executive Officer and was appointed Chairman of the Board of Directors as from July 1, 2013, while at the same date, Nordine Hachemi was supposed to enter into office as Chief Executive Officer and Vice Chairman of the Board of Directors.

Then, at its Meeting of January 24, 2014, the Board of Directors decided, in relation to Guy Nafilyan's resignation from the office of Chairman of the Board of Directors of the company, to modify again the governance structure of the company and thus decided that the Management of the company would again be placed under the responsibility of the Chairman of the Board of Directors. Accordingly, Nordine Hachemi was thus appointed with immediate effect as Chairman and Chief Executive Officer 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. He or she represents the company with respect to third parties. The Chairman and 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.

On February 15, 2013, 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 20, 2014.

On a recommendation made by the Chairman and Chief Executive Officer, the Board of Directors may appoint one or more Executive Vice Presidents, 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 Executive Vice Presidents.

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. On recommendation by the Compensation and Nominating Committee, the Board of Directors, in its meeting of May 15, 2013, decided to terminate Philippe Jossé's office with immediate effect.

3.1.4. SENIOR EXECUTIVES

The management of the group is organized under the leadership of the Chairman and Chief Executive Officer, Nordine Hachemi. The other senior executives are as follows: Bruno Coche, Senior Vice President and Chief Financial Officer, Christian Delapierre, Senior Vice President of Institutional Sales, Jean-François Demaris, Senior Vice President of Human Resources, David Laurent, Senior Vice President of Corporate Real Estate, Jacques Rubio, Senior Vice President, Southwest Region, Bertrand Sagnac, Communication & Marketing director and William Truchy, Senior Vice President, Regions.

3.1.4.1. Management Committee

Since February 1, 2014, the Management Committee of Kaufman & Broad has been comprised of seven members: Nordine Hachemi, Chairman Chief Executive Officer, Bruno Coche, Chief Financial Officer, Jean-François Demaris, Senior Vice President Human Resources, Jacques Rubio, Senior Vice President Southwest Region, William Truchy, Senior Vice President Regions, Christian Delapierre, Senior Vice President of Institutional Sales and Bertrand Sagnac, Communication & Marketing Director.

3.1.4.1.1. Nordine Hachemi, Chairman and Chief Executive Officer

Nordine Hachemi, a graduate of Institut de Physique du Globe de Strasbourg, of École Nationale de Pétrole et des Moteurs and of INSEAD, began his career at Pompes Guinard in 1986. He then joined Transroute (groupe Caisse des Dépôts et Consignations) in 1988 where he held positions in sales and development in Asia. In 1992, he went to work for Bouygues Construction, where he was

responsible for the development of large international infrastructure projects. In 2001 he joined the Saur group, France's third largest water and waste management company, subsequently becoming its Chairman. From 2008 to 2011, he was Chairman and Chief Executive Officer of Sechilienne Sidec, a group specialized in the Production of Energy and Renewable Energy. He is also a member of the Supervisory Board of Citizen Capital.

After being co-opted as Board Member at the Meeting of the Board of Directors of June 25, 2013, he joined Kaufman & Broad on July 1, 2013 as Chief Executive Officer and Vice Chairman.

He was appointed Chairman and Chief Executive Officer of Kaufman & Broad SA by the Board of Directors at its Meeting of January 24, 2014.

3.1.4.1.2. Bruno Coche, 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 Financial Officer and a member of the Management Committee since December 2009.

3.1.4.1.3. 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. Mr. 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.

3.1.4.1.4. 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.

3.1.4.1.5. 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 appointed Senior Vice President for Sales and Marketing. He has been a member of the Management Committee since December 2004 and Senior Vice President for the Regions since January 2009.

3.1.4.1.6. Christian Delapierre, Senior Vice President of Institutional Sales

Christian Delapierre holds an undergraduate degree (DEUG) in Law and a graduate degree in real estate (ESPI) began his career in 1980 with groupe Jacques Ribourel, where he was in charge of development for the Haute-Savoie region. He joined the Bouygues group in 1981 serving initially as Development manager and subsequently as Agency Director. In 1989, he joined the Kaufman & Broad group as Vice President of Development. In 2007, he assumed the management of the Single-Family Homes in Île-de-France department and then, in 2009, that of Institutional Sales as Senior Vice President. He has been a member of the Management Committee since January 2014.

3.1.4.1.7. Bertrand Saugnac, Head of Communication & Marketing

Bertrand Saugnac, a graduate of *Institut supérieur de gestion* and holder of an MBA from the University of San Francisco, began his career with Mercedes-Benz France where he served as financial analyst, point-of-sale district manager, Product line manager for the introduction of new lines on the French market, and subsequently as head of the business administration department. In 2000, he became Brand Director at Smart France, where he was in charge of sales development and brand reputation management. In 2012, he joined General Motors France as Marketing Director. In February 2014, he joined Kaufman & Broad as Communication & Marketing Director and has been a member of the Management Committee since that date.

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.

There are no family relationships between the members of the Management Committee, or between those members and the members of the Board of Directors. However, there is a family relationship between Béatrice Mortier, Regional Director for Montpellier and Yves Galland, director and Chairman of the Audit Committee of Kaufman & Broad SA.

3.1.4.2. Regional divisions

The heads of the group's regional divisions are as follows:

Paris/Île-de-France

Nordine Hachemi is in charge of management for the Île-de-France Region with assistance from Patrick Zamo.

Frédéric Bourg, Senior Vice President Île-de-France – shared services.

Île-de-France

Cyril Doucet, Regional Director, Outer Paris suburbs

Cyril Doucet, Agency Director, Sector 1

Marc Vettraino, Agency Director, Sector 2

Stéphane Dalliet, Agency Director, Paris/Inner suburbs

West/North/Rhône Alpes/Southeast Region

William Truchy, Senior Vice President Regions

Loire-Atlantique/Bretagne

Christophe Duretete, Regional Director, Nantes and Rennes

Normandy

William Truchy

Rhône-Mediterranean

Marc Speisser, Regional Director, Rhône-Mediterranean

Rhône-Alpes

François-Xavier Delfour, Agency Director, Lyon

Mediterranean Region

Marc Speisser, Regional Director, Marseille

Savoy

Gwenaël Mersaoui, Agency Director, Grenoble and Annecy

Côte d'Azur/Provence

Stéphane Gress, Regional Director, Nice and Toulon

Midi-Pyrénées/Aquitaine/Languedoc-Roussillon Region

Jacques Rubio, Senior Vice President Southwest Region

Languedoc-Roussillon

Béatrice Mortier, Regional Director, Montpellier

Pyrénées-Atlantiques

Denis Caniaux, Agency Director Bayonne

Aquitaine

Andrès Boros, Agency Director, Bordeaux

Midi-Pyrénées

Jacques Rubio

3.1.4.3. Directorships held by the Chairman and Chief Executive Officer

3.1.4.3.1. Nordine Hachemi, Chairman and Chief Executive Officer

Kaufman & Broad group

Kaufman & Broad SA	Chairman 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
Saint-Cloud Armengaud 15 SNC	Representative of Kaufman & Broad SA as Joint Legal Manager
Kaufman & Broad Europe SAS	Representative of Kaufman & Broad SA as Chairman

Outside directorships and positions

RKCI	Chairman
Citizen Capital Partenaires	Member of the Supervisory Board
Iorga groupe Director	
Mobipark	Chairman of the Supervisory Board
SCI M D Raphael	Manager

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 Board of Directors

On recommendation of the Compensation and Nominating Committee, the Board of Directors in its meeting of February 20, 2014, resolved to pay a total amount of €215,467 in directors' fees for the fiscal year ended November 30, 2013, broken down as follows based on the criteria listed in Section 3.1.1.2.7.:

Table 3 AMF Definitions

Non-executive Corporate Officers (amount in euros)	Directors' fees received by the non-executive Corporate Officers	
	Amount paid in fiscal year 2014	Amount paid in fiscal year 2013
Yves Galland	50,000	40,000
Alain de Pouzilhac	50,000	40,000
Frédéric Stévenin	20,000	20,000
Sophie Lombard	20,000	20,000
Lionel Zinsou	20,000	20,000
Olivier de Vregille	16,667	20,000
Sylvie Charles	38,800	31,400
Total	215,467	191,400

No other compensation was paid to the group's directors listed above.

3.2.1.2. Compensation Paid to Members of 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. The Board periodically reviews the compensation and benefits to be granted to the Chairman and Chief Executive Officer and to the Executive Vice President for their respective offices, particularly the variable component of their compensation.

In accordance with the Company's decision to make use of the AFEF-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 2013 to Kaufman & Broad SA's executive Corporate Officers are listed in the following table.

Table 1 AMF Definitions

Summary of compensation and stock options and shares granted to each executive Corporate officer
(amounts in euros)

Nordine Hachemi (Chief Executive Officer from July 1, 2013 to January 24, 2014; Chairman and Chief Executive Officer since January 24, 2014)	Fiscal year ended November 30, 2013	Fiscal year ended November 30, 2012
Compensation for the year (detailed in Table 2)	505,170	-
Valuation of the multi-year variable pay granted during the fiscal year	-	-
Options granted during the fiscal year (detailed in Table 4)	-	-
Valuation of the bonus shares granted during the year (detailed in Table 6)	-	-
Total	505,170	-

Guy Nafilyan (Chairman and Chief Executive Officer until June 30, 2013, then Chairman of the Board of Directors until January 24, 2014)	Fiscal year ended November 30, 2013	Fiscal year ended November 30, 2012
Compensation for the year (detailed in Table 2)	1,758,816	1,868,584
Valuation of the multi-year variable compensation granted during the fiscal year	-	-
Options granted during the fiscal year (detailed in Table 4)	-	-
Valuation of the bonus shares granted during the year (detailed in Table 6)	-	-
Total	1,758,816	1,868,584

Philippe Jossé (Executive Vice President from February 1 to May 15, 2013)	Fiscal year ended November 30, 2013	Fiscal year ended November 30, 2012
Compensation for the year (detailed in Table 2)	102,084	-
Valuation of the multi-year variable pay granted during the fiscal year	-	-
Options granted during the fiscal year (detailed in Table 4)	-	-
Valuation of the bonus shares granted during the year (detailed in Table 6)	-	-
Total	102,084	-

Table 2 AMF Definitions

Table summarizing the compensation paid to each executive Corporate officer
(amounts in euros)

Nordine Hachemi (Chief Executive Officer from July 1, 2013 to January 24, 2014; Chairman and Chief Executive Officer since January 24, 2014)	Fiscal year ended November 30, 2013		Fiscal year ended November 30, 2012	
	Amount due ^(a)	Amount paid	Amount due ^(a)	Amount paid
Fixed compensation	250,000	250,000	-	-
Annual variable compensation ^(b)	225,000	-	-	-
Multi-year variable compensation	-	-	-	-
Special compensation ^(b)	25,000	-	-	-
Directors' fees	-	-	-	-
Benefits in kind	5,170	5,170	-	-
Total	505,170	255,170	-	-

(a) The amount of [sic] corresponds to the amount approved by the Board of Directors on January 24, 2014.

(b) This variable compensation for fiscal year 2013 was paid in January 2014.

Nordine Hachemi is entitled to a supplemental defined contribution pension plan pursuant to the provisions of Article 83 of the French General Tax Code since he joined the company; the amount of contribution paid by the company for fiscal year 2013 was €9,875, corresponding to the annual contributions capped at 8% of gross salary, up to a maximum of eight times the Social Security ceiling.

In addition to the retirement benefits offered to all employees, the company also provides a supplementary plan for Corporate Officers and for members of management.

Nordine Hachemi has held 22,806 treasury shares since December 4, 2013.

Guy Nafilyan(Chairman and Chief Executive Officer until June 30, 2013,
then Chairman of the Board of Directors until January 24, 2014)**Fiscal year ended
November 30, 2013****Fiscal year ended
November 30, 2012**

	Amount due ^(a)	Amount paid	Amount due ^(a)	Amount paid
Fixed compensation	514,583	514,523	525,000	525,000
Annual variable compensation	1,236,646 ^(b)	1,509,566 ^(c)	1,336,864	817,311 ^(d)
Multi-year variable compensation	-	-	-	-
Special compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind	7,587	7,587	6,720	6,720
Total	1,758,816	2,031,676	1,868,584	1,349,031

(a) The amount of [sic] corresponds to the amount approved by the Board of Directors on January 24, 2014.

(b) Half of this variable compensation for fiscal year 2010 was paid in July 2013 and the other half in January 2014.

(c) Half of the compensation for fiscal year 2013 was paid in July 2013 and corresponds to the deferred variable compensation for fiscal year 2012, which was paid in July 2013 in accordance with the decisions of the Board of Directors of June 25, 2013.

(d) The variable compensation due for fiscal year 2012 was partially paid in January 2013 and the deferred variable compensation for fiscal year 2010 was paid in January 2013 in accordance with the provisions.

Guy Nafilyan was entitled to a supplemental defined contribution pension plan pursuant to the provisions of Article 83 of the French General Tax Code until June 30, 2013, the end of his term in office as Chairman and Chief Executive Officer; the amount of contribution paid by the company for fiscal year was €13,790, 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, 2013, the Chairman held 98,006 company shares of which 93,506 were granted on April 19, 2006 and November 6, 2007. These shares were delivered after the two-year vesting period and may not be sold until they have been held for two years.

In addition, the Chairman held stock options exercisable for 12,000 company shares that Kaufman & Broad granted to him under the plan set up on April 19, 2006.

Philippe Jossé

(Executive Vice President from February 1 to May 15, 2013)

**Fiscal year ended
November 30, 2013****Fiscal year ended
November 30, 2012**

	Amount due ^(a)	Amount paid	Amount due ^(a)	Amount paid
Fixed compensation	102,084	102,084	-	-
Annual variable compensation ^(b)	-	-	-	-
Multi-year variable compensation	-	-	-	-
Special compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind	-	-	-	-
Total	102,084	102,084	-	-

(a) The amount corresponds to the theoretical amount when goals are met 100%.

(b) No variable compensation was paid for fiscal year 2013.

Philippe Jossé was entitled to a supplemental defined contribution pension plan pursuant to the provisions of Article 83 of the French General Tax Code until May 15, 2013, the end of his term in office as Chairman and Chief Executive Officer; the amount of contribution

paid by the company for fiscal year 2013 was €6,913, corresponding to the annual contributions capped at 8% of gross salary, up to a maximum of eight times the Social Security ceiling.

Stock purchase options, stock subscription options or shares held at November 30, 2013

Corporate Officers	Stock purchase or subscription options at November 30, 2013	Stock purchase or subscription options awarded in 2013	Kaufman & Broad SA shares held at November 30, 2013
Nordine Hachemi	None	None	None
Guy Nafilyan	12,000	None	98,006
Philippe Jossé	None	None	None

Corporate Officers were not awarded shares under the bonus share plans implemented by the group.

Table 4 AMF Definitions

Stock purchase or subscription options granted by the issuer or by any group company to each executive Corporate officer during the fiscal year ended November 30, 2013

Name of executive Corporate 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 granted during the year	Exercise price
Nordine Hachemi	-	-	-	None	-
Guy Nafilyan	-	-	-	None	-
Philippe Jossé	-	-	-	None	-

Table 5 AMF Definitions

Stock subscription or purchase options exercised during fiscal year ended November 30, 2013 by each executive Corporate officer

Options exercised during the fiscal year by each executive Corporate officer	No. and date of the plan	Number of options exercised during the fiscal year	Exercise price
Nordine Hachemi	-	None	-
Guy Nafilyan	-	None	-
Philippe Jossé	-	None	-

Table 6 AMF Definitions

Bonus shares granted to each Corporate officer

Bonus shares granted during the year to each 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 acquisition	Date available
Nordine Hachemi	-	None	-	-	-
Guy Nafilyan	-	None	-	-	-
Philippe Jossé	-	None	-	-	-

Table 7 AMF Definitions

Bonus shares vested during fiscal year 2013 for each executive Corporate officer

Bonus shares vested for executive Corporate Officers (listed by name)	Date of plan	Number of shares becoming exercisable during the fiscal year	Conditions of acquisition
Nordine Hachemi	-	None	-
Guy Nafilyan	-	None	-
Philippe Jossé	-	None	-

Table 10 AMF Definitions

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-compete clause
Nordine Hachemi (Chief Executive Officer from July 1, 2013 to January 24, 2014; Chairman and Chief Executive Officer since January 24, 2014)	N/A	Yes ^(a)	Yes ^(b)	Yes ^(c)
Guy Nafilyan (Chairman and Chief Executive Officer until June 30, 2013, Chairman of the Board of Directors from July 1, 2013 to January 24, 2014)	Yes ^(d)	Yes ^(e)	N/A	N/A
Philippe Jossé (Executive Vice President from February 1 to May 15, 2013)	N/A	Yes ^(e)	Yes ^(f)	Yes ^(g)

(a) Nordine Hachemi is entitled to a supplemental defined contribution pension plan pursuant to the provisions of Article 83 of the French General Tax Code; the amount of contribution paid by the company for Nordine Hachemi was €9,875, corresponding to the annual contributions capped at 8% of gross salary, up to a maximum of eight times the Social Security ceiling.

(b) The compensation for dismissal is equal to twelve months' gross fixed and variable compensation for the fiscal year ended, extended to 18 months if control over the company is taken by one or more third parties acting in concert triggering the obligation to launch a public offering of the company shares.

(c) Non-compete clause for twelve months on French territory, generating gross flat 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) with the company having nevertheless the option to reduce the term or to waive this commitment to the manager.

(d) Since the employment contract began before the term of the Corporate office, it is suspended for the duration of the term in office; this employment contract ended with the resignation of Guy Nafilyan from his position as a company employee on June 30, 2013.

(e) Guy Nafilyan and Philippe Jossé were entitled to a supplemental defined contribution pension plan pursuant to the provisions of Article 83 of the General Tax Code until June 30, 2013 and May 15, 2013, respectively, the end of their term in office as Chairman and Chief Executive Officer and as Executive Vice President; the company paid contributions to this plan for fiscal year 2013 in the amount of €13,790 for Guy Nafilyan and €6,913, for Philippe Jossé corresponding to the annual contributions capped at 8% of gross salary, up to a maximum of eight times the Social Security ceiling.

(f) Philippe Jossé was entitled in 2013 to compensation for dismissal in the amount of €612,500, stipulated in his contract and unanimously approved by the Board of Directors on May 15, 2013.

(g) Such compensation would 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. The company abandoned the payment commitment given to Philippe Jossé, Executive Vice President, in consideration for his non-compete clause.

On June 25, 2013, the Board of Directors appointed Nordine Hachemi as Director and Vice Chairman of the Board of Directors. He was appointed Chief Executive Officer as from July 1, 2013 and Chairman and Chief Executive Officer as from January 24, 2014. The terms and conditions of the contract of his office specify that he will be receiving gross annual compensation in the amount of €600,000 paid in twelve monthly installments. In addition to this fixed compensation, he will receive, as applicable, annual variable compensation contingent on meeting quantitative and qualitative targets set by the Board of Directors; the variable compensation will be paid in January following the end of the fiscal year. For the fiscal year ended November 30, 2013, the bonus can reach 75% of the fixed compensation, i.e., €187,500 gross, if 100% of targets are met, and up to 90% of fixed compensation, i.e., €225,000 gross in the event of outperformance.

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 Nordine Hachemi compensation for dismissal to compensate the loss suffered by the loss of his position.

In the event of dismissal, the so-defined compensation will be equal to twelve months' gross fixed and variable pay for the fiscal year ended, extended to 18 months if control over the company is taken by one or more third parties acting in concert triggering the obligation to launch a public offering of the company shares.

Regardless of the date and circumstances of the dismissal, such compensation shall be payable only if Nordine Hachemi has received or should have received in the two fiscal years preceding the termination of his term in office on average at least 70% of the maximum variable portion (excluding outperformance) of his compensation for each of the two fiscal years, as the variable portion is based on both quantitative and qualitative targets set at the beginning of each fiscal year. In the event of dismissal prior to January 31, 2015, Nordine Hachemi's performance and therefore the percentage of the variable part of his compensation that would have been received, will be assessed by the Board of Directors for the period from July 1, 2013 to the dismissal decision (and not for the last two fiscal years) and with respect to the quantitative and qualitative targets applicable to the relevant period, after having heard Nordine Hachemi.

Nordine Hachemi receives a supplemental defined contribution pension plan pursuant to the provisions of Article 83 of the General Tax Code. Nordine Hachemi 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 undertakings to the benefit of Nordine Hachemi on the occasion of his appointment to these positions will be subject to the approval of the Shareholders' Meeting.

After calculation and assessment of the achievement of the targets set for fiscal year 2013, the Board of Directors at its meeting of January 24, 2014, on the proposal of the Compensation and Nominating Committee of January 16, 2014, set the amount of the variable compensation payable to the Chairman in January 2014 at €250,000 gross. The variable part of this incentive was calculated as follows:

- 2/3 of its amount based on the following quantitative items, each of which was weighted: revenues, EBITDA, net debt of Kaufman & Broad SA;
- 1/3 of the amount using the following qualitative elements: consolidation, management of group teams, diversification/development, preparation for fiscal year 2014.

At the Board Meeting of January 24, 2014 Nordine Hachemi was appointed Chairman and Chief Executive Officer of the company. At the Board Meeting, the Chairman's fixed annual compensation due was set at €600,000 gross for fiscal year 2014; in addition, it still comprises variable compensation tied to the group's business targets. The amount of this variable compensation for fiscal year 2014 if 100% of targets are achieved, is set at €700,000 gross, 70% of which will be calculated using quantitative elements, each subject to weighting, and 30% will be calculated using qualitative elements (such as: management of group teams, diversification/development, preparation for fiscal year 2015). These qualitative elements will be assessed by the Compensation and Nominating Committee at the end of the fiscal year.

This variable compensation will be paid, as applicable, to Nordine Hachemi at the end of January 2015, provided that he is still with the group at that date.

At the Board Meeting of January 22, 2013, Guy Nafilyan's fixed annual compensation due was set at €525,000 gross for the fiscal year ended November 30, 2013; his variable compensation was tied to Kaufman & Broad SA's business targets for the fiscal year. The amount of this variable compensation with fixed objectives for fiscal year 2013 was set at a gross of €1,236,646. 2/3 the variable compensation amount was calculated based on the following quantitative items, each of which was weighted: revenues, EBITDA, attributable net income, WCR, annual housing orders, number of Commitment Committees lots for fiscal year 2013; and 1/3 of the amount based on the following qualitative elements: brand reputation, team management, integration of the Executive Vice President, preparation for fiscal year 2014.

To receive this variable compensation, the Chairman must remain in office without interruption until payment of such variable compensation to be paid in two payments, 2/3 in January 2014 and 1/3 in January 2015. 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.

No stock options or new bonus shares were granted to Guy Nafilyan during fiscal year 2013.

Guy Nafilyan did not receive any severance payments.

At its meeting of June 25, 2013, the Board of Directors decided to modify the transition at the top of the company and to separate the functions of Chairman of the Board of Directors and Chief Executive Officer.

M. Guy Nafilyan resigned from office as Chairman and Chief Executive Officer effective July 1, 2013 and terminated his employment contract with Kaufman & Broad (no compensation was paid in relation to this severance); at the same time, he retained his Board Directorship and was appointed Chairman of the Board of Directors as from July 1, 2013.

Following these changes, it was agreed to remove the employment condition related to variable pay as part of his compensation and to end the deferral of the payment of the balance of Guy Nafilyan's variable compensation for fiscal year 2012, i.e., €891,243 gross, an amount paid to him in July 2013.

For fiscal year 2013, considering the transition at the top of the company, the employment and the variable pay deferral conditions applicable to Guy Nafilyan have been amended. The amount of Guy Nafilyan's variable pay for fiscal year 2013 was set, based on the results of the first half of 2013 and on Guy Nafilyan's contribution to the company's growth, to half of €1,236,810 gross in July 2013 (corresponding to the variable pay for fiscal year 2013 with 100% of targets met, i.e., 2.4 times the amount of his fixed compensation), and the balance in January 2014 provided that Guy Nafilyan has not resigned from office as Chairman of the Board of Directors prior to December 31, 2013. The variable pay for fiscal year 2013 were paid as planned, i.e., in July 2013 and January 2014.

As from July 1, 2013, as Chairman of the Board of Directors, Guy Nafilyan has received gross monthly compensation of €41,666 and continued to receive the services of a secretary, a driver, his office and mutual insurance. These were to be provided until the end of his term in office which ended on January 24, 2014.

In addition, Guy Nafilyan was granted 243,747 company stock warrants in 2007 (see Section 3.3.4.).

Finally, with regard to Philippe Jossé, 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 to 120% of his fixed annual compensation in the event of outperformance.

For 2013, this incentive is calculated as follows:

- 2/3 of its amount based on the following quantitative items, each of which was weighted: revenues, 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 planned that he would be guaranteed a variable "base" compensation for 2013 (corresponding to 75% of his annual gross fixed compensation). Nevertheless, the payment of the variable compensation remained conditional on the continued employment of Philippe Jossé by the company as of December 31, 2013.

In addition, it was provided that 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).

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 undertook 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, such compensation would be equal to twelve months' fixed and gross variable compensation. In the event of a dismissal during the following two years of his term, such compensation would 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 would not be taken into account in the calculation of compensation.

In all cases, such compensation would 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 would be evaluated by the Board of Directors.

Moreover, in the event of Philippe Jossé's departure, it was provided that he would be bound by an obligation of non-competition and non-solicitation, unless waived or reduced by the group, for a period of twelve 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 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 had a supplemental defined-contribution pension plan pursuant to the provisions of Article 83 of the French General Tax Code.

Philippe Jossé also received, 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 undertakings to the benefit of Philippe Jossé on the occasion of his appointment to these positions will be subject to the approval of the Shareholders' Meeting.

On May 15, 2013, the Board of Directors of the company, acting unanimously, decided to immediately terminate the office of Philippe Jossé as Deputy Chief Executive Officer for divergence of opinions; the Board of Directors also decided that the performance condition to which the payment of severance pay stipulated in the term of office agreement of Philippe Jossé, assessed in light of the targets set by the Board of Directors on January 22, 2013 and of the terms of the term of office agreement, were met and accordingly approved payment to Philippe Jossé of the compensation stipulated in said agreement, i.e., €612,500 gross.

3.2.1.3. Compensation Paid to Management Committee Members

Management Committee members receive fixed and variable compensation. For the fiscal year ended November 30, 2013, total gross compensation and benefits received by members of the Management Committee (excluding Kaufman & Broad SA Corporate Officers) was €2,255,665, representing €1,069,840 in fixed pay, variable pay of €1,175,000, and in-kind benefits for €10,825. 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 or bargaining agreements. For the members of the Management Committee, the amount provisioned was €425,069 in fiscal year 2013. 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, 2013, the members of the Management Committee held (i) stock purchase options granted on April 19, 2006 for the purchase of a total of 12,800 company shares and (ii) 13,691 bonus shares granted on November 6, 2007, 3,500 bonus shares granted on December 3, 2007, 83,855 bonus shares granted on February 13 and July 8, 2009 and 26,000 bonus shares granted on January 20, 2010; these shares vested two years after they were granted. They were also granted 7,000 bonus shares on January 22, 2013. These shares will vest two years after the decision to grant them only 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.

NB: Since the compensation of executive Corporate Officers and members of the Management Committee, mentioned in Sections 3.2.1.2. "Compensation of Corporate Officers" and 3.2.1.3. "Compensation paid to members of the Management Committee" is directors' interest, it 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 various legal entities comprising the group, and in particular the staff). Moreover, the stock purchase option and bonus share plans were authorized by the Shareholders' Meeting and the awards of 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. TOTAL NUMBER OF STOCK OPTIONS GRANTED BY THE GROUP

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 PURCHASE 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 4.4.3. "Auditors' Report on related-party agreements".

3.2.7. OPINION ON THE COMPENSATION COMPONENTS DUE OR ALLOCATED TO PHILIPPE JOSSÉ, DEPUTY CHIEF EXECUTIVE OFFICER, FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2013

In accordance with recommendations of the AFEP-MEDEF Code revised in June 2013 (Article 24.3), a code the company applies pursuant to Article L. 225 – 37 of the Commercial Code, the following components of the compensation due or paid to each executive Corporate officer for the fiscal year ended must be submitted to the vote of shareholders:

- fixed compensation;
- annual variable compensation and, as applicable, the multi-year variable compensation and the targets used to define such variable compensation;
- special compensation;

- stock options, performance shares and any other long-term compensation component;
- pay related to entering or leaving office;
- supplemental retirement plan;
- any type of benefits.

Accordingly, the Shareholders' Meeting of April 11, 2014 will be asked to vote on the following components of the compensation due or paid for the fiscal year ended November 30, 2013 to Nordine Hachemi, Guy Nafilyan and Philippe Jossé.

Compensation components due or paid to Nordine Hachemi, Chief Executive Officer since July 1, 2013 for the fiscal year ended November 30, 2013, submitted to the vote of the shareholders

Compensation components	Amounts	Comments
Fixed compensation	€250,000	-
Variable compensation	€225,000	90% of fixed compensation, for outperformance
Multi-year variable compensation	-	-
Directors' fees	none	-
Special compensation	€25,000	Amount approved by the Board of Directors on January 24, 2014 ⁽¹⁾
Stock purchase or subscription plans or bonus shares	none	-
Pay related to entering or leaving office;	none	-
Supplemental retirement plan	€9,875	Annual contributions capped at 8% of gross salary up to a maximum of eight times the maximum Social Security contribution
Any type of benefits	€5,170	Company car and entertainment expenses

(1) In addition to the €225,000 bringing his annual variable compensation to €250,000.

Compensation components due or paid to Guy Nafilyan, Chief Executive Officer until June 30, 2013 and Chairman of the Board of Directors since July 1, 2013 for the fiscal year ended November 30, 2013 and submitted to the vote of the shareholders

Compensation components	Amounts	Comments
Fixed compensation	€514,583	-
Variable compensation	€1,236,646	Amount due corresponding to the amount if 100% of targets are met approved by the Board of Directors on January 24, 2014
Multi-year variable compensation	-	-
Directors' fees	none	-
Special compensation	none	-
Stock purchase or subscription plans or bonus shares	none	-
Pay related to entering or leaving office;	none	-
Supplemental retirement plan	€13,790	Annual contributions capped at 8% of gross salary up to a maximum of eight times the maximum Social Security contribution
Any type of benefits	€7,587	Company car and entertainment expenses

Compensation components due or paid to Philippe Jossé, Deputy Chief Executive Officer from February 1 to May 15, 2013 for the fiscal year ended November 30, 2013, submitted to the vote of the shareholders

Compensation components	Amounts	Comments
Fixed compensation	€102,084	-
Variable compensation	none	-
Multi-year variable compensation	-	-
Directors' fees	none	-
Special compensation	none	-
Stock purchase or subscription plans or bonus shares	-	-
Pay related to entering or leaving office;	€612,500	Pay stipulated in his agreement and unanimously approved by the Board of Directors on May 15, 2013
Supplemental retirement plan	€6,913	Annual contributions capped at 8% of gross salary up to a maximum of eight times the maximum Social Security contribution
Any type of benefits	none	-

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 Kaufman & Broad's 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 1.6.3.10. "Company Savings Plan".

3.3.3. STOCK PURCHASE OR SUBSCRIPTION OPTION PLANS – BONUS SHARE AWARDS – STOCK SUBSCRIPTION WARRANTS

The rules governing the various stock purchase or subscription option plans implemented by the company contain provisions allowing beneficiaries to exercise options early during any public offer of company shares 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.

Due to the change in control, the bonus share award plan implemented by the company on April 19, 2006 includes provisions, which reduce the vesting period to two years from the grant date.

The terms and conditions of the stock subscription or purchase 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.

3.3.3.1. Stock Option Plans

The Extraordinary Shareholders' Meeting of April 19, 2006 granted stock options to employees and Corporate offices for a maximum number of 400,000 shares of the company's stock.

In application of this authority, on April 19, 2006, the Board of Directors granted 95,000 stock purchase options to 2 Corporate offices and 24 employees, with an exercise price of €44.23 per

share. The plan does not provide for any discount from the market price of the share. The options may be exercised within a maximum period of ten years as from the date of their grant, i.e., until April 19, 2016. However, if a beneficiary leaves the group, the options must be exercised within six month from such event.

At the date of this Registration Document:

- none of the stock purchase options has been exercised;
- only 26,100 options can still be exercised (the rest are void due to their beneficiaries no longer being with the company); and
- the only Corporate officer holding stock purchase options is Guy Nafilyan, who holds 12,000 stock purchase options, which can be exercised until July 24, 2014.

Refer to Section 3.3.3.1. for a summary table regarding this stock option plan.

The group has no other stock purchase or subscription plan in effect.

3.3.3.2. Bonus Share Plan

3.3.3.2.1. 2009 Bonus Share Plan

At its Meeting of April 09, 2009, the Shareholders' Meeting authorized the Board of Directors to grant 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 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.

In application of this authority, the company's Board of Directors granted 143,515 existing shares to company employees who are not Corporate Officers on July 8, 2009, 58,000 existing shares on January 20, 2010, and 36,000 existing shares on February 17, 2011 and 20,000 shares on January 17, 2012 representing 0.66%, 0.27%, 0.17% and 0.09% respectively of the company's capital.

Refer to Section 3.3.3.3.2. for a summary table regarding these bonus share plans.

3.3.3.2.2. 2012 Bonus Share Plan

At its Meeting of April 19, 2012, the Shareholders' Meeting authorized the Board of Directors to grant 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 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.

In application of this authority, the company's Board of Directors granted to group employees who are not Corporate Officers 35,800 existing shares on January 22, 2013 representing 0.17% of the company's capital.

Refer to Section 3.3.3.3.2. for a summary table regarding these bonus share plans.

3.3.3.3. Summary Tables

3.3.3.3.1. Stock purchase or subscription plan

Table 8 AMF Definitions

Stock purchase or subscription plan history

Extraordinary Shareholders' Meeting of April 19, 2006	Plan 1
Date of Meeting of the Board of Directors	April 19, 2006
Total number of shares that may be purchased	95,500
<i>o/w that may be purchased by Guy Nafilyan</i>	12,000
Start of option exercise period	April 19, 2008
Expiration date	April 19, 2016
Purchase price	€44.23 per share
Exercise methods	-
Number of shares purchased as of the date of this Registration Document	-
Aggregate number of shares cancelled or void	69,400
Number of options at the fiscal year-end ⁽¹⁾	26,100

(1) At the date of this document, there were 31,100 shares as of November 30, 2013.

3.3.3.3.2. Bonus Share Plan

2009 Bonus Share Plan

Plan 2009

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 08, 2009
Number of beneficiaries	16
Number of bonus shares allotted on July 08, 2009	143,515
End of vesting period/Share transfer date	July 09, 2011
Lock-in period	2 years
End of lock-in period	July 09, 2013
<i>number of shares awarded to Corporate Officers at July 08, 2009</i>	-
<i>o/w number of shares vested</i>	108,817
<i>number of shares void</i>	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
<i>number of shares awarded to Corporate Officers at January 20, 2010</i>	-
<i>o/w number of shares vested</i>	55,000
<i>number of shares void</i>	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
<i>number of shares awarded to Corporate Officers at February 17, 2011</i>	-
<i>o/w number of shares vested</i>	34,000
<i>number of shares void</i>	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
<i>number of shares awarded to Corporate Officers at January 17, 2012</i>	-
<i>o/w number of shares vested</i>	19,000
<i>o/w number of shares void⁽²⁾</i>	1,000

(2) At the date of this document, the number was unchanged compared to November 30, 2013.

2012 Bonus Share Plan

Plan 2012

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
<i>number of shares awarded to Corporate Officers</i>	-
<i>o/w number of shares vested</i>	0
<i>o/w number of shares void⁽³⁾</i>	2,700

(3) At the date of this document, there were 600 shares as of November 30, 2013.

3.3.4. STOCK SUBSCRIPTION WARRANTS

The Extraordinary Shareholders' Meeting of December 3, 2007 resolved to immediately issue 721,086 company stock subscription warrants (SSW) reserved for 21 group employees (477,339 SSW) and to Guy Nafilyan (243,747 SSW).

The SSW that were held by employees who are no longer with the group, i.e., at the date of this Registration Document a total of 327,028 SSW, were bought by Financière Daunou 10, which decided not to exercise those SSW and they are now void.

Accordingly, at the date of this Registration Document, only 394,058 SSW can still be exercised, including 243,747 SSW held by Guy Nafilyan.

The exercise of these 394,058 SSW could result in a capital increase for a maximum nominal amount of €102,455.08, plus the amount of the additional capital increases necessary to preserve the rights of the SSW holders in the event of new financial transactions.

Each SSW can only be exercised in the event of a "Change in control," as defined in the terms of conditions of the SSW, occurring prior to December 3, 2017.

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4.

ASSETS, FINANCIAL POSITION AND RESULTS AT NOVEMBER 30, 2013

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4.1. CONSOLIDATED FINANCIAL STATEMENTS AT NOVEMBER 30, 2013

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

Consolidated income statement

(in € thousands)	Note	November 30, 2013	November 30, 2012
Revenues	(4)	1,025,954	1,030,046
Cost of sales		(829,185)	(827,912)
Gross margin		196,769	202,134
Selling expenses	(5)	(30,619)	(29,242)
Administrative expenses	(6)	(65,058)	(62,935)
Technical and customer service expenses	(7)	(18,052)	(16,301)
Other expenses	(8)	(10,180)	(9,326)
Other income	(8)	3,170	951
Current operating income		76,030	85,281
Other non-recurring income	(9)	5	1,538
Other non-recurring expenses	(9)	(6)	(10)
Operating income		76,029	86,809
Financial expenses		(3,551)	(5,918)
Financial income		744	1,797
Cost of net financial debt	(11)	(2,807)	(4,121)
Other interest expense	(12)	-	(1,109)
Other financial income	(12)	-	1,000
Pre-tax profit (loss) of consolidated companies		73,222	82,579
Income tax	(13)	(21,961)	(25,814)
Net Income of consolidated companies		51,261	56,765
Share of income/loss of equity affiliates and joint-ventures		642	(61)
Income (loss) attributable to shareholders		51,903	56,704
Minority interest income (loss)	(22.3)	11,055	9,080
Attributable net income		40,848	47,624
Average number of shares	(14)	20,915,865	21,135,155
Earnings per share	(14)	€1.95	€2.25
Diluted earnings per share	(14)	€1.95	€2.25

Consolidated net comprehensive income

(in € thousands)	November 30, 2013	November 30, 2012
Income (loss) attributable to shareholders	51,903	56,704
Change in the gross value of derivative instruments	91	2,271
Tax impact on derivative instruments	(31)	(785)
Gains and losses recognized directly in equity that may be reclassified subsequently to profit and loss	60	1,486
Change in actuarial gains and losses	(972)	(1,566)
Tax effect on actuarial gains and losses	335	539
Total gains and losses recognized directly through equity that will not be reclassified subsequently to profit and loss	(637)	(1,027)
Consolidated net comprehensive income	51,326	57,163
Attributable	40,271	48,084
Minority interests	11,055	9,080

Statement of consolidated financial position

Assets

(in € thousands)	Note	November 30, 2013	November 30, 2012
Goodwill	(15)	68,511	68,511
Intangible assets	(16.1)	85,376	84,897
Property, plant and equipment	(16.2)	4,713	5,604
Equity affiliates and joint-ventures	(17)	8,181	4,373
Other non-current financial assets	(17)	20,139	1,262
Non-current assets		186,920	164,647
Inventories	(18)	324,963	284,469
Accounts receivable	(19)	291,778	268,189
Other receivables	(19)	136,793	143,161
Other financial receivables	(19.4)	-	2,379
Current tax		16,611	34,601
Cash and cash equivalents	(21)	188,258	153,763
Prepaid expenses	(19)	867	1,008
Current assets		959,270	887,570
Total assets		1,146,190	1,052,217

Equity and liabilities

(in € thousands)	Note	November 30, 2013	November 30, 2012
Capital stock	(22)	5,612	5,612
Reserves related to capital		979	979
Attributable reserves		153,154	156,886
Other reserves		(13,002)	(12,177)
Treasury shares	(22.1)	(10,199)	(9,778)
Dividend advance		-	(48,455)
Attributable net income		40,847	47,624
Attributable shareholders' equity		177,391	140,691
Minority interests	(22.3)	10,811	8,420
Shareholders' equity		188,202	149,111
Non-current provisions	(24)	33,422	24,510
Borrowings and other non-current financial liabilities	(25.1)	218,959	234,535
Deferred taxes	(20)	40,365	55,586
Non-current liabilities		292,746	314,631
Current provisions	(24)	1,724	1,000
Other current financial liabilities	(25.1)	19,340	458
Accounts payable	(26)	550,233	473,624
Other liabilities	(26)	92,729	111,777
Deferred income	(26)	1,217	1,616
Current liabilities		665,242	588,475
Total equity and liabilities		1,146,190	1,052,217

Statement of cash flows

(in € thousands)	Note	November 30, 2013	November 30, 2012
Consolidated net income		51,903	56,704
Share of income (loss) of equity affiliates and joint-ventures		(642)	61
Estimated income and expenses		12,865	12,441
Cash flow after cost of financial debt and tax		64,126	69,206
Cost of net financial debt		2,807	4,121
Other interest expenses (income)		-	109
Tax liability (income)		21,961	25,814
Cash flow before cost of financial debt and tax		88,894	99,250
Tax (paid)/received		131	(2,057)
Change in Operating Working Capital Requirements	(27)	(11,507)	58,789
Cash flows from operating activities (A)		77,518	155,982
Investing activities			
Acquisition of tangible and intangible assets (net of disposals)		(1,908)	(3,960)
(Acquisition) Repayment of financial assets		(16,387)	10,622
Cash flow with equity affiliates and joint-ventures		(3,145)	(517)
Change in the scope of consolidation		(11)	-
Cash flows provided by (used in) investing activities (B)	(27)	(21,451)	6,145
Free cash flow		56,067	162,127
Financing activities			
Distributions to minority interests		(9,468)	(9,374)
Buyback of minority interests		(2,058)	(1,828)
Buyback of treasury shares, net of resales		(1,228)	(6,392)
Loan repayments		(45)	(67,939)
Distributions to shareholders		-	(48,455)
Net financial interest paid		(8,773)	(14,254)
Other net financial income received		-	1,000
Cash flows provided by (used in) financing activities (C)	(27)	(21,572)	(147,242)
Increase (decrease) in cash (A + B + C)		34,495	14,885
Cash at beginning of the period		153,763	138,878
Cash at end of the period		188,258	153,763
Increase (decrease) in cash		34,495	14,885
Cash and cash equivalents		188,258	153,763
Credit facilities		(512)	(454)
Interest accrued on cash and cash equivalents		512	454
Cash at end of the period		188,258	153,763

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 interests	Total shareholders' equity
December 1, 2011, published	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, 2011	-	-	-	-	-	-	-	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
Allocation of profit or loss	-	-	-	(831)	-	-	48,455	(47,624)	-	-	-
Actuarial gains (losses)	-	-	-	-	(637)	-	-	-	(637)	-	(637)
Change in hedging reserves	-	-	-	-	60	-	-	-	60	-	60
Gains and losses recognized directly in shareholders' equity	-	-	-	-	(578)	-	-	-	(578)	-	(578)
Net income at November 30, 2013	-	-	-	-	-	-	-	40,847	40,847	11,055	51,902
Consolidated net comprehensive income	-	-	-	-	(578)	-	-	40,847	40,269	11,055	51,324
Distributions	-	-	-	-	-	-	-	-	-	(8,665)	(8,665)
Treasury share transactions	-	-	-	-	(676)	(422)	-	-	(1,098)	-	(1,098)
Share-based payments	-	-	-	-	428	-	-	-	428	-	428
Other transactions	-	-	-	(703)	-	-	-	-	(703)	-	(703)
Buyback of minority interests	-	-	-	(2,197)	-	-	-	-	(2,197)	-	(2,197)
Total transactions with shareholders	-	-	-	(2,900)	(248)	(422)	-	-	(3,570)	-	(3,570)
November 30, 2013	21,584,658	5,612	979	153,155	(13,003)	(10,199)	-	40,847	177,391	10,811	188,201

4.1.1. SIGNIFICANT EVENTS OF THE PERIOD

4.1.1.1. Acquisition of Flandres Promotion

Kaufman & Broad SA agreed to acquire the regional development company Flandres Promotion on May 29, 2013 for an estimated price of €0.6 million, of which €0.4 million will be paid at the signing of agreements. This acquisition enables the group to boost its presence on the Nord Flandres region with a property portfolio of about 80 lots through four programs under management at the acquisition date.

4.1.1.2. Buyback of minority interests

The group repurchased several minority interests over the fiscal year, including five programs in Île-de-France, for a total investment of €2.2 million, under satisfactory conditions of profitability. In accordance with IAS 27R, the impact of these transactions was recognized in shareholders' equity.

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, 2013 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 have made Kaufman & Broad one of France's leading developers/homebuilders.

The annual Consolidated Financial Statements at November 30, 2013 and the related notes were approved by the Board of Directors on February 20, 2014.

NOTE 1.2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

Pursuant to Regulation (EC) No. 1606/2002 of July 19, 2002, the Kaufman & Broad group prepared its 2013 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_en.htm) 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, 2012

No new standard or interpretation whose application is mandatory for the fiscal year beginning on December 1, 2012 had any impact on the Kaufman & Broad group's financial statements.

These standards are as follows:

Standards

Mandatory application date for annual periods beginning on or after

Amendment to IAS 1 – Presentation of items of other income and expenses recognized directly in equity

July 1, 2012

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, 2012. 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 and amendments ^(a)	January 1, 2015
IFRS 10 – Consolidated Financial Statements and amendments ^(b)	January 1, 2013
IFRS 11 – Joint Arrangements and amendments ^(b)	January 1, 2013
IFRS 12 – Disclosure of Interests in Other Entities and amendments ^(b)	January 1, 2013
IFRS 13 – Fair Value Measurement	January 1, 2013
IAS 28 revised – Investments in associates and joint-ventures ^(b)	January 1, 2013
IAS 19 revised – Employee Benefits	January 1, 2013
Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets	January 1, 2013
Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities	January 1, 2014
Amendment to IFRS 7 – Disclosures: offsetting of 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
IAS 36 – Disclosure of the recoverable value of assets	January 1, 2014

(a) This standard issued by the IASB has not yet been approved by the European Union.

(b) The date of application planned by the European Union is January 1, 2014, with the possibility of early application on January 1, 2013.

The Kaufman & Broad group has not adopted any of these new standards or interpretations early and does not anticipate any significant impact on its financial statements in their application to the extent that the application of the proportional consolidation method was discontinued with the transition to IFRS.

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 primarily concern:

- 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 (Notes 15 and 16.1);
- the recoverability of tax assets (note 20).

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 provide for options with regard to the measurement and recognition of assets and liabilities. Accordingly, the group has opted:

- for the measurement method based on the amortized historic cost of property, plant and equipment and intangible fixed assets at 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");
- for 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;
- to apply the option provided for by IAS 31 Section 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 twelve 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

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 at 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., twelve 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 consists 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 five 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;
• rolling stock:	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 Rhône-Alpes;
- Kaufman & Broad Méditerranée;
- Kaufman & Broad Nantes;
- Kaufman & Broad Pyrénées-Atlantiques;
- Kaufman & Broad Côte d'Azur;
- Kaufman & Broad Bretagne;
- Kaufman & Broad Flandres.

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 property, plant and equipment and 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 closing 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, 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 management tools in place 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. Trade receivables 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 shares of the company 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 for their amount net of taxes.

NOTE 1.15. SHARE-BASED PAYMENTS

Under IFRS 2 "Share-based payments", the stock options, offerings reserved for employees and bonus share allotments of Kaufman & Broad shares awarded to employees and officers of the group are valued at the date of the award.

The group values benefits awarded to employees on the basis of their 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

Provisions are recognized if, 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 outflows of resources may be discounted.

The obligation may be statutory, regulatory or contractual in nature. 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:

- provisions for risks with respect to certain equity affiliates;
- provisions for commercial and legal risks;
- a provision for tax risks;
- and employee benefits.

The group has no commitments other than retirement benefits that are provisioned in the group's Consolidated Financial Statements.

This provision is valued by an independent expert.

The actuarial method used is the projected units of credit method. This method consists in evaluating, for each employee, the benefit amount 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 of determination of price 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.

Accounts payable and other liabilities

Because of their short-term nature, the book values stated in the Consolidated Financial Statements are reasonable estimates of market value.

Derivatives Financial Instruments

The Kaufman & Broad group is exposed to the market risk, in particular the 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 valuation 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

Deferred taxes are recognized when there are timing differences between the book values of assets and liabilities and their tax bases, and when there are 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.).

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 risks and contingencies;
- 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.

The operating income corresponds to net income before accounting for the following:

- financial income;
- financial expenses;
- current and deferred taxes;
- the share of income (loss) of equity affiliates;
- income or 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 agreement, the legislature has 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.

Revenues are recognized in accordance with IAS 18 "Income from continuing operations" 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 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.

The forecasts used were re-examined in full quarterly and take into account, to the best of management's knowledge, expected changes in the 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. They are 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, capital gains or losses on disposal of non-current assets, non-recurring income and expenses, income of companies accounted for by the Equity method and other estimated expenses.

Note 1.24.3. Free cash flow and cash flow from operations

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, 2013 include the financial statements of 309 companies, 250 of which fully consolidated companies and 59 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	SAS	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 Rhône-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
Kaufman & Broad Real Estate	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
Côté Bassin	EURL	37,000	100.00%	FC
SM2I	SARL	1,000,000	100.00%	FC

(a) FC = Full Consolidation, EM = Equity method.

(b) Company registered in Belgium.

Listed below are the main real estate companies (SCI), construction/sale companies (SCV) 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 2013.

Corporate Name	Legal structure	Capital	% controlled by the group	Consolidation method ^(a)
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
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	100.00%	FC
SCI Epinay Sur Seine – Rue de Dunkerque	SCI	1,000	60.00%	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	100.00%	FC
SNC Le caducée	SNC	1,000	60.00%	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 VILLA ROSA	SCI	2,000	51.00%	FC
SCI L'entracte	SCI	1,765,300	51.00%	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
SCI Boulogne 8 rue de Meudon	SCI	1,000	100.00%	FC
SCI Palaiseau – Quartier Camille Claudel	SCI	1,000	70.00%	FC
Résidence le Cerdana	SNC	1,000	51.00%	FC
Carros – Lou Plan	SNC	50,000	100.00%	FC
Bagneux Tertres	SCCV	1,000	51.00%	FC
Brie Comte Robert	SCI	1,000	100.00%	FC
Boussy Saint-Antoine	SCI	1,000	70.00%	FC
Villepreux La Pépinière	SCCV	1,000	66.70%	FC
La Baule – Allée de Cérès	SCI	1,000	64.00%	FC
SC Résidence les Ailes d'Icare	SCI	1,000	51.00%	FC
SCI Bel Canto	SCI	1,000	99.00%	FC
Saint Raphaël – Allée Victoria	SCI	1,000	90.00%	FC
Domaine de la Pinède	SCI	1,000	100.00%	FC
Bagneux Fontaine Gueffier I	SCCV	1,000	51.00%	FC
SNC Domaine de Marquisat	SNC	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

Fiscal year ended November 30, 2013 (in € thousands)	Île-de-France	West	Southwest	Southeast
Revenues	432,139	63,343	162,791	253,418
Gross margin	93,119	10,376	30,292	43,508
Selling expenses	(12,452)	(1,453)	(4,988)	(6,437)
Administrative expenses	(14,989)	(2,961)	(8,213)	(8,961)
Technical and customer service expenses	(7,809)	(948)	(2,908)	(4,117)
Other expenses	(1,124)	(1,041)	(1,399)	(2,786)
Other income	565	62	458	134
Reallocation of portion of Corporate re invoicing	(11,206)	(2,247)	(6,256)	(7,106)
Current operating income	46,107	1,789	6,986	14,235
Other non-recurring income and expenses	10	-	-	(7)
Operating income	46,117	1,789	6,986	14,228
Cost of net financial debt and other financial income/expenses	5,804	492	83	748
Reallocation of cost of net financial debt	(3,805)	(763)	(2,124)	(2,413)
Pre-tax income of consolidated companies	48,116	1,518	4,945	12,563
Income tax	(15,035)	(316)	(1,324)	(3,237)
Share of income (loss) of equity affiliates and joint-ventures	478	(34)	9	(61)
Income (loss) attributable to shareholders	33,559	1,168	3,631	9,265
Attributable	28,269	529	2,319	5,934
Minority interests	5,290	639	1,312	3,331

Fiscal year ended November 30, 2013 (in € thousands)	Rhône-Alpes	Commercial Property	Other Regions	Head office	Total
Revenues	57,621	41,243	15,400	-	1,025,954
Gross margin	13,821	3,927	1,725	-	196,768
Selling expenses	(1,834)	(54)	(86)	(3,315)	(30,619)
Administrative expenses	(4,156)	(1,583)	(862)	(23,332)	(65,058)
Technical and customer service expenses	(1,210)	(187)	(187)	(694)	(18,052)
Other expenses	(845)	230	273	(3,488)	(10,180)
Other income	1,465	1	25	461	3,170
Reallocation of portion of Corporate re invoicing	(2,338)	(911)	(304)	30,368	-
Current operating income	4,902	1,423	584	-	76,030
Other non-recurring income and expenses	(3)	-	(1)	-	(1)
Operating income	4,899	1,423	583	-	76,029
Cost of net financial debt and other financial income/expenses	1,349	(532)	(440)	(10,311)	(2,807)
Reallocation of cost of net financial debt	(794)	(309)	(103)	10,311	-
Pre-tax income of consolidated companies	5,454	582	40	-	73,222
Income tax	(1,825)	(211)	(16)	-	(21,961)
Share of income (loss) of equity affiliates and joint-ventures	251	-	-	-	642
Income (loss) attributable to shareholders	3,880	371	24	-	51,903
Attributable	3,401	371	20	-	40,848
Minority interests	479	-	4	-	11,055

The re-invoicing 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.

Fiscal year ended 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 income	273	16	172	66
Reallocation of portion of Corporate re-invoicing	(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	(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
<i>Attributable</i>	<i>33,768</i>	<i>660</i>	<i>3,193</i>	<i>6,650</i>
<i>Minority interests</i>	<i>2,692</i>	<i>343</i>	<i>750</i>	<i>3,963</i>

Fiscal year ended November 30, 2012
(in € thousands)

	Rhône-Alpes	Commercial Property	Other Regions	Head office	Total
Revenues	90,507	5,692	9,162	-	1,030,046
Gross margin	20,365	1,055	1,364	-	202,134
Selling expenses	(1,940)	(51)	(75)	(2,212)	(29,242)
Administrative expenses	(4,079)	(1,127)	(668)	(25,933)	(62,935)
Technical and customer service expenses	(1,188)	(278)	(222)	(654)	(16,301)
Other expenses	(1,156)	(69)	(289)	3,923	(9,326)
Other income	115	-	19	290	951
Reallocation of portion of Corporate re-invoicing	(2,850)	(420)	(326)	24,586	-
Current operating income	9,267	(890)	(197)	-	85,281
Other non-recurring income and expenses	(1)	-	21	-	1,528
Operating income	9,266	(890)	(176)	-	86,809
Cost of net financial debt and other financial income/expenses	1,884	190	(1,382)	(18,328)	(4,230)
Reallocation of cost of net financial debt	(1,897)	(249)	(257)	18,328	-
Pre-tax income of consolidated companies	9,253	(949)	(1,815)	-	82,579
Income tax	(2,803)	320	618	(2)	(25,814)
Share of income (loss) of equity affiliates and joint-ventures	58	-	(1)	6	(61)
Income (loss) attributable to shareholders	6,508	(629)	(1,198)	4	56,704
<i>Attributable</i>	<i>5,176</i>	<i>(629)</i>	<i>(1,198)</i>	<i>4</i>	<i>47,624</i>
<i>Minority interests</i>	<i>1,332</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>9,080</i>

NOTE 3.2. BREAKDOWN BY OPERATING SEGMENT OF INVENTORY, RECEIVABLES AND WORKING CAPITAL REQUIREMENTS

Fiscal year ended November 30, 2013 (in € thousands)	Île-de-France	West	Southwest	Southeast
Inventories	93,850	20,392	112,849	82,252
Accounts receivable	96,011	18,597	79,449	45,878
Other	(206,336)	(26,259)	(121,386)	(87,099)
Working Capital Requirements	(16,475)	12,730	70,912	41,031

Fiscal year ended November 30, 2013 (in € thousands)	Rhône-Alpes	Commercial Property	Other Regions	Head office	Total
Inventories	9,716	1,610	4,293	-	324,962
Accounts receivable	10,959	37,752	2,993	139	291,778
Other	(27,762)	(20,830)	(10,142)	9,908	(489,906)
Working Capital Requirements	(7,087)	18,532	(2,856)	10,047	126,834

Fiscal year ended November 30, 2012 (in € thousands)	Île-de-France	West	Southwest	Southeast
Inventories	59,665	23,835	91,301	97,022
Accounts receivable	102,458	18,374	59,291	59,873
Other	(169,270)	(23,246)	(89,899)	(93,611)
Working Capital Requirements	(7,156)	18,963	60,693	63,284

Fiscal year ended November 30, 2012 (in € thousands)	Rhône-Alpes	Commercial Property	Other Regions	Head office	Total
Inventories	6,942	2,239	3,474	-	284,469
Accounts receivable	8,262	18,946	841	126	268,189
Other	(30,892)	(3,288)	(9,428)	11,408	(408,225)
Working Capital Requirements	(15,688)	17,897	(5,113)	11,534	144,413

4.1.3. STATEMENT OF COMPREHENSIVE INCOME

NOTE 4. REVENUES AND GROSS MARGIN

(in € thousands)	November 30, 2013		November 30, 2012	
	Revenues	Gross margin	Revenues	Gross margin
Total Apartments	919,297	178,121	976,726	189,645
Total Single-family Homes in Communities	48,221	10,646	23,933	4,967
Total Housing	967,518	188,767	1,000,660	194,612
Commercial Property	51,223	5,981	21,087	5,781
Land & fees	698	162	1,649	278
Showroom	6,515	1,859	6,650	1,463
Total revenues and gross margin	1,025,954	196,769	1,030,046	202,134

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 at November 30, 2013.

NOTE 5. SELLING EXPENSES

(in € thousands)	November 30, 2013	November 30, 2012
Salaries and payroll taxes	8,167	7,468
Advertising expenses and cost of the model areas	19,894	19,076
Rents and rental expenses	403	385
Fees	17	18
Temporary employees	764	652
Recruitment costs	27	39
Vehicle expenses – Travel	673	748
Telephone – electricity (EDF) – minor maintenance	40	36
Taxes	594	768
Other expenses	40	52
Total selling expenses	30,619	29,242

Selling expenses amounted to €30.6 million in 2013, compared to €29.2 million in 2012. This 4.7% increase was 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, 2013	November 30, 2012
Salaries and payroll taxes	38,603	36,503
Rents and rental expenses	5,325	5,969
Fees	4,120	4,397
Financial reporting costs	311	307
Taxes	7,591	6,451
Recruitment costs	447	254
Temporary employees	513	446
Insurance	71	209
Internet	564	453
Telephone – electricity (EDF) – maintenance costs	2,250	2,310
Vehicle expenses – Travel	2,145	2,151
Information Systems	1,464	949
Other expenses	1,654	2,536
Total general and administrative expenses	65,058	62,935

Administrative expenses amounted to €65.1 million in 2013, versus €62.9 million in 2012, a rise of 3.4% primarily due to the €2.1 million increase in the “Salaries and payroll taxes” item

related to the increase in the number of employees and the annual increase in salaries, to the increase in taxes and to a €0.5 million increase in the “IT” line item.

NOTE 7. TECHNICAL EXPENSES AND CUSTOMER SERVICE

(in € thousands)	November 30, 2013	November 30, 2012
Salaries and payroll taxes	16,356	14,662
Fees	35	39
Recruitment costs	21	36
Temporary employees	152	106
Vehicle expenses – Travel	1,085	1,155
Telephone – electricity (EDF) – minor maintenance	76	76
Taxes	293	266
Other expenses	34	(39)
Total technical expenses and customer service	18,052	16,301

Technical expenses and customer service amounted to €18.0 million in 2013 compared to €16.3 million in 2012, a 10.7%

increase. This was primarily due to the increase in the “Salaries and payroll taxes” item related to the increased workforce.

NOTE 8. OTHER INCOME AND EXPENSES

(in € thousands)	November 30, 2013	November 30, 2012
Bank fees	1,496	1,491
Expenses on discontinued projects	2,594	4,553
Amortization, depreciation and provision expenses (net of reversals)	4,071	1,941
Net book value of fixed assets sold	449	271
Other expenses	1,570	1,070
Total other expenses	10,180	9,326
Sale of services	(1,886)	(951)
Income from disposal of non-current assets	(1,284)	-
Total other income	(3,170)	(951)

Other expenses increased by €0.9 million compared to 2012. This change includes the decrease in the "Expenses on discontinued projects" item and a decrease in the "Other expenses" item primarily from the reversal of provisions following settlement of old legal disputes. Other income increased by €2.2 million due to the €1.3 million income from the disposal of the offices of the Grenoble branch.

Expenses related to discontinued projects amounted to €2.6 million in 2013, versus €4.6 million in 2012. This decrease reflects the fewer number of decisions to discontinue programs against which litigation was brought for the building permits or that do 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, 2013	November 30, 2012
Increases on intangible assets	1,742	1,330
Increases on property, plant and equipment (net of reversals)	1,396	1,023
Total amortization expense	3,138	2,353

NOTE 9. OTHER NON-CURRENT EXPENSES AND INCOME

(in € thousands)	November 30, 2013	November 30, 2012
Reversal of provisions for impairment of land ^(a)	-	1,500
Reversal of provision tied to the Employment Preservation Plan	-	38
Risk on associated litigation	5	-
NAV of sold assets	-	-
Total other non-current income	5	1,538
NAV of sold assets	6	3
Risk on associated litigation	-	7
Total other non-current expenses	6	10

(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. For fiscal year 2012, having revisited the setup of a real estate program, the group decided to market the project on a previously depreciated piece of land. The impairment provision was thus immediately reversed, resulting in a net reversal of €1.5 million for fiscal year 2012.

NOTE 10. PAYROLL EXPENSES

Payroll expenses incurred for group employees break down as follows:

(in € thousands)	November 30, 2013	November 30, 2012
Average number of employees (full-time equivalent)	725	725
Salaries and payroll taxes	64,569	59,889
o/w salaries ^(a)	42,915	39,031
o/w: employer contribution	828	733
Bonus shares ^(b)	430	515
Payroll taxes ^(c)	21,654	20,858
Total payroll expenses	64,569	59,889

(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 2013 compared with €5.0 million in 2012.

NOTE 11. COST OF NET FINANCIAL DEBT

Cost of net financial debt

(in € thousands)	November 30, 2013	November 30, 2012
Financial expenses	3,551	5,918
Financial income	(744)	(1,797)
Cost of net financial debt	2,807	4,121

The cost of net financial debt totaled €2.8 million, a reduction of €1.3 million compared to 2012.

Financial expenses can be analyzed as follows:

(in € thousands)	November 30, 2013	November 30, 2012
Interest expenses on syndicated loans	7,510	10,395
Interest expense on swaps	151	3,438
Expenses for deferral of the origination fees for syndicated lines	3,344	1,608
Other	1,990	1,833
Capitalization of financial expenses	(9,444)	(11,356)
Financial expenses	3,551	5,918

Interest expenses on syndicated loans are due to the drawdown of the syndicated loans in the average amount of €237.7 million in 2013 compared to €278.8 million in 2012.

Interest expenses on swaps decreased sharply in 2013 compared to 2012 considering the minor difference between the period's variable interest rates and the fixed interest rate of the new swap agreements signed in late 2012.

Through the application of the total effective interest rate, financial expenses include the amortization of the syndicated loan facility in the amount of €3.3 million. At November 30, 2013, Kaufman & Broad paid the balance of the 2007 syndicated line origination fees.

The total effective rate on the debt, taking into account the total amortization of the origination fees incurred (€3.3 million in 2013) and hedges was 4.25%, versus 4.04% in 2012.

Cash income can be analyzed as follows:

(in € thousands)	November 30, 2013	November 30, 2012
Capital gain on sale of money-market SICAVs and certificates of deposit	(652)	(1,532)
Other income from cash and cash equivalents	(92)	(265)
Financial income	(744)	(1,797)

NOTE 12. OTHER FINANCIAL INCOME AND EXPENSES

Other interest expense

(in € thousands)	November 30, 2013	November 30, 2012
Expenses to defer origination fees on syndicated loans	-	1,109
Total other financial expenses	-	1,109

Other financial income

(in € thousands)	November 30, 2013	November 30, 2012
Financial income relating to the early repayment of the Senior B and C lines	-	(1,000)
Total other financial income	-	(1,000)

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 took place in 2012, further amortization of the origination fees for the

Senior B and Senior C lines was recorded in "Other financial expenses" in the amount of €1.1 million in 2012 and financial income of €1.0 million was recorded in 2012.

NOTE 13. INCOME TAX (EXPENSES)/INCOME

NOTE 13.1. ANALYSIS OF TAX LIABILITY

At November 30, 2013, the group noted expenses as follows:

(in € thousands)	November 30, 2013	November 30, 2012
Current tax expense (income)	28,570	3,811
Provision for tax risk ^(a)	8,300	1,600
Deferred tax ^(b)	[14,909]	20,403
Total tax on net earnings – expense (income)	21,961	25,814

(a) See Note 24.4.

(b) See Note 20.

The corresponding tax liabilities are included in the group's tax liability.

Tax is calculated on the group's share of net earnings.

The current tax liability at November 30, 2013 includes a tax charge related to the 2013 consolidation for tax purposes in the amount of €17.9 million and to a Belgian tax debt of €10.7 million.

NOTE 13.2. TAX RECONCILIATION

Deferred taxes are calculated on the basis of the tax rates, i.e., 34.43% for 2013 and the following years.

The reconciliation between the theoretical tax expense and the effective tax liability is as follows:

(in € thousands)	November 30, 2013	November 30, 2012
Pre-tax profit (loss) of consolidated companies	73,222	82,579
Applicable tax rate	34.43%	34.40%
Theoretical tax – expense/(income)	25,184	28,405
Tax on share of income (loss) of equity affiliates	221	(21)
Tax reversals on minority interests	(3,806)	(3,126)
Provision for tax risk	8,300	1,600
Impact of permanent differences	(7,938)	(1,044)
group tax liability/(income)	21,961	25,814

Permanent differences resulted primarily from tax savings enjoyed by the group for its Belgian subsidiary before the transfer of its registered office to France in the amount of -€8.2 million in 2013, compared to -€1.5 million in 2012, to interest expenses for under-capitalization of subsidiaries of -€1.0 million (€1.0 million in 2012) and other non-deductible expenses.

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, 2013	November 30, 2012
Actuarial gains or losses on deferred income taxes	335	539
Hedging instruments (deferred tax)	(31)	(785)
Tax recognized directly in equity	304	(246)

NOTE 14. NET EARNINGS AND DILUTED EARNINGS PER SHARE

(in € thousands)	November 30, 2013	November 30, 2012
Attributable net income	40,848	47,624
Average number of shares outstanding	20,915,865	21,135,155
Adjustment for diluting effect of share awards	-	-
Earnings per share	€1.95	€2.25
Diluted earnings per share	€1.95	€2.25

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 at November 30, 2013.

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, 2013	November 30, 2012
Île-de-France	8,346	8,346
Kaufman & Broad South-West	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, 2013	November 30, 2012
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, 2013. The recoverable amount used was based on the value in use.

The discount rate used to determine the useful value at November 30, 2013 is equal to 7% (6.50% at November 30, 2012). 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 group used the projections established at the fiscal year-end for the 2014-2018 period; these projections include growth assumptions that differ from one another depending on the geographic area and take into account the current market conditions, their foreseeable trends considering the current situation and the uncertainties regarding future projections. The margins expected are consistent with the margin targets set by the Commitment Committee and the margins reported in previous years. For forecasts of more than five years in the future, the

perpetual growth rate used to calculate the terminal value was 0.5% (unchanged compared to November 30, 2012). This rate is below average five-year forecast growth rate for the business.

The tests for recoverability of assets are conducted for each CGU and take into account the goodwill allocated at the time of 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 using the previous assumptions were conducted to measure the impact of changing parameters for calculating, on the basis of variations deemed to be reasonably possible by the Management: 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 potential impairment appears using these lowered assumptions.

NOTE 16. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

NOTE 16.1. NET INTANGIBLE ASSETS

(in € thousands)	November 30, 2013		November 30, 2012	
	Gross Value	Aggregate amortization and depreciation	Net value	Net value
Kaufman & Broad brand	80,422	-	80,422	80,422
Other intangible assets	12,791	(7,837)	4,954	4,475
Total intangible assets	93,213	(7,837)	85,376	84,897

The brand is tested for impairment of overall value with goodwill (see Note 15).

The change in the net value of intangible assets is to be analyzed as follows:

(in € thousands)	November 30, 2013	November 30, 2012
Balance at the beginning of the period	84,897	83,010
Acquisition of intangible assets ⁽¹⁾	2,219	1,931
Sales and disposals and change in scope of consolidation	-	1,286
Amortization expense	(1,740)	(1,330)
Balance at the end of the period	85,376	84,897

The acquisition of intangible assets and amortization concern only software programs.

NOTE 16.2. NET PROPERTY, PLANT AND EQUIPMENT

(in € thousands)	November 30, 2013		November 30, 2012	
	Gross Value	Aggregate amortization and depreciation	Net value	Net value
Land	-	-	-	144
Construction	-	-	-	168
Technical facilities	1	(1)	-	-
Other property, plant and equipment	13,629	(9,876)	3,753	4,477
Property, plant and equipment in progress	960	-	960	815
Total net property, plant and equipment	14,590	(9,877)	4,713	5,604
of which finance leases (amortized over 3 years)	-	-	-	14

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 value of tangible assets can be analyzed as follows:

(in € thousands)	November 30, 2013	November 30, 2012
Balance at the beginning of the period	5,604	5,883
Acquisitions of property, plant and equipment	848	2,030
Sales and disposals and changes in scope of consolidation	(1,740)	(1,286)
Depreciation (net of reversals)	1	(1,023)
Balance at the end of the period	4,713	5,604

NOTE 17. NON-CURRENT FINANCIAL ASSETS

(in € thousands)	November 30, 2013	November 30, 2012
Equity affiliates and joint-ventures	8,181	4,373
Pledged SICAVs and other pledged amounts ^(a)	18,446	-
Security deposits and bonds	1,693	1,262
Non-current financial assets	28,320	5,635

[a] See Note 28.3.

NOTE 17.1. EQUITY AFFILIATES AND JOINT-VENTURES

Equity affiliates and joint-ventures at November 30, 2013 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
SAS St Exupéry Montaudran	50.00%	(992)	114	(878)
SCI 87-91 av de la div Leclerc	50.00%	93	51	144
SCCV Colombes Marine Lot A	10.00%	(201)	612	411
SCCV Colombes Marine Lot B	10.00%	75	326	401
SCCV Colombes Marine Lot H	10.00%	33	438	471
SCI Gonesse – Fontaine St Nico	43.00%	19	576	595
SCCV Athena	40.00%	722	(482)	240
La Lilatte	33.33%	(157)	495	338
Le clos des Arts	50.00%	(2)	106	104
SARL Foncière JLG Aménageur	50.00%	(172)	1,600	1,428
SCI St Maur – Parking Ilôt 1	50.00%	(2)	122	120
SCCV Bagneux – Paul Eluard	49.00%	368	2,858	3,226
SCCV Bagneux – Fontaine Gueffier II	49.00%	(54)	1,470	1,416
Other companies	-	(68)	233	165
Equity affiliates and joint-ventures		(338)	8,519	8,181

The share of the net income of equity affiliates and joint-ventures, in the amount of €642,000 at November 30 2013, is included in the shareholders' equity above.

The change in the value of the equity associates and joint-ventures can be analyzed as follows:

(in € thousands)	November 30, 2013	November 30, 2012
Balance at the beginning of the period	4,373	3,473
Change in current and other accounts	3,166	961
Attributable net income	642	(61)
Balance at the end of the period	8,181	4,373

NOTE 18. INVENTORIES

(in € thousands)	November 30, 2013			November 30, 2012		
	Gross	Write-downs	Net	Gross	Write-downs	Net
New projects	27,126	(2,358)	24,768	24,248	(718)	23,529
Current programs	301,857	(1,662)	300,195	262,631	(1,691)	260,940
Total inventories	328,983	(4,020)	324,963	286,879	(2,409)	284,469

The change in impairments can be broken down as follows:

(in € thousands)	November 30, 2012	Expenses	Reversals	November 30, 2013
New projects	718	3,367	(1,727)	2,358
Current programs	1,691	216	(245)	1,662
Total inventories	2,409	3,583	(1,972)	4,020

Gross inventories of current programs declined by €39.2 million during the year. Expense inventories of new projects rose by €1.2 million, a consequence of the development of new programs.

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.

The provision for expense inventories of new projects increased following the decision to depreciate project expenses where there was no formal decision to discontinue but whose development is uncertain.

NOTE 19. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

(in € thousands)		November 30, 2013			November 30, 2012		
	Note	Gross	Write-downs	Net	Gross	Write-downs	Net
Accounts receivable	(19.1)	292,668	(890)	291,778	269,367	(1,178)	268,189
State VAT	(19.2)	105,395	(992)	104,403	126,522	(971)	125,550
Government – Current tax	(20)	16,611	-	16,611	34,601	-	34,601
Advances and down payments		994	-	994	2,182	-	2,182
Current equity affiliates accounts	(19.3)	9,251	-	9,251	9,170	-	9,170
Other financial receivables	(19.4)	-	-	-	2,379	-	2,379
Receivables from notaries		11,203	-	11,203	811	-	811
Other	(19.5)	14,057	(3,115)	10,942	9,265	(3,817)	5,447
Prepaid expenses		867	-	867	1,008	-	1,008
Total		451,046	(4,997)	446,049	455,304	(5,967)	449,338

All receivables, excluding the current tax receivable, mature in less than one year.

(in € thousands)		Change in impairment		
		November 30, 2012	Expenses	Reversals November 30, 2013
Accounts receivable		1,178	107	(395)
Other receivables and VAT		4,789	1,067	(1,749)
Total		5,967	1,174	(2,144)

During the fiscal year, there were no significant allowances, or reversals of allowances, for accounts and other receivables.

NOTE 19.1. ACCOUNTS RECEIVABLE

The difference between net accounts receivable (€291.8 million) and the amount of cash calls outstanding (€43.9 million) net of impairments, i.e., €247.9 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 €0.9 million.

According to our standard terms of payment, calls for funds are payable immediately upon receipt. At November 30, 2013, the calls for funds' by age were as follows:

between 0 and 30 days	€36.7 million
between 30 and 60 days	€3.4 million
between 60 and 90 days	€0.8 million
more than 90 days	€3.0 million
Total cash calls	€43.9 million

NOTE 19.2. VAT

At November 30, 2013, the VAT item included the VAT deductible on recorded supplier invoices, amounting to €29.9 million (€42.3 million in 2012), the VAT recognized on unreceived invoices associated with the recognition of expenses on a program percentage-of-completion basis, amounting to €59.9 million (€60.0 million in 2012), and VAT credits amounting to €15.6 million (€23.9 million in 2012).

NOTE 19.3. CURRENT EQUITY AFFILIATES ACCOUNTS

This item reflects the portion of the loss allocated to minority equity affiliates and not settled at November 30, 2013 on fully consolidated operations. A provision for liabilities and charges was recorded in the amount of €9.1 million to cover the non-recoverability risk associated with current accounts of equity affiliates in default (see Note 24.3).

NOTE 19.4. OTHER FINANCIAL RECEIVABLES

"Other financial receivables" represented at November 30, 2012 the under-one year part of the loan granted to Seniors Santé, which was paid in January 2013.

NOTE 19.5. OTHER

The Other item includes a loan receivable from a partner in the amount of €1.1 million fully provisioned considering the legal dispute between the group and this partner and the payment of the 2008 adjustment in the amount of €5.2 million (see Note 24.4 regarding the tax litigation).

NOTE 20. CURRENT AND DEFERRED TAXES

(in € thousands)	November 30, 2013	November 30, 2012
Current tax (assets)	16,611	34,601
Current tax (liabilities)	(10,694)	-
Deferred tax liabilities	(40,365)	(55,586)
Balance at the end of the period	(34,448)	(20,985)

The result of the tax consolidation of the group for 2013 was a profit of €111.1 million. €56 million in previous loss carryforwards were able to be allocated, thus increasing the group's loss carryforwards to €28.4 million. Current tax debt at November 30, 2013 of an amount of €16.2 million includes debt from carryback losses of

€15.7 million recorded in fiscal years 2009 and 2010, as well as other debts related to sponsorship tax credits of €0.1 million and advance payments of €0.4 million. The current tax liability corresponds to a Belgian tax debt of €10.7 million.

Source of deferred taxes by type

(in € thousands)	Deferred tax base at November 30, 2013	Deferred taxes at November 30, 2013
Differences in recognition of real estate programs	141,752	(48,805)
Provisions and expenses with deferred deductibility	(14,575)	5,018
Kaufman & Broad brand	-	-
Bond issuance expenses	-	-
Tax deductible beneficial ownership	24,301	(8,367)
Provisions for land	(600)	207
Hedging swaps	(121)	41
Tax loss carryforwards	(29,510)	10,160
Other	(4,009)	1,380
Balance at the end of the period	117,239	(40,366)

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, 2013	November 30, 2012
Balance of deferred taxes at the beginning of the period – assets/(liabilities)	(55,586)	(35,205)
Recognized in profit or (loss)	14,917	(20,135)
Recognized in equity	304	(246)
Other changes	-	-
Balance of deferred taxes at the end of the period – assets/(liabilities)	(40,365)	(55,586)

NOTE 21. CASH AND CASH EQUIVALENTS

The Kaufman & Broad group's cash and cash equivalents break down as follows:

(in € thousands)	November 30, 2013	November 30, 2012
Bank balances and cash on hand ^(c)	116,210	88,583
Short-term investments ^(a)	69,651	61,343
Order balances ^(b)	2,397	3,837
Cash and cash equivalents	188,258	153,763

(a) Short-term investments comprised SICAV money-market funds and term deposit.

(b) Order balances were €2.4 million at November 30, 2013. 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

At November 30, 2013, 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 20,915,865 shares excluding treasury shares, compared to 21,135,155 shares excluding treasury shares at November 30, 2012.

NOTE 22.1. TREASURY SHARES

At November 30, 2013, the group held 681,840 treasury shares, including 25 shares under the liquidity agreement. At November 30, 2012, the group held 643,093 treasury shares, including 1,750 shares under the liquidity agreement.

NOTE 22.2. DIVIDENDS

The Shareholders' Meeting of April 25, 2013 allocated the 2012 earnings to a dividend payout in the amount of €48,456 thousand corresponding to the interim dividend of €2.31 per share paid on November 15, 2012.

NOTE 22.3. MINORITY INTEREST

At November 30, 2013, minority interest on the balance sheet, amounting to €10.8 million, relate to 109 companies, including receivables in the amount of €2.0 million.

At November 30, 2012, minority interest posted to the balance sheet in the amount of €8.4 million pertained to 122 companies. The total amount of minority interest amounted to €2.2 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 19.5), 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, 2013.

For fiscal year 2013, buybacks of units of holders of minority interest securities of €2.2 million were recorded, compared to €1.8 million in 2012. 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

A group stock option plan set up in 2006 was still in progress at November 30, 2013. No new tranche was granted, nor was any new stock option plan set up in 2013.

Details concerning the main features of the group's plans in effect at November 30, 2013 are set out in the table below:

Stock options

Date of the Extraordinary Shareholders' Meeting authorizing the plan	04/19/2006
Date of the Board of Directors' Meeting granting the options/shares	04/19/2006
Number of awarded options	95,500
Number of beneficiaries	26
Start of option exercise period	04/19/2008
Expiration date	04/19/2016
Expiration of holding period	04/19/2010
Exercise price	€44.23
Options outstanding at beginning of the fiscal year	31,100
Options granted during the fiscal year	-
Options forfeited during the fiscal year	-
Options exercised during the fiscal year	-
Expired options	-
Options outstanding at November 30, 2013	31,100
Options exercisable at November 30, 2013	31,100

NOTE 23.2. BONUS SHARE PLAN

Pursuant to the authorizations of the April 2009 and April 2012 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 February 17, 2011, 34,000 bonus shares were definitively allotted on February 17, 2013 at the end of the vesting period and were delivered.

Under the authority of the Shareholders' Meeting of April 19, 2012, the Board of Directors, at its Meeting of January 22, 2013, granted 35,800 additional bonus shares.

Title to the shares allocated under the various award plans detailed below was transferred at the end of the vesting period, i.e., after a period of two years from the date of award by the Board of Directors.

In addition, the 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, 2013 are set out in the table below.

Free share plan	January 17, 2012	January 22, 2013
Date of the Extraordinary Shareholders' Meeting authorizing the plan	April 9, 2009	April 19, 2012
Total number of bonus shares that may be awarded	22,183	100,000
Date of the Board of Directors' Meeting granting the shares	January 17, 2012	January 22, 2013
Number of beneficiaries	21	40
Types of shares	Existing	Existing
Number of bonus shares awarded	20,000	35,800
Void shares	1,000	600
Shares outstanding at November 30, 2013	19,000	35,200
Exercise price	-	-
Price on the award date	€14.62	€16.63
Date of acquisition	January 18, 2014	January 23, 2015
Date available	January 18, 2016	January 23, 2016
Initial fair value of the plan	€270,314	€522,544
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)	-	€1 per share-
- risk-free interest rate (market rate)	1.25%	0.60%
- share lending/borrowing rate	0.50%	-
- forward price discounting rate	Euribor + 300 bps	Euribor + 300 bps
- turnover rate	-	-

The bonus share plans generated an expense of €430,000 over the period, recognized through equity and detailed below:

(in € thousands)	January 17, 2011 Plan	January 17, 2012 Plan	January 22, 2013 Plan	Total
Initial valuation	762	270	523	1,555
Expense for the fiscal year	79	128	223	430

NOTE 24. PROVISIONS

The provisions can be analyzed as follows:

(in € thousands)	Note	November 30, 2012	Expenses	Reversals used	Reversals unused	November 30, 2013
Provisions for end of career indemnities	(24.2)	3,444	1,251	(201)	-	4,494
Provisions for associated risks	(24.3)	8,935	677	(190)	(338)	9,084
Provision for tax risk	(24.4)	4,600	9,534	-	-	14,134
Provisions for restructuring	(24.5)	258	-	-	-	258
Provisions for liabilities		20	-	-	-	20
Provisions for industrial relations risks	(24.5)	2,966	1,580	(2,147)	(59)	2,340
Provisions for other risks	(24.6)	5,287	1,909	(1,343)	(1,036)	4,816
Provisions		25,510	14,951	(3,881)	(1,433)	35,146

NOTE 24.1. MATURITY

(in € thousands)	November 30, 2013	Less than one year	More than one year
Provisions for end of career indemnities	4,494	-	4,494
Provisions for associated risks	9,084	-	9,084
Provision for tax risk	14,134	1,234	12,900
Provisions for restructuring	258	137	121
Provisions for liabilities	20	-	20
Provisions for industrial relations risks	2,340	-	2,340
Provisions for other risks	4,816	353	4,463
Provisions	35,146	1,724	33,422

NOTE 24.2. PROVISIONS FOR RETIREMENT

The following assumptions were used in order to calculate retirement benefits:

- 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 3.89%, 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 plans.

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 benefits:

(in € thousands)	November 30, 2013	November 30, 2012
Costs of benefits paid during the fiscal year ^(a)	204	101
Financial cost ^(b)	93	66
Expense recognized in income	297	167

(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" line item.

The change in the provision is as follows:

(in € thousands)	November 30, 2013	November 30, 2012
Net liability at the beginning of the period	3,445	2,088
Cost for the fiscal year	297	167
Benefits paid	(220)	(376)
Actuarial gains or losses (recognized in equity)	972	1,566
Net liabilities at the end of the period	4,494	3,445

The total amount of actuarial gains (losses) at November 30, 2013 was €972,000 (€2,113 thousand at November 30, 2012). The increase was mainly due to the introduction of a differential turnover rate calculated by age bracket.

At November 30, 2013, the net liability would be €4,362 thousand with a discount rate of 3.25% and €4,631 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, 2013	November 30, 2012	November 30, 2011	November 30, 2010
Commitment	4,494	3,445	2,088	1,600
Financial assets	-	-	-	-
Financial hedging	4,494	3,445	2,088	1,600
Actuarial losses and (gains) generated on the commitment	972	1,566	453	586

NOTE 24.3. PROVISIONS FOR RELATED RISKS

This provision of €9.1 million covers the risk associated with defaulting affiliates; it includes €6.4 million that represents the risk relating to a partner as the result of a legal dispute (see Note 22.3).

NOTE 24.4. PROVISIONS FOR TAX RISK

After accounting audits, several proposals to modify were made to Kaufman & Broad SA by France's National and International Tax Audit Directorate (DVNI) with respect to Kaufman & Broad

operations in Belgium. The total risk notified on the basis of Article 209B of the General Tax Code amounted to €25.9 million.

On this basis, Kaufman & Broad has booked a provision of €12.9 million for the period from 2008 to May 2010, during which the Belgian entity Kaufman & Broad Europe had neither offices nor employees.

Kaufman & Broad SA disputes the merits of all of these adjustments, and has referred the matter to the administrative courts for the 2008 adjustment.

NOTE 24.5. PROVISIONS FOR RESTRUCTURING AND SOCIAL RISKS

A provision for restructuring charges had been recognized in the financial statements at November 30, 2008. It amounts to €0.3 million at November 30, 2013, which reflects the costs associated with labor disputes related to the Job Protection Plan that appeared during 2009 and the residual risks relating to land acquisition promises that were signed and not implemented.

The provision for disputes with former employees of the group is €0.5 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 current disputes concerning customers or suppliers on projects delivery for €4.8 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 form gross financial debt.

(in € thousands)	November 30, 2013	November 30, 2012
Syndicated bank credit line	237,667	237,667
Other borrowings	-	4
Utilized credit facilities	512	454
Issuance expenses	-	(3,344)
Fair value of derivatives	120	212
Gross financial debt	238,298	234,993
- of which non-current	218,959	234,535
- of which current	19,340	458

At November 30, 2013 the group had a syndicated bank line of credit amounting to €237.7 million, a position unchanged from November 30, 2012.

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 stipulated, among other things, partial early repayments for fiscal years 2010, 2011 and 2012 and a reduction of the drawdown right for the RCF line by €50 million to €52.9 million.
2. Financial ratios: in quarterly accounting periods beginning May 2010 until the expiration of the agreement in 2016, the group has been required to comply with three ratios, calculated on a consolidated basis, with levels redefined as follows:

Financial 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 costs coverage 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 be able to pay dividends only if the Debt-to-Equity Ratio is less than or equal to 3;
4. A 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 2013, no repayment was scheduled (see Note 25.3).

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 the covenants at November 30, 2013

	Threshold	November 30, 2013
Debt ratio ^(a)	< 3.70	0.63
Net financial costs coverage ratio	> 2.50	8.88
Minimum cash flow level (in € millions)	333	570

(a) Or Net Financial Debt divided by EBITDA.

The covenants were respected at November 30, 2013.

NOTE 25.2. PRINCIPAL USE OF FINANCIAL DEBT BY THE GROUP

(in € thousands)	Debt capacity	November 30, 2013	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
Total	237,667	237,667	-	-

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

NOTE 25.3. MATURITY

(in € thousands)	November 30, 2013	Less than one year	Maturing in 1 to 5 years	More than 5 years
Syndicated line ^{(a)(b)}	237,667	18,708	218,959	-
Credit facilities utilized	512	512	-	-
Other borrowings	-	-	-	-
Issuance expenses	-	-	-	-
Fair value of derivatives	120	120	-	-
Gross financial debt	238,299	19,340	218,959	-

(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) A repayment will have to be made in the first half of 2014 based on the ratios calculated at November 30, 2013 in accordance with the banking documentation.

NOTE 25.4. CHANGE IN GROSS FINANCIAL DEBT

Gross financial debt at November 30, 2012	234,993
Repayment of Senior B and C borrowings	-
Change in other borrowings	(4)
Change in the fair value of derivative instruments	(92)
Deferral of issue costs	3,344
Change in credit facilities	58
Gross financial debt at November 30, 2013	238,298

At November 30, 2013, Kaufman & Broad paid the balance of the 2007 syndicated line origination fees.

NOTE 25.5. MAIN ELEMENTS 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, 2013	November 30, 2012
Gross financial debt	238,299	234,993
Cash and cash equivalents ^(a)	188,258	153,763
Net Financial Debt	50,041	81,230

(a) See Note 21.

NOTE 26. CURRENT LIABILITIES

(in € thousands)	November 30, 2013	November 30, 2012
Current provisions	1,724	1,000
Other current financial liabilities ^(a)	19,340	458
Accounts payable	550,233	473,624
Other liabilities	92,729	111,777
Deferred income	1,217	1,616
Total current liabilities	665,243	588,475

(a) See Note 25.3.

The "Other liabilities" item corresponds primarily to tax and Social Security liabilities of €65.8 million, including €30.1 million in VAT, €10.7 million in current tax liability, €7.7 million in advances and down payments received, and €17.9 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 €88.9 million in cash flow before the cost of the financial debt and before taxes, an amount of €0.1 million net of taxes paid, and an improvement of €11.5 million in WCR.

Details of the Change in Operating Working Capital Requirements

(in € thousands)	November 30, 2012	Change in WCR	Change in the scope of consolidation	Other changes	November 30, 2013
Inventories	284,469	42,857	(1,944)	(420)	324,962
Trade receivables	268,189	20,734	2,855	-	291,778
Accounts payable	(473,624)	(76,603)	(30)	24	(550,233)
Other operating assets and liabilities	30,777	24,519	(830)	(56)	54,410
Operating working capital requirement (Statement of cash flows)	109,811	11,507	51	(452)	120,917
Current taxes	34,601	(28,684)	-	-	5,917
Working capital requirement	144,412	(17,177)	51	(452)	126,834

The change in operating Working Capital Requirement (excluding current taxes) over 2013 was €11.5 million from November 30, 2012.

Cash flows from investing activities amounted to -€21.5 million, and included:

- -€18.4 million in receivership related to real estate program launched in 2012 for which the concession agreement granted to Kaufman & Broad is being challenged (see Note 28.3);
- disbursements for acquisitions of property, plant and equipment and intangible assets (-€1.9 million);
- the balance of the repayment of the loan granted in 2010 to Seniors Santé (€2.4 million);
- outflows of financial assets (loans) granted as part of real estate projects (-€0.4 million);
- cash flow with companies consolidated using the Equity method, amounting to -€3.1 million.

Cash flows tied to financing operations came to -€21.6 million, consisting of:

- financial interest paid, amounting to -€8.8 million;
- distributions to minority interests, amounting to -€9.5 million;
- buyback of treasury shares in the amount of -€1.2 million;
- acquisition of minority interests, amounting to -€2.1 million.

NOTE 28. OFF-BALANCE SHEET COMMITMENTS

At November 30, 2013, 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, 2013	November 30, 2012
Performance bonds ^(a)	203,729	268,062
Hoguet Law guarantees ^(b)	220	220
Reservation indemnities ^(c)	14,363	17,014
Other guarantees given ^(d)	89,073	64,004
Guarantees and bonds given	307,385	349,300

(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 then the consistency of data is confirmed quarterly 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 Act 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	Expiration	Amount of assets pledged ^(b)	Total balance sheet value	Total % of Kaufman & Broad SA balance sheet at Nov. 30, 2013
Pledge of financial instrument account – 100% of Kaufman & Broad Homes SAS shares held by the company		(a)	€10 450 195	€10 450 195	2%
Pledge of the credit balance in the Kaufman & Broad SA bank accounts		(a)	€506 652	€506 652	-
Framework agreement for the assignment of intra-group receivables from Kaufman & Broad SA's subsidiaries, in particular Kaufman & Broad Financement SNC		(a)	-	-	-
Pledge of 100% of Kaufman & Broad Europe SAS shares		(a)	€217 436 878	€217 436 878	42%
Total			€228 393 725	€228 393 725	44%

(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, 2013.

Commitments related to capital expenditures, purchases and rentals

(in € thousands)	Payments due by maturity				
	November 30, 2013	Less than one year	1 to 5 years	More than 5 years	November 30, 2012
Commitments for leases	49,015	8,103	23,601	17,311	50,324
Investing commitments	-	-	-	-	-
Total	49,015	8,103	23,601	17,311	50,324

This table includes the commitment given by the Kaufman & Broad group in connection with a nine-year lease of its offices in a real estate transaction initiated by the group beginning with the delivery of the building envisaged 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, at November 30, 2013, the minimum future rents on leases not subject to any termination:

(in € thousands)	November 30, 2013	November 30, 2012
2013	-	6,902
2014	8,103	7,733
2015	8,730	7,866
2016	5,962	5,042
2017	4,649	4,222
2018	4,260	3,765
2019 and beyond	17,311	14,794
Total minimum future rents	49,015	50,324

The rent expense recognized on the income statement at November 30, 2012 for operating leases amounted to €5.7 million (€6.4 million at November 30, 2012).

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, 2013	November 30, 2012
Guarantees on work contracts	105,540	108,929

Unutilized syndicated lines of credit

(in € thousands)	November 30, 2013	November 30, 2012
Unutilized RCF line ^(a)	52,900	52,900

(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.

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 concerning the Roissy Park development and in which a subsidiary of Kaufman & Broad SA had been added as a party in the faulty workmanship and various defects claim. There was a ruling in January 2013, which was immediately appealed, ordering the subsidiary to pay a sum of €6.6 million plus various discounts or interest, with security being granted for the most part by manufacturers and insurers. As it stands, this subsidiary is financially liable in the amount of €0.9 million, of which €0.3 million was provisioned at November 30, 2013. This subsidiary also prefunded in execution of the judgment an amount of €2.0 million which it incurred recovery from the called collateral. The Kaufman & Broad group considers the risk of a final judgment low.

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 gross margin on sales related to the transaction, which was concluded under conditions subsequent and precedent, was recognized on November 30, 2012 at €3.7 million, of which €2.5 million euros in fiscal year 2013. Since the risk of cancellation of the concession contract is considered low, no provision has been recorded in the accounts. At November 30, 2013, the Kaufman & Broad group had segregated in the form of a pledged SICAV funds in the amount of €18.4 million corresponding to the calls for funds paid by purchasers who signed the deeds of sale subject to a condition subsequent, at the balance of the land price, which was paid for in kind, and potential costs to resolve these sales.

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. The latter 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 provides details of the portfolio, at November 30, 2013, of Euribor 1-month lender fixed rate borrower swaps.

Type	Notional amount (in € millions)	Fixed rate	Maturity	Type	Market value at November 30, 2013 as a % of face amount	Market value at November 30, 2012 as a % of face value
EUR 1M fixed rate swap	50	0.202%	Nov. 30, 2012 – Nov. 30, 2014	Hedge	-0.06%	-0.10%
EUR 1M fixed rate swap	50	0.218%	Nov. 30, 2012 – Nov. 30, 2014	Hedge	-0.08%	-0.14%
EUR 1M fixed rate swap	50	0.240%	Nov. 30, 2012 – Nov. 30, 2014	Hedge	-0.10%	-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, 2013 was -€79,000.

The exposure of the group's net debt at November 30, 2013 was:

Type of instrument	Variable/ fixed	Less than one year	1 to 5 years	More than 5 years
RCF + Seniors B and C	variable	18,708	218,959	-
Credit facilities	variable	512	-	-
Financial liabilities		19,220	218,959	-
Cash and cash equivalents ^(a)	variable	118,607	-	-
Short-term investments	variable	69,651	-	-
Financial assets	variable	188,258	-	-
Net position before management		(169,039)	218,959	-
Swaps		(150,000)	-	-
Off-balance sheet		(150,000)	-	-
Net position after hedging		(319,039)	218,959	-

(a) Banks, available cash and reserve balances.

Interest rate sensitivity of assets and liabilities

Assumptions: 1-month EURIBOR at 0.121%

Before the effect of hedging, a 50-basis point rise in interest rates or a 10-basis point fall in the above liabilities would have the following impact on pre-tax earnings:

- rise: -€1.2 million;
- fall: +€0.2 million.

After hedging is taken into account, a 50-basis point rise in interest rates or a 10-basis point fall in the above liabilities would have the following impact on pre-tax earnings:

- rise: -€441,000;
- fall: +€88,000.

The exposure of the group's net debt at November 30, 2012 was:

Type of instrument	Variable/ fixed	Less than one year	1 to 5 years	More than 5 years
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	-	-
Deposits	variable	3,837	-	-
Financial assets	-	153,764	-	-
Net position before management	-	(153,310)	237,667	-
Swaps	-	-	150,000	-
Off-Balance sheet items	-	-	150,000	-
Net position after hedging	-	(153,310)	87,667	-

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 22.

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 accounts receivable is very limited because of the large number of customers and the fact that sales are signed exclusively in the presence of a notary, generally after 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 client default risks is low. Aging receivables are reviewed monthly.

Kaufman & Broad invests its cash and cash equivalents and its investment securities with top-tier financial institutions.

The Kaufman and Broad group executes 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 Note 22.3).

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. Interest payments at variable rates were calculated based on the latest interest rate known at November 30, 2013 and November 30, 2012:

(in € thousands)	Carrying amount Nov. 30, 2013	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	7,138	18,708	11,218	218,959	-	-
Credit facilities and other borrowings	512	16	512	-	-	-	-
Total	238,179	7,154	19,220	11,218	218,959	-	-

(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.

Debts 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, 2013	Carrying amount	Fair value through profit or loss	Fair value through equity	Assets available for sale	Loans and receivables	Debts at amortized cost
Financial assets						
Accounts receivable	291,778	-	-	-	291,778	-
Cash and cash equivalents	188,258	188,258	-	-	-	-
Current tax	16,611	-	-	-	16,611	-
Other current receivables	136,793	-	-	-	136,793	-
Other non-current financial assets	20,139	-	-	-	20,139	-
Total financial assets	653,579	188,258	-	-	465,321	-
Financial liabilities						
Borrowings and financial debts	238,299	-	120	-	-	238,179
Supplier payables	550,233	-	-	-	-	550,233
Other current liabilities	93,946	-	-	-	-	93,946
Total financial liabilities	882,478	-	120	-	-	882,358
November 30, 2012	Carrying amount	Fair value through profit or loss	Fair value through equity	Assets available for sale	Loans and receivables	Debts 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						
Borrowings 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, 2013 totaled €49.9 million. Net financial debt relative to shareholders' equity was thus equal to 26%, as against 54% at November 30, 2012.

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 accounting 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, 2013	Liabilities at November 30, 2013 ^(a)	Results at November 30, 2013
SCCV Colombes Marine Lot A	8,277	9,083	(282)
SCCV Colombes Marine Lot B	8,153	7,854	(226)
SCCV Colombes Lot H	3,795	3,664	296
SCCV Bagneux – Paul Eluard	8,145	7,410	539
SCCV Bagneux – Fontaine Gueffier II	3,158	3,266	(109)
SCCV Athena	3,800	1,995	(168)
SAS St Exupéry	23,754	25,738	(108)

(a) Liabilities not including shareholders' equity.

Group Corporate Officers

In 2012 and 2013 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 the fiscal years ended November 30, 2012 and November 30, 2013, 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 Governing and Management Bodies

The table below shows the compensation of persons who are as of the closing date or were during the last fiscal year members of the group's administration and management bodies.

(in € thousands)	November 30, 2013	November 30, 2012
Short-term benefits other than employer contributions ^(a)	4,627	4,264
Short-term benefits: payroll taxes	2,118	2,034
Post-employment benefits – balance sheet impact ^(b)	177	NA
Other long-term benefits ^(c)	NA	NA
Retirement indemnities	613	NA
Directors' fees ^(d)	191	208
Share-based payments	-	-
Stock option awards (number)	-	-
Bonus share awards (number)	7,000	-

(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 2012 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 2009, 2010 and 2011. The group may distribute dividends at 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.

A Supplemental Agreement No. 3 to the Senior Facilities Agreement was then signed on June 30, 2009, for the purpose of making the technical and form changes necessary to implement the adjustments agreed on in the memorandum of understanding between Financière Gaillon 8, the principal shareholder of Kaufman & Broad SA and the lenders. 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.

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 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, provided 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.

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 2013 and concerning transactions other than those with fully consolidated companies:

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.

Defined contribution pensions

Several members of the Management Committee, including Corporate Officers Guy Nafilyan (until June 30, 2013), Philippe Jossé (from February 1 to May 15, 2013) and Nordine Hachemi (since July 1, 2013) have held, since 2013, a supplement pension contract with defined contributions.

For fiscal year 2013, the amount recognized as expenses by our company for this contract was €158,000 (€163,000 at November 30, 2012).

NOTE 32. FEES PAID BY THE GROUP TO THE AUDITORS AND MEMBERS OF THEIR NETWORKS

Years covered: 2012 and 2013^(a)
(in € thousands)

	Ernst & Young Audit				Deloitte & Associés			
	Amount (tax excl.)		%		Amount (tax excl.)		%	
	2013	2012	2013	2012	2013	2012	2013	2012
Audit								
Account audit and certification, review of the statutory and Consolidated Financial Statements^(b)								
Issuer: Kaufman & Broad SA	162	215	28%	34%	162	182	81%	84%
Fully consolidated subsidiaries	410	419	72%	66%	39	35	19%	16%
Other work and services directly related to the engagement of the auditor^(c)								
Issuer: Kaufman & Broad SA	-	-	-	-	-	-	-	-
Fully consolidated subsidiaries	-	-	-	-	-	-	-	-
Subtotal	572	634	100%	100%	201	217	100%	100%
Other services rendered by the networks to the fully consolidated subsidiaries^(d)								
Legal, tax, Corporate	-	-	-	-	-	-	-	-
Other (to be specified if > 10% of auditors' fees)	-	-	-	-	-	-	-	-
Subtotal	-	-	0%	0%	-	-	0%	0%
Total	572	634	100%	100%	201	217	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 Auditors in compliance with the provisions of Article 10 of the Code of Ethics;
- by a member of the network in compliance 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 relative to the fully consolidated companies were €43,000 in 2013 and €50,000 in 2012.

NOTE 33. POST-CLOSING EVENTS

No significant event took place after the closing date.

4.2. STATUTORY FINANCIAL STATEMENTS AT NOVEMBER 30, 2013

ANNUAL FINANCIAL STATEMENTS AT NOVEMBER 30, 2013

Income Statement

(in € thousands)	Section	November 30, 2013	November 30, 2012
Revenues	4.2.2.14	1,126	1,076
Other purchases and outsourcing	4.2.2.15	(2,247)	(2,085)
Wages and salaries		(1,162)	(1,478)
Taxes		(539)	(306)
Amortization, depreciation and provisions	4.2.2.9	(9,018)	(2,425)
Reversal of provisions and expense transfer		3,512	1,459
Other operating charges and revenues		(278)	(271)
Operating income		[8,606]	[4,030]
Profits allocated and losses incurred	4.2.2.16	83,213	74,019
Net financial income (including dividends from subsidiaries)	4.2.2.17	21,458	257
Current operating income		96,064	70,246
Non-recurring income (loss)	4.2.2.18	(895)	232
Corporate income tax	4.2.3	(15,203)	1,565
Net income		79,967	72,043

BALANCE SHEET

Assets

(in € thousands)	Section	November 30, 2013	November 30, 2012
Intangible assets	4.2.2.2	-	-
Property, plant and equipment	4.2.2.3	129	131
Financial Assets	4.2.2.4	381,313	370,361
Fixed assets		381,441	370,492
Inventories		-	13
Receivables	4.2.2.5	121,004	116,916
Treasury shares	4.2.2.6	10,199	9,778
Cash and cash equivalents	4.2.2.7	5,007	211
Prepaid expenses		15	97
Current assets		136,226	127,015
Total assets		517,668	497,507

Equity and liabilities

(in € thousands)	Section	November 30, 2013	November 30, 2012
Capital stock		5,612	5,612
Premiums and reserves		158,275	134,687
Interim dividends		-	(48,455)
Net income		79,967	72,043
Shareholders' equity	4.2.2.8	243,854	163,887
Provisions for liabilities and charges	4.2.2.9	14,114	8,239
Financial debt	4.2.2.10	237,733	238,859
Accounts payables and related accounts		609	495
Other payables	4.2.2.11	21,359	86,027
Total equity and liabilities		517,668	497,507

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 primarily concern:

- 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.

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 on the basis of an individual assessment of risks for new disputes. 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

As from the 2011 fiscal year, 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 their previous losses have been allocated. 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.

4.2.1.8. Consolidated VAT

As from December 1, 2012, the Kaufman & Broad group has been declaring consolidated VAT. The agreement signed by the companies included in the scope stipulates that the VAT payment and credits must be passed on to Kaufman & Broad SA which as the parent company of the group will be the only company responsible for paying the VAT or receiving VAT refunds.

Nevertheless a follow-up of this matter was conducted by legal entity so that the VAT credits of each of the companies included in the scope are repaid by Kaufman & Broad SA (60 days later).

4.2.2. ANALYSIS OF THE FINANCIAL STATEMENTS**4.2.2.1. Significant events****Acquisition of Kaufman & Broad Flandres**

Kaufman & Broad SA agreed to acquire the regional development company Flandres Promotion on May 29, 2013 for an estimated price of €0.6 million, of which €0.4 million will be paid at the signing of agreements. This acquisition enables the group to boost its presence on the Nord Flandres region with a property portfolio of about 80 lots through four programs under management at the acquisition date.

Transfer of the Kaufman & Broad Europe registered office

Kaufman & Broad Europe, a Kaufman & Broad SA subsidiary, was, until November 30, 2013 a Belgian *Société Anonyme* (SA) with capital of €221,440,548 headquartered at Rue des Colonies 11, 1000 Brussels (Belgium). As from November 30, 2013, Kaufman & Broad Europe SAS, a wholly-owned subsidiary of Kaufman & Broad SA, has been registered in France and its registered office was transferred to Neuilly-sur-Seine as is the case for most Kaufman & Broad group entities.

4.2.2.2. Intangible assets

(in € thousands)

	November 30, 2013	November 30, 2012
IT licenses	274	274
Depreciation and amortization	(274)	(274)
Net intangible assets	-	-

4.2.2.3. Property, plant and equipment

(in € thousands)

	November 30, 2013	November 30, 2012
Facilities and fittings	184	184
Depreciation and amortization	(55)	(53)
Facilities and fittings	129	131
Office and IT equipment – furnishings	601	601
Depreciation and amortization	(601)	(601)
Office and IT equipment – furnishings	-	-
Net property, plant and equipment	129	131

4.2.2.4. Financial Assets

(in € thousands)	November 30, 2013	November 30, 2012
Equity interests	324,619	324,798
Receivables related to the liquidity agreement ^(a)	62,782	55,256
Other non-current financial assets ^(b)	1,511	1,545
Impairment ^(c)	(7,599)	(11,238)
Net non-current financial assets	381,313	370,361

(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, 2013 the balance sheet included provisions on securities of several subsidiaries (€0.3 million for SMCI, €0.2 million for Kaufman & Broad Rénovation). The Kaufman & Broad Financement provision was reduced to €2.6 million and that of SMCI to €4.4 million compared to respectively €4.3 million and €5 million at November 30, 2012).

(in € thousands)	November 30, 2012	Increase	Decrease	November 30, 2013
Equity interests ^(a)	324,798	640	819	324,619
Receivables related to the liquidity agreement	55,256	7,526	-	62,782
Other fixed assets	1,545	40	74	1,511
Impairment provision ^(b)	(11,238)	-	3,639	(7,599)
Financial Assets	370,361	8,206	4,532	381,313

(a) The company acquired Flandres Promotion securities for €0.6 million (see Significant events). SNC Park Promotion and SCI Vascosan were dissolved in 2013.

(b) The reversal involves the provision for the impairment of securities of the subsidiaries Kaufman & Broad Financement in the amount of €1.6 million, SM2I in the amount of €0.6 million, SMCI in the amount of €0.4 million and the companies dissolved in 2013 in the amount of €1 million.

4.2.2.5. Receivables

(in € thousands)	November 30, 2013	November 30, 2012
Value added tax	8,647	207
Corporate income tax ^(a)	16,629	34,123
Current accounts ^(b)	90,506	82,393
Other receivables ^(c)	5,223	193
Receivables	121,004	116,916

(a) At November 30, 2012, the Corporate income tax receivable included tax receivables of €34.1 million related to the carry-back receivable for the loss generated in 2009 and 2010. Considering the tax charge defined for fiscal year 2013 in the amount of €18 million, this receivable corresponds to €16.6 million at November 30, 2013.

(b) This amount includes €87 million of the share of subsidiaries' earnings upstreamed to parent and €2.2 million in current accounts relative to the tax consolidation with the other group companies (see Note 4.2.2.15).

(c) This amount corresponds to the payment made in the 2008 tax litigation for €5.2 million (See Note 4.2.2.9).

(in € thousands)	November 30, 2013	< 1 year	> 1 year
Value added tax	8,647	8,647	-
Corporate income tax	16,629	-	16,629
Current accounts	90,506	53,202	37,304
Other debtors	5,223	5,223	-
Receivables	121,004	67,072	53,932

4.2.2.6. Treasury shares

(in € thousands)	November 30, 2013	November 30, 2012
Treasury shares	10,199	9,778
Provisions for impairment of treasury shares	-	-
Treasury shares (value net of impairment)	10,199	9,778

At November 30, 2013, there were 681,840 treasury shares including:

- the 55,800 shares allocated to bonus share plans in the amount of €750,000;
- shares held for which no allocation decision has yet been made totaling 626,015 shares for an amount of €9.448 million;
- 25 shares held under the liquidity contract for the amount of €500.

At November 30, 2012, the group held 643,093 treasury shares, including 56,000 shares allocated to bonus share plans and 585,343 shares for which no allocation decision had been made and 1,750 shares held under the liquidity agreement.

At its Meeting of January 22, 2013, the Board of Directors allocated 35,800 treasury shares to a new bonus share plan. In addition 34,000 shares were delivered to their beneficiaries in February 2013 (February 17, 2011 plan).

4.2.2.7. Cash and cash equivalents

(in € thousands)	November 30, 2013	November 30, 2012
Cash and cash equivalents	5,007	211
Cash and cash equivalents	5,007	211

At November 30, 2013, a €4.5 million cash collateral with a banking institution scheduled to mature in February 2014, in the context of a real estate program launched in 2012 for which the concession agreement granted to one of the Kaufman & Broad subsidiaries is being challenged.

4.2.2.8. Shareholders' equity

The change in shareholders' equity is to be analyzed as follows:

(in € thousands)	November 30, 2013	November 30, 2012
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	124,884	101,296
Interim dividends	-	(48,455)
Net income	79,967	72,043
Shareholders' equity	243,854	163,887

(in € thousands)	Capital stock	Statutory reserve	Stock subscription warrants	Share premium	Other reserves	Retained earnings	Dividend advance	Net income	Shareholders' equity
November 30, 2011	5,612	979	781	975	30,656	33,281	-	68,015	140,299
Approp. of 2012 earnings	-	-	-	-	-	68,015	-	(68,015)	-
Dividend advance	-	-	-	-	-	-	(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
Approp. of 2012 earnings	-	-	-	-	-	23,588	48,455	(72,043)	-
Dividend advance	-	-	-	-	-	-	-	-	-
Net income for the fiscal year	-	-	-	-	-	-	-	79,967	79,967
November 30, 2013	5,612	979	781	975	30,656	124,884	-	79,967	243,854

Change in the Capital

(in €)	November 30, 2012	Increase	Decrease	November 30, 2013
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, 2013, 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.

4.2.2.8.1. Stock Option Plans

A group stock option plan set up in 2006 was still in progress at November 30, 2013. No new tranche was granted, nor was any new stock option plan set up in 2013.

Details concerning the main features of the group's plans in effect at November 30, 2013 are set out in the table below.

Stock options	Plan 3
Date of the Extraordinary Shareholders' Meeting authorizing the plan	04/19/2006
Date of the Board of Directors' Meeting granting the options/shares	04/19/2006
Number of awarded options	95,500
Number of beneficiaries	26
Start of option exercise period	04/19/2008
Expiration date	04/19/2016
Expiration of holding period	04/19/2010
Exercise price	€44.23
Options outstanding at beginning of the fiscal year	31,100
Options granted during the fiscal year	-
Options forfeited during the fiscal year	-
Options exercised during the fiscal year	-
Expired options	-
Options outstanding at November 30, 2013	31,100
Options exercisable at November 30, 2013	31,100

4.2.2.8.2. Bonus share plan

Pursuant to the authorizations of the April 2009 and April 2012 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 February 17, 2011, 34,000 bonus shares were definitively allotted on February 17, 2013 at the end of the vesting period and were delivered.

Under the authority of the Shareholders' Meeting of April 19, 2012, the Board of Directors, at its Meeting of January 22, 2013, granted 35,800 additional bonus shares.

Title to the shares allocated under the various award plans detailed below was transferred at the end of the vesting period, i.e., after a period of two years from the date of award by the Board of Directors.

In addition, the 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, 2013 are set out in the table below.

Free share plan	January 17, 2012	January 22, 2013
Date of the Extraordinary Shareholders' Meeting authorizing the plan	April 9, 2009	April 19, 2012
Total number of bonus shares that may be awarded	22,183	100,000
Date of the Board of Directors' Meeting granting the shares	January 17, 2012	January 22, 2013
Number of beneficiaries	21	40
Types of shares	Existing	Existing
Number of bonus shares awarded	20,000	35,800
Void shares	1,000	600
Shares outstanding at November 30, 2013	19,000	35,200

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 warrants it holds. The residual number of stock subscription warrants (SSWs) at the end of the 2013 fiscal

year 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.

4.2.2.9. Provisions for liabilities and charges

(in € thousands)	November 30, 2013	November 30, 2012
Provision for allotment of bonus shares ^(a)	467	862
Provision for tax liabilities	12,900	4,600
Provision for subsidiary liabilities ^(b)	252	2,358
Other provisions for risks and contingencies	494	419
Provisions for liabilities and charges	14,114	8,239

(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 for the negative net position of the Kaufman & Broad Rénovation subsidiary; the provisions previously booked for the subsidiaries SMCI, Kaufman et Broad Financement and SM2I were reversed based on the net position of those companies at November 30, 2013.

After accounting audits, several proposals to modify were made to Kaufman & Broad SA by France's National and International Tax Audit Directorate (DVNI) with respect to Kaufman & Broad operations in Belgium. The total risk notified on the basis of Article 209B of the General Tax Code amounted to €25.9 million.

On this basis, Kaufman & Broad has set aside the sum of €12.9 million for the period from 2008 to May 2010, during which the Belgian entity Kaufman & Broad Europe had neither offices nor employees.

Kaufman & Broad SA disputes the merits of all of these adjustments, and has referred the matter to the courts for the 2008 adjustment.

(in € thousands)	November 30, 2012	Increase	Reversals used	Reversals unused	November 30, 2013
Provision for allotted bonus shares	862	384	778	-	467
Provision for tax liabilities	4,600	8,300	-	-	12,900
Provision for subsidiary liabilities	2,358	12	-	2,118	252
Other provisions for risks and contingencies	419	307	15	218	493
Provisions for liabilities and charges	8,239	9,003	793	2,335	14,114

4.2.2.10. Financial debt

(in € thousands)	November 30, 2013	November 30, 2012
Syndicated banking credit line	237,667	237,666
Utilized credit facilities	-	1,080
Interest accrued on borrowings	66	113
Financial debt	237,733	238,859

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, 2013	Maturity ^(b)	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
Total	237,667	237,667		

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

(b) Excluding the effect of the maturity scheduled for 2014 in application of the banking documentation.

At November 30, 2013 the group had a syndicated bank line of credit amounting to €237.7 million, a situation unchanged from November 30, 2012.

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 stipulated, among other things, partial early repayments for fiscal years 2010, 2011 and 2012 and a reduction of the drawdown right for the RCF line by €50 million to €52.9 million.
2. Financial ratios: in quarterly accounting periods beginning May 2010 until the expiration of the agreement in 2016, the group has been required to comply with three ratios, calculated on a consolidated basis, with levels redefined as follows:

Financial 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 costs coverage 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 be able to pay dividends only if the Debt-to-Equity Ratio is less than or equal to 3;
4. A 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 2013, a repayment of €18.8 million was scheduled.
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.

Details of the covenants at November 30, 2013

	Threshold	November 2013
Debt ratio ^(a)	< 3.70	0.63
Net financial costs coverage ratio	> 2.50	8.88
Minimum cash flow level (in € millions)	333	570

(a) Or Net Financial Debt divided by EBITDA.

The covenants were respected at November 30, 2013.

Schedule

(in € thousands)		Maturity		
	November 30, 2013	Less than 1 year	1 to 5 years	More than 5 years
Syndicated line ^{(a)(b)}	237,667	18,708	218,959	-
Credit facilities utilized	-	-	-	-
Accrued interest	66	66	-	-
Gross financial debt	237,733	18,774	218,959	-

(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) A repayment will have to be made in the first half of 2014 based on the ratios calculated at November 30, 2013 in accordance with the banking documentation.

4.2.2.11. Other liabilities

(in € thousands)	November 30, 2013	November 30, 2012
Value added tax	235	53
Other taxes	56	1,479
Other miscellaneous receivables	457	260
Current accounts ^(a)	20,610	84,235
Other liabilities	21,359	86,027

(a) This amount includes €14.1 million in the current account of the companies in the consolidated VAT scope and €6 million in cash advances granted by group companies, among other things on behalf of SNC Kaufman & Broad Financement, the group's in-house bank.

(in € thousands)	November 30, 2013	≤ 1 year	1 to 5 years	More than 5 years
Value added tax	235	235	-	-
Other taxes	56	56	-	-
Other miscellaneous receivables	457	457	-	-
Current accounts	20,610	20,610	-	-
Other liabilities	21,359	21,359	-	-

4.2.2.12. Amounts due to or owed by equity affiliates

(in € thousands)	November 30, 2013	November 30, 2012
Receivables on equity interests	62,782	55,256
Other receivables	90,506	82,393
Current accounts	(20,610)	(84,235)
Related companies receivables and payables	132,678	53,414

4.2.2.13. Accrued expenses and revenues

(in € thousands)	November 30, 2013	November 30, 2012
Borrowings and financial debts	(66)	(113)
Trade payables and related accounts	(472)	(446)
Tax and Social Security liabilities	(4)	(1,456)
Total payables	(542)	(2,015)

The amount listed under trade payables and related accounts corresponds primarily to fees not yet invoiced.

(in € thousands)	November 30, 2013	November 30, 2012
Other receivables	13	193
Other accrued income	13	193

4.2.2.14. Revenues

(in € thousands)	November 30, 2013	November 30, 2012
Services	1,126	1,076
Total	1,126	1,076

Revenues correspond to re invoicing of operating costs incurred in 2013 by Kaufman & Broad SA on behalf of group companies or its main shareholder Financière Gaillon 8, and to the re invoicing to GIE Kaufman & Broad, an entity that employs the Kaufman & Broad group employees, for expenses related to the distribution of bonus shares.

4.2.2.15. Other purchases and outsourcing

(in € thousands)	November 30, 2013	November 30, 2012
Legal fees and arrangements	(750)	(566)
Audit fees	(409)	(398)
Internal services	(818)	(854)
Other expenses	(269)	(267)
Total	(2,247)	(2,085)

4.2.2.16. Profits allocated and losses incurred

This item records the income from program support companies for a net total of €83 million at November 30, 2013, compared with €74 million at November 30, 2012. It comprises:

- €88.1 million at the end of November 2013 compared to €78.3 million at the end of November 2013, for profits allocated;
- €4.9 million at the end of November 2013 compared to €4.3 million at the end of November 2012, for losses incurred.

4.2.2.17. Financial income

(in € thousands)	November 30, 2013	November 30, 2012
Dividends received ^(a)	27,598	21,442
Net change in provisions ^(b)	3,612	(6,285)
Financial income relating to the early repayment of the Senior B and C lines	-	1,000
Net interest expenses ^(c)	(9,753)	(15,900)
Total	21,458	257

(a) Dividends and financial income comprise dividends paid by subsidiary companies.

(b) In 2013 this amount included:

- a reversal of €1.6 million for impairment of Kaufman & Broad Financement securities;
- a reversal of €0.6 million for impairment of SM2I securities;
- a reversal of €0.5 million for impairment of SMCI securities;
- a reversal of €0.7 million for securities of the companies dissolved in 2013.

(c) Financial interest corresponds to interest incurred on borrowings and swaps and on intra-group current accounts.

4.2.2.18. Non-recurring income (loss)

(in € thousands)	November 30, 2013	November 30, 2012
Other net exceptional income ^(a)	(895)	232
Total	(895)	232

(a) The 2013 non-recurring income corresponds to the net book value of the companies dissolved in 2013.

4.2.2.19. 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 provides details of the portfolio, at November 30, 2013, of Euribor 1-month lender fixed rate borrower swaps.

Type	Notional amount (in € millions)	Fixed rate	Maturity	Type	Market value at November 30, 2013 at as a % of face amount
EUR 1M fixed rate swap	50	0.202%	Nov. 30, 2012 – Nov. 30, 2014	hedge	-0.06%
EUR 1M fixed rate swap	50	0.218%	Nov. 30, 2012 – Nov. 30, 2014	hedge	-0.08%
EUR 1M fixed rate swap	50	0.240%	Nov. 30, 2012 – Nov. 30, 2014	hedge	-0.10%
Total	150				

Off-balance sheet commitments received

Unutilized syndicated lines of credit

(in € thousands)	November 30, 2013	November 30, 2012
Unutilized RCF line ^(a)	52,900	52,900

(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.

(in € thousands)	November 30, 2013	November 30, 2012
Land non-use indemnities and works guarantees	5,313	16,415
Counter-guarantees issued ^(a)	52,473	45,399
Total	57,786	61,814

(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.

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	Expiration	Amount of assets pledged ^(b)	Total balance sheet value	Total % of Kaufman & Broad SA balance sheet at Nov. 30, 2013
Pledge of financial instrument account – 100% of Kaufman & Broad Homes SAS shares held by the company		(a)	€10,450,195	€10,450,195	2%
Pledge of the credit balance in the Kaufman & Broad SA bank accounts		(a)	€506,652	€506,652	-
Framework agreement for the assignment of intra-group receivables from Kaufman & Broad SA's subsidiaries, in particular Kaufman & Broad Financement SNC		(a)	-	-	-
Pledge of 100% of Kaufman & Broad Europe SAS shares		(a)	€217,436,878	€217,436,878	42%
Total			€228,393,725	€228,393,725	44%

(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, 2013.

4.2.3. TAX CONSOLIDATION AND FUTURE TAX POSITION

The company opted for the tax consolidation treatment at 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 € millions)

	Book income before tax	Tax adjustments ^(a)	Net tax income before tax	Tax loss carryforward to be charged	Taxable income	Kaufman & Broad SA theoretical tax	Tax consolidation (income/expense)	Recognized tax income/expense	Net income
Current	96,045	22,234	118,279	(59,594)	58,684	20,183	4,950	15,234	80,831
Non-current	(895)	805	(90)	-	(90)	(31)	-	(31)	(864)
Total	95,150	23,039	118,189	(59,594)	58,594	20,152	4,950	15,203	79,967

(a) The tax adjustments include mainly to the 2013 add-back related to the tax risk for €8.3 million (see Note 4.2.2.3), the add back of income in the amount of €12.4 million corresponding to the accounting income of the subsidiary Kaufman & Broad Europe and the 2013 adjustment of the recognition of revenue 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 2013 was as follows:

(in € thousands)

	November 30, 2012		Change		November 30, 2013	
	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	-	159,420	-	30,337	-	129,083
- Temporary non-deductible expenses (organic, non-deductible provisions, non-deductible interest)	4,952	-	287	-	5,239	-
- Losses of the subsidiaries of the consolidated group	19,025	119,473	9,250	12,126	28,275	131,599
Total I	23,977	278,893	9,537	(18,211)	33,514	260,682
II. Taxable items						
- Consolidated group losses that can be carried forward for tax purposes	-	-	-	-	-	-
	80,669	-	3,762	56,049	28,383	-
Total I + II	104,646	278,893	13,300	37,838	61,897	260,682

4.2.4. RELATED PARTY TRANSACTIONS

By virtue of the license agreement signed with Kaufman & Broad Europe SAS, 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 Real Estate 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 SCIs and SNCs carried by 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 2013 was €2,557,470, of which €191,400 was paid to non-executive directors.

4.2.8. SUBSIDIARIES AND EQUITY 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 SAS	221,440,548	9,932,313	99.90%	217,436,878
Kaufman & Broad Homes SAS	2,247,403	8,716,028	100.00%	10,450,195
Kaufman & Broad Développement SAS	152,449	(3,453,299)	100.00%	152,449
SMCI Développement SAS	762,245	(1,922,040)	100.00%	762,245
Kaufman & Broad Rénovation SAS	160,000	(400,236)	100.00%	152,296
Kaufman & Broad Financement SNC	3,040,500	1,032,749	99.90%	4,307,707
Kaufman & Broad Real Estate SAS	205,280	8,296,419	100.00%	30,191,792
Kaufman & Broad Méditerranée SARL	100,000	(10,660,016)	100.00%	100,000
Kaufman & Broad Normandie SARL	100,000	(4,336,830)	100.00%	100,000
Kaufman & Broad Savoie SARL	100,000	115,997	100.00%	100,000
Kaufman & Broad Rhône-Alpes SARL	1,300,000	(11,908,450)	100.00%	1,300,000
Kaufman & Broad Pyrénées-Atlantiques SARL	100,000	667,561	100.00%	100,000
Résidences Bernard Teillaud SARL	840,000	12,895,607	100.00%	15,663,729
Kaufman & Broad Midi-Pyrénées SARL	2,858,910	13,169,883	100.00%	36,404,833
Kaufman & Broad Languedoc-Roussillon SARL	100,000	(2,517,440)	99.00%	99,000
Kaufman & Broad Aquitaine SARL	100,000	(4,822,293)	99.00%	1,387,900
Kaufman & Broad Development SA	61,500	-	99.00%	61,400
SM2I	1,000,000	(1,341,544)	100.00%	5,059,325
Kaufman et Broad Flandres	7,700	135,257	99.90%	636,000
2. Equity associates (at least 10% to 50% held by the company)				
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)	-	-	-	33,880
2. Equity interests in French companies and not included in Section A (aggregate)				
	-	-	-	110,298

	Net book value of shares held	Outstanding loans and advances granted by the company	Guarantees and endorsements given by the Company	Last published net revenue	Last published net income (loss)	Dividends received by the Company during fiscal year 2006
	217,436,878	-	-	6,933,465	718,338	4,098,138
	10,450,195	3 863 165	-	31,882,644	(2,811,636)	3,500,000
	152,449	13 174 998	-	9,706,057	1,242,596	-
	466,382	345 224	-	517,508	1,281,591	-
	-	-	-	956,630	47,969	-
	1,665,304	-	-	426,674	(2,407,945)	-
	30,191,792	5 432	-	1,464,635	(1,940,231)	19,000,000
	100,000	-	-	7,204,870	(1,976,057)	-
	100,000	-	-	476,782	(521,343)	-
	100,000	-	-	1,916,815	(293,333)	-
	1,300,000	-	-	3,377,444	(1,854,012)	-
	100,000	-	-	2,769,444	(2,273,117)	1,000,000
	15,663,729	49 490	-	1,074,290	179,482	-
	36,404,833	-	-	11,380,151	1,227,820	-
	99,000	-	-	4,803,743	(1,163,968)	-
	1,387,900	-	-	4,969,075	(2,899,545)	-
	61,400	-	-	-	-	-
	628,802	75 401	-	1,632,586	891,131	-
	636,000	-	-	743,024	201,823	-
	990	-	-	94,859,798	8,279,806	-
	990	-	-	1,841,306	498,500	-
	990	-	-	230,904,741	30,340,990	-
	990	-	-	225,391,848	27,155,646	-
	990	-	-	106,016,424	12,700,242	-
	990	-	-	20,390,779	4,954,904	-
	990	-	-	23,813	65,407	-
	990	-	-	45,109,194	1,131,720	-
	990	-	-	3,419	132,520	-
	33,880	-	-	-	-	-
	5,743	-	-	-	-	-

4.2.9. FIVE-YEAR FINANCIAL SUMMARY

Type of information	2013	2012	2011	2010	2009
1 Financial position at the fiscal year-end					
a) Capital stock	5,612,011	5,612,011	5,612,011	5,612,011	5,612,011
b) Number of shares issued	21,584,658	21,584,658	21,584,658	21,584,658	21,584,658
c) Number of convertible bonds	-	-	-	-	-
2 Aggregate result of actual operations					
a) Revenues excluding VAT	1,125,881	1,075,639	237,827	291,931	300,129
b) Earnings before taxes, amortization, depreciation and provisions	97,446,761	78,266,580	68,287,720	(7,123,846)	(30,412,467)
c) Tax on profits	15,202,518	(1,565,327)	(4,813,594)	(5,583,106)	(35,230,054)
d) Earnings after taxes, amortization, depreciation and provisions	79,966,898	72,042,542	68,015,260	9,221,151	1,063,988
e) Amount of profits distributed	-	48,455,612	-	-	-
3 Income from operations per single share					
a) Earnings after taxes and before amortization, depreciation and provisions	4.51	3.70	3.39	(0.07)	0.22
b) Earnings after taxes, amortization, depreciation and provisions	3.70	3.34	3.15	0.43	0.05
c) Dividend per share	-	2.31	-	-	-
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 those of the Company or other group companies".

Section 4.1.6. "Additional information" – Note 31, describes the terms and conditions of transactions conducted with related parties.

5.

GENERAL INFORMATION CONCERNING THE COMPANY AND ITS CAPITAL

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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 early or its term 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 abovementioned 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 abovementioned 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 (RCS).

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 – 92207 Neuilly-sur-Seine Cedex, France 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 financial statements 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 mandatory once the legal reserve represents one tenth 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 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 ending 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 three.

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 (unless otherwise stipulated by law).

Extraordinary Meetings may be called to amend the bylaws (unless otherwise stipulated by law).

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' Meetings, 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-part (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 the Chairman's absence, the Vice Chairman or, in the Vice Chairman's 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

Theoretically each share entitles the holder to one vote. However, 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. Bonus shares resulting from a capital increase due to incorporation of reserves, earnings or premiums will enjoy double voting rights from when they are issued if they are

granted based on shares that already enjoy this right. 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.

Any decision to strip shares of double voting rights may be made by an Extraordinary Shareholders' Meeting, but only if authorized by a Special Meeting of the holders of such rights.

5.1.11. DISCLOSURE THRESHOLDS

Pursuant to Article 7 of the bylaws, any individual or entity, acting alone or in concert with others, that directly or indirectly acquires, 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.

In addition, under France's Law of commercial companies, 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, one 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.

The rules for calculating the disclosure thresholds, as well as the content of the statements to be provided to the company and to *Autorité des Marchés Financiers*, are defined in the applicable laws and regulations.

The duty to inform the Company applies equally when the percentage of the share capital or voting rights held by a shareholder falls below the aforementioned thresholds.

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, 2013 and three-year change".

5.2. GENERAL INFORMATION CONCERNING THE 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 shares held by Kaufman & Broad 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 Combined Ordinary and Extraordinary 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 25, 2013. 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 25, 2013

At their Meeting of April 25, 2013, 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*,
 - acquire shares for purposes of custody and subsequent remittance as payment or exchange as part of transactions for external growth (acquisitions), mergers, spin-offs or contributions,
 - 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 grant or sell shares to employees in connection with the employee profit-sharing plan or Corporate savings plans as provided by law under Article L. 3332-1 *et seq.* of the French Labor Code and/or to grant bonus shares in accordance with Articles L. 225-197-1 *et seq.* of the French Commercial Code,

- grant 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 resolved that the maximum purchase price may not exceed €30 per share, this price applying only to acquisitions decided as from the date of the meeting and not to any forward transactions entered into under the authority granted by a previous Shareholders' Meeting and providing for the acquisition of shares subsequent to the date of the Shareholders' Meeting of April 25, 2013.

Pursuant to Article R. 225-151 of the French Commercial Code, the Shareholders' Meeting set the maximum amount that may be allocated by the company to the share buy-back program under at €45 million.

The 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 fifth resolution of the Shareholders' Meeting of April 19, 2012.

Liquidity contract

Effective from June 5, 2006 and for a one-year term with automatic renewal, Kaufman & Broad SA has 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 *Autorité des Marchés Financiers* by a decision of March 22, 2005 and published in *Bulletin des Annonces Légales Obligatoires* 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, 2013, the following resources were reported in the liquidity account: 250 shares and €507,274.99 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 the 2013 fiscal year as follows:

Number of shares purchased:	88,783 shares
Average purchase price:	€17.35
Number of shares sold:	90,508 shares
Average selling price:	€17.47
Total trading fees:	€35,000

At November 30, 2013, the group held 681,840 treasury shares (representing 3.16% of the company's capital), 54,200 shares (representing 0.25% of the company's capital) intended to cover the

bonus shares allotments of January 2012 and January 2013, 627,615 treasury shares (representing 2.91% of the company's capital) to ensure the other goals of the share buy-back program and 25 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 1,000,000) the number of shares under the mission entrusted to Rothschild & Cie Banque. At November 30, 2013, the company held 669,636 shares acquired on this basis (representing 3.10% of the company's capital).

5.2.3.3. Summary of bonus share awards

Pursuant to the authorizations of the April 2009 and April 2012 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, at its meeting of February 17, 2011, the Board of Directors granted 36,000 bonus shares, which were definitively granted at the end of the two-year vesting period and were delivered in fiscal year 2013.

Title to the shares allocated under the various award plans detailed below was transferred at the end of the vesting period, i.e., after a period of two years from the date of award by the Board of Directors.

In addition, the 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, 2013 are set out in the table below.

Bonus shares	January 17, 2012 Plan	January 12, 2013 Plan
Presentation of Extraordinary Shareholders' Meeting	April 9, 2009	April 19, 2012
Date of the Board of Directors' Meeting granting the shares	January 17, 2012	January 22, 2013
Total number of shares granted	20,000	35,800
Number of beneficiaries	21	40
Date of transfer of ownership of bonus shares	January 17, 2014	January 23, 2015
Date of sale of bonus shares	January 17, 2016	January 23, 2017
Void shares	1,000	600
Shares outstanding at November 30, 2013	19,000	35,800

5.2.3.4. Special Report on stock options presented to the Shareholders Meeting of April 11, 2014

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 2013	Options not exercised as of 11/30/2013
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, 2013 [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, 2013 [Article L. 225-184 Para. 2]

None.

5.2.3.4.4. Options awarded during the fiscal year ended November 30, 2013 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, 2013 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, 2013, 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

The Board of Directors 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. This authority has not been used to date.

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. "Report on 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 warrants it holds. The remaining number of SSW's at the 2013 fiscal year-end was 394,058. The issuance of these SSW's may result in a future 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 transactions (see Section 3.3.4. "Stock subscription warrants").

5.2.8. STATEMENT OF CHANGES IN CAPITAL

Transaction	Number of shares issued	Capital increase	Premium per share	Total premium	New share capital	New shares outstanding	Par value of shares
November 30, 1997	-	-	-	FF 29,992,949	FF19,414,200	194,142	FF100
January 21, 2000	-	-	-	-	-	-	-
30-for-1 stock split	5,630,118	-	-	FF 29,992,949	FF19,414,200	5,824,260	FF3.3333
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 07, 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 07, 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, 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, 2013 AND THREE-YEAR CHANGE

At November 30, 2013, the shareholders of our company were as follows:

Shareholders at November 30, 2013	Number of shares	% of capital	% of voting rights exercisable at Shareholders' Meetings	% of theoretical voting rights
Shareholder				
Companies owned by funds held by PAI partners ^(a)	19,133,746	88.64%	94.64%	93.07%
Public ^(b)	1,529,317	7.09%	4.76%	4.68%
Kaufman & Broad SA	618,840	3.16%	-	1.66%
Employees	239,755	1.11%	0.60%	0.59%
Total	21,584,658	100.00%	100.00%	100.00%

(a) Financière Gaillon 8 SA holds 87.96% of the share capital and 94.27% of the voting rights.

(b) Shares held by directors are included under the heading "Public" in respect of the shareholder structure at November 30, 2013.

The total number of shares known to have double voting rights at November 30, 2013 was 19,374,321. Accordingly, at that same date, the total number of theoretical voting rights of the company totaled 40,958,979 and the total number of voting rights exercisable at the Shareholders' Meeting amounted to 40,277,139 (with the difference corresponding to the number of treasury shares held by the company with no voting rights attached).

There are 88 holders of registered shares, individuals and Corporate entities combined.

At November 30, 2013, the number of shares held by members of the Board of Directors totaled 100,106 shares representing 194,862 votes.

At year-end, the number of shares held by employees, as defined in Article L. 225-102 of the French Commercial Code, represented 1.11% 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.

Disclosure thresholds on shares held in Kaufman & Broad SA

Since November 30, 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.

Changes in share ownership after the balance sheet date at January 31, 2014

	Number of shares	% of capital	% of voting rights exercisable at Shareholders' Meetings	% of theoretical voting rights
Shareholder				
Companies owned by funds held by PAI partners ^(a)	19,133,070	88.64%	94.61%	93.00%
Public ^(b)	1,513,258	7.01%	4.79%	4.71%
Kaufman & Broad SA	698,575	3.24%	-	1.71%
Employees	239,755	1.11%	0.60%	0.58%
Total	21,584,658	100.00%	100.00%	100.00%

(a) Financière Gaillon 8 holds 87.95% of the share capital and 94.24% of the voting rights.

(b) Shares held by directors are included under the heading "Public" in respect of the shareholder structure at January 31, 2014.

The company has not been informed of any other thresholds that were crossed subsequent to the 2013 year-end, the disclosure of which is required by law and/or by the company's bylaws.

The company has no knowledge of any material changes in relation to its shareholders after January 31, 2014.

Kaufman & Broad SA shares held by directors at January 31, 2014

	Number of shares	Number of voting rights
Shareholder		
Nordine Hachemi	22,806	22,806
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
Alexandre Dejoie ^(a)	-	-
Total	24,906	26,156

(a) Alexandre Dejoie was co-opted as a director following the resignation of Guy Nafilyan. This co-option will be submitted for ratification to the Shareholders' Meeting to be held on April 11, 2014.

5.3.2. CHANGES IN SHARE CAPITAL OVER THE PAST THREE FISCAL YEARS

Share ownership over the past three years	Number of shares	2013 % of capital	Number of shares	2012 % of capital	Number of shares	2011 % of capital
Shareholder						
Companies owned by funds held by PAI partners ^(a)	19,133,746	88.64%	19,133,746	88.64%	19,133,746	88.64%
Public	1,529,317	7.09%	1,579,645	7.32%	1,983,806	9.19%
Kaufman & Broad SA	681,840	3.16%	643,093	2.98%	278,109	1.29%
Employees	239,755	1.11%	228,174	1.06%	188,997	0.88%
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, 2013 and at November 30, 2012.

Percent voting rights over the past three years at November 30

Shareholders	2013	2012	2011
Companies owned by funds held by PAI partners ^(a)	94.64%	94.88%	94.26%
Public	4.76%	4.55%	5.27%
Employees (via the Corporate Savings Plan)	0.60%	0.57%	0.47%
Total	100.00%	100.00%	100.00%
Total voting rights	40,277,139	40,177,038	40,439,316
Total voting rights	40,958,979	40,820,131	40,717,425

(a) Financière Gaillon 8 represented 94.27% of the voting rights at November 30, 2013 compared with 94.51% of the voting rights at November 30, 2012.

The increase in voting rights is primarily linked to the acquisition of double voting rights for 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

At January 31, 2014, 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 87.95% of the capital and 94.24% 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 share 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, 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. Currently, PAI partners SAS is an independent company held by partners that manages and advises private equity investment funds of a total capital investment of nearly €4.3 billion. Since 1994, PAI has conducted 50 buyouts in ten European countries, for a total of nearly €36 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 their market. PAI specializes, among other things, in transactions exceeding €300 million with equity investments ranging from €100 million to €300 million resulting in controlling ownership. It invests in five core sectors: Consumer Goods, Industrial Goods, Retail, Healthcare and Corporate services. PAI adopts an asset-driven approach in its investments and to achieve this it establishes partnerships with the companies' management teams, in order to create value by promoting the application of strategy and operational improvements, refocusing the company's business activities, selecting targeted investments in relation to capital expenditure, marketing, R&D and new facilities, evaluating new business opportunities and identifying additional acquisitions as well as using its vast network of industry and financial contacts. PAI has a team of 50 highly experienced professionals from various

professional backgrounds. With professionals from nine European countries and teams based in Paris, London, Luxembourg, Madrid, Milan, Munich and Stockholm, PAI combines a strong knowledge of local markets with large capacities and a pan-European outlook.

The risks associated with the exclusive of the company by the PAI partners group are presented in Section 1.2.3.3. "Relations with the majority shareholder", it being specified that according to the company such control cannot be exercised in an abusive manner considering that, among other things the company refers, for Corporate governance matters, to the AFEF-MEDEF Code (see Sections 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 ten-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 dated January 8, 2008).

In addition, Financière Daunou 10 has 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”, second part, section II.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 that they hold.

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 lending banks 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.

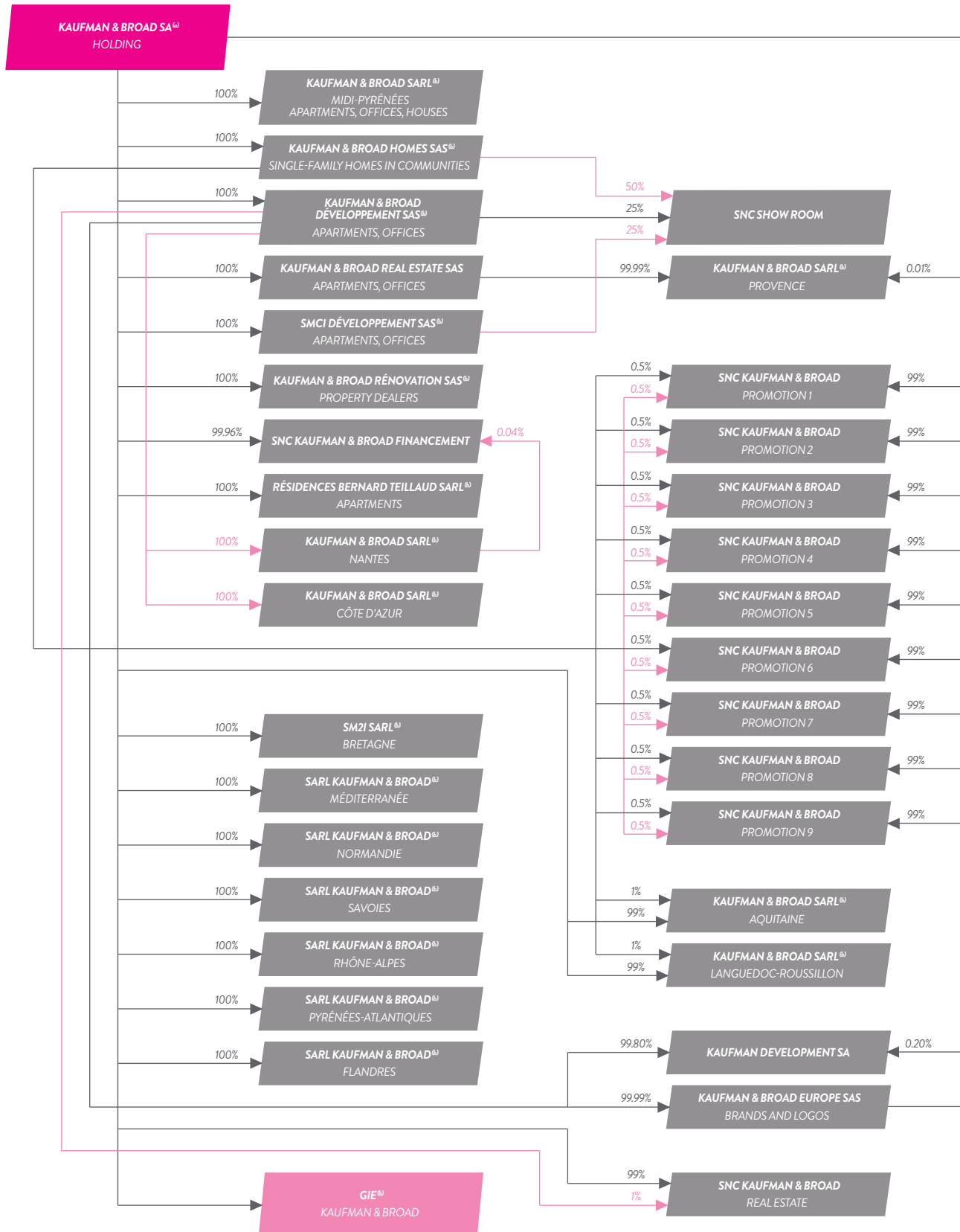
A second-rank pledge by Financière Gaillon 8 has also been granted in favor of the lending banks of the Mezzanine Credit Agreement.

At November 30, 2013, 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 Mezzanine Facility Senior Facilities Agreement	July 10, 2007	July 10, 2016	This pledge is intended to be maintained until and the full payment contract of the amounts borrowed under the Senior Facilities Agreement and the Mezzanine Facility and ancillary services	18,984,801	87.96%
Total					18,984,801	87.96%

5.3.4. ORGANIZATIONAL CHART OF THE GROUP

The following organization chart shows the companies owned by Kaufman & Broad SA at November 30, 2013, along with the interests in their capital and voting rights.



(a) All of Kaufman & Broad's subsidiaries are located in France with the exception of Kaufman Development, which is in Belgium.

(b) Group operating companies affiliated with the EIG.

- Kaufman & Broad Europe was, until November 30, 2013 a Belgian *Société Anonyme* (SA) with capital of €221,440,548 headquartered at Rue des Colonies 11, 1000 Brussels (Belgium). As from that date, the registered office of Kaufman & Broad Europe SAS was transferred to Neuilly-sur-Seine as is the case for most Kaufman & Broad group entities.

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".

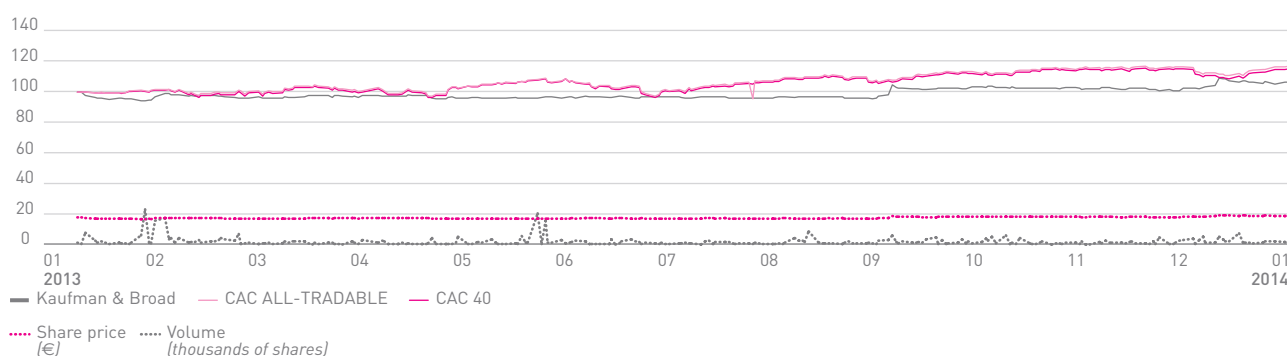
5.4. MARKET FOR THE COMPANY'S SHARES

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, 2013, while the CAC All-Tradable rose by 16.76%, the Kaufman & Broad SA share fell was up 6.27%.

2013	Average price (€)	Aggregate trading volume (shares)	Average trading volume (shares)	Average volume capital	Cumulative volume in capital
January	17.07	93,421	4,246	72,492	1,596,314
February	17.13	42,674	2,134	36,560	735,298
March	17.17	23,491	1,175	20,163	402,639
April	17.13	23,190	1,104	18,920	396,188
May	17.04	65,227	2,965	50,508	1,110,365
June	17.11	22,787	1,139	19,494	388,683
July	17.05	21,063	916	15,615	358,894
August	17.08	35,755	1,625	27,756	610,512
September	18.09	41,412	1,972	35,668	747,663
October	18.15	36,005	1,565	28,413	653,547
November	18.03	28,608	1,362	24,565	515,507
December	18.70	46,846	2,342	43,807	872,964

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, 2013)



5.5. DIVIDENDS

5.5.1. DISTRIBUTION POLICY

Over the last five years, the dividends paid by the company were as follows:

Fiscal year of dividend payment	Type	Dividend per share ^(a) (in €)	Total amount (in €)
2009	-	-	-
2010	-	-	-
2011	-	-	-
2012	Dividends	2.31	48,455,611.05
2013	-	-	-

(a) Gross dividends, including dividends payable on treasury stock.

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 could not distribute any dividends during the fiscal years ending November 30, 2009, 2010 and 2011. As from fiscal year 2012, it may not distribute any dividends unless the debt ratio is less than or equal to three.

The Ordinary Shareholders' Meeting noted 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 of October 23, 2012 to distribute an interim dividend.

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.

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6.

RECENT TRENDS AND OUTLOOK

6.1. MARKET

In 2014, the real estate market will be impacted by a still difficult social, economic and financial environment.

However, in the second half of the year, sales activities could experience a gradual upturn in orders in volume, as a consequence of the imbalance between a continuously sustained demand related to demographic growth and a historic shortage of the housing production which has amplified in the last two years.

Despite the outlook for a weak and gradual recovery, interest rates are expected to remain at an attractive level.

The Île-de-France market should continue to experience steadier take-up rates than the market in the Regions.

Given the economic context, the Commercial Property market is expected to be comparable to that of 2013.

6.2. STRATEGIES

Kaufman & Broad will intensify its growth efforts in two major directions: developing its property portfolio in all of its business activities and strengthening its marketing policy with institutional investors and specifiers.

This portfolio regeneration is done with respect to both quantity and types of products. It relies on the ability of the group to develop building complexes of significant size and mixed use (commercial, hotels, housing, etc.).

Beyond Kaufman & Broad's leadership in the sales offices network, its enhanced marketing to private customers, particularly through the development of the institutional investor and specifier channels, should enable it to take full advantage of the strength of the Kaufman & Broad brand.

Finally, in the Commercial Property segment, Kaufman & Broad's strategy remains based on the very selective choice of projects and the 100% pre-sale principle.

The details of the outlook for new housing in France as assessed by the company are presented in Section 2.1.4. "Outlook" of Chapter 2 "Operating and financial review of the Kaufman & Broad group".

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7.

PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

7.1. PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Nordine Hachemi

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.

The historical financial information presented in this Registration Document has been addressed in the reports of the Statutory Auditors included in Section 9.3.

For fiscal year 2011, for which the financial statements are incorporated in this Registration Document by reference (Section 7.4), the Statutory Auditors have made, without qualifying their opinion, the following comments in their annual report: 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 2011 of and Note 4.2.3, which explains Kaufman & Broad SA's expected tax position as of November 30, 2011.

Neuilly-sur-Seine, March 4, 2014

Chairman and Chief Executive Officer

7.3. PERSON RESPONSIBLE FOR FINANCIAL COMMUNICATIONS AND INVESTOR RELATIONS

Bruno Coche

Chief Finance Officer

Kaufman & Broad SA

127, avenue Charles de Gaulle

92207 Neuilly-sur-Seine Cedex

Telephone: +331 41 43 43 43

Fax: +331 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 9, 2014 after market close;
- first half results, July 10, 2014 after market close;
- third quarter results, September 30, 2014 after market close;
- annual results, in January 2015.

(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 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;
- 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 2012 Registration Document, the French version of which was filed with the AMF on April 2, 2013 under reference No. D. 13-0247;
- the financial information provided in Sections 2.1, 2.2 and 1.1.2.1.1 of the 2012 Registration Document, the French version of which was filed with the AMF on April 2, 2013 under reference No. D. 13-0247;
- 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 fiscal year ending 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 fiscal year ending November 30, 2014.

8.2. ALTERNATE AUDITORS

AUDITEX

1-2, place des Saisons 92037 Neuilly-sur-Seine Cedex

first appointed on April 9, 2009 until the Shareholders' Meeting called to approve the financial statements for the fiscal year ending 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 fiscal year ending 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**

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9.1. AGENDA AND RESOLUTIONS OF THE SHAREHOLDERS' MEETING OF APRIL 11, 2014

ORDINARY SHAREHOLDERS' MEETING OF APRIL 11, 2014

AGENDA:

Resolutions submitted to the Ordinary Shareholders' Meeting

- review and approval of the statutory financial statements for the fiscal year ended November 30, 2013;
- appropriation of earnings for the fiscal year ended November 30, 2013;
- review and approval of the Consolidated Financial Statements for the fiscal year ended November 30, 2013;
- review and approval of the supplemental Licensing Agreement with Kaufman & Broad Europe, which constitutes an Agreement referred to in Article L. 225-38 of the French Commercial Code;
- review and approval of the commitments made by the company to Philippe Jossé, in relation to the termination of his term in office as Deputy Chief Executive Officer;
- review and approval of the cancellation of the payment commitment made by the company to Philippe Jossé, Deputy Chief Executive Officer, in consideration for his non-compete clause;
- review and approval of the cancellation of the commitment made by the company to grant a defined-contribution supplemental retirement plan to Philippe Jossé, Deputy Chief Executive Officer;
- review and approval of the payment commitment made by the company to Nordine Hachemi, Chief Executive Officer, in the event of the termination of his term in office;
- review and approval of the cancellation of the payment commitment made by the company to Nordine Hachemi, Chief Executive Officer, in consideration for his non-compete clause;
- review and approval of the commitment made by the company to grant a defined-contribution supplemental retirement plan to Nordine Hachemi, Chief Executive Officer;
- opinion on the compensation components due or allocated to Guy Nafilyan, Chairman and Chief Executive Officer, for the fiscal year ended November 30, 2013;
- opinion on the compensation components due or allocated to Nordine Hachemi, Chief Executive Officer, for the fiscal year ended November 30, 2013;
- opinion on the compensation components due or allocated to Philippe Jossé, Deputy Chief Executive Officer, for the fiscal year ended November 30, 2013;
- ratification of the co-option of Alexandre Dejoie as director;
- appointment of Joël Monribot as director;
- appointment of a new director;
- authority to be granted to the Board of Directors, for a period of eighteen months, to buy back shares of company stock at a maximum price of €35 per share, i.e., a total maximum price of €52,500,000.

Resolutions submitted to the Extraordinary Shareholders' Meeting

- authority to be granted to the Board of Directors, for a period of twenty-six months, to cancel shares held by the company following the buyback of company stock;
- authority to be granted to the Board of Directors, for a period of thirty-eight months, to allot bonus shares (new or existing) to employees and/or Corporate Officers of the company and related entities, subject to performance conditions and limited to 200,000 capital shares, of which no more than 50,000 may be allotted to executive Corporate Officers;
- delegation of authority to be given to the Board of Directors, for a period of twenty-six months, to issue shares of common stock and/or securities giving rights to the company's capital for a maximum amount of €1,400,000 or the allotment of debt securities, for a maximum amount of €160,000,000, with preferential subscription rights;
- delegation of authority to be given to the Board of Directors, for a period of twenty-six months, to issue shares of common stock and/or securities giving rights to the company's capital for a maximum amount of €1,400,000 or the allotment of debt securities for a maximum amount of €160,000,000, at a price set under the legal and regulatory provisions in force at the time of the issue, with the elimination of shareholders' pre-emptive subscription rights as part of a public offering with right of preemption;
- delegation of authority to be given to the Board of Directors, for a period of twenty-six months, to increase the number of securities to be issued in the case of a capital increase with or without shareholders' pre-emptive subscription rights in the context of over-allotment options;
- authority to be given to the Board of Directors, for a period of twenty-six months, in the event of an issue of common shares or securities giving rights to shares with the elimination of shareholders' pre-emptive subscription rights, to set the issue price in accordance with the terms defined by the Shareholders' Meeting up to a maximum of 10% of capital stock;
- delegation of authority to be given to the Board of Directors, for a period of twenty-six months, to issue shares that may be combined with securities giving rights to capital in consideration for in-kind contributions of equity or other securities giving rights to capital, up to a maximum of 10% of capital stock;
- delegation of authority to be given to the Board of Directors, for a period of twenty-six months, to issue shares and/or securities giving rights to a portion of the capital of the company or, provided that the first security is a share, to the allotment of debt securities in consideration for shares tendered in any exchange offer initiated by the company for a maximum amount of €1,400,000;
- delegation of authority to be given to the Board of Directors, for a period of twenty-six months, to issue shares or securities giving rights to the company's capital, with elimination of shareholders' pre-emptive subscription rights in favor of the participants in the group's Company Savings Plan(s) for a maximum amount of 1% of capital and at a price set in accordance with the French Labor Code;

- setting of general ceilings for delegations of authority at a nominal amount of €1,400,000 for capital increases through the issuance of shares or securities giving rights to capital and €160,000,000 for issues of securities giving rights to capital or a debt security; setting of specific ceilings for capital increases likely to result from the allotment of bonus shares.

Resolution submitted to the Ordinary Shareholders' Meeting

Powers

TEXT OF THE RESOLUTIONS

Resolutions to be submitted to the Ordinary Shareholders' Meeting

FIRST RESOLUTION

(Review and approval of the statutory financial statements for the fiscal year ended November 30, 2013)

The Shareholders' Meeting, with the *quorum* and majority required for Ordinary Shareholders' Meetings, and 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, 2013, 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 €79,966,898.68.

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, 2013.

SECOND RESOLUTION

(Appropriation of earnings for the fiscal year ended November 30, 2013)

The Shareholders' Meeting, with the *quorum* and majority required for Ordinary Shareholders' Meetings, and after a reading of the report of the Board of Directors, hereby allocates the profit for the fiscal year ended November 30, 2013 in the amount of €79,966,898.68, to retained earnings, which accordingly will total €204,850,693.40.

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 year	Dividends	Eligibility for tax allowance
2010	none	none
2011	none	none
2012	€2.31 per share	yes

THIRD RESOLUTION

(Review and approval of the Consolidated Financial Statements for the fiscal year ended November 30, 2013)

The Shareholders' Meeting, with the *quorum* and majority required for Ordinary Shareholders' Meetings, and after a reading of the report of the Board of Directors, the report of the Chairman of the Board on the Board's operations and internal control, and the reports of the Statutory Auditors on the Consolidated Financial Statements, approves the Consolidated Financial Statements for the fiscal year ended November 30, 2013, including the balance sheet, consolidated income statement and the notes as submitted by the Board of Directors, as well as the transactions reflected in these financial statements and summarized in the aforementioned reports, and which show attributable net income of €40,848 thousand.

FOURTH RESOLUTION

(Review and approval of the supplemental 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, with the *quorum* and majority required for Ordinary Shareholders' Meetings, and after a reading of the Statutory Auditors' special report on the agreements referred to in Article L. 225-38 of the French Commercial Code, approves the supplemental Licensing Agreement signed on July 10, 2007 with Kaufman & Broad Europe to amend the 'term' clause of the agreement. The Licensing Agreement will now be for an indefinite term and may be terminated with three months' notice.

FIFTH RESOLUTION

(Review and approval of the commitments made by the company to Philippe Jossé, in relation to the termination of his term in office as Deputy Chief Executive Officer)

The Shareholders' Meeting, with the *quorum* and majority required for Ordinary Shareholders' Meetings, 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, in the event of the termination of his office as Deputy Chief Executive Officer, as authorized by the Board of Directors.

SIXTH RESOLUTION

(Review and approval of the payment commitment given by the company to Philippe Jossé, Deputy Chief Executive Officer, in consideration for his non-compete clause)

The Shareholders' Meeting, with the *quorum* and majority required for Ordinary Shareholders' Meetings, 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-compete clause, as authorized by the Board of Directors.

SEVENTH 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, with the *quorum* and majority required for Ordinary Shareholders' Meetings, 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 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.

EIGHTH RESOLUTION

(Review and approval of the payment commitment given by the company to Nordine Hachemi, Chief Executive Officer, in the event of the termination of his office)

The Shareholders' Meeting, with the *quorum* and majority required for Ordinary Shareholders' Meetings, 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 Nordine Hachemi, Chief Executive Officer, in the event of the termination of his office, as authorized by the Board of Directors.

NINTH RESOLUTION

(Review and approval of the payment commitment given by the company to Nordine Hachemi, Chief Executive Officer, in consideration for his non-compete clause)

The Shareholders' Meeting, with the *quorum* and majority required for Ordinary Shareholders' Meetings, 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 Nordine Hachemi, Chief Executive Officer, in consideration for his non-compete clause, as authorized by the Board of Directors.

TENTH RESOLUTION

(Review and approval of the commitment made by the company to grant a defined-contribution supplemental retirement plan to Nordine Hachemi, Chief Executive Officer)

The Shareholders' Meeting, with the *quorum* and majority required for Ordinary Shareholders' Meetings, 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 Nordine Hachemi, Chief Executive Officer, as authorized by the Board of Directors.

ELEVENTH RESOLUTION

(Opinion on the compensation components due or allocated to Guy Nafilyan, Chairman and Chief Executive Officer, for the fiscal year ended November 30, 2013)

The Shareholders' Meeting, with the *quorum* and majority required for Ordinary Shareholders' Meetings, and after a reading of the report of the Board of Directors, issues a favorable opinion about the components of the compensation due or paid for the fiscal year ended November 30, 2013 to Guy Nafilyan, Chief Executive Officer,

from December 1, 2012 to June 30, 2013 and Chairman of the Board of Directors from July 1, 2013 to November 30, 2013, as presented in the Registration Document (Section 4.4.1.2. of the Management Report "Compensation of Corporate Officers").

TWELFTH RESOLUTION

(Opinion on the compensation components due or allocated to Nordine Hachemi, Chief Executive Officer, for the fiscal year ended November 30, 2013)

The Shareholders' Meeting, with the *quorum* and majority required for Ordinary Shareholders' Meetings, and after a reading of the report of the Board of Directors, issues a favorable opinion about the components of the compensation due or paid for the fiscal year ended November 30, 2013 to Nordine Hachemi, Chief Executive Officer as presented in the Registration Document (Section 4.4.1.2. of the Management Report "Compensation of Corporate Officers").

THIRTEENTH RESOLUTION

(Opinion on the compensation components due or allocated to Philippe Jossé, Deputy Chief Executive Officer, for the fiscal year ended November 30, 2013)

The Shareholders' Meeting, with the *quorum* and majority required for Ordinary Shareholders' Meetings, and after a reading of the report of the Board of Directors, issues a favorable opinion about the components of the compensation due or paid for the fiscal year ended November 30, 2013 to Philippe Jossé, Deputy Chief Executive Officer as presented in the Registration Document (Section 4.4.1.2. of the Management Report "Compensation of Corporate Officers").

FOURTEENTH RESOLUTION

(Ratification of the co-option of Alexandre Dejoie as director)

The Shareholders' Meeting, with the *quorum* and majority required for Ordinary Shareholders' Meetings, resolves to ratify the co-option decided on January 24, 2014 by the Board of Directors of Alexandre Dejoie as director to replace Guy Nafilyan, who resigned, for the period remaining in his term of office, which is until the annual Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ended November 30, 2015.

FIFTEENTH RESOLUTION

(Appointment of Joël Monribot as director)

The Shareholders' Meeting, with the *quorum* and majority required for Ordinary Shareholders' Meetings, resolves to appoint, as from the date hereof Joël Monribot as director, for a three-year term, i.e., until the annual Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ended November 30, 2016.

SIXTEENTH RESOLUTION

(Appointment of a director)

The Shareholders' Meeting, with the *quorum* and majority required for Ordinary Shareholders' Meetings, resolves to appoint, as from the date hereof _____, as director, for a three-year term, i.e., until the annual Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ended November 30, 2016.

SEVENTEENTH RESOLUTION

(Authority to be granted to the Board of Directors, for a period of eighteen months, to buy back shares of company stock at a maximum price of €35 per share, i.e., a total maximum price of €52,500,000)

The Shareholders' Meeting, with the *quorum* and majority required for Ordinary Shareholders' Meetings, and after a reading of the report of the Board of Directors, authorizes the Board of Directors, in accordance with the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code and European Regulation 2273/2003 of December 22, 2003, to have the company purchase its own shares.

This authority is granted to be used, as needed, in order to:

- stimulate the market or the liquidity of the company's shares through an investment service provider under a liquidity contract that complies with the AMAFI Ethics Charter recognized by the AMF;
- acquire shares to be held and subsequently used for payment or exchange in external acquisitions, in compliance with the market practice accepted by the AMF;
- grant shares to employees and/or Corporate Officers (under the terms provided by law), among other things under a stock purchase plan, a bonus share grant plan or under a Company Savings Plan;
- grant 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 acquired, subject to the adoption of the Eighteenth Resolution submitted to the Extraordinary Shareholder's Meeting on the agenda.

The purchases, disposals or transfers described above may be done by any method compatible with the law or applicable regulations, including through derivative financial instruments or block trades.

These transactions can occur at any time, including during a public offering involving the shares of the company, provided that such offering is paid in cash in full and subject to the blackout periods stipulated in the legal and regulatory provisions in force and effect.

The Shareholders' Meeting sets the maximum number of shares that may be acquired under this resolution to 7% of share capital, adjusted for transactions made after this Meeting that may affect the capital, it being specified (i) that under this authority, the number of treasury shares must be taken into consideration so that the company is always within the number of treasury shares required to be equal to maximum 7% of the share capital and (ii) that the number of treasury shares to be used as payment or exchange in a merger, demerger or contribution cannot exceed 5% of capital.

The Shareholders' Meeting resolves that the total amount for such acquisitions may not exceed €52,500,000 and resolves that the maximum purchase price may not exceed €35 per share.

In the event of a capital increase through the capitalization of additional paid-in capital, reserves, profits or other, in the form of a grant of bonus shares during the period of validity of this authority and, in the event of a share split or reverse split, the maximum per unit amount stipulated above shall be adjusted by applying a multiplier equal to the ratio between the number of shares composing the capital before the transaction and what the number would be after the transaction.

The Shareholders' Meeting grants full authority to the Board of Directors, with the option to delegate under the provisions of law, and all necessary powers to:

- resolve to implement this authority;
- 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 supersedes the authority previously granted under the Thirteenth Resolution of the Shareholders' Meeting of April 25, 2013.

Resolutions submitted to the Extraordinary Shareholders' Meeting

EIGHTEENTH RESOLUTION

(Authority to be granted to the Board of Directors, for a period of twenty-six months, to cancel shares held by the Company following the buyback of company stock)

The Shareholders' Meeting, with the *quorum* and majority required for Extraordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and the special report of the Statutory Auditors, authorizes the Board of Directors, pursuant to the provisions of Article L. 225-209 of the French Commercial Code, to cancel, at its sole discretion, on one or more occasions, all or some of the shares of the Company, which the company holds or may hold under the aforementioned Article L. 225-209 and to reduce the capital stock by the total nominal amount of the shares thus cancelled, up to, per 24-month period, a maximum of 10% of capital adjusted for any capital increases subsequent to this Meeting that may affect the capital.

The Shareholders' Meeting gives all powers to the Board of Directors to make the capital reduction or reductions, charge the difference between the purchase price of the cancelled shares and their par value against any reserves or additional paid-in capital, to amend the bylaws accordingly, to reallocate the portion of the legal reserve that has become available as a result of the capital decrease, and to file all declarations with the *Autorité des Marchés Financiers*, complete all other formalities and, generally, do whatever is necessary.

This authority is granted for a period of twenty-six months from the date hereof.

It supersedes the authority previously granted under the Thirteenth Resolution of the Shareholders' Meeting of April 19, 2012.

NINETEENTH RESOLUTION

(Authority to be granted to the Board of Directors, for a period of thirty-eight months, to grant bonus shares (new or existing) to employees and/or executive Corporate Officers of the Company and related entities, subject to performance conditions and limited to 200,000 capital shares, of which no more than 50,000 may be granted to executive Corporate Officers)

The Shareholders' Meeting, with the *quorum* and majority required for Extraordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and the special report of the Statutory Auditors, and in accordance with Articles L. 225-197-1 et seq. of the French Commercial Code:

- authorizes the Board of Directors to grant on one or more occasions new or existing bonus shares of the common stock of the company to employees or to executive Corporate Officers of the company and its related French and foreign companies or affiliated Economic Interest groups related to it within the meaning of Article L. 225-197-2 of the French Commercial Code or to certain categories among them;
- resolves that, without prejudice to the potential impact of the adjustments referred to below, the total number of bonus shares granted cannot exceed 220,000 Company shares where the number of shares granted to executive Corporate Officers cannot exceed 50,000 shares;
- resolves that the allotment of shares to their beneficiaries will become definitive either i) at the end of a minimum two-year vesting period, after the beneficiaries have held said shares for a minimum of two years from definitive allotment, or ii) at the end of a minimum vesting period of four years, and in this case with no minimum holding period. It is understood that the Board of Directors shall have the option of choosing between the above two possibilities and to apply them alternately or concurrently, and may, in the first case, extend the vesting and/or holding period, and in the second case, extend the vesting period and/or set a holding period;
- it is noted, however, that the shares will vest early in the event of the death or incapacity of a beneficiary under the second or third category referred to in Article L. 341-4 of the French Social Security Code;
- resolves that the shares will vest to the beneficiaries who are Corporate Officers contingent on Meeting the performance conditions as defined by the Board of Directors;
- resolves that the vesting of the shares to the beneficiaries who are employees may be contingent on Meeting the performance conditions as defined by the Board of Directors;
- sets the minimum holding period for the shares by their beneficiaries at two years from the date of definitive allotment. This obligation may, however, be reduced or eliminated by the Board of Directors for shares whose vesting period was set for a term of four years;
- sets the validity of this authority at thirty-eight (38) months from the date of this Meeting;
- duly notes that if the allotment is for new shares, this authority legally implies that existing shareholders waive their pre-emptive rights in favor of the beneficiaries of bonus shares.

The Shareholders' Meeting grants full authority to the Board of Directors, to the extent of the applicable laws and regulations and the provisions of this resolution, to allot bonus shares, and in particular to:

- determine the performance conditions in particular and, if necessary, the conditions under which bonus shares may be allotted, approve the list(s) of beneficiaries;
- determine the holding period for the shares, subject to the minimum periods indicated above, given that in respect of any shares that may be allotted to the Corporate Officers referred to in Article L. 225-197-1, II (Para 4) of the French Commercial Code, it is up to the Board of Directors to decide that these shares may not be sold by the parties concerned until they leave office, or to determine the number of bonus shares the Corporate Officers will be required to hold in registered form until the end of their term in office;
- resolves, in the event of transactions on the share capital that may occur during the vesting period of the shares allotted, if there are grounds to adjust the number of shares allotted in order to preserve the rights of beneficiaries and, in this scenario, determine the terms for such adjustment;
- increase capital, if the allotment relates to new shares, through capitalization of the Company's reserves or issuance premiums if required at the time of the definitive allotment of shares to beneficiaries, set the settlement date for new shares, and amend the bylaws accordingly;
- carry out all formalities and, generally, take all necessary and appropriate measures in connection therewith.

It terminates, as of this date, the authority previously granted under the Twelfth Resolution of the Shareholders' Meeting of April 19, 2012.

TWENTIETH RESOLUTION

(Delegation of authority to be given to the Board of Directors, for a period of twenty-six months, to issue shares of common stock and/or securities giving rights to the Company's capital for a maximum amount of €1,400,000 or the allotment of debt securities, for a maximum amount of €160,000,000, with preferential subscription rights)

The Shareholders' Meeting, with the *quorum* and majority required for Extraordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and the special report of the Statutory Auditors, pursuant to the provisions of the French Commercial Code, in particular Articles L. 225-129, L. 225-129-2 and L. 228-92:

- 1/ delegates to the Board of Directors the authority to issue, on one or more occasions, in the proportion and at the times it deems appropriate, in France and/or abroad, in euros, or any other currency or unit of account established by reference to several currencies, shares of common stock and/or all other securities, including subscription or purchase warrants, giving rights to the capital or the company or giving rights to a debt security, in the forms and under the conditions, which the Board of Directors deems appropriate;

it is specified that the issue of preferred shares and securities giving immediate or future rights to preferred shares is excluded from this authority;

- 2/ sets the validity of this authority at twenty-six (26) months from the date of this Meeting;
- 3/ resolves that, if the Board of Directors uses this delegation of authority:
 - the total nominal amount of the capital increases that may be completed as a result of the issue of shares or securities as stipulated above in point 1/is set at €1,400,000, and it is specified that:
 - in the event of a capital increase through the capitalization of premiums, reserves, profits or other, in the form of an allotment of bonus shares during the period of validity of this authority, the total nominal amount (excluding issue premium) stipulated above shall be adjusted by applying a multiplier coefficient equal to the ratio between the number of shares composing the capital after the operation and this number before the operation,
 - to the maximum amount above shall be added the nominal amount of the shares to be issued to preserve, in accordance with Article L. 228-99 of the French Commercial Code and, as appropriate, the contractual stipulations referring to other adjustments, the rights of the bearers of securities giving rights to capital, stock options or rights to the grant of bonus shares,
 - moreover, the total maximum nominal amount of the issues of securities representing claims against the company and giving rights to the capital, or to debt security, may not exceed €160,000,000 or the equivalent value on this date of this amount in any other currency or unit of account established by reference to several currencies;
- 4/ resolves that, if this delegation of authority is used:
 - shareholders shall have pre-emptive subscription rights and may subscribe irrevocably in proportion to the number of shares held by them at that time, and the Board shall have the option to establish revocable pre-emptive subscription rights and make provision for an extension clause with the sole intent of satisfying revocable subscription orders that could not be handled,
 - if subscriptions to the fixed-number of shares and, if applicable, additional shares have not used the total issue, the Board of Directors may offer the shares and/or securities not subscribed to the public;
- 5/ grants all powers to the Board of Directors, with the option of delegation to the Chief Executive Officer or, in agreement with the Chief Executive Officer, to an Executive Vice President, to use this authority, under the conditions defined by law, charge the costs of capital increases against the amount of the related premiums, and withdraw from this amount the sums necessary to bring the legal reserve to one-tenth of the new capital after each increase;
- 6/ duly notes that this authority supersedes the delegation granted to the Board of Directors by the Shareholders' Meeting of April 19, 2012.

TWENTY-FIRST RESOLUTION

(Delegation of authority to be given to the Board of Directors, for a period of twenty-six months, to issue shares of common stock and/or securities giving rights to the Company's capital for a maximum amount of €1,400,000 or the allotment of debt securities for a maximum amount of €160,000,000, at a price set under the legal and regulatory provisions in force at the time of the issue, with the elimination of shareholders' pre-emptive subscription rights as part of a public offering with right of preemption)

The Shareholders' Meeting, with the *quorum* and majority required for Extraordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and the special report of the Statutory Auditors, pursuant to the provisions of the French Commercial Code, in particular Articles L. 225-129, L. 225-129-2, L. 225-135, L. 225-136 *et seq.* and L. 228-92:

- 1/ delegates to the Board of Directors the authority to issue, on one or more occasions, in the proportion and at the times it deems appropriate, in France and/or abroad, in euros, or any other currency or account unit established by reference to several currencies, through a public offering, shares of common stock and/or all other securities, including subscription warrants, giving rights to the capital or the company or giving rights to a debt security, in the forms and under the conditions, which the Board of Directors deems appropriate;
 - it is specified that the issue of preferred shares and securities giving immediate or future rights to preferred shares is excluded from this authority;
- 2/ sets the validity of this authority at twenty-six (26) months from the date of this Meeting;
- 3/ resolves that, if this delegation of authority is used by the Board of Directors:
 - the total nominal amount of the capital increases that may be completed as a result of the issue of shares or securities as stipulated above in point 1/is set at €1,400,000, and it is specified that:
 - in the event of a capital increase through the capitalization of premiums, reserves, profits or other, in the form of an allotment of bonus shares during the period of validity of this authority, the total nominal amount (excluding issue premium) stipulated above shall be adjusted by applying a multiplier coefficient equal to the ratio between the number of shares composing the capital after the operation and this number before the operation,
 - to the maximum amount above shall be added the nominal amount of the shares to be issued to preserve, in accordance with Article L. 228-99 of the French Commercial Code and, as appropriate, the contractual stipulations referring to other adjustments, the rights of the bearers of securities giving rights to capital, stock options or rights to the grant of bonus shares;
 - moreover, the total maximum nominal amount of the issues of securities representing claims against the company and giving rights to the capital, or to debt security, may not exceed €160,000,000 or the equivalent value on this date of this amount in any other currency or unit of account established by reference to several currencies;

- 4/ resolves to eliminate shareholders' pre-emptive rights to the shares and other securities that may be issued by the company under this resolution. Shareholders will have a priority for subscription, for a period and under the conditions defined by the Board of Directors, pursuant to Article L. 225-135 of the French Commercial Code, for all or part of an issue;
- 5/ grants all powers to the Board of Directors, with the option of delegation to the Chief Executive Officer or, in agreement with the Chief Executive Officer, to an Executive Vice President, to use this authority, under the conditions defined by law, charge the costs of capital increases against the amount of the related premiums, and withdraw from this amount the sums necessary to bring the legal reserve to one-tenth of the new capital after each increase;
- 6/ duly notes that, if this delegation of authority is used, the decision to issue securities giving rights to the capital of a company in which the company holds directly or indirectly more than half of the capital, such issuance must also be authorized by the company's Extraordinary Shareholders' Meeting of the company in which the rights are exercised;
- 7/ duly notes that this authority supersedes the delegation granted to the Board of Directors by the Shareholders' Meeting of April 19, 2012.

TWENTY-SECOND RESOLUTION

(Delegation of authority to be given to the Board of Directors, for a period of twenty-six months, to increase the number of securities to be issued in the case of a capital increase with or without shareholders' pre-emptive subscription rights in the context of over-allotment options)

The Shareholders' Meeting, with the *quorum* and majority required for Extraordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and the special report of the Statutory Auditors, delegates to the Board of Directors, for the issues to be decided under the authorities granted to the Board of Directors under the foregoing resolutions (Twentieth and Twenty-First Resolutions), authority to increase the number of securities to be issued in the initial issue, pursuant to Articles L. 225-135-1 and R. 225-118 of the French Commercial Code, up to the ceilings stipulated in said resolutions.

TWENTY-THIRD RESOLUTION

(Authority to be given to the Board of Directors, for a period of twenty-six months, in the event of an issue of common shares or securities giving rights to shares with the elimination of shareholders' pre-emptive subscription rights, to set the issue price in accordance with the terms defined by the Shareholders' Meeting up to a maximum of 10% of capital stock)

The Shareholders' Meeting, with the *quorum* and majority required for Extraordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and the special report of the Statutory Auditors, pursuant to the provisions of Article L. 225-136 of the French Commercial Code, authorizes the Board of Directors, if the Twenty-First Resolution is implemented, to deviate from the conditions for setting the price stipulated in said resolution and to set the price under the following conditions:

- the issue price of common stock shall be at least equal to the weighted average of the prices of the share's two most recent trading sessions on the NYSE Euronext regulated market in Paris preceding its determination, after any correction, if needed, of this amount, to take into account the difference in the vesting date, and less a maximum discount of 5%, if necessary;
- the issue price of the securities giving access by any means, immediately or at term, to the capital of the company shall be such that the amount received immediately by the company, plus as the case may be the amount that may be paid subsequently by the company, or for each share of the company issued due to the issue of such securities, at least equal to the weighted average of the share's two most recent trading sessions on the NYSE Euronext regulated market in Paris prior to (i) the setting of the issue price of said securities giving access to capital or (ii) the issue of the shares issued for the exercise of the rights to the allotment of shares attached to said securities giving access to capital whenever it may be exercised at the discretion of the company after any correction, if needed, of this amount, to take into account the difference in the vesting date, and less a maximum discount of 5%, if necessary;
- the maximum nominal amount of the capital resulting from the use of this resolution may not be greater than 10% of the share capital per twelve-month period and the ceiling defined by the Twenty-Seventh Resolution to which it is charged.

This authority is granted for a period of twenty-six (26) months from the date of this meeting.

This authority supersedes the delegation granted to the Board of Directors by the Shareholders' Meeting of April 19, 2012.

TWENTY-FOURTH RESOLUTION

(Delegation of authority to be given to the Board of Directors, for a period of twenty-six months, to issue shares that may be combined with securities giving rights to capital in consideration for in-kind contributions of equity or other securities giving rights to capital, up to a maximum of 10% of capital stock)

The Shareholders' Meeting, with the *quorum* and majority required for Extraordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and the special report of the Statutory Auditors, and in accordance with Articles L. 225-147 of the French Commercial Code:

- hereby delegates to the Board of Directors the powers necessary to issue shares of the company, up to a maximum of 10% of the current capital of the company, in consideration for in-kind contributions made to the company consisting of equity or other securities giving rights to capital, when the provisions of Article L. 225-148 of the French Commercial Code do not apply;
- resolves that the share issues completed under this authority shall be charged against the ceilings stipulated in the Twenty-Seventh Resolution below;
- duly notes that the shareholders of the company shall have no pre-emptive subscription right to the shares to be issued under this authority; such shares are exclusively intended to remunerate in-kind contributions;
- grants powers to the Board of Directors to implement this authority, to charge the costs of the capital increase against the amount of the premiums related to such increases, and to amend the bylaws accordingly.

This authority is granted for a period of twenty-six (26) months from the date of this meeting.

This authority supersedes the delegation granted to the Board of Directors by the Shareholders' Meeting of April 19, 2012.

TWENTY-FIFTH RESOLUTION

(Delegation of authority to be given to the Board of Directors, for a period of twenty-six months, to issue shares and/or securities giving rights to a portion of the capital of the Company or, provided that the first security is a share, to the allotment of debt securities in consideration for shares tendered in any exchange offer initiated by the Company for a maximum amount of €1,400,000)

The Shareholders' Meeting, with the *quorum* and majority required for Extraordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and the special report of the Statutory Auditors, and in accordance with Articles L. 225-148, L. 225-129 and L. 228-92 of the French Commercial Code:

- delegated to the Board of Directors its authority to decide, on one or more occasions, to issue shares and/or securities giving rights to the capital or the company or, provided that the first security is a share, giving the right to the allotment of debt securities, in consideration for shares tendered in any exchange offer initiated in France or abroad by the company for the shares of another company listed for trading on one of the regulated markets stipulated in Article L. 225-148;
- resolves that the total nominal amount (excluding issue premium) of the capital increases that may be executed through the issue of shares and securities giving rights to the capital of the company or, provided that the first securities is a share, giving the right to the allotment of debt securities, may not be greater than €1,400,000, plus, if applicable, the additional number of shares to be issued to preserve the rights of the holders of securities giving rights to capital as required by Law. In the event of a capital increase through the capitalization of premiums, reserves, profits or other, in the form of an allotment of bonus shares during the period of validity of this authority, the total nominal amount (excluding issue premium) stipulated above shall be adjusted by applying a multiplier coefficient equal to the ratio between the number of shares composing the capital after the operation and this number before the operation;
- resolves that the issue of shares and/or securities giving rights to a proportion of the capital of the Company or giving the right to the allotment of debt securities under this authority shall be charged against the ceilings stipulated in the 27th resolution below;
- duly notes that the shareholders of the company will not have a pre-emptive subscription right to the shares and/or securities to be issued under this authority, as such securities are exclusively intended to remunerate shares tendered in an exchange offer initiated by the Company;
- duly notes that the price of the shares and securities to be issued under this delegation shall be defined on the basis of the laws governing exchange offers;
- grants powers to the Board of Directors, with the option of sub-delegation under the conditions defined by Law, to implement this authority and to charge the costs of the capital increase against the amount of the premiums attached to such increases.

This authority is granted for a period of twenty-six (26) months from the date of this meeting.

This authority supersedes the delegation. This authority supersedes the delegation granted to the Board of Directors by the Shareholders' Meeting of April 19, 2012.

TWENTY-SIXTH RESOLUTION

(Delegation of authority to be given to the Board of Directors, for a period of twenty-six months, to issue shares or securities giving rights to the Company's capital, with elimination of shareholders' pre-emptive subscription rights in favor of the participants in the group's Company Savings Plan(s) for a maximum amount of 1% of capital and at a price set in accordance with the French Labor Code)

The Shareholders' Meeting, with the *quorum* and majority required for Extraordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and the special report of the Statutory Auditors, pursuant to the provisions of the French Commercial Code, in particular Articles L. 225-129-2, L. 225-138, L. 225-138-1 of the French Commercial Code and L. 3332 *et seq.* of the French Labor Code and also in compliance with the provisions of Article L. 225-129-6 of the French Commercial Code:

- 1/ delegates to the Board of Directors its authority to (i) to increase, on one or several occasions, the company's share capital by issuing shares or share equivalents reserved for participants in the group's Company Savings Plans (PEE) and (ii) as applicable, to grant performance shares or securities giving rights to the capital of the company to replace in full or in part the discount referred to in 3/ below in accordance with the terms and within the limits set forth in Article L. 3332-21 of the French Labor Code, it being specified, as applicable, that the Board of Directors may substitute in whole or in part such capital increase with the disposal, under the same conditions, of already existing securities held by the company;
- 2/ resolves that the number of shares that may result from all the shares issued under this delegation of authority, including those resulting from shares or securities giving rights to the capital that may be granted as bonus shares to replace in whole or in part the discount under the conditions set out in Article L. 3332-18 *et seq.* of the French Labor Code cannot exceed 1% of capital. In addition to the shares issued there may be, as applicable, a number of additional shares to be issued in order to preserve in accordance with the Law the rights of the holders of securities giving rights to the capital of the company;
- 3/ resolves that (i) the issue price for new shares may neither exceed the average of the first share prices quoted in the twenty trading sessions prior to the day of the decision of the Board of Directors or of the Chief Executive Officer setting the subscription start date nor be lower than such average by more than 20%; the Board of Directors or the Chief Executive Officer may, as applicable, decrease or eliminate the discount that may be applied to account for, among other things, the legal and tax rules applicable outside France or elect to replace in full or in part such 20% maximum discount with the grant of bonus shares and/or securities giving rights to the capital and that (ii) the issue price of the securities giving rights to the capital will be set in accordance with the terms set forth in Article L. 3332-21 of the French Labor Code;

- 4/ resolves to eliminate, in favor of the participants in the group Savings Plan(s) the shareholders' pre-emptive subscription rights to shares or securities giving rights to the company capital, may be issued under this delegation and to waive all rights to shares and securities giving rights to the capital that may be granted as bonus shares under this resolution;
- 5/ delegates all powers to the Board of Directors, with the option to further delegate this authority under the provisions of Law, to:
- resolve that the share subscriptions may be carried out directly by the employees participating in the group's Savings Plans, or through a company mutual fund (FCPE) or through an employee shareholders' SICAV (SICAVAS);
 - identify the companies whose employees will be eligible for the subscription offer;
 - decide whether it will be necessary to give the employees a deadline to pay off the securities held by them;
 - set the terms and conditions for enrolling in the group's PEE plan(s), by establishing or amending their regulations;
 - set the opening and closing dates for the subscription and the securities issue price;
 - grant, within the limits set out in Article L. 3332-18 *et seq.* of the French Labor Code, bonus shares or securities giving rights to capital and define the type and amount of reserves, profits or premiums to incorporate into the capital;
 - approve the number of new shares to be issued and the reduction rules applicable in the event of over-subscription;
 - charge the capital increase and issuance costs of other securities giving rights to the capital to the additional paid-in capital amount related to such increases and deduct from the premiums the sums necessary to increase the legal reserve to 10% of the company's new capital after each increase.

This authority is granted for a period of twenty-six (26) months from the date of this meeting.

TWENTY-SEVENTH RESOLUTION

(Setting of general ceilings for delegations of authority at a nominal amount of €1,400,000 for capital increases through the issuance of shares or securities giving rights to capital and €160,000,000 for issues of securities giving rights to capital or a debt security; setting of specific ceilings for capital increases likely to result from the allotment of bonus shares)

The Shareholders' Meeting, with the *quorum* and majority required for Extraordinary Shareholders' Meetings, after a reading of the report of the Board of Directors sets, as follows, the aggregate limits on the amounts of the issues that may be decided under the authorities granted to the Board of Directors under the preceding resolutions:

- the maximum nominal amount (excluding issue premium) of the capital increases through the issuance of shares or securities giving rights to capital may not be greater than €1,400,000, plus the nominal amount of the capital increases to be executed to preserve the rights of the holders of said securities as required by Law. In the event of a capital increase through the capitalization of premiums, reserves, profits or other, in the form of an allotment of bonus shares during the period of validity of this authority, the total nominal amount (excluding issue premium) stipulated above shall be adjusted by applying a multiplier coefficient equal to the ratio between the number of shares composing the capital after the operation and this number before the operation;
- the total maximum nominal amount of the issues of securities representing claims against the company and giving rights to the capital, or to debt security, may not exceed €160,000,000 or the equivalent value on this date of this amount in any other currency or unit of account established by reference to several currencies;
- with the understanding that the capital increases that do or may result from the delegation granted by the Nineteenth Resolution are added to the maximum amount of the capital increases indicated above.

Resolution submitted to the Ordinary Shareholders' Meeting

TWENTY-EIGHTH 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 formalities in relation to the foregoing resolutions.

TERMS OF PARTICIPATION IN THE ORDINARY SHAREHOLDERS' MEETING OF APRIL 11, 2014

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 8, 2014, 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 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 notifications to appoint or dismiss proxies may be sent to the e-mail address above. Any other request or notification 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 8, 2014 at midnight Paris time, the company will invalidate or modify accordingly, as applicable, the vote by mail, proxy, admission card or certificate of share ownership. For this purpose, the authorization intermediary and account holder shall 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 shall be sent to the latter, at their request by registered mail with return receipt to Caceis Corporate Trust – Service Assemblées Générales – 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 proposed 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 proposed resolutions shall be accompanied by the text of the proposed 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 items 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 Financial Department, taking into consideration the opinions and recommendations of *Association Française des Entreprises Privées* (AFEP), the *Mouvement des Entreprises de France* (MEDEF), *Autorité des Marchés Financiers* (AMF) and *Compagnie Nationale des Commissaires aux Comptes* (CNCC).

The Kaufman & Broad Audit Committee reviewed this report at its Meeting of February 17, 2014. The report was approved by the Board of Directors on February 20, 2014.

PART I: CORPORATE GOVERNANCE AND FUNCTIONING 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. Mode and operation of the Board of Directors

I.1. Corporate Governance Code

For the preparation of this report, the company referred to the AFEP-MEDEF Corporate Governance Code of December 2008, revised in June 2013, which may be consulted on the MEDEF website (<http://www.medef.com>).

AFEP-MEDEF recommendations applied partially or not applied	Explanation
16.1 The proportion of Independent Directors on the Audit Committee (excluding the directors representing employee shareholders as well as the directors representing employees, who are not counted), must be at least two thirds and no executive Corporate officer may be on the Committee.	The proportion of Independent Directors on the Audit Committee and the Compensation and Nominating Committee is equal to half and one third respectively at the date of this report. This is due to the company being a company controlled by a majority shareholder. However, to point out a slight difference which is that its two Special Committees are chaired by an Independent Director.
18.1 No executive Corporate officer may be on the Compensation Committee whose majority must include Independent Directors.	
6.4 In terms of the representation of men and women, the objective is for each Board to reach and then to maintain a 20% women representation within 3 years and at least 40% within 6 years, as from the 2010 Shareholders' Meeting.	The Board of Directors comprises nine members, including two women, i.e., more than 20% and therefore, at this stage, is in compliance with the AFEP-MEDEF Code; there are plans to increase the proportion of women in the medium term in order to exceed the 40% required as from the 2016 Shareholders' Meeting.
14 The terms of office must be staggered in order to avoid a block renewal and to promote a harmonious renewal of the terms of office of directors.	The terms of office of the directors are not, strictly speaking, renewed on a rolling basis, but each office has a three-year term and their renewals are staggered over time in order to avoid a block renewal of all directors simultaneously.
23.2.5 The performance conditions related to a compensation for dismissal must only allow the compensation of a Corporate officer in the event of a forced departure and linked to a change of control or strategy.	Nordine Hachemi's compensation for dismissal is subject to performance conditions and will only be paid in the event of his dismissal from office for a reason other than gross misconduct, as defined in labor law by the Court of Cassation. Philippe Jossé's compensation for dismissal also differed from this recommendation.

I.2. Provisions governing the membership of the Board of Directors

Kaufman & Broad SA is administered 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 provide that the number of directors as individuals or permanent representatives of legal entities aged 70 or older, shall not exceed three directors at the end of each annual Ordinary Shareholders' Meeting called to approve the financial statements and that no director may exercise these positions 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 Chief Operating 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 a natural person. The Chairman organizes and directs the work of the Board of Directors and reports thereon to the Shareholders' Meeting. He 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 nine 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, semi-annual 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 stipulate that in general, the Board examines and makes decisions on transactions of genuine strategic importance, possibly after review by an ad hoc Committee; in particular, any material transaction outside the strategy announced by the company is subject to prior approval by 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 semi-annual (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 Executive Vice Presidents

The Chairman of the Board of Directors is responsible for the overall management of the Company and also holds the position of Chief Executive Officer. 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. He or she represents the company with respect to third parties.

On February 15, 2013, 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 sub-delegate 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 20, 2014.

On recommendation of the Chairman and Chief Executive Officer, the Board of Directors may appoint one or more Chief Operating Officers, provided that the number is not 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 Executive Vice Presidents.

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.

On recommendation by the Compensation and Nominating Committee, the Board of Directors, in its Meeting of May 15, 2013 decided to terminate Philippe Jossé's office with immediate effect.

In anticipation of the end of the term in office of Guy Nafilyan planned for January 2014, the Board of Directors of June 25, 2013 resolved to separate the offices of Chairman of the Board and Chief Executive Officer and appointed, as from July 1, 2013, Guy Nafilyan Chairman of the Board of Directors and, as from the same date, Nordine Hachemi, Chief Executive Officer and Vice Chairman of the Board of Directors.

At its Meeting of January 24, 2014, the Board of Directors, having heard the report of the Compensation and Nominating Committee, resolved to appoint Nordine Hachemi Chairman of the Board to ensure the management of the company, following the decision of Guy Nafilyan to terminate his office of Chairman of the Board of Directors for personal reasons.

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.

1.6. Board of Directors' Meetings and Deliberations

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 2013, the Board of Directors met eight times (the attendance rate of directors at Board meetings was 86%) as defined by Article L. 225-37 of the French Commercial Code:

- 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,
 - organization of the transition within the company's 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 the draft 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 2013,
 - amount of directors' fees – allocation for 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,
 - other items: record of vesting of bonus shares granted on February 17, 2011/grant of bonus shares;

- on **February 15, 2013**, the Board of Directors met with seven 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 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 buyback 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;
- on **April 25, 2013**, the Board of Directors met with six members attending and discussed the following agenda:
 - renewal of the term of the Chairman and Chief Executive Officer,
 - report of the Audit Committee: minutes of the meeting of April 23, 2013,
 - business activities in the first quarter of 2013,
 - financial results of the first quarter of 2013,
 - review of the revised 2013 Budget,
 - implementation of a share buyback plan;
- on **May 15, 2013**, the Board of Directors met with four members attending and discussed the following agenda:
 - dismissal of the Deputy Chief Executive Officer;
- on **June 25, 2013**, the Board of Directors met with eight members attending and discussed the following agenda:
 - report of the Compensation and Nominating Committee,
 - organization of the transition within the company's management; in this context, among other things, separation of the duties of Chairman of the Board of Directors and of Chief Executive Officer,
 - appointment of Guy Nafilyan as Chairman and of Nordine Hachemi as Chief Executive Officer,
 - adjustments to be made to the compensation of Guy Nafilyan as Chairman and Chief Executive Officer for fiscal years 2012 and 2013,
 - 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 the draft term of office agreement, approval of the Press Release,
 - appointment of Nordine Hachemi as director to replace Olivier de Vregille, who is resigning, as Vice Chairman of the Board of Directors;
- on **July 10, 2013**, the Board of Directors met with eight members attending and discussed the following agenda:
 - report of the Audit Committee: minutes of the meeting of July 10, 2013,
 - review and approval of the semi-annual Consolidated Financial Statements at May 31, 2013,
 - Update III: presentation of the revised 2013 Plan and 2014 trend,
 - proposed nomination of a new director,
 - notice of Meeting of the Ordinary Shareholders' meeting and setting the agenda and the text of the draft resolutions;
- on **September 27, 2013**, the Board of Directors met with nine members attending and discussed the following agenda:
 - report of the Audit Committee: minutes of the meeting of September 25, 2013,
 - presentation of the estimated consolidated financial data at August 31, 2013,
 - review and approval of the updated 2013 management review and the analysis of those documents,
 - report on the St-Tropez program,
 - 2008-2014 business history by agency (revenues, gross margin, etc.),
 - Commercial Property: progress and status report on the Boulogne Billancourt and Paris 13 programs.

Since November 30, 2013, the Board of Directors has met twice:

- on **January 24, 2014**, the Board of Directors met with nine members attending and discussed the following agenda:
 - report of the Compensation and Nominating Committee – Minutes of the meeting of January 16, 2014,
 - compensation of Corporate Officers and management for 2013,
 - report of the Audit Committee: minutes of the meeting of January 24, 2014,
 - review of the estimated consolidated financial data at November 30, 2013,
 - discussion of the Press release,
 - resignation of Guy Nafilyan from his office as director and Chairman of the Board of Directors,
 - amendment of Corporate governance in relation with the performance of the duties as Chairman of the Board of Directors and Chief Executive Officer,
 - nomination of Nordine Hachemi as Chairman of the Board of Directors ensuring the management of the company,
 - co-option of Alexandre Dejoie as director,
 - compensation of Corporate Officers and management for 2014,
 - amount of directors' fees – allocation for 2013,
 - approval of the 2014 budget,
 - review of management forecasts and the analysis of those documents;
- on **February 20, 2014**, the Board of Directors met with six members attending and discussed the following agenda:
 - report of the Audit Committee of February 17, 2014,
 - report of the Compensation and Nominating Committee of February 12, 2014,
 - compensation of Corporate Officers and management for 2014,
 - amount of directors' fees – allocation for 2013,
 - review and approval of the statutory financial statements at November 30, 2013 and recommended net appropriation of earnings for the fiscal year,
 - review and approval of Consolidated Financial Statements for the fiscal year ended November 30, 2013,
 - agreements referred to in Articles L. 225-38 and L. 225-42-1 of the French Commercial Code,
 - review of an agreement referred to in Article L. 225-38 of the French Commercial Code,
 - proposed nomination of a new director,
 - renewal of the share buyback program,
 - renewal of the delegation of authority for capital decreases and increases,
 - proposed grant of bonus shares to be issued,
 - notice of meeting of a Combined Ordinary and Extraordinary 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,
- assessment of the operation of the Board of Directors.

I.7. Compensation and benefits granted to 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 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. 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 is based on their attendance at meetings.

On the recommendation of the Compensation and Nominating Committee, at its meeting on February 20, 2014, the Board of Directors decided to pay directors' fees for 2013:

- for a maximum individual amount of €50,000 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 2013 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, 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.

Nordine Hachemi, Chairman and Chief Executive Officer since January 24, 2014, previously General Manager and Deputy Chairman of the Board of Directors as from July 1, 2013:

The Chairman and Chief Executive Officer receives for the office of Chief Executive Officer in which he served in fiscal year 2013 (as from July 1) annual compensation comprising fixed and variable pay. The calculation of this incentive is based on the following:

- 2/3 of its amount based on the following quantitative items, each of which was weighted: revenues, EBITDA, net debt;
- 1/3 of its amount based on qualitative items.

The Chief Executive Officer also receives, as a benefit in kind, special unemployment insurance coverage for directors and Corporate Officers (GSC).

He is also entitled to a supplemental defined contribution pension plan pursuant to the provisions of Article 83 of the French General Tax Code. In 2013, the company paid contributions to this plan of €9,875, corresponding to the annual contributions capped at 8% of gross salary, up to a maximum of eight times the Social Security ceiling.

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 Chief Executive Officer compensation for dismissal to compensate the loss suffered by the loss of his position.

In the event of dismissal, the so-defined compensation will be equal to 12 months gross fixed and variable pay for the fiscal year ended, extended to 18 months if control over the company is taken by one or more third parties acting in concert triggering the obligation to launch a public offering of the company shares.

Regardless of the date and circumstances of the dismissal, such compensation shall be payable only if the Chief Executive Officer has received or should have received in the two fiscal years preceding the termination of his term in office on average at least 70% of the maximum variable portion (excluding outperformance) of his compensation for each of the two fiscal years, as the variable portion is based on both quantitative and qualitative targets set at the beginning of each fiscal year.

In the event of dismissal prior to January 31, 2015, the Chief Executive Officer's performance and therefore the percentage of the variable part of his compensation that would have been received, will be assessed by the Board of Directors for the period from July 1, 2013 to the dismissal decision (and not for the last two fiscal years) and with respect to the quantitative and qualitative targets applicable to the relevant period, after having heard Chief Executive Officer.

It follows from the foregoing that the compensation for dismissal that may be paid to the Chief Executive Officer term [sic] is not contingent on a change of control or strategy, as recommended by the AFEP/MEDEF Code.

Moreover, in the event of Nordine Hachemi'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 average monthly 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).

On January 24, 2014, the Board of Directors appointed Nordine Hachemi as Chairman and Chief Executive Officer of the company and endorsed, upon the proposal of the Compensation and Nominating Committee of the same day, the components of his annual compensation for 2014.

The Chairman and Chief Executive Officer receives, for fiscal year 2014, annual compensation including fixed and variable pay. The calculation of this incentive is based on the following:

- 70% of the amount is based on the following quantitative elements, each subject to weighting: revenues, EBITDA, attributable net income, WCR, annual housing orders, number of Commitment Committees lots for fiscal year 2014;
- 30% of its amount based on qualitative components.

This variable compensation will be paid to Nordine Hachemi at the end of January 2015 provided that he is still with the company at that date.

Pursuant to Article L. 225-42-1 of the French Commercial Code, the provisions relating to undertakings to the benefit of the Chairman and Chief Executive Officer on the occasion of his appointment to these positions will be subject to the approval of the Shareholders' Meeting of April 11, 2014.

Guy Nafilyan, Chairman of the Board of Directors until January 24, 2014, previously Chairman and Chief Executive Officer until July 1, 2013:

For fiscal year 2013, Guy Nafilyan, received annual fixed compensation plus a variable component. The calculation of this incentive is based on the following:

- 2/3 of its amount based on the following quantitative items, each of which was weighted: revenues, EBITDA, attributable net income, WCR, annual housing orders, number of Commitment Committees lots for fiscal year 2013;
- 1/3 of its amount based on qualitative items.

To receive this variable compensation, the Chairman must remain in office without interruption until payment of such variable compensation to be paid in two payments, 2/3 in January 2014 and 1/3 in January 2015. 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.

Guy Nafilyan resigned from office as Chairman and Chief Executive Officer effective July 1, 2013 and terminated his employment contract with Kaufman & Broad while, at the same time, he retained his Board Directorship and was appointed Chairman of the Board of Directors as from July 1, 2013.

Following these changes, it was agreed to remove the employment condition and to end the deferral of the payment of the balance of Guy Nafilyan's variable compensation for fiscal year 2012, which was paid to him in July 2013.

For fiscal year 2013, considering the transition at the top of the company, the employment and the variable pay deferral conditions applicable to Guy Nafilyan have been amended. The amount of Guy Nafilyan's variable pay for fiscal year 2013 was set, based on the results of the 1st half of 2013 and on Guy Nafilyan's contribution

to the company's growth, to 100% of the compensation planned for 2013, with half paid in July 2013 and the balance paid in January 2014 provided that Guy Nafilyan has not resigned from office as Chairman of the Board of Directors prior to December 31, 2013. The variable pay for fiscal year 2013 was paid as planned, i.e., in July 2013 and January 2014.

As from July 1, 2013, as Chairman of the Board of Directors, Guy Nafilyan has received the same gross monthly compensation as previously received and continued to be entitled to the services of a secretary, a driver, the use of his office and mutual insurance.

These were to be provided until the end of his term in office which ended on January 24, 2014.

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 2013, the company paid contributions to this plan of €13,790, corresponding to the annual contributions capped at 8% of gross salary, up to a maximum of eight times the Social Security ceiling.

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.

1.8. 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 nine members, as defined in the December 2008 AFEP-MEDEF Code of Corporate Governance, as revised in June 2013. These directors are Sylvie Charles, Alain de Pouzilhac and Yves Galland.

For each nomination 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:

"Directors are independent if they do not maintain any relationship whatsoever with the company, its group or its management, that could interfere with the exercise of their independent judgment. Accordingly, Independent Director, must be understood to mean not only a non-executive director, i.e., a director that has no management-related duties within the company or its group, but also one that has no special interest relationships (major shareholder, employee, other) with them."

The criteria to be reviewed by the Compensation and Nominating Committee for a director to qualify a director as independent and to prevent any risk of conflicts of interest between the director and management, the company or its group are as follows:

- not be an employee or executive Corporate officer of the company, not be an employee or director of its parent company or of one under its scope of consolidation, and not to have been one for the previous five years;
- not be an executive Corporate officer of a company in which the company directly or indirectly has a Directorship or in which an employee designated as such or an executive Corporate officer of the company (currently or having been one within the previous five years) has a directorship;
- not be a major customer, supplier, commercial bank or financing bank of the company or its group or for which the company or its group represents a significant portion of its business.

The determination whether a relationship with the company or its group is material must be made by the Board and the criteria that have led to such determination must be provided explicitly in the Registration Document:

- not have close family ties with an executive officer;
- not have been an Auditor of the company within the previous five years;
- not have been a director of the company for more than twelve years.

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.

I.9. Operations of the Board of Directors

I.9.1. Membership

On the date of this report, the nine persons identified below are directors of Kaufman & Broad SA:

Name	Age ^(a)	Compensation and Nominating Committee	Audit Committee	Board of Directors	Years of service on the Board	Date of first election	Term of office expires ^(b)	Number of company shares held
Chairman and Chief Executive Officer								
Nordine Hachemi	52			✓	1	06/25/2013 ^(c)	2014	22 806
Independent Directors								
Sylvie Charles	54		✓	✓	2	02/16/2012	2014	250
Alain de Pouzilhac	68	✓		✓	11	04/30/2003	2014	250
Yves Galland	72		✓	✓	10	04/28/2004	2015	600
Other directors								
Sophie Lombard	44	✓	✓	✓	7	07/10/2007 ^(d)	2014	250
Frédéric Stévenin	47	✓	✓	✓	7	07/10/2007	2014	250
Lionel Zinsou	59			✓	5	09/29/2009	2015	250
Olivier de Vregille	58			✓	5	09/29/2009 ^(e)	2015	250
Alexandre Dejoie	31			✓	1	01/24/2014 ^(f)	2015	-

(a) At February 20, 2014.

(b) Approval of the financial statements for the fiscal year.

(c) The co-option of Nordine Hachemi was ratified by the Shareholders' Meeting of September 27, 2013.

(d) Note that Sophie Lombard was no longer a director of the company from January 20, 2010 to September 29, 2010.

(e) The co-option of Olivier de Vregille was ratified by the Shareholders' Meeting of September 27, 2013. Note that Olivier de Vregille was no longer a director of the company from June 25, 2013 to September 27, 2013.

(f) The co-option of Alexandre Dejoie was ratified by the Shareholders' Meeting of April 11, 2014.

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, which can be consulted on the company's website, 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 3 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 2013 at the meeting on February 20, 2014.

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 shall 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 nonetheless 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.

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

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.

The Audit Committee comprises four members appointed for their terms as directors: 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 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 internal control, Internal Audit and risk management systems, in particular the review of material 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 semi-annual 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 semi-annual 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 Financial Officer describing the Company's exposure to risks and material off-balance sheet commitments.

The Chairman and Chief Executive Officer, the Chief Financial 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 shall receive the following documents:

- 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 Financial 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 shall 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 mission of Statutory Auditor for the Company must exclude any other work not related to the legal audit, with the exception of other missions 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 administrative bodies".

II.1.6. Audit Committee Meetings

In fiscal year 2013, the Audit Committee met eight times (the attendance rate of directors of Audit Committee meetings was 85% as defined by Article L. 225-37 of the French Commercial Code):

- on **January 22, 2013**, the Audit Committee met with four members attending and discussed the following agenda:
 - internal audit: presentation of the DCI (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 Audit Committee met with three 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 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 the tests on the internal control system (DCI) at the end of the 4th quarter 2012 and 2012 annual summary,
 - other actions by the Internal Audit in 2012 – 2013 draft plan of the tests on the internal control system,

- review of management forecasts and the analysis of those documents;

- on **April 23, 2013**, the Audit Committee met with two members attending and discussed the following agenda:

- review of estimated consolidated financial data for 1st half of 2013 and review of the main potential risks identified to date,
- Internal Audit (2013 draft plan of the DCI tests),
- review of the revised 2013 budget (Update II);

- on **July 10, 2013**, the Audit Committee met with four members attending and discussed the following agenda:

- review of the estimated financial data for the first half of 2013,
- review of business activities in the first half of 2013 – review of the main potential risks identified to date,
- internal audit: presentation of the result of the DCI (Internal Control System) tests at the end of the Q1 2013 and specific items;

- on **September 25, 2013**, the Audit Committee met with four members attending and discussed the following agenda:

- review of the estimated consolidated financial data at August 31, 2013,
- presentation of revised management forecasts for 2013 and the analysis of those documents,
- report on the St-Tropez program,
- quarterly results of the DCI (Internal Control System) tests and other audit-related items.

Since November 30, 2013, the Audit Committee has met three times:

- on **December 19, 2013**, the Audit Committee met with four members attending and discussed the following agenda:

- report on the tax audit by Kaufman & Broad in relation to its subsidiary Kaufman & Broad Europe,
- report on the St-Tropez program,
- report on the procedures for recording orders;

- on **January 24, 2014**, the Audit Committee met with three members attending and discussed the following agenda:

- review of the estimated consolidated financial data at November 30, 2013,
- comments of the Statutory Auditors on the estimated consolidated financial data at November 30, 2013,
- review of the 2014 budget,
- review of management forecasts and the analysis of those documents;

- on **February 17, 2014**, the Audit Committee met with three members attending and discussed the following agenda:

- review of the notes to the Consolidated Financial Statements at November 30, 2013,
- review of the statutory financial statements at November 30, 2013 and recommended appropriation of earnings for the year,
- comments of the Statutory Auditors on the statutory financial statements at November 30, 2013,

- review of the Chairman's report on Corporate governance and internal control,
- Internal Audit:
 - results of the H2 2013 tests on the internal control system (DCI) and 2013 annual summary,
 - other actions by the Internal Audit in 2013,
 - 2014 draft plan of the tests on the internal control system (DCI).

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. Membership and Missions

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 date, the members are: Sophie Lombard, appointed at the Board of Directors' Meeting of February 17, 2011; Alain de Pouzilhac, Chairman, appointed March 6, 2007, and Frédéric Stévenin appointed 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 at 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.

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 administrative bodies".

II.2.3. Meetings of the Compensation and Nominating Committee

During fiscal year 2013, the Compensation and Nominating Committee met six times (the attendance rate of directors in the meetings of the Compensation and Nomination Committee was 94% as defined by Article L. 225-37 of the French Commercial Code):

- 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 company's 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; 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 2013,
 - grant of bonus shares – vesting of bonus shares granted on February 17, 2011 – bonus share proposals for 2013,
 - amount of directors' fees – recommended allocation for 2012;
- on **April 26, 2013**, the Compensation and Nominating Committee met with three members attending and discussed the following agenda:
 - report on the first three months of Philippe Jossé as Deputy General Manager;

- on **May 13, 2013**, the Compensation and Nominating Committee met with three members attending and discussed the following agenda:
 - recommendation on the option to pay compensation for dismissal to Philippe Jossé, Deputy Chief Executive Officer;
- on **May 15, 2013**, the Compensation and Nominating Committee met with two members attending and discussed the following agenda:
 - review of a draft settlement agreement for Philippe Jossé;
- on **June 25, 2013**, the Compensation and Nominating Committee met with three members attending and discussed the following agenda:
 - organization of the succession within the company's management,
 - identification of a new Chief Executive Officer,
 - methods for organizing the transition,
 - resignation of Chairman and Chief Executive Officer from office, separation of the offices of Chairman of the Board of Directors and Chief Executive Officer,
 - appointment of Guy Nafilyan as Chairman of the Board of Directors,
 - appointment of Nordine Hachemi as Chief Executive Officer,
 - adjustments to be made to the compensation of Guy Nafilyan as Chairman and Chief Executive Officer for fiscal years 2012 and 2013,
 - role and compensation of Guy Nafilyan as Chairman of the Board of Directors,
 - terms of exercise of office and compensation of the new Chief Executive Officer; draft term of office agreement,
 - appointment of Nordine Hachemi as director to replace Olivier de Vregille and as Vice Chairman of the Board of Directors,
 - Board of Directors' Report.

Since November 30, 2013, the Compensation and Nominating Committee has met twice:

- on **January 16, 2014**, the Compensation and Nominating Committee met with three members attending and discussed the following agenda:
 - resignation of Guy Nafilyan from his office as Board member and Chairman of the Board of Directors,
 - amendment of Corporate governance in relation with the performance of the duties as Chairman of the Board of Directors and Chief Executive Officer,
 - appointment of Nordine Hachemi as Chairman of the Board of Directors ensuring the Management of the company,
 - co-option of Alexandre Dejoie as director,
 - variable compensation of Corporate Officers and management for fiscal year 2013,
 - compensation of Corporate Officers and management for 2014, amount of variable compensation, criteria, weightings, targets, variable pay calculation table,
 - bonus share grants – proposal for 2014,
 - amount of directors' fees – recommended allocation for 2013;
- on **February 12, 2014**, the Compensation and Nominating Committee met with three members attending and discussed the following agenda:
 - compensation of Corporate Officers and management for 2014, amount of variable compensation, criteria, weightings, targets, variable pay calculation table,
 - amount of directors' fees – recommended allocation for 2013,
 - bonus share grants – proposal for 2014,
 - proposed nomination of a new director.

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 French 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 Mechanism implemented by the group's 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 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 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. Management

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 Financial 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

Since February 1, 2014, the Management Committee of Kaufman & Broad has been comprised of seven members: Nordine Hachemi, Chairman and Chief Executive Officer, Jean-François Demaris, Senior Vice President Human Resources, Bruno Coche, Chief Financial Officer, Christian Delapierre, Senior Vice President of Institutional Sales, William Truchy, Senior Vice President Regions, Jacques Rubio, Senior Vice President Southwest Region, and Bertrand Saugnac, Communication & Marketing director. 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. Real Estate Committee and Commitment Committee

These Committees are composed of the Chairman and Chief Executive Officer, the Chief Financial Officer and the Senior Vice Presidents for the regions. These Committees review each project for which a land acquisition agreement is planned.

Real Estate Committee: assessment of a real estate project from the initial concept

The Real Estate 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 director of the agency in question to continue the analysis of the real estate development project.

II.2.3. Quarterly Real Estate Operations Review Committee

Each quarter, prior to the preparation of the financial statements, management and the Finance Department review, with each Agency Director, the real estate programs that have been approved by the Real Estate 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 Financial Department meet every month to analyze the actual consolidated financial data compared to projected data, sales activity, real estate acquisitions and progress in projects in progress, newly launched projects and deliveries for the period.

II.3. Group Support Services

The departments listed below report to the Senior Vice President, Finance and Strategy and 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;
- implementing 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 Financial 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 Financial Department or the Audit Committee may also go to this department to carry out occasional audits for specific financial or accounting matters.

The 2013 audit plans are prepared by the Internal Audit director, who submits them to the Chairman and Chief Executive Officer and the Chief Financial Officer before communicating them to the Audit Committee; the prior analysis of the risks and changes in the group's environment and structure are the main focal points 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 Department

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 Department. This department is also in charge of managing the group's insurance policies.

II.3.4. Accounting and Consolidation Department

The group's Accounting and Consolidation Department has the following objectives:

- 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. Reporting and Financial 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 the Accounting and Consolidation Department 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 Financial 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 Reference Document, "Risk Factors".

II.4.2. Process for identifying and managing risks

In order to maintain the effectiveness of its Internal Control Mechanism, Kaufman & Broad's 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 (Real Estate 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 contractors;
- 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 assessment

When the company performs risk mapping, it does so based on interviews conducted with group managers and senior executives.

The risks identified were assessed using a defined grid:

- the risk is correctly controlled by the procedural mechanisms in place; or
- mechanisms 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 Management, which prioritizes and implements them.

II.5. Key elements of the internal control procedures 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

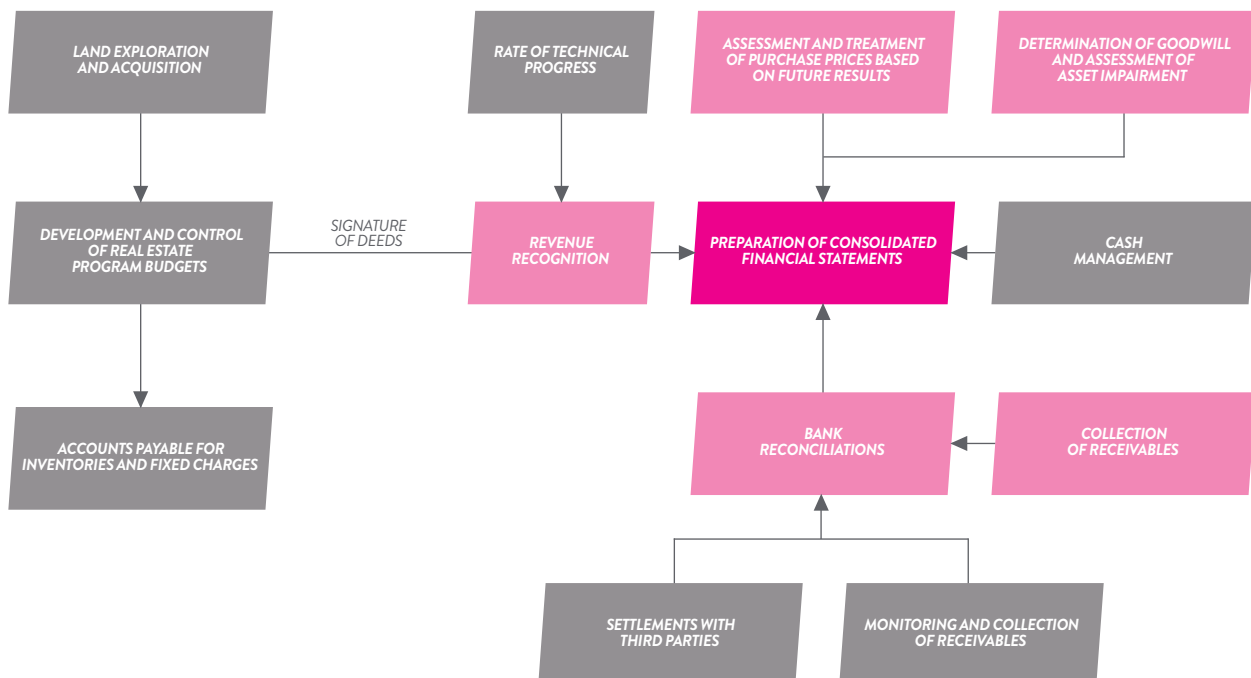
the event of any breach in the obligations stipulated in the charter. In 2004, these Internal Rules were supplemented by a user's charter covering the use of IT resources and Internet services, which was signed by all employees of the group.

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 Financial Officer and is responsible for the general coordination of the definition, development and implementation of new IT solutions; and (ii) 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 Department 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 Management and the Financial Department, which define 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 Financial Department and Management between October and January. The Financial Department and the 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 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 every month and submitted to 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. These updates are validated by Management and by the Financial 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 ten days of the last month of each quarter. On the basis of these projected results, goals are, as needed, redefined by Management.

Planning and control of the achievement of signing targets

The signing targets are approved by 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 Mechanism, 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 staff departments in charge of the Regions, prior to the quarterly closing of the accounts; they are also reviewed by the Financial Department at quarterly Committee meetings that include the Regional management and group management and the Financial Department and are held prior to the annual and semi-annual 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 Management and the Financial 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 Cash Management and Financing Department, under the responsibility of the Financial 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, 2013). The policy to manage the rate risk is established by Management on the recommendation of the Financial 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 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 Financial Department, the percentage of completion of all property programs under their management, along with an updated provisional assessment of each relevant transaction.

Each Agency Director is also required to present to the Real Estate and Commitment Committees details of any new project he 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 Mechanism

Kaufman & Broad's current internal control mechanism 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 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 CONCERNING 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 Financial Officer;
- accounting and financial information systems;
- the procedures for preparing the financial statements;
- control of commitments;
- reporting;
- the Management and Budget Control Department.

I. Accounting and finances

The Financial Department is responsible for the following:

- the definition of the group's standards and accounting doctrine;
- definition of the tax policy;
- the determination of periodic deadlines for all departments concerned in the preparation of the financial statements;
- the 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 individual and Consolidated Financial Statements in compliance with the accounting standards, principles, rules and methods in force within the group;
- an 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 Management.

The accounting and financial communications are prepared by the Director of Accounting and Consolidation under the responsibility of the Chief Financial 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 restatements to be made and the applicable timetable.

Management control and Budgets reviews the consolidated income statement prepared by the Accounting and Consolidation Department 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 Financial Officer, and submitted to the Chairman and Chief Executive Officer. When the semi-annual and annual consolidated financial accounts are closed, they are reviewed by the Audit Committee and the Board of Directors, and review (audit in the case of the annual financial statements and limited review in the case of the semi-annual 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. This guarantee is given to the seller in the amount of the earnest deposit. 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-a-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 Bond

For sales before completion, Kaufman & Broad obtains a construction Performance Bond from a mutual bond organization or insurance company, a construction completion guarantee which takes the form of a joint guarantee to the buyers or a credit agreement (Article R261-21 §a or §b of the French Construction and Housing Code). 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 Department 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 Financial Department prepares calculations of its covenants based on 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 financial department first provides the Auditors with the financial elements necessary to calculate these covenants.

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 Financial Officer.

The following documents are produced by the Financial Department:

- Registration Document, quarterly information, semi-annual financial statements and operational reports;
- financial press releases;
- presentations for financial analysts and investors.

These documents are approved by the Chief Financial 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 Information 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 sécurité 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 enterprise's internal control system; as such information does not cover said system as a whole.

Neuilly-sur-Seine, February 20, 2014

Nordine Hachemi

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, 2013, 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 Commercial Code requiring the auditors to explain the basis of their opinion, we report the following information:

- your company recognizes revenues and margins on VEFA sales (sales before completion) 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 Consolidated 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 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, February 28, 2014

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, 2013, 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 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 and 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 observations to make 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 Management Report.

Neuilly-sur-Seine and Paris-La Défense, February 28, 2014

The Statutory Auditors

DELOITTE & ASSOCIÉS
Joël Assayah

ERNST & YOUNG Audit
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, 2013

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 Most Recent 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. 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 for a period of three years, renewable by tacit agreement for one-year periods.

The signature of that agreement was authorized by the Board of Directors on July 10, 2007. The aforementioned Licensing Agreement was automatically renewed in the fiscal year ended November 30, 2012 without prior approval of the Board of Directors due to an error of omission; it was approved by the Shareholders' Meeting of April 25, 2013.

On February 15, 2013, the Board of Directors authorized the signature of an addendum to the brand Licensing Agreement signed with Kaufman & Broad Europe in order to amend the term clause and change to "indefinite term" with the option to terminate it with a 3-month notice.

2. COMPENSATION FOR DISMISSAL FOR THE DEPUTY CHIEF EXECUTIVE OFFICER (UNTIL MAY 15, 2013)

Name of executive Corporate officer concerned by it: Philippe Jossé

On December 20, 2012, the Board of Directors had appointed Philippe Jossé as Deputy Chief Executive Officer with effect from February 1, 2013 and had approved the terms of his term of office agreement, which stipulates the payment of compensation for dismissal.

This commitment was authorized by the Board of Directors on December 20, 2012. Pursuant to Article L. 225-42-1 of the French Commercial Code, said commitment was approved by the Shareholders' Meeting of April 25, 2013.

The implementation of this commitment was authorized by the Board of Directors at its Meeting of May 15, 2013. At that Meeting, the Board decided (i) to immediately terminate the office of Philippe Jossé as Deputy Chief Executive Officer for divergence of opinions; (ii) the Board of Directors also decided that the performance condition to which the payment of severance pay stipulated in the term of office agreement of Philippe Jossé, assessed in light of the targets set by the Board of Directors on January 22, 2013 and of the term of office agreement, were met and (iii) accordingly approved payment to Philippe Jossé of the compensation stipulated in said agreement, i.e., €612,500 gross.

3. NON-COMPETE COMPENSATION OF THE DEPUTY CHIEF EXECUTIVE OFFICER (UNTIL MAY 15, 2013)

Name of executive Corporate officer concerned by it: Philippe Jossé

In the event of Philippe Jossé's departure, it was provided that he would be bound by a non-compete and non-solicitation obligation, unless waived or reduced by the group. In consideration, it was stipulated that Philippe Jossé would receive, for a period of 12 months after the termination of his term in office, 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 for the length of the term if less than twelve months).

This commitment was authorized by the Board of Directors on December 20, 2012. Pursuant to Article L. 225-42-1 of the French Commercial Code, said commitment was approved by the Shareholders' Meeting of April 25, 2013.

The waiver to implement this commitment was authorized by the Board of Directors at its Meeting of May 15, 2013.

4. SUPPLEMENTAL DEFINED-CONTRIBUTION PENSION PLAN GRANTED TO THE DEPUTY CHIEF EXECUTIVE OFFICER (UNTIL MAY 15, 2013)

Name of executive Corporate officer concerned by it: Philippe Jossé

At its Meeting of December 20, 2012, the Board of Directors had authorized Philippe Jossé's eligibility for a supplemental defined-contribution pension plan under the same terms as the Chairman and Chief Executive Officer and several members of the Management Committee.

In accordance with the provisions of Article L. 225-42-1 of the French Commercial Code, that commitment was approved by the Shareholders' Meeting of April 25, 2013.

The contribution paid by the company for the Corporate officer totaled €6,913 for fiscal year 2013, which corresponds to the annual contributions capped at 8% of gross salary, up to a maximum of eight times the maximum Social Security contribution. The termination of this agreement was authorized by the Board of Directors on May 15, 2013.

5. COMPENSATION FOR DISMISSAL OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Name of executive Corporate officer concerned by it: Nordine Hachemi

At its Meeting of June 25, 2013, the Board of Directors appointed Nordine Hachemi as Chief Executive Officer as from July 1, 2013 and approved the terms and conditions of his term of office agreement which stipulates the payment of compensation for dismissal as follows:

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 Chief Executive Officer compensation for dismissal to compensate the loss suffered by the loss of his position.

The compensation will be equal to 12 months gross fixed and variable compensation for the fiscal year ended, extended to 18 months if control over the company is taken by one or more third parties acting in concert triggering the obligation to launch a public offering of the company shares.

Regardless of the date and circumstances of the dismissal, such compensation shall be payable only if Nordine Hachemi has received or should have received in the two fiscal years preceding the termination of his term in office on average at least 70% of the maximum variable portion (excluding outperformance) of his compensation for each of the two fiscal years, as the variable portion is based on both quantitative and qualitative targets set at the beginning of each fiscal year. In the event of dismissal prior to January 31, 2015, the Chief Executive Officer's performance and therefore the percentage of the variable part of his compensation that would have been received, will be assessed by the Board of Directors for the period from July 1, 2013 to the dismissal decision (and not for the last two fiscal years) and with respect to the quantitative and qualitative targets applicable to the relevant period, after having heard the Chief Executive Officer.

This undertaking was approved by the Board of Directors on June 25, 2013.

6. NON-COMPETE COMPENSATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Name of executive Corporate officer concerned by it: Nordine Hachemi

To protect the legitimate interests of the company and the group in the event of Nordine Hachemi's departure, the latter 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 average monthly 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 company however will have the option to reduce this term or release the executive from this commitment.

This undertaking was approved by the Board of Directors on June 25, 2013.

7. ADDITIONAL DEFINED-CONTRIBUTION PENSION GRANTED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Name of executive Corporate officer concerned by it: Nordine Hachemi

Nordine Hachemi will be entitled to a supplemental defined-contribution pension plan under the same terms as the Chairman of the Board of Directors and several members of the Management Committee.

The contribution paid by the company for the Corporate officer totaled €9,875 for fiscal year 2013, which corresponds to the annual contributions capped at 8% of gross salary, up to a maximum of eight times the maximum Social Security contribution.

This undertaking was approved by the Board of Directors on June 25, 2013.

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 years have remained in force over the previous year.

1. SUPPLEMENTAL AGREEMENTS TO THE SENIOR FACILITIES AGREEMENT

Directors and shareholders concerned by them at November 30, 2013: Frédéric Stévenin, Lionel Zinsou, Olivier de 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).

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 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.

This agreement, which was previously amended by Supplemental Agreements No. 2 to 7, remained in effect during 2013 and was amended by the signing of Supplemental Agreement No. 8, which was authorized in the fiscal year ended.

1.1. SUPPLEMENTAL AGREEMENT NO. 2

Supplemental Agreement No. 2 to the Senior Facilities Agreement, signed on January 23, 2009, stipulates the extension of the purpose of the line of credit for acquisitions to cover the working capital requirements 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 dividend payments for 2009, 2010 and 2011. The group will be able to pay dividends as of 2013 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 November 25, 2009, provides for the replacement of the Cash Flow coverage ratio with minimum Cash Flows and pre-payment 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 allowed 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, 2013 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, 2013.

1.7. SUPPLEMENTAL AGREEMENT NO. 8

A supplemental agreement was signed on October 17, 2013 that provided for voluntary early repayment of €40 million of term lines B and C, which took place on October 31, 2013, and also provided for the partial cancellation by €50 million of the RCF line to €52.9 million.

2. AGREEMENT ON THE COLLECTIVE PAYMENT OF VAT

Director concerned by it at November 30, 2013: 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 Savoie 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 since December 1, 2012 and allows the monthly off-set between future VAT credits of some subsidiaries and VAT owed by others.

3. SUPPLEMENTAL DEFINED-CONTRIBUTION PENSION PLAN GRANTED TO GUY NAFILYAN

Several members of the Executive Committee, including Guy Nafilyan, have since fiscal 1979 had a supplemental defined-contribution pension plan.

The contribution paid by the company for the Corporate officer totaled €13,790 for fiscal year 2013, which corresponds to the annual contributions capped at 8% of gross salary, up to a maximum of eight times the maximum Social Security contribution.

4. INTERCREDITOR AGREEMENT

Directors and shareholders concerned by it at November 30, 2013: 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 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.

5. TAX CONSOLIDATION AGREEMENT

Director concerned by it at November 30, 2013: 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 ff. 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, February 28, 2014

The Statutory Auditors

DELOITTE & ASSOCIÉS
Joël Assayah

ERNST & YOUNG Audit
Gilles Cohen

9.3.4. REPORT OF THE STATUTORY AUDITORS ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

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 the Company in accordance with Article L. 225-37 of the Commercial Code for the year ended November 30, 2013.

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
- certify 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 work in accordance with 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 perform the necessary procedures 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. These procedures 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 work, 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 confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by Article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine and Paris-La Défense, February 28, 2014

The Statutory Auditors

DELOITTE & ASSOCIÉS
Joël Assayah

ERNST & YOUNG Audit
Gilles Cohen

9.4. INDEPENDENT THIRD-PARTY REPORT ON THE CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION

To the Shareholders,

In our capacity as independent third party appointed by Kaufman & Broad SA whose accreditation application has been accepted as admissible by COFRAC, we hereby present our report on the consolidated social, environmental and societal data and disclosures for the fiscal year ended November 30, 2013, presented in the Management Report (hereinafter the "CSR data") in accordance with Article L. 225-102-1 of the French Commercial Code.

Corporate responsibility

The Board of Directors is responsible for preparing a management report that includes the CSR data and disclosures required under Article R. 225-105-1 of the Commercial Code, prepared in accordance with the standards used by the company (hereinafter the "Standards"), a summary of which is provided in the "Sustainable Development" section of the Management Report available upon request at the company's Corporate offices.

Independence and quality control

Our independence is defined by the regulatory documents, the Code of Ethics of our profession and the provisions of Article L. 822-11 of the French Commercial Code. In addition, we have implemented a quality control system that includes documented policies and procedures to ensure compliance with the rules of ethics, professional standards and applicable legal and regulatory. In addition, we have implemented a quality control process that includes documented policies and procedures intended to ensure compliance with the rules of ethics, professional standards and applicable legal and regulatory documents.

Responsibility of the independent third party

Our responsibility is, based on our work, to:

- attest that the required CSR data and disclosures have been included in the Management Report and that, in the event of omission, an explanation has been provided for that in application of the third paragraph of Article R. 225-105 of the French Commercial Code (Attestation of inclusion of CSR data and disclosures);
- express an opinion with moderate assurance that the CSR data and disclosures, as a whole, are presented in all material respects, fairly in accordance with the Standards (Substantiated opinion on the fair presentation of CSR data and disclosures).

We performed our work with a team of five people between November 2013 and February 2014 in approximately fifteen days.

We performed the work described below in accordance with the standards of our profession applicable in France, the order of May 13, 2013 defining the methods to be applied by third parties in the performance of their work and, for the substantiated opinion on the fair presentation of CSR data and disclosure, with international standard ISAE 3000⁽¹⁾.

1. ATTESTATION OF INCLUSION OF CSR DATA AND DISCLOSURES

We acquired information, from discussions with the managers of the departments concerned, the presentation of the strategies in terms of sustainable development, based on the social and environmental consequences related to the company's business and its societal commitments and, as applicable, the actions or programs resulting from it.

We compared the CSR data and disclosures presented in the Management Report with the list set forth in Article R. 225-105 of the French Commercial Code.

Where certain consolidated data and disclosures were not included, we verified that explanations were provided in accordance with Article L. 225-105 of the French Commercial Code.

We verified that the CSR data and disclosures refer to the scope of consolidation, i.e., the company and its subsidiaries as defined in Article L. 233-1 and the companies it controls as defined in Article L. 233-3 of the French Commercial Code, with the limits specified in the note on methods presented in the "Sustainable Development" section of the Management Report.

On the basis of our work and in consideration of the limits mentioned above, we hereby certify the inclusion of the required CSR data and disclosures in the Management Report.

(1) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

2. SUBSTANTIATED OPINION ON THE FAIR PRESENTATION OF CSR DATA AND DISCLOSURES

Nature and scope of the work

We conducted approximately ten meetings with the people in charge of preparing the CSR data and disclosures within the departments in charge of gathering the data and, as applicable, the managers in charge of internal control and risk management procedures, in order to:

- assess the appropriate nature of the Standards with respect to its relevance, completeness, reliability, unbiased nature, its ease of understanding, by taking into consideration, as applicable, the good practices in this sector;
- verify that gathering, compilation, processing and control procedures have been implemented with the aim to obtain complete and consistent CSR data and disclosures and learn about the internal control and risk management procedures relative to the preparation of the CSR data and disclosures.

We defined the nature and scope of the tests and controls based on the nature and importance of the CSR data and disclosures with respect to the characteristics of the company, the social and environmental stakes of its business, its strategy in matters of sustainable development and good practices in this sector.

For the CSR data and disclosures we considered as the most important⁽¹⁾:

- for the consolidating entity, we referred to documentary sources, organized interviews to corroborate the qualitative data (organization, policies, actions); we analyzed the quantitative information and verified, on a test basis, the calculation and the consolidation of the data and we also verified the consistency and correspondence with the other data and disclosures provided in the Management Report;
- we conducted interviews to verify that procedures have been properly applied and carried out detailed tests through sampling which consisted of verifying the calculations made and reconciling the data to the supporting documentation. Considering that this entire information was available at the company's Corporate offices, our tests involved 100% of the workforce and 100% of the quantitative environmental data.

We assessed the consistency of the other consolidated CSR data and disclosures based on our knowledge of the company.

Finally, we assessed the relevance of the explanations, as applicable, relative to the total or partial absence of certain information.

In our opinion, the sampling methods and the size of the samples used based on our professional judgment are sufficient basis to express a conclusion with moderate assurance; to express assurance at a higher level a more extensive verification would be required. As a result of the use of sampling techniques and other limits inherent to the operation of any information and internal control system, the risk of failing to identify a material irregularity in the CSR data and disclosures is not non-existent.

CONCLUSION

Based on our work, we have found no material irregularities indicating that the CSR data and disclosure, in their entirety, might not be presented fairly and in accordance with the Standards.

Paris La Défense, February 27, 2014

KPMG Audit
Departement of KPMG SA

François Plat
Partner

Philippe Arnaud
Partner
*Climate Change
and Sustainable Development Department*

[1] Employee-related data and disclosures: Total workforce (distribution by gender, entity, title and age). Number of temporary employees in annual full time equivalents, Number of new hires for the calendar year, Number of terminations for the calendar year, Turnover rate for the calendar year, Amount of average annual compensation by rank and gender, Rate of absenteeism by reason for the calendar year, Total number of hours of training.

Environmental data and disclosures: Use of water in the agencies, Use of electricity in the agencies, Carbon assessment (Bilan carbone) of the fleet of company cars, Carbon intensity by employee (business travel), Environmental labels and certifications for housing starts, Thermal label for the commercial offer.

Societal information: types of buyers, group dependence on its leading supplier and on its top ten suppliers, business practices and ethics.

10.**APPENDICES**

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10.1. CROSS-REFERENCE TABLE

Topics (headings in Annex 1 to European Regulation 809/2004)

1.	PERSONS RESPONSIBLE	
1.1.	Person responsible for the information contained in the Registration 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 and telephone 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	1.1.1.3./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./1.1.2.5
6.3.	Exceptional factors that have influenced the information given pursuant to items 6.1 and 6.2	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	1.1.2.4./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 income	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./1.2./1.1.2.2./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 1.1.10./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 1.1.10./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./1.4.

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./1.1.2.2./1.1.2.3.
 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./1.1.2.2./1.1.2.3.

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:
 - members of the administrative, management or supervisory bodies 3.1.1.1.
 - 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 of 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 to by the persons referred to item 14.1 on the disposal within a certain period of time of their holdings of 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 regime 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 1.6.3.
 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 ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES	
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 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	
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./9.2.8/1.3.
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 STATEMENT BY EXPERTS AND DECLARATION 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 2013 are incorporated by reference in this Registration 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' reports:	
- 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 Statutory 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.
Independent third-party report on the consolidated social, environmental and societal information included in the Management Report	9.4
Fees paid by the group to the Auditors and the members of their networks	4.1.6. Note 32/4.2.10.
Chairman's report on Corporate governance and internal control	9.2.

10.3. LIST OF PUBLICATIONS SINCE DECEMBER 2012

Annual informational document prepared in accordance with Article 222-7 of the Regulations of the *Autorité des Marchés Financiers*

Type	Date	Subject	Medium
Press release	12/20/2012	Philippe Jossé joins Kaufman & Broad as Deputy Chief Executive Officer	Internet
Press release	01/24/2013	2012 Annual Results	Internet
Press release	03/29/2013	Ordinary Shareholders' Meeting of April 25, 2013 Availability of preliminary documents	Internet
Press release	04/24/2013	First Quarter 2013 Results	Internet
Press release	04/25/2013	Ordinary Shareholders' Meeting	Internet
Press release	04/29/2013	Process of the acquisition by the company of its own shares	Internet
Press release	04/29/2013	Ordinary Shareholders' Meeting Voting results	Internet
Press release	05/16/2013	Termination of the duties of Philippe Jossé as Deputy General Manager	Internet
Press release	06/25/2013	Nordine Hachemi appointed General Manager and Deputy Chairman of the Board of Directors of Kaufman & Broad SA	Internet
Press release	07/11/2013	2013 First-Half Results	Internet
Press release	07/31/2013	Notice of availability of interim financial report	Internet
Press release	09/05/2013	Ordinary Shareholders' Meeting of September 27, 2013 Availability of preliminary documents	Internet
Press release	09/27/2013	Ordinary Shareholders' Meeting	Internet
Press release	09/30/2013	Results for the first nine months of 2013	Internet
Press release	10/02/2013	Ordinary Shareholders' Meeting of September 27, 2013 Voting results	Internet
Press release	10/29/2013	Process of acquisition by the company of its own shares	Internet
Press release	11/28/2013	Sale of office building to Boursorama	Internet
Press release	12/10/2013	Office building in the town center of Toulouse and new regional head office for Kaufman & Broad Greater ou Grand Southwest	Internet
Press release	01/27/2014	2013 annual results	Internet
Press release	01/28/2014	Process of acquisition by the company of its own shares	Internet
Presentation	01/25/2013	Presentation of the 2012 annual results	Internet
Presentation	04/25/2013	Presentation of the Combined Ordinary and Extraordinary Shareholders' Meeting of April 25, 2013	Internet
Presentation	07/12/2013	Presentation of the 2013 first half results	Internet
Presentation	09/27/2013	Presentation of the Ordinary Shareholders' Meeting of September 27, 2013	Internet
Presentation	01/28/2014	Presentation of the 2013 annual results	Internet
Report	04/02/2013	2013 Registration Document	Internet
Report	07/19/2013	2012 Sustainable Development Report	Internet
Report	07/31/2013	Half-year financial report at May 31, 2013	Internet
Legal disclosure	12/03/2012	Disclosure of trading in own shares from November 26 to 30, 2012	Internet
Legal disclosure	12/05/2012	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	12/10/2012	Disclosure of trading in own shares from December 3 to 7, 2012	Internet
Legal disclosure	12/17/2012	Disclosure of trading in own shares from December 10 to 14, 2012	Internet
Legal disclosure	12/20/2012	Kaufman & Broad EIG 2012 Greenhouse Gas Assessment	Internet
Legal disclosure	12/21/2012	Contract of mandate for Philippe Jossé	Internet
Legal disclosure	12/24/2012	Disclosure of trading in own shares from December 17 to 21, 2012	Internet
Legal disclosure	12/31/2012	Disclosure of trading in own shares from December 24 to 28, 2012	Internet
Legal disclosure	01/03/2013	Semi-annual assessment of company's liquidity agreement	Internet
Legal disclosure	01/04/2013	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	01/06/2013	Disclosure of trading in own shares from December 31, 2012 to January 4, 2013	Internet
Legal disclosure	01/14/2013	Disclosure of trading in own shares from January 7 to 11, 2013	Internet
Legal disclosure	01/21/2013	Disclosure of trading in own shares from January 14 to 18, 2013	Internet
Legal disclosure	01/25/2013	Process of acquisition by the company of its own shares	Internet
Legal disclosure	01/28/2013	Disclosure of trading in own shares from January 21 to 25, 2013	Internet
Legal disclosure	02/04/2013	Disclosure of trading in own shares from January 28 to February 1, 2013	Internet
Legal disclosure	02/04/2013	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	02/11/2013	Disclosure of trading in own shares from February 4 to 8, 2013	Internet

Legal disclosure	02/18/2013	Disclosure of trading in own shares from February 11 to 15, 2013	Internet
Legal disclosure	02/25/2013	Disclosure of trading in own shares from February 18 to 22, 2013	Internet
Legal disclosure	03/04/2013	Disclosure of trading in own shares from February 25 to March 1, 2013	Internet
Legal disclosure	03/04/2013	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	03/11/2013	Disclosure of trading in own shares from March 4 to 8, 2013	Internet
Legal disclosure	03/18/2013	Disclosure of trading in own shares from March 11 to 15, 2013	Internet
Legal disclosure	03/25/2013	Disclosure of trading in own shares from March 18 to 22, 2013	Internet
Legal disclosure	03/29/2013	Disclosure of trading in own shares from March 25 to 29, 2013	Internet
Legal disclosure	03/29/2013	Availability online of preliminary documents for the Shareholders' Meeting of April 25, 2013	Internet
Legal disclosure	04/03/2013	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	04/08/2013	Disclosure of trading in own shares from April 1 to 5, 2013	Internet
Legal disclosure	04/15/2013	Disclosure of trading in own shares from April 8 to 12, 2013	Internet
Legal disclosure	04/22/2013	Disclosure of trading in own shares from April 15 to 19, 2013	Internet
Legal disclosure	04/25/2013	Description of the share buyback program	Internet
Legal disclosure	04/29/2013	Disclosure of trading in own shares from April 22 to 26, 2013	Internet
Legal disclosure	05/03/2013	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	05/06/2013	Disclosure of trading in own shares from April 29 to May 3, 2013	Internet
Legal disclosure	05/13/2013	Disclosure of trading in own shares from May 6 to 10, 2013	Internet
Legal disclosure	05/16/2013	Termination of the duties of Philippe Jossé as Deputy General Manager	Internet
Legal disclosure	05/21/2013	Disclosure of trading in own shares from May 13 to 17, 2013	Internet
Legal disclosure	05/27/2013	Disclosure of trading in own shares from May 20 to 24, 2013	Internet
Legal disclosure	07/04/2013	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	07/01/2013	Semi-annual assessment of company's liquidity agreement	Internet
Legal disclosure	07/01/2013	Disclosure of trading in own shares from June 24 to 28, 2013	Internet
Legal disclosure	06/28/2013	Meeting of the Board of Directors of June 25, 2013	Internet
Legal disclosure	06/24/2013	Disclosure of trading in own shares from June 17 to 21, 2013	Internet
Legal disclosure	06/17/2013	Disclosure of trading in own shares from June 10 to 14, 2013	Internet
Legal disclosure	06/10/2013	Disclosure of trading in own shares from June 3 to 7, 2013	Internet
Legal disclosure	06/03/2013	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	06/03/2013	Disclosure of trading in own shares from May 27 to 31, 2013	Internet
Legal disclosure	06/03/2013	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	06/10/2013	Disclosure of trading in own shares from June 3 to 7, 2013	Internet
Legal disclosure	06/17/2013	Disclosure of trading in own shares from June 10 to 14, 2013	Internet
Legal disclosure	06/24/2013	Disclosure of trading in own shares from June 17 to 21, 2013	Internet
Legal disclosure	06/28/2013	Meeting of the Board of Directors of June 25, 2013	Internet
Legal disclosure	07/01/2013	Disclosure of trading in own shares from June 24 to 28, 2013	Internet
Legal disclosure	07/01/2013	Semi-annual assessment of company's liquidity agreement	Internet
Legal disclosure	07/04/2013	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	07/08/2013	Disclosure of trading in own shares from July 1 to 5, 2013	Internet
Legal disclosure	07/15/2013	Disclosure of trading in own shares from July 8 to 12, 2013	Internet
Legal disclosure	07/22/2013	Disclosure of trading in own shares from July 15 to 19, 2013	Internet
Legal disclosure	07/29/2013	Disclosure of trading in own shares from July 22 to 26, 2013	Internet
Legal disclosure	07/31/2013	Half-year financial report at May 31, 2013	Internet
Legal disclosure	08/05/2013	Monthly disclosure of the Kaufman & Broad voting rights approved as of July 31, 2013	Internet
Legal disclosure	08/19/2013	Disclosure of trading in own shares from August 12 to 16, 2013	Internet
Legal disclosure	09/02/2013	Disclosure of trading in own shares from August 26 to 30, 2013	Internet
Legal disclosure	09/05/2013	Availability online of preliminary documents for the Shareholders' Meeting of September 27, 2013	Internet
Legal disclosure	09/05/2013	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	09/09/2013	Disclosure of trading in own shares from September 2 to 6, 2013	Internet
Legal disclosure	09/16/2013	Disclosure of trading in own shares from September 9 to 13, 2013	Internet
Legal disclosure	09/23/2013	Disclosure of trading in own shares from September 16 to 20, 2013	Internet
Legal disclosure	09/27/2013	Disclosure of trading in own shares from September 23 to 27, 2013	Internet
Legal disclosure	10/04/2013	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	10/07/2013	Disclosure of trading in own shares from September 30 to October 4, 2013	Internet
Legal disclosure	10/08/2013	Declaration of transactions performed on Company securities	Internet
Legal disclosure	10/08/2013	Declaration of transactions performed on Company securities	Internet
Legal disclosure	10/14/2013	Disclosure of trading in own shares from October 7 to 11, 2013	Internet
Legal disclosure	10/21/2013	Disclosure of trading in own shares from October 14 to 18, 2013	Internet
Legal disclosure	10/28/2013	Disclosure of trading in own shares from October 21 to 25, 2013	Internet
Legal disclosure	11/04/2013	Disclosure of trading in own shares from October 28 to November 1, 2013	Internet
Legal disclosure	11/06/2013	Monthly information on the total number of shares and voting rights	Internet

Legal disclosure	11/12/2013	Disclosure of trading in own shares November 4 to 8, 2013. Internet	Internet
Legal disclosure	11/18/2013	Disclosure of trading in own shares from November 11 to 15, 2013	Internet
Legal disclosure	11/25/2013	Disclosure of trading in own shares from November 18 to 22, 2013	Internet
Legal disclosure	12/02/2013	Disclosure of trading in own shares from November 25 to 29, 2013	Internet
Legal disclosure	12/02/2013	Declaration of transactions performed on Company securities	Internet
Legal disclosure	12/04/2013	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	12/09/2013	Disclosure of trading in own shares from December 2 to 6, 2013	Internet
Legal disclosure	12/16/2013	Disclosure of trading in own shares from December 9 to 13, 2013	Internet
Legal disclosure	12/23/2013	Disclosure of trading in own shares from December 16 to 20, 2013	Internet
Legal disclosure	12/30/2013	Disclosure of trading in own shares from December 23 to 27, 2013	Internet
Legal disclosure	01/03/2014	Semi-annual assessment of the company's liquidity agreement	Internet
Legal disclosure	01/03/2014	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	01/06/2014	Disclosure of trading in own shares from December 30, 2013 to January 3, 2014	Internet
Legal disclosure	01/13/2014	Disclosure of trading in own shares from January 6 to 10, 2014	Internet
Legal disclosure	01/20/2014	Disclosure of trading in own shares from January 13 to 17, 2014	Internet
Legal disclosure	01/27/2014	Disclosure of trading in own shares from January 20 to 24, 2014	Internet
Legal disclosure	02/03/2014	Disclosure of trading in own shares from January 27 to 31, 2014	Internet
Legal disclosure	02/05/2014	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	02/10/2014	Disclosure of trading in own shares from February 3 to 7, 2014	Internet
Legal disclosure	02/17/2014	Disclosure of trading in own shares from February 10 to 14, 2014	Internet
Legal disclosure	02/24/2014	Disclosure of trading in own shares from February 17 to 21, 2014	Internet
Legal disclosure	03/03/2014	Disclosure of trading in own shares from February 24 to 28, 2014	Internet
Legal disclosure	03/03/2014	Monthly information on the total number of shares and voting rights	Internet
Legal announcements journal	03/18/2013	Notice of Annual Shareholders' Meeting	Les Petites Affiches
Legal announcements journal	09/09/2013	Notice of Annual Shareholders' Meeting	Les Petites Affiches
BALO	04/05/2013	Notice of Meeting	BALO
BALO	08/23/2013	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 financial year	Capital increase(s) made during the financial year	Residual amount upon the preparation of this table
Authorization to increase capital with preemptive rights ⁽¹⁾⁽²⁾	April 19, 2012	June 19, 2014	€1,400,000	None	None	None	€1,400,000
Authorization 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 award bonus shares (new or existing)	April 19, 2012	June 19, 2015	100,000 shares (representing a capital of €26,000 in existing shares)	None	None ⁽³⁾	None	0 shares

(1) The amount of this authorization is deducted from the delegation's maximum amount of €1,400,000 excluding adjustments for holders of securities and as stipulated by the Combined Extraordinary and Ordinary Shareholders' Meeting of April 19, 2012.

(2) Over-allotment (greenshoe) option under the conditions in Article L. 225-135-1 of the French Commercial Code.

(3) Because of the allocation of treasury stock to fund these plans, these plans may not result in a capital increase.

The following reports have been incorporated by reference into this 2013 Registration Document and have been formatted for the purposes of this document. Unformatted reports may be consulted at Kaufman & Broad's head office.

Board of Directors' report on share awards. Special report on stock purchase and subscription options (shareholders' meeting of april 11, 2014).
Board of Directors' report.

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 11, 2014)

See Section 5.2.3.4. "Special Report on Stock Options presented at the Shareholders' Meeting of April 11, 2014".

10.7. BOARD OF DIRECTORS' REPORT

1. BUSINESS AND FINANCIAL REVIEW CONCERNING KAUFMAN & BROAD SA

See Section 3.1. "General Information Concerning the Company".

2. BUSINESS AND FINANCIAL REVIEW CONCERNING THE KAUFMAN & BROAD GROUP

See Section 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. Interests and remuneration of Directors

See Section 3.2. "directors' Interests".

3.4. Employee participation

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 following:

- 1.6. "Environmental Information";
- 1.6. "Corporate information";
- 1.6. "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. "Ownership 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 fiscal 2006"

See Section 5.2.3.5.

Subsidiaries and equity affiliates

See Notes to the annual financial statements, Section 4.2.8. "Subsidiaries and Associates".

"Summary Table of Currently Valid Authorizations with regard to 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). 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, with the understanding that it is uncertain what portion of the backlog will be transformed into revenue, especially for orders not yet acted upon.
BBC-Effinergie	Low-Energy Consumption Building (<i>Bâtiment Basse Consommation</i>). 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 carbon 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 a function of multiplying (i) the number of housing units of a given program for which the notarized sales deeds have been signed, by (ii) the ratio between the group's property expenses and construction expenses incurred on the said program and the total expense budget for said 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 (<i>Environmental management of the operation, Clean site</i>), technical (<i>Energy – Greenhouse gas reduction, Construction segment/choice of materials, Water and Comfort, Health</i>) and information (<i>Green actions</i>).

HQE®	The HQE® (<i>Haute Qualité Environnementale</i> 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 (<i>Relationship between buildings and their immediate environment, Integration of construction process and materials, Low-pollution construction</i>); Eco-management (<i>Energy management, Water management, Construction waste management, Upkeep and maintenance management</i>); Comfort (<i>Hygrothermal comfort, Acoustic comfort, Visual comfort, Olfactory comfort</i>); Health (<i>Health quality of spaces, Air health quality, Water health quality</i>).
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. Moreover, in 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 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. With the sale-before-completion 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.

Subcontracting	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 period	The inventory take-up period is the number of months needed for the housing units available to be sold if the sales kept the same pace as in previous months, i.e. housing units outstanding (offer available) per quarter divided by the number of orders per quarter ended and with orders in turn divided by three.
Take-up rate	The take-up rate represents the percentage of initial inventory sold per month in a real estate program (sales/month divided by initial inventory); i.e., net monthly orders divided by the beginning of the period inventory ratio plus the end of period inventory divided by two. NB: The reverse of the take-up ratio (1/Te) gives the projected duration (in months) of a program’s promotion and marketing, in other words the take-up period. For example, a 4.0% take-up ratio corresponds to a projected promotion and marketing of 25 months.
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 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.

INSTITUTIONAL, LEGAL AND FINANCIAL

AFEP-MEDEF Code	The AFEP-MEDEF Code is the set of recommendations developed by the working groups of the <i>Association Française des Entreprises Privées</i> (AFEP) and the <i>Mouvement des Entreprises de France</i> (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 <i>Autorité des Marchés Financiers</i> 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 (<i>Cotation Assistée en Continu</i>) 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 for 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 Chief Executive Officer 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 <i>Société Anonyme</i> 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 Chairman 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, Corporate income tax, the cost of net financial debt, other financial expenses, impairments, if any, capital gains or losses on disposal of non-current assets, non-recurring income and expenses, income of companies accounted for by the Equity method and other estimated 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 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 fiscal 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 (H ₂ O) and carbon dioxide (CO ₂). Other common greenhouse gases are methane (CH ₄), ozone (O ₃), nitrous oxide (N ₂ O) 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 the 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 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 fiscal 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 an “amortizable” loan and/or, most frequently, an “in fine”-type loan, as well 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 therefrom 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 (<i>inventory + receivables + other operating receivables + advances received + deferred income</i>) minus Current liabilities (<i>accounts payable + tax and Social Security payables + other operating debt + prepaid expenses</i>). 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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A graphic consisting of two overlapping pink polygons, one slightly offset from the other, creating a layered effect.

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KAUFMAN  BROAD
L'AVENIR VOUS APPARTIENT